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Committee Agenda

City of Westminster

Title:	**Audit and Performance Committee**
Meeting Date:	**Thursday 2nd May 2018**
Time:	**6.30 pm**
Venue:	**Room 18.01, 18th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Ian Rowley (Chairman) David Boothroyd Robert Rigby Jacqui Wilkinson

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Andrew Palmer, Senior Committee and Governance Officer.

Tel: 020 7641 2802 Email: apalmer@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES **(Pages 5 - 16)**

To approve the minutes of the previous meeting.

4. DRAFT ANNUAL STATEMENT OF ACCOUNTS AND OUTTURN 2018/19 **(Pages 17 - 270)**

To review the draft 2018-19 Annual Statement of Accounts and outturn.

5. PENSIONS INVESTMENT AND ADMINISTRATION UPDATE **(Pages 271 - 318)**

To receive an update on any changes to pensions administration to assist Councillors in reviewing the draft Statement of Accounts for the City of Westminster Pension Fund.

6. DRAFT AUDIT FINDINGS REPORT 2018/19

To review the reports from the City Council's external auditors on the key findings arising from their audit of the Council's 2018-19 financial statements (Council and Pension Fund).

Report to follow.

7. PERFORMANCE BUSINESS PLAN MONITORING REPORT **(Pages 319 - 384)**

To monitor Quarter 3 performance results against the 2017/18 business plans.

8.	**INTEGRATED INVESTMENT FRAMEWORK 2018/19 OUTTURN** To review the Outturn Report for 2018/19 for the City Council's Investment Framework.	**(Pages 385 - 394)**
9.	**TREASURY MANAGEMENT STRATEGY OUTTURN 2018/19** To note the annual Treasury Strategy final outturn for 2018/19, and to also note cases of non-compliance.	**(Pages 395 - 406)**
10.	**REVIEW OF EFFECTIVENESS** To consider the outcomes of the following reviews: • The Chartered Institute of Public Finance and Accountancy (CIPFA) Took Kit on Effective Audit Committees; • The CIFPA Statement on the Role of the Head of Internal Audit; • The CIPFA Statement on the Role of the Chief Financial Officer; • The Public Sector Internal Audit Standards (PSIAS) Self-Assessment.	**(Pages 407 - 430)**
11.	**WORK PROGRAMME AND ACTION TRACKER** The Committee is invited to review its work programme.	**(Pages 431 - 450)**

Stuart Love
Chief Executive
24 April 2019

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CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held at 6.30pm on Tuesday 5th February 2019, Room 18.4/18.5, 18th Floor, Westminster City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Councillors Ian Rowley (Chairman), Robert Rigby, Jacqui Wilkinson and David Boothroyd.

Also Present: Richard Barker (Director of Community Services), Jeremy Beresford (LCF Manager, Corporate Finance), Paul Dossett (Grant Thornton), Kevin Goad (Director of Highways), Damian Highwood (Evaluation & Performance Manager), Martin Hinckley (Assistant Director - Revenues & Benefits), David Hodgkinson (Assistant City Treasurer), David Hughes (Shared Services Director of Audit, Risk, Fraud & Insurance), Paul Jacklin (Grant Thornton) Moira Mackie (Senior Internal Audit Manager), Tom McGregor (Director of Housing & Regeneration and Interim Managing Director of CityWest Homes), Joanne Meagher (Head of Operational People Services), Andrew Palmer (Senior Committee Officer), Mo Rahman (Planning & Performance Manager), Tasnim Shawkat (Director of Law), Rikin Tailor (Head of Corporate Finance), Ezra Wallace (Head of City Policy & Strategy).

1 MEMBERSHIP

1.1 There were no changes to Membership.

1.2 The Chairman welcomed Councillor Jacqui Wilkinson to the Committee.

2 DECLARATIONS OF INTEREST

2.1 Councillor Robert Rigby declared that he was Deputy Cabinet Member for Finance, Property & Regeneration.

2.2 Councillor Jacqui Wilkinson declared that she was Deputy Cabinet Member for Economic Development, Education & Skills.

3 MINUTES

3.1 **RESOLVED:** That the Minutes of the meeting held on 14 November 2018 be agreed by the Committee as a correct record of proceedings.

4 GRANT THORNTON: EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL AUDIT 2017/18:

4.1 Martin Hinckley (Assistant Director - Revenues & Benefits) presented the Annual Grants Certification Audit for 2017/18, which reviewed the grants claimed by the City Council. The report had been prepared by the City Council's external auditors, Grant Thornton.

4.2 The Committee noted that the Housing Benefit subsidy claim of £211 million had been the one return/claim that had been audited. A small number of errors had been identified in relation to manual adjustments; extended payments and uncashed cheques; and in Rent and Earned Income cells. Grant Thornton had recommended that the Council increase its focus or level of testing in these areas, as part of its internal quality insurance process. The Committee looked forward to next year's audit containing fewer errors; and commented on the risk of small errors combining into more significant losses. A report on the Teachers' Pension claim would be given later in the year, as part of the main Accounts Audit.

4.3 The Committee raised the potential that small errors could potentially also relate to larger errors. The Assistant Director confirmed that all errors identified resulted in larger sample checks and the District Audit producing extrapolations if appropriate.

4.4. The Committee also raised the issue of Housing Benefit fraud. The Assistant Director confirmed that fraud investigations are now undertaken by SFIS (DWP) and that it did not affect the annual Housing Benefits subsidy claim audit.

5. GRANT THORNTON PROGRESS REPORT ON ANNUAL AUDIT PLAN 2018/19

5.1 Paul Jacklin (Pension Fund Manager, Grant Thornton) and Paul Dossett (Engagement Lead, Grant Thornton) presented a report prepared by the City Council's external auditors, which set out progress to 14 January in delivering the audit of the Council's Financial Statements and Pension Fund for 2018-19. Interim work on the annual report was now being completed, and the auditors had been satisfied with the transactions that had taken place with no errors to report.

5.2 Although a sector update included in the report had not indicated any risks relating to materiality or value for money, significant risk had been identified in the Council's provision for Business Rate appeals, which were the highest in the country; and in the valuation of Level 3 investments relating to property unit trusts. The Committee suggested that the red, amber, green colour coding could be used for indicating levels of risk; and noted that the outcome of the action plan to mitigate risk would be reported at a later meeting.

5.3 Emerging national issues had included the challenging financial climate resulting from year on year funding reductions; and the need for appropriate arrangements to be in place for responding to the potential local and national implications of Brexit.

5.4 The Committee discussed the process for the valuation of building and property assets in the absence of benchmark transactions, and Rikin Tailor (Head of Corporate Finance) confirmed that investment properties were valued annually by external valuers under a prescribed methodology.

5.5 Committee Members also highlighted the possible impact on the City Council's Pension Fund if 2% of the capitalisation of large UK companies were to be lost.

6 FINANCE PERIOD 8 MONITORING REPORT

6.1 David Hodgkinson (Assistant City Treasurer) presented the period 8 finance report, which provided details of the forecast outturn in respect of revenue and capita, together with a summary by Cabinet portfolio of forecast variances, risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the Housing Revenue Account (HRA).

6.2 Revenue monitoring for period 8 had projected a net underspend of £1.697m by end of year, with net risks of £1.009m. All variances would be subject to active management through the financial year, and it was anticipated that the net risk position would be mitigated by year-end. Capital monitoring had projected an underspend in expenditure of £30.477m by the end of the year; and income was forecast to under-recover by £24.464m, resulting in a net forecast underspend of £6.012m.

6.3 The HRA revenue forecast at period 8 was for an overspend of £0.466m, compared to a budgeted surplus of £6.994m. The forecast gross capital outturn for the HRA was £119.644m, resulting in a total underspend of £30.702m compared to the budget of £150.345m. Cabinet portfolios were also projecting a net underspend of £1.697m by year-end, with net risks of £1.009m. Specific pressures were reported in areas such as parking income; family services; transport; and costs associated with unaccompanied asylum seeking children. Members suggested that the decline in parking revenue was an on-going trend, and that an acceleration in the decline could be expected following the introduction of the Ultra-Low Emission Zone, which was a traffic pollution charge scheme that aimed to reduce the exhaust gas emissions of diesel-powered commercial vehicles in London.

6.4 The Council's General Fund capital projects were currently reporting a forecast gross expenditure of £274.983m with gross income of £109.473m; against a revised gross expenditure budget of £305.460m and gross income budget of £133.937m. This equated to a net underspend of £6.012m, comprising of £30.477m on expenditure and an under-recovery of income of £24.464m. The Committee noted that the revenue surplus had been generated by higher than expected interest on investments, and asked whether this had been gained through market variations, or had been structural in allowing for a high interest rate. The Assistant City Treasurer confirmed that variances in the £780m budget always occurred at this time of year.

6.5 The Assistant City Treasurer acknowledged that some issues remained in delivering projects in the Capital Budget, as schemes that were dependent on third parties could be out of the City Council's control and subject to slippage. The Committee discussed the capital programme for Oxford Street, and highlighted concern that the project could be at risk of over-running on delivery through over-optimism in its timing.

6.6 Committee Members also discussed the revenue account and commented on the risk to property relating to lease and rent reviews, and to the assumption that backdated rents would be obtained.

Action: The Committee noted the distinction between funding from the City Council and third parties, and requested that future reports include a breakdown on the sources of funding for major projects such as Hanover Square and Jermyn Street. **(Action for David Hodgkinson - Assistant City Treasurer)**

7 QUARTER 2 PERFORMANCE REPORT

7.1 Damian Highwood (Evaluation & Performance Manager) and Mo Rahman (Planning & Performance Manager) presented the Quarter 2 Performance Report, which set out the latest outturns available at the end of the second quarter of 2018/19 (April - September 2018). Updates that were available for Quarter 3 were given at the meeting. The report provided commentary in respect of outstanding and poor performance against the City for All priorities, and where appropriate included details of remedial actions that were being taken.

7.2 The main accomplishments had included Cabinet approval of £2.5m to support the development of key work streams relating to the Oxford Street District Project; and examination results in Westminster's schools continuing to be well above national averages. The main emerging and current risks included an increase in singles approaching Housing Options as a result of the Homelessness Reduction Act; the risk that service levels could deteriorate during the process of bringing CityWest Homes services back under Council control; and the significant concerns over the new police Basic Command Unit structures.

7.3 The Committee sought clarification of how the City Council's targets for building new homes had been set, as the funding for the development of affordable housing could vary and the number and mix of properties being built could change. Ezra Wallace (Head of City Policy & Strategy) confirmed that the proposal for 2000 affordable homes by 2023 had been set after identifying sites that could deliver that target. The proposal for 1,495 homes included in the draft City Plan had been established through a methodology given by the government based on population demand for housing, and evidence of having land supply for 5 years. The draft Plan included the aspiration of 35% of the homes being affordable housing; and that the possibility of increasing building heights and opportunity areas provided the potential to increase both business and residential capacity. Committee Members discussed the discharge of duty into the private rental sector, and suggested that current arrangements for landlords to be paid £4000 to take a Westminster nominated tenancy for a year but only £1500 for a renewed further year may not achieve best value for money.

7.4 The Committee noted that the new Basic Command Unit (BCU) for Westminster was to go live in February 2019, and discussed the effect that the BCU could have on the new organisational structure being put in place for the City Council's street management and enforcement unit. The Committee agreed that Westminster's unique crime profile in areas such as the West End required significant policing resources. The Borough Commander had made a commitment to work with partners to develop the new BCU; and a Police Performance list had been made accessible to monitor police performance around response times, detection rates and crime, which would support the scrutiny process

7.5 Committee Members suggested that the social mobility referred to in the featured analysis 'Leaving Westminster' could not be measured by assuming people stayed in the same borough, as in reality only a minority of adults living in Westminster had been residents since childhood.

7.6 Other issues discussed included concerns over schools developing budget deficits following the introduction of the National Funding Formula; the strategic risk of major contracts being unable to provide services to meet health and safety obligations; ongoing funding for the My Westminster schemes; and Westminster's participation in data-sharing to inform the Local Government funding review. Committee Members also commented on the review of the Amey contracts; the possible risks associated with the reductions in the Public Health Grant; and on the Integrated Healthy Lifestyle Service.

ACTIONS:

1. That an analysis be provided on drainage conditions and defects in Westminster; and on targets for outcomes and jobs completed. **(Action for Kevin Goad - Director of City Highways)**

2. That a breakdown be provided by age group of the total participants in sport, leisure and wellbeing activities provided by the City Council. acknowledged the request for action. **(Action for Richard Barker - Director of Community Services)**

3. That details of budget deficits being developed by schools be included in future performance reports from Q3, together with details of any mitigation. **(Action for John O'Sullivan - Head of Children's Business Intelligence & Strategy)**

4. That more detail be provided on why the levels for sundry debtors since Q3 are still significantly higher than the ideal target of 5%; together with

more detail on how this is managed and migrated to ideal levels. **(Action for Martin Hinkley - Assistant Director: Revenues & Benefits)**

5. That details be given of the total number of Homes of Multiple Occupation in Westminster; together with a breakdown by Ward and confirmation whether new properties were being assessed or discovered. **(Action for Twila Grower - CMC Business & Performance Manager)**

6. That a briefing be given on the City Council's contractual agreements when Westminster's statutory housing duty is discharged into the private rented sector, in view of Westminster paying a big initial fee to landlords where, which is then reduced in subsequent years. **(Action for Ian Clarke – Performance Manager)**

7. That an update be provided on the review of the Amey contracts. **(Action for Ian Clarke – Performance Manager)**

8. That an update be provided on Public Health grant reductions, together with the nature of the risks and possible consequences. **(Action for Gary Hamilton – Head of Programme Management, Adult Social Care)**

9. That more detail be provided on the Thrive Tribe service provider and its role in supporting the Integrated Healthy Lifestyle Service. **(Action for Gary Hamilton – Head of Programme Management, Adult Social Care)**

10. That the following items be added to the Committee Work Programme for future monitoring:

    - To monitor and report back on the performance of CityWest Homes 6 months after the transition to an in-house service, and in the year-end performance report and again in the Q2 2020 report. **(Action for Mo Rahman and Damian Highwood – Evaluation & Performance)**

    - To monitor and report back on the performance of the Police Basic Command Unit for Westminster 6 months after implementation, and in the year-end performance report and again in the Q2 2020 report. **(Action for Twila Grower - CMC Business & Performance Manager)**

8 MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

8.1 Tasnim Shawkat (Director of Law and Monitoring Officer) presented the annual report on the arrangements in place and actions that had been taken to maintain high ethical standards throughout the City Council. The Committee also heard from Joanne Meagher (Head of Operational People Services) and David Hughes (Shared Services Director of Audit, Risk, Fraud & Insurance).

8.2 The arrangements for dealing with complaints alleging a breach of the Members' Code of Conduct had been reviewed by the Standards Committee in

March 2018. Following the review, the deadline for complaints involving alleged bullying, harassment or intimidation had been extended from three to six months.

8.3 Over the past year, the Monitoring Officer had considered three complaints alleging a breach of the Members Code of Conduct. One had been a service complaint, and so not pursued for investigation; while the other two did not proceed as one of the Members had ceased to be a Councillor and the other had resigned.

8.4 The Committee discussed declarations of interest, and agreed that although the receipt of gifts and hospitality by elected Members and staff, if properly registered and declared, may not violate any particular rules, it could raise reputational questions for Westminster and bring Council processes into question. Stricter monitoring would be helpful, but the Director of Law suggested that the issue was ultimately about personal judgement and of leading by example.

8.5 Committee Members also discussed staff disciplinary cases, and asked why members of staff could resign without further action being taken. The Head of Operational People Services confirmed that each case was determined on its individual merits, and that resignation could be considered the best outcome.

8.6 The Committee highlighted the importance of the anonymity and wellbeing of staff who were involved in whistleblowing, and noted that managers had received awareness training on bullying through involvement in the Westminster Way programme.

8.7 **RESOLVED**: That the annual report and actions taken to maintain high standards of ethical governance throughout the City Council be noted

9 HOUSING DIRECTORATE PERFORMANCE UPDATE

9.1 The Committee received an update from Tom McGregor (Director of Housing & Regeneration and Interim Managing Director of CityWest Homes) on the performance of the Housing Directorate for Quarter 2 of the City Council's financial year. The report included details of operational performance, contract management, complaints and risk. Initial data for Quarter 3 had been included in an appendix attached to the report.

9.2 The operating model for CityWest Homes (CWH) had been modernised in 2017 and the repairs and major works contracts relet. The changes had initially led to a collapse in service, with reputational damage resulting from unacceptable levels in customer contact handling and repairs performance. In response, a new team had been created which integrated with existing staff, and a recovery plan had been implemented. The Committee noted that significant improvements were now being made in all operational areas, and that the number of customer complaints had reduced. In September 2018, a programme of planned maintenance had been put in place which had led to a significant reduction in the number of urgent repairs, and the contractor was being encouraged to use multi-skilled workers when dealing with general repairs. CWH acknowledged that improvements were still needed in areas which included major works relating to windows; the resident engagement programme; void properties; and anti-social behaviour. The Committee commended the work of the contact centres, and noted that although complaints were still being received concerning repairs, these were mostly being made in connection with long-term cases.

9.3 Committee Members commented on the fire hazard caused by the use of balconies for storage. The Director of CityWest Homes confirmed that CWH was seeking to replace the current managed approach by implementing a 'Clean and Clear' policy of zero tolerance to anything being stored on balconies, which would be implemented in six months' time subject to consultation.

9.4 Committee Members also commented on CWH properties being located in streets as well as estates, and suggested that there could be a disconnect with residents in non-estate locations.

9.5 The Committee highlighted the need to consider how CWH could integrate with other services provided by the City Council for mutual benefit, and to save money. The Director of CityWest Homes commented that a Transition Board had been established that was chaired by the City Council's Chief Executive, and which met monthly. A programme manager who had been assigned to the Board was working with the various work streams to identify how services could be integrated, prior to recommendations being submitted to the Cabinet Member.

9.6 The Committee wished to formally record their thanks to staff within the Housing Directorate for their work in delivering the ongoing improvements.

Actions:

1. That future reports include details of repair performance in numbers, as well as percentages rather than percentages. **(Action for Tom McGregor - Interim Managing Director CWH)**

2. That details be provided of the number of properties in estates, compared to the number of properties in non-estate locations. **(Action for Tom McGregor - Interim Managing Director CWH)**

3. That the Committee receive an update on progress in implementing the 'Clean and Clear' policy for balconies. **(Action for Tom McGregor - Interim Managing Director CWH)**

4. That a further update be given on the performance of the Housing Directorate. **(Action for Tom McGregor - Interim Managing Director CWH)**

10. HAMPSHIRE COUNTY COUNCIL PARTNERSHIP AND BT MANAGED SERVICES EXIT

10.1 The Committee received an update from Dave Hodgkinson (Assistant City

Treasurer) and Jeremy Beresford (LCF Manager, Corporate Finance), on the exit from the BT Managed Services contract and transition to the new service provided by Hampshire IBC Solution. The programme had been successfully delivered on budget and timetable, with a minimal number of issues being reported.

10.2 Feedback from across the organisation had been very positive, with 80% of the organisation having engaged in the self-service functionality, and over 90% of requests having been closed by the IBC team within a week. The Committee was pleased to note that following the launch of the new service in December, the City Council's payroll run had been 99.9% accurate.

10.3 The programme was now in a period of stabilisation until March 2019, when a report would be produced setting out key performance indicators prior a new governance structure being put in place in April.

10.4 **Action:** That a letter be sent to the Leader of the City Council and Chief Executive, commending the work that had been done by the City Treasurer's department and the LCF team. **(Action for: Andrew Palmer, Senior Committee & Governance Officer)**

11 PROCUREMENT UPDATE

11.1 Jonathan Noble (Head of Procurement & Supply Chain) and Kevin Goad (Director, City Highways) submitted an update on contract performance and ongoing review of the City Council's Procurement Services. As the standing report was substantially incomplete, with only 47% of spend being matched to a contract, the report had been expanded to include some commentary and suggestions on how the data could provide an insight into the management of expenditure in providing services for residents.

11.2 Responsibility for Procurement Services had transferred to the Director of City Highways, who had initiated a 'root and branch' review of the service area and model for procurement across the City Council. The review and subsequent change programme also sought to determine how procurement could support Westminster's aspirations.

11.3 Since the commencement of the review, meetings had taken place with Westminster's Executive Directors to agree shared principles, and identify where local arrangements may be needed. A number of initial recommendations had been made and actions taken to improve performance and engagement, which included the introduction of a Procurement Services Leadership Team; and the development of a single overview of procurement activity through the Commercial Activities Register. A process had now been introduced in which every contract coming into the team was gated; and a work programme had been established with new staff brought in to support 103 projects.

11.4 The Committee noted that the performance of seven contracts had been rated below expectation, and commented on areas of consideration which had been highlighted in the report. These included there being no single forward plan of procurement activity to allow resource planning, or provide advance notice of potential opportunities to join up contracts.

11.5 The review would now move into the design stage, in which the new structure would be secured prior to further recommendations being made to enable transition into the new service.

Action: That a further report be submitted in six months, which provides a further review of progress in the new structure and work programme, and which considers key performance indicators for the new operating model. **(Action by Kevin Goad - Director, City Highways)**

12 INTERNAL AUDIT 2018-2019 PROGRESS REPORT (NOVEMBER TO DECEMBER 2018)

12.1 Moira Mackie (Senior Internal Audit Manager) and David Hughes (Shared Services Director of Audit, Risk, Fraud & Insurance) submitted a progress report on internal audit for November to December 2018. The Committee noted that during the reporting period and areas that had been audited, the City Council's Internal Audit Service had found the internal control systems for Westminster to be generally effective. Since the last report, four positive assurance reviews had been issued, and follow-up reviews for three audits had confirmed that the implementation of recommendations had been effective and fully implemented.

13 INTERNAL AUDIT PLAN 2019/20

13.1 Moira Mackie (Senior Internal Audit Manager) and David Hughes (Shared Services Director of Audit, Risk, Fraud & Insurance) presented the draft Internal Audit Plan for 2019-20, which reflected the changes in the City Council's structure and set out the key themes and areas of activity that had been planned for the forthcoming year.

13.2 The Committee commented on the current review of the Procurement Service, and on the risk of fraud arising from only half of Westminster's current contracts being on the Procurement Register. The Committee also commented on the difficulty of knowing when long-term Section 106 planning agreements would be triggered, and noted that this was not currently identified as area of concern.

13.3 The Committee noted that Corporate Anti-Fraud Service activity in the current year had been similar to that anticipated in the 2018/19 Audit Plan, and suggested that the annual report include comparative details of timelines and days expended in fraud activity, together with the outcome.

Actions:

1. That the annual report include comparative details of timelines and days expended in Corporate Anti-Fraud Service activity, together with the outcome, to establish whether the figures were similar to those

anticipated. **(Action for Andrew Hyatt – Shared Services Head of Fraud)**

2. That a briefing be provided of whether there had been any evidence of weakness to fraud, or of fraud occurring, in relation to only 47% of Westminster's current contracts being on the City Council's Procurement Register. **(Action for Moira Mackie - Senior Internal Audit Manager)**

3. That a proactive review of weakness to fraud also be applied to the transition of CityWest Homes, before the processes around the management of housing become fixed. **(Action for Moira Mackie - Senior Internal Audit Manager)**

14 WORK PROGRAMME AND ACTION TRACKER

14.1 The Committee noted the items that were on its Work Programme for the next meeting on 2 May 2019. It was agreed that future reports to the Committee would include:

(i) CityWest Homes: monitoring and report back on performance by 6 months after the transition to an in-house service; and again after 9 months; and

(ii) Police Basic Command Unit for Westminster: monitoring and report back on the performance 6 months after implementation, and again after 9 months.

14.2 **RESOLVED:**

1. That the Work Programme including the items for the next meeting on 2 May 2019 be noted.

2. That the responses to actions from the last meeting be noted.

The Meeting ended at 8.50 pm

CHAIRMAN: ______________________ **DATE** ____________________

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City of Westminster

Audit & Performance Committee

Date:	2nd May 2019
Title:	**2018/19 Annual Accounts and Outturn**
Financial Summary:	This report presents the draft Statement of Accounts for the Council and its Pension Fund and provides a narrative as to the outturn position for the financial year ended 31st March 2019
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1 The General Fund revenue position has seen a net outturn of £3.916m underspend against an approved budget of £187.641m. This compares to a Period 10 (January 2019) forecast underspend of £4.141m.

1.2 The revenue underspend will increase the Council's general reserves to £62.783m. This will increase the Council's financial resilience and ability to withstand any short term funding shortfalls that may result from the Fair Funding Review and the Spending Review.

1.3 The HRA revenue outturn is a surplus of £4.678m, against a budgeted surplus of £6.993m. HRA General revenue balances, after the funding of the capital programme, have reduced to £17.234m in line with expectations within the HRA business plan approved in March.

1.4 The general fund capital outturn represents a gross expenditure underspend of £54.858m against budget and a net underspend of £44.571m. This compares to a gross expenditure budget of £279.078m and income budget of £108.870m.

1.5 The HRA capital outturn has a variance of £12.305m (in year underspend) against a revised budget of £113.329m.

1.6 The total value of the Pension Fund as at 31st March 2019 was £1.403bn. The Fund has an allocation of 9% within property, 1% in infrastructure, 69% in equities and 21% in fixed income.

2. GENERAL FUND REVENUE OUTTURN

2.1 The table below summarises the general fund revenue position for each Cabinet Portfolio:

Cabinet Portfolio	Full Year Budget (£m)	Full Year Variance (£m)	Quarter 3 Variance (£m)
Leader of the Council	9.865	(0.028)	(0.431)
Deputy Leader, Economic Development, Education & Skills	13.189	0.604	1.024
Finance, Property and Regeneration	46.862	(5.398)	(5.118)
Family Services and Public Health	82.161	0.303	0.721
Environment and City Management	(14.539)	0.694	1.230
Public Protection and Licensing	9.047	0.299	0.000
Housing Services	23.990	0.333	0.277
Place Shaping and Planning	2.586	(0.799)	0.600
Sports, Culture & Community	2.846	(0.088)	0.000
Customer Services & Digital	11.634	0.164	0.000
NET CONTROLLABLE BUDGET	**187.641**	**(3.916)**	**(1.697)**
Council Tax	53.831	-	-
Business Rates - Net of Tarrif	133.810	-	-
CORPOARTE FINANCING	**187.641**	-	-
NET (SURPLUS)/DEFICIT		**3.916**	**1.697**

2.2 The Council has a total net underspend of £3.916m

2.3 Leader of the Council - £0.028m underspend

- Cabinet Secretariat & Member Services (£0.056m underspend) - The underspend is driven by members allowance £0.030m, careful management of staffing costs £0.010m and an underspend across a range of different non-pay budget lines £0.016m.

- Campaigns and Customer Engagement (£0.090m overspend) – The overspend is due to additional hired and contracted expenditure of £0.203m, however this is offset by an underspend on pay from careful management of staffing of £0.113m.

- City Promotions, Events and Filming (£0.336 overspend) - Despite the challenging outlook and the impact of external factors on the market, the final outturn for the service has significantly improved by comparison to what was reported to Cabinet and ELT at Period 10, £0.164m. This final position reflects additional income generated from events and filming £0.102m and a further £0.062m from the media screens at Piccadilly Underpass on account of indexation.

  In total the service has generated £3.976m, with £1.049m coming from Events and Filming and £2.927m from Outdoor Advertising.

Whilst an over-spend of £0.336m is showing against the service, this can be largely attributed to the challenging economic climate and market dependencies that have been reported throughout the year, £0.442m and the annual cost of the Trafalgar Square Christmas tree, £0.028m. However, this is partly offset by a refund of £0.134m for the overcharging of business rates.

A review of income targets will take place in April to reset the target for the service to ensure they are more aligned to current market conditions.

- Corporate Strategy & Transformation (£0.400m underspend) - The key driver for the underspend is careful management of staff costs, £0.180m. However, this is partly offset by an overspend in external spend on research £0.097m and other non-pay lines £0.007m. Staff costs were £0.028m higher than the forecast at Period 10.

- External Communications (£0.242m overspend) - The overspend of £0.242m is driven by non-pay costs of £0.226m mainly relating to WestCo, redundancy costs of £0.035m and reduced contribution income £0.053m. However, the additional income from a secondment arrangement £0.072m has partly offset the overspend. The outturn is £0.104m greater than the forecast to Cabinet and ELT at Period 10 due to higher non-pay spend compared to assumptions.

- Policy & Strategy (£0.077m underspend) - The underspend is mainly due to hired and contracted services £0.122m and several lower value underspends across different non-pay budget lines £0.025m. However, this is partly offset by an overspend on pay budgets £0.070m. Compared to the forecast reported to Cabinet and ELT at Period 10 the outturn is improved by £0.011m.

- The Lord Mayor’s Secretariat (£0.081m underspend) – The underspend is driven by careful management of staff costs of £0.107m which is partly offset by an overspend across a range of different non-pay budgets.

- The remainder of the underspend in the Leader’s portfolio is across smaller areas totalling £0.082m.

2.4 Deputy Leader, Economic Development, Education & Skills - £0.604m overspend

- Education (£0.445m overspend): The Directorate had cost pressures attributable to Passenger Transport (as a result of 18 more students being conveyed, an increase of 4.8%), Short Breaks and staffing to support children with disabilities and children with an EHCP – Educational, Health and Care Plan. Throughout the year, the Directorate outlined pressures on Passenger Transport in particular. At year-end, the Directorate had pressures of £0.250m in Passenger Transport; £0.050m in Short Breaks and £0.145m of salary related pressures.

- Libraries and Registrars (£0.159m overspend) - Libraries and Registrars are reporting an overspend of £0.159m, an increase in the overspend of £0.104m since Period 10. This largely reflects an under recovery of libraries income (£0.200m) and registrars income (£0.085m), which includes delayed delivery of the Portland Hospital onsite registration project, now expected 2019/20. Under-recovery has been partly offset by reducing expenditure, mainly library materials (£0.126m).

2.5 Finance, Property & Regeneration - £5.398m underspend

- City Treasurer's (£5.766m underspend) - As reported to Cabinet and ELT at Period 10 the City Treasurer's department achieved an over recovery of income of £5.832m in relation to interest earnings, and other minor over and underspends across the directorate make up the remainder of the outturn position.

- Legal Services (0.494m overspend) - The key drivers for the overspend are an under recovery of internal legal charges £0.196m (compared to the forecast at Period 10, the under recovery is greater, £0.059m). Legal expenditure of £0.123m was incurred from other boroughs, MTP initiative to reduce external Legal spend was not realised £0.100m and an increase in pay cost, £0.075m from the move to a Bi-Borough service model in April 2018.

- The remainder of the portfolio has other over and underspends which create the final position.

2.6 Family Services & Public Health - £0.303m overspend

Adult Family Services - £0.308m underspend made up of:

- Adult Social Care Integrated Care (£0.308m) – At year-end Adult Services reports an underspend of £0.308m against the core budget of £57.876m. This underspend results from revised placement costs due to changes in client activity and care provision during the last quarter of 2018/19. This compares to a forecast variance of £0.042m underspend at Period 10 as reported to Cabinet and ELT.

- Recent discussions with the local CCGs have highlighted the pressures faced by the CCGs. This is forcing them to review council funding as part of the Better Care Fund and hence that they will reduce funding in 2019/20 down towards the BCF minimum level. Work is being undertaken in conjunction with the CCGs to determine what the financial implications for Adults Services will be.

- All other pressures in contracts, packages and placements, supplies and services and market stabilisation have been contained within existing resources, which includes funds received such as the Adult Social Care Grant of £0.827m and Improved Better Care Fund (iBCF) of £12.317m. The intention of this Government funding is to stabilise ASC and is being deployed to fund increased pressures in contracts, packages and placements.

Public Health – nil variance, with a reduced drawdown of £15k from the ringfenced reserve in light of the following variances by service area:

- Families and Children's - (£0.285m underspend) - Underspends relating to Savings in Families and Children's services have been made through re-procuring large contracts and seeking efficiencies in delivery, particularly Children's Obesity (£0.075m) and Adult's Physical Activity (£0.209m) which has moved to the Behaviour Change team.

- Behaviour Change – (£0.097m overspend) – Although savings have been made in relation to Integrated Healthy Lifestyles, the adding-in of activity from Families and Children's makes the service show an overspend for the year.

- Sexual Health - (£0.363m underspend) - Savings have been made from genitourinary medicine (£0.242m), which offered a transformed service this year. The new service allows for self-testing and the use of a digital platform, both of which have reduced the cost of the service.

- Substance Misuse - (£0.777m underspend) – Several smaller contracts for Primary Care (£0.196m) and Group Work (£0.119m) were absorbed into the larger Core Contracts, therefore realising a saving. There has also been a reduction in the cost of detox placements (£0.228m), as well as other underspends (£0.234m).

- Salaries and Overheads – (£0.433m overspend) - An increase in the number of agency staff has led to an overspend in Public Health salaries. As the year ended the majority of agency appointments were ended.

- Where appropriate grants awarded to this directorate have been added to reserves to match the resources to future years expenditure. For example, to smooth the impact of the potential fallout of the iBCF in 2020/21.

Children's Family Services - £0.611m overspend:

- Family Services (£0.560m overspend): The Directorate had staffing and placement pressures attributable to Looked After Children demographics. The outlined UASC pressures in particular through the year, and further increased these pressures at Period 8 following the closure of the Pan London Rota. The Council have had to take on the equivalent of an additional 44 children compared to the Pan London Rota agreement of 28. At Period 10, the overspend in the Directorate was forecast as £0.400m plus £0.126m of risk relating to increased UASC numbers. This risk converted with a small additionality of £0.034m at year-end due to required use of interim social workers to manage caseloads. The placement cost pressures total £0.410m and additional staffing costs total £0.150m.

- Integrated Commissioning (£0.051m overspend): The Directorate had a minor overspend relating to interim staffing covering vacant roles in the Contracts Team.

2.7 Environment & City Management - £0.694m overspend

- City Highways are reporting a net adverse variance of £2.338m, an improvement of £0.182m compared with Period 10 as reported to Cabinet and ELT. This stems from shortfalls in Paid for Parking income (£1.647m), PCN income (£0.990m) and Road Management income (£0.300m). Additionally, there is a £0.080m overspend on Highways salaries due to the new structure being implemented part way through the year. This overspend has been offset by reductions in Parking contract costs (£0.485m), traffic order making (£0.138m) and other operating costs (£0.056m).

- Waste and Parks (£1.616m underspend) - The outturn for Waste and Parks is a £1.616m underspend, an improvement of £0.326m since Period 10. This constitutes an over recovery of commercial waste income (£1.281m), cemeteries (£0.037m) and special events income (£0.070m), plus an underspend in net operating costs of £0.228m.

- Executive Director of City Management (£0.028m underspend) - The directorate is reporting a minor underspend of £0.028m compared with a forecast to budget position at Period 10.

2.8 Public Protection and Licencing - £0.299m overspend

- Public Protection and Licensing operational outturn position is an underspend of (£0.100) against the projected outturn at PERIOD 10 as reported to Cabinet and ELT. Following a full review of the aged debt profile at year end we have provided for a prudent bad debt provision of £0.400m which has resulted in a net overspend position of £0.299m.

2.9 Housing - £0.333m overspend

- The housing operations outturn was an overspend of £0.333m against a forecast overspend of £0.140m. The forecast overspend (£0.140m) was realised relating to additional revenue costs on potential property acquisitions. The other variance movement is due higher IT recharges for the Housing Options service (£0.090m), a contribution to community halls (£0.040m) and additional running costs above available budgets (£0.063m).

2.10 Placeshaping & Planning - £0.799m underspend

- Development Planning (£0.799m underspend) - The outturn for Development Planning was an underspend of £0.799m, this is in line with the projection at Period 10 as reported to Cabinet and ELT of an underspend of £0.800m. This underspend was a result of recurring staffing vacancies within the department.

2.11 Sports, Culture & Community - £0.088m underspend

- Community Services are reporting an underspend of £0.088m, a minor £0.003m increase in the underspend from Period 10 as reported to Cabinet and ELT. This largely reflects employee cost savings through a change in the Physical Activity & Leisure Service (PALS) structure.

2.12 Customer Services & Digital - £0.164m overspend

- Information Services (£0.204m overspend) - The overspend is due to additional licence costs for Trustmarque, Microsoft Office 365 and Code Enigma of £0.212m and agency spend £0.063m largely because of GDPR. This is partly offset by an underspend of £0.065m from lower expenditure on software maintenance and £0.006m across a range of different non-pay budget lines.

- Corporate Complaints & Customer (£0.040m underspend) – the underspend is in relation to staffing costs as income has been received from RBKC for a secondment arrangement.

3. GENERAL FUND CAPITAL OUTTURN

3.1 The General Fund capital outturn is summarised below:

Cabinet Member	Approved Expenditure Budget	Approved Income Budget	P10 Expenditure Forecast	P10 Income Forecast	Outturn Expenditure	Outturn Funding	Expenditure Variance (Budget Vs Actual)
	£m	£m	£m	£m	£m	£m	£m
Deputy Leader, Economic Development, Education and Skills	12.333	(9.980)	10.237	(8.720)	9.439	(6.397)	(2.894)
Customer Services & Digital	3.872	-	3.917	-	4.710	-	0.838
Environment and City Management	29.486	(6.063)	27.643	(6.940)	22.412	(6.863)	(7.074)
Environment and City Management/Place Shaping and Planning	32.342	(30.501)	30.966	(28.779)	29.333	(26.063)	(3.009)
Family Services and Public Health	0.940	(0.291)	0.874	(0.195)	1.058	(0.330)	0.118
Finance, Property and Regeneration	116.201	(33.426)	105.466	(33.029)	103.141	(38.184)	(13.060)
Housing Services	43.918	(26.522)	34.645	(22.182)	30.584	(17.943)	(13.334)
Place Shaping and Planning	3.785	(0.560)	3.085	(0.085)	3.405	(0.577)	(0.380)
Public Protection and Licensing	1.730	(1.412)	1.572	(1.412)	1.577	(1.547)	(0.153)
Sports, Culture and Community	2.217	(0.115)	2.464	(0.507)	1.917	(0.678)	(0.300)
Cabinet Portfolio Area Total	**246.824**	**(108.870)**	**220.870**	**(101.849)**	**207.576**	**(98.583)**	**(39.248)**
Projects Funded from FCR*	32.254	-	31.838	-	16.646	-	(15.608)
Grant Total	**279.078**	**(108.870)**	**252.708**	**(101.849)**	**224.220**	**(98.583)**	**(56.856)**

3.2 In total, across the general fund the Council has had total capital expenditure of £224.220m, with funding applied of £98.583m, a total net outturn position of £125.637m. This compares to a net forecast at Period 10 of £150.859m. The total expenditure variance since PERIOD 10 is £28.5m with the majority of this being within GPH, CMC (both c£7m each) and the flexible use of capital receipts at £15m primarily related to the timing of the pension deficit payment in line with market conditions.

3.3 The funding of the capital programme is shown below:

Funding Source	Revised Funding Budget	Funding Actual
	£m	£m
Total Grant & Contributions	(108.870)	-
Central Govt Grants		(6.482)
European Structural and Investment Funds		(7.589)
Grants from GLA Bodies (Incl. TfL)		(7.937)
Grants from non-departmental public bodies		(0.215)
Affordable Housing Fund		(47.665)
Community Infrastructure Levy		(3.371)
S106 Contributions		(3.474)
S278 Contributions		(16.033)
Other 3rd Party Contributions		(4.891)
Other Contributions		(0.482)
Total Grants & Contributions	**(108.870)**	**(98.139)**
Direct Revenue Funding		(0.443)
Total Grants & Revenue Resources	**(108.870)**	**(98.581)**
Capital Receipts	**(32.254)**	**(16.646)**
Borrowing	**(137.954)**	**(108.993)**
Grand Total of Resources	**(279.078)**	**(224.220)**

3.4 The Council's general fund capital programme is categorised into 4 distinct areas – development, efficiency, investment and operational. The expenditure and funding by category is summarised in the table below:

Project Categorisation	Revised Expenditure Budget	Revised Funding Budget	Outturn Expenditure	Outturn Funding	Expenditure Variance	Funding Variance	Net Variance
	£m	£m	£m	£m	£m	£m	£m
Development	82.790	(53)	72.482	(53.867)	(10.308)	(0.376)	(10.684)
Efficiency	32.254	-	16.646	-	(15.608)	-	(15.608)
Investment	-	-	0.009	-	0.009	-	0.009
Operational	164.034	(55)	135.085	(44.716)	(28.949)	10.663	(18.286)
Grand Total	**279.078**	**(108.870)**	**224.220**	**(98.583)**	**(54.856)**	**10.288**	**(44.568)**

- Development – key projects that help the Council achieve its strategic aims, in line with City for All. This includes long term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration.

- Efficiency - these schemes are funded in accordance with the government's "Flexible use of Capital Receipts" (FCR) initiative and to qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

- Investment – One of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the on-going financing costs of the capital programme.

- Operational – The Council's operational schemes are centred on capital improvement works to the Council's operational assets, meet health and safety standards and are fit for purpose in terms of statutory guidance and legislation.

3.5 Deputy Leader – Economic Development, Education and Skills - £2.894m in year underspend

- Education (£1.427m in year underspend) - The capital programme in Education had a gross expenditure of £7.551m and underspent against its profiled budget of £8.978m by £1.427m. All of this underspend is due to re-profiling of project expenditure.

- The Education capital programme is majority funded by external sources such as grants from the Department for Education / Education & Skills Funding Agency or Section 106 / Community Infrastructure Levy.

- Enterprise (£0.644m) – There has been a delay in achieving vacant possession of Ingestre Court, which has now been resolved. This has led to an in-year underspend.

- Connect Westminster – Broadband (£0.586m) – A longer than expected installation period has led to a delay in making voucher payments, which has resulted in an underspend. However, towards the end of the financial year the uptake in vouchers has increased.

- Other in year underspends, primarily across libraries account for the remaining £0.237m of reprofiling.

3.6 Digital & Customer Services - £0.838m overspend

- The overspend is driven by End User Computing £0.922m which is due in part to laptop specification being higher than plan, but largely because of brought forward purchasing of devices to take advantage of the £0.150m discount offered by Microsoft. In 2019/20 there is an approved capital budget of £0.990m and due to bring forward procurement the full capital budget is not expected to be consumed.

- The overspend is partly offset by an underspend on other smaller capital projects within Information Services. There is an underspend of £0.042m against the Data Centre project as the in-year requirements were less than previous assumptions. No additional software licences were purchased, which saved £0.050m for Corporate Software Licences project. Data Network Refresh was underspent by £0.056m due to less replacing equipment required for this year. Core Departmental Applications shows an overspend position of £0.024m due to an increased capitalisation of staffing costs on previous forecasts.

3.7 Environment & City Management - £7.074m in year underspend

- Cathodic Protection System – Harrow Road (0.798m)– Part of the Elevated Harrow Road Bridge is enclosed by a building known as the Battleship Building, the soffit of the bridge is within the building footprint, so sections of the cathodic protection system can only be accessed through the building. Gaining access to the building and working around tenants occupying the space resulted in delays to the programme. The condition of the concrete forming parts of the bridge was also found to have unexpected voids in it, these voids had to be filled in order to ensure the new cathodic protection system would work properly.

- Piccadilly Underpass (£0.905m) – Additional works to identify fire prevention measures are now required. This necessity has made the feasibility studies more complex. As a result, implementation has been re-phased to 2019/20.

- Planned Preventive Maintenance (£1.179m) – Out of a gross budget of £13.982m, expenditure of £1.179m has been reprofiled to 2019/20. This will allow, subject to member approval, for the funding of works at Portland Square.

- Waste Fleet (£0.712m) – The retro-fit of the waste fleet, necessitated by ULEZ requirements, has been delayed by delivery of the parts taking longer than expected. Hence some of this work will now be undertaken in the early part of 2019/20.

- Sherwood Street Footway Widening (£0.570m) – Commencement of work has been delayed by the survey and design stage taking longer than planned. Therefore, this scheme will now take place in 2019/20.

- Harrow Road / Ladbroke Grove (£0.457m) – TFL have not yet approved the scheme so the works have been rescheduled for 2019/20.

- Other (£2.453m) – Several schemes of which are reliant on external factors such as a TFL approvals and agreements with external partners to proceed totalling £1.5m (Victoria Embankment Sturgeons, Thayer/Mandeville Street, Strutton Ground). The remaining £0.953m is due to the work taking longer than expected to complete and with completion in early 2019/20.

3.8 Environment and City Management/Placeshaping and Planning - £3.009m in year underspend

- Baker Street Two Way (£0.558m) – This scheme has underspent in 2018/19 due to the work taking longer than expected to complete. The current stage of this project is now scheduled to finish June 2019.

- Berkeley Square North (£0.661m) – Delays in this project mean implementation has only just started. Consequently, the substantial element of the work will occur in 2019/20.

- Bond Street (£0.609m) – £0.609m of expenditure has been reprofiled to 2019/20 due to ongoing issues with Crossrail implementation. This has limited access to the site, so the next phase of the scheme has had to be reprogrammed for 2019/20.

- Ceremonial Streetscape (£0.631m) - Some of the more complex designs put forward are still awaiting the necessary planning permission from Historic England. Once approval has been granted, these schemes will commence in 2019/20.

- Other (£0.550m) – A number of schemes have moved in scope and design as requested by external developers, resulting in revised delivery dates in 2019/20.

3.9 Family Services & Public Health - £0.118m overspend

- The portfolio has an overspend on the Adults capital programme of £0.039m related to the acquisition of a home for a Learning Disability client as well as an overspend of £0.079 on the remodelling of an Early Help centre with Children's Services.

3.10 Finance, Property & Regeneration - £13.060m in year underspend

- Refurbishment of Lisson Grove Offices (£4.875m) – The budget in 2018/19 relates to the refurbishment of Lisson Grove Offices. The procurement process for the main contractor will take longer than originally programmed, delaying the project. It is now expected to commence in 2019/20.

- City Hall Major Refurbishment (£3.816m) – The refurbishment of City Hall is now complete, and staff have reoccupied the building. The final account for the main contract was lower than previously forecast. In addition, the budget included a contribution towards tenant's fit out costs which will not be incurred until after the lower floors are leased, forecast for next financial year.

- Beachcroft (£2.342m) – Beachcroft is now on site and under construction. The underspend is due to the appropriation of land from the HRA to the General Fund. Appropriation costs do not show as capital expenditure but are included in the budget, to ensure the project is fully costed, and then reported as underspend.

- Dudley House (£1.159m) – The project achieved practical completion on the school this financial year, opening as planned in time for the new school year. Construction continues on the residential units which will complete mid 2019/20. The in-year underspend relates to retention payments which have been reprofiled into future years.

- Church Street Green Spine (£0.737m) – Ongoing negotiations with UK Power Networks and a cost review has delayed commencement of the project, resulting in an in-year underspend.

- Other minor underspends of £0.131m total the remainder for this portfolio.

3.11 Housing - £13.334m in year underspend

- TA Purchases In-borough/Out of Borough (£6.794m) – Expenditure on TA purchases is driven by the availability of suitable properties for sale, which has fallen in 2018/19. In addition, the average cost of acquisitions has fallen. Both factors have led to an underspend against budget.

- Housing Investment Fund (£4.000m) – The final payment in the £15m investment was anticipated to be made in this financial year. However, the £4m payment will now be due in April 2019.

- Affordable Housing Fund (£2.540m) – A change in funding requirements for Westminster Community Homes' schemes has resulted in an in-year underspend. Payments are expected to be made in early 2019/20.

3.12 Placeshaping & Planning - £0.380m in year underspend

- The in year underspend within this portfolio is related to a number of small public realm/Placeshaping schemes.

3.13 Public Protection and Licencing - £0.153m in year underspend

- Sanctuary scheme (£0.087m) – As a result of changes in the eligibility criteria, there have been delays in processing grants supporting domestic violence cases. This has resulted in an underspend in 2018/19.

- Other variances on smaller projects of £0.066m make up the total for the portfolio's overall in year underspend.

3.14 Sports, Culture & Community - £0.300m in year underspend

- Moberly Sports Centre Redevelopment (£0.513m) – The Moberly Sports Centre opened this financial year and work on Jubilee Phase 2 is expected to start in 2019/20. The underspend relates to costs reclaimed from developer who have fully utilised the loan facility provided to them by the Council.

- Paddington Rec Ground Improvements (£0.213m, overspend) – An acceleration of this scheme resulted in commencement of work in 2018/19. The overspend will be funded by the Community Infrastructure Levy.

3.15 Flexible Use of Capital Receipts (FCR) – £15.608m in year underspend

- FCR has had an in year underspend of £15.608m. This is primarily related to the timing of the pension's deficit payment and slippage on the City Hall Refurbishment revenue costs.

4. HRA REVENUE & CAPITAL OUTTURN

4.1 The HRA revenue outturn is an overall surplus of £4.678m, this is an adverse variance of £2.315m from budget. General revenue balances, after the funding of capital programme, have reduced to £17.234m in line with expectations within the HRA business plan approved in March.

4.2 The variance included £3.2m of adverse expenditure variances and a positive £0.890m variance on income. The significant contributing factors are outlined below.

4.3 Overall rental income had an adverse variance of £0.931m due to higher void levels of 2.77% against a budget of 1% across the year. The dwelling and non dwelling rental income variance of £1.135m was offset by higher commercial and other income of £0.204m.

4.4 A one-off item of income was received in year from the settlement of a previous dispute with a contractor of £1.5m. Additional investment income of £0.155m and other miscellaneous items contributed to the balance of £0.123m

4.5 Management costs on estate offices (£0.450m) and estate halls (£0.150m) were higher than budgeted. Revenue expenditure on regeneration schemes was £0.436m higher than budgeted due to the increased activity on large schemes this year. Depreciation was £0.925m higher than budgeted due to movements in HRA non-dwellings. Recharges for the Housing Options service £0.491m were higher than budgeted after detailed review during the year. Corporate recharges for support services were £0.317m higher than budgeted and total repairs costs were £0.272m overspent due to additional costs for temporary boiler work. Other minor variances totalling £0.159m made up the balance.

4.6 The gross capital expenditure outturn for the HRA is £101.024m a total variance of £12.305m compared to the revised budget of £113.329m. This is split between Major Works of £49.043m, Housing Regeneration of £17.620m and Other Projects of £34.362m.

4.7 The outturn for Major Works is an overspend of £3.471m. The majority of this is from External repairs and decorations where final settlements of works came in higher than forecast resulting in an overspend of £5.748m. This was offset by underspends in other areas such as External works and laterals of £2.762m due to lower than forecast final settlements and delays to the finalisation of client briefs. A combination of other variances contribute to the remaining underspends of £0.485m.

4.8 The outturn for Regeneration is an underspend of £13.448m. The majority of this is on acquisition programmes related to major schemes. The ability to spend these budgets is heavily influenced by when suitable properties become available and when they are required to progress the projects. The acquisition budget for Ebury was underspent by £7.260m and Church Street by £4m. The balance of £2.188m was spread over the schemes with no individual variances being over £1m.

4.9 Other Capital projects within the HRA had an outturn of £2.328m underspent. This is due to a revision of the payments due on West End Gate which resulted in a £1.056m underspend. The small sites programme had an overall underspend of £1.719m due to scheme contingencies not being required and some expenditure being reprofiled to 2019/20. An overspend of £0.476m on the self-financing programme resulted from an acquisition which had not been forecast to complete in year being brought forward.

5. PENSION FUND

Fund Account

5.1 The value of the Council's Pension Fund increased by £77m over the course of the year, rising from £1.336bn in 2017/18 to £1.413bn in 2018/19. The table below summarises the major elements that comprise this net change.

2017/18		2018/19
£'000		£'000
58,868	Members Contributions Directly Paid in	61,242
(57,350)	Benefits Paid and Transfers Out	(58,190)
(5,734)	Management Expenses	(5,823)
15,785	Investment Income	12,242
56,708	Investment Returns	67,286
68,277		**76,758**

5.2 As part of the deficit recovery plan, increased contributions paid into the Fund have resulted in the Fund returning to a positive cash flow (contributions versus pensions paid) of £3m, meaning that investments no longer need to be sold to fund pension payments in the financial year. Deficit Recovery contributions for 2018/19 totalled £24.743m.

5.3 Management costs have slightly risen by 1.6% in the year, largely due to the increased value of the Fund over the year resulting in higher management fees. It is expected with further transitions of assets in to the London CIV pool company that further cost savings on management fees will be made going forward.

5.4 The Fund has seen a decrease in investment income of 22%; this is due partly to the transfer of segregated bond assets to a global buy and maintain pooled fund, which has impacted on the way in which income is distributed.

5.5 The Fund has continued to benefit from strong equity markets and a large asset allocation to this area; the total increase in assets available to pay benefits saw a 5.8% increase in 2018/19.

Net Asset Statement and Liability

5.6 The Pension Fund defined benefit obligation has fallen by £35m, this is largely due to the fair value of scheme assets rising by £67m in light of favourable equity market conditions. This increase in scheme asset values has been slightly offset by an increase in the present value of promise retirement benefits of £32m due to changes in the financial assumptions, including higher inflation and salary levels, coupled with pension increases and a reduction in the discount rate.

2017/18		2018/19
£'000		£'000
(2,014,651)	Present Value of Promised Retirement Benefits	(2,046,789)
1,335,977	Fair Value of Scheme Assets (bid value)	1,402,762
(678,674)	**Net Liability**	**(644,027)**

5.7 An analysis of the £1.413bn net assets shows is shown below:

2017/18 £'000		2018/19 £'000
183,879	Bonds	-
150	Equities	150
1,129,276	Pooled Investment Vehicles	1,396,690
337	Futures & Foreign Exchange	-
2,790	Income Due	120
13,218	Debtors	-
10,321	Cash Deposits	5,802
(229)	Investment Liabilities	-
(9,663)	Amounts Due for Purchase investments	-
6,728	Other Current Assets	11,293
(831)	Other Current Liabilities	(1,321)
1,335,976		**1,412,734**

6. TREASURY

6.1 As at 31 March 2019, net cash invested was £506m, a decrease of £235m on the position at 31 March 2018 as shown below:

	31 March 2019 (£m)	31 March 2018 (£m)
Total Borrowing	(223)	(251)
Total Cash Invested	729	992
Net Cash Invested	**506**	**741**

Investments

6.2 The Council's Annual Investment Strategy which forms part of the annual Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by the Council on 6 March 2019. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.

6.3 The table below provides a breakdown of investments, together with comparisons for the previous financial year end.

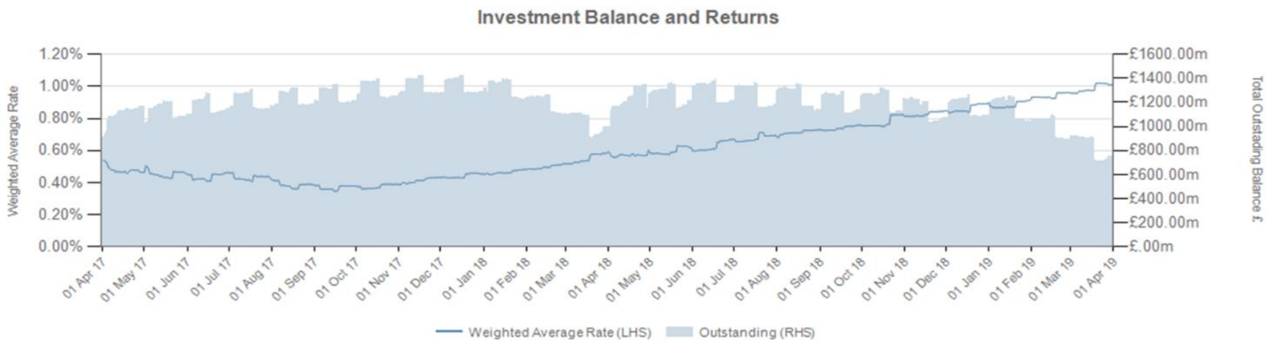
	Investment Balance 31 March 2019 (£m)	Investment Balance 31 March 2018 (£m)	Movement
Money Market Funds	59.7	129.6	-69.9
Notice Accounts	89.5	89.3	0.2
Term Deposits	465.0	385.0	80.0
Tradeable Securities	114.8	336.1	-221.3
Enhanced Cash Funds	0.0	52.2	-52.2
Total:	**729.0**	**992.2**	**-263.2**

6.4 Liquid balances are managed through Money Market Funds providing same day liquidity. Cash has been invested in alternative and less liquid instruments, particularly term deposits and tradable securities. The average level of funds available for investment in 2018/19 was £1.172m.

6.5 Daily investment balances have steadily decreased from £992.9m at 1 April 2018 to the current £729.0m.

6.6 The Bank of England reduced the Base Rate in August 2016. However, since the latter half of 2017, rates have steadily improved. This is due to the November 2017 and August 2018 Bank of England base rate increases.

6.7 Although surplus cash for investment has reduced, cash has been invested with higher interest rate paying counterparties. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.



6.8 All investment limits specified in the 2018/19 investment strategy have been complied with except for two instances of cash balances received after close of banking business:

- £1.171m on 3 April 2018.
- £23.686m on 25 May 2018.

6.9 The original/ budgeted average balance for 2018/19 was £1.2 billion. The actual average investment balance for the year was £1.172 billion. The average investment balance peaked in June 2018, reaching £1.294 billion and then fell to £729.0 million at 31 March 2019.

The table below shows the actual investment income and expenditure achieved in the year, the budget and the variance.

	Budget £000	Actual £000	Variance £000
Investment Income	-5,575	-11,148	-5,573
Interest Payable	12,293	10,626	-1,667

Borrowing

6.10 At £223m, the Council's borrowing was well within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated capital financing requirement (CFR) for 2018/19 of £724m. The final CFR for 2018/19 was £755m.

6.11 Currently, the Council is "under borrowed" by £532m because it has used internal resources to fund capital expenditure.

6.12 The table below shows the details around the Council's external borrowing as at 31 March 2019, split between the General Fund and HRA.

Total Borrowing	31 March 2018 (£m)	31 March 2019 (£m)
HRA	226	196
General Fund	25	27
Total Borrowing	**251**	**223**

6.13 The breakdown of the existing loans is shown below:

Borrowing Type	Loan Balance 31 March 2018 (£m)	Loan Balance 31 March 2019 (£m)	Movement
PWLB	181.04	151.04	-30.00
LOBO	70.00	70.00	0.00
Mortgage Annuity	0.23	0.19	-0.04
Greater London Authority	0.00	2.00	2.00
Total:	**251.27**	**223.23**	**-28.04**

6.14 A HRA loan of £30m has matured in August 2018 which was costing 9.75% interest per annum.

7. CORE STATEMENTS

Balance Sheet

7.1 The balance sheet in the table below show that the Council's net assets have increased by £467m.

1 April 2017 Restated	31 March 2018 Restated		Note	31 March 2019
£'000	£'000			£'000
		ASSETS		
		Non-current		
2,091,617	2,367,005	Property, plant and equipment	Note 18C	2,775,096
42,746	42,846	Heritage assets	Note 19	42,846
454,840	385,314	Investment property	Note 20	472,825
1,077	875	Intangible assets		724
28,886	17,433	Long-term investments	Note 21A	25,150
15,229	38,015	Long-term debtors	Note 26	67,604
2,634,395	**2,851,488**	**Total long term assets**		**3,384,244**
		Current		
742,980	864,800	Short-term investments	Note 21A	673,751
179	94	Inventories		101
73,369	93,842	Short-term debtors	Note 26	153,267
170,302	161,238	Cash and other cash equivalents	Note 21B	67,978
2,250	-	Assets held for sale		-
-	40,000	Investment property held for sale		-
989,080	**1,159,974**	**Current assets**		**895,097**
1 April 2017 Restated	31 March 2018 Restated		Note	31 March 2019
£'000	£'000			£'000
		LIABILITIES		
(2,069)	(32,069)	Short-term borrowing		(2,486)
(469,035)	(629,411)	Short-term creditors	Note 27	(371,176)
-	-	Short-term provisions	Note 28	(685)
(8,341)	(5,635)	Revenue receipts in advance	Note 13	(3,643)
(479,445)	**(667,115)**	**Total current liabilities**		**(377,990)**
		Long term		
(204)	(2,917)	Long-term creditors	Note 27	(4,321)
(121,504)	(81,451)	Provisions	Note 28	(144,150)
(251,269)	(221,230)	Long-term borrowing		(222,521)
(786,898)	(710,551)	Other long-term liabilities	Note 29	(720,187)
(89,789)	(71,490)	Capital receipts in advance	Note 13	(86,180)
(1,249,664)	**(1,087,639)**	**Long-term liabilities**		**(1,177,359)**
1,908,287	**2,257,128**	**Net assets**		**2,723,991**
(578,267)	(641,414)	Total Usable Reserves		(824,344)
(1,316,099)	(1,615,294)	Total Unusable Reserves	Note 16B	(1,899,648)
(1,894,366)	**(2,256,708)**	**Total Reserves**		**(2,723,991)**

7.2 This increase in net assets is primarily due to an increase in long term assets, namely Property, Plant and Equipment and Investment Properties. This is in line with the latest valuations of our property portfolio and the expenditure the Council has incurred on the capital programme, which is higher than in previous years. The net asset position is further enhanced by the reduction in creditors, which has reduced significantly as a result of Council's final Business Rates position in line with statutory reporting requirements.

Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS)

7.3 Local government accounting requires the production of a comprehensive income and expenditure statement and movement in reserves statements, using international accounting standards. The movement in reserves statement is designed to adjust for technical transactions such as depreciation.

7.4 A reconciliation of the CIES with budget monitoring is shown below

	General Fund Balance £m	Housing Revenue Account £m	Total £m
Surplus of Provision of Services (CIES)	126.200	11.104	137.304
Technical Accounting Adjustments (MiRS)	(7.545)	(28.405)	(35.950)
Use of Earmarked Reserves	(114.739)	9.169	(105.570)
Net Surplus against Budget	3.916	(8.132)	(4.216)

7.5 The technical accounting adjustments consist of movements for:

- Neutralisation of depreciation
- Revaluation gain/losses for the Council's property portfolio
- The transfer of capital grants to the capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustment to the Pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charged to Council Tax.

Cash Flow Statement

7.6 There was a £93m decrease in the Council's cash and cash equivalents (investments that mature in no more than three days) falling to £67.978.

2017/18		Note	2018/19
£'000			**£'000**
(155,561)	Net surplus/(deficit) on the provision of services		137,306
(226,796)	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 31	207,430
126,636	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 31	(146,530)
(255,721)	**Net Cash Flows from Operating Activities**		**198,206**
288,750	**Net Cash Flows from Investing Activities**	Note 32	**38,697**
(23,965)	**Net Cash Flows from Financing Activities**	Note 33	**(330,164)**
9,064	**Net increase/(decrease) in cash and cash equivalents**		**(93,261)**
170,302	Cash and cash equivalents at the beginning of the reporting period		161,238
161,238	**Cash and cash equivalents at the end of the reporting period**		**67,977**

7.7 The decrease in the Council's cash position is mainly due to expenditure incurred as part of the Council's capital programme and an outflow of expenditure for financing activities. Furthermore, the Council's reduction in creditors resulting from it's NNDR position creates a reduction in cash as sums are paid to the GLA. However, it should be noted that with investments of c£700m the Council are still in a healthy cash position.

8. CONCLUSION

8.1 Westminster City Council is a complex organisation in terms of its broad range of services and this is illustrated in its financial complexity as well. However, the Council is generally in a healthy position as at the end of the 2018/19 financial year with an appropriate level of general reserves for an organisation of this side and breadth. However, local government finances, have been and will continue to be in a period of uncertainty with key reviews coming forward that will have a significant impact on the Council. This includes the Fair Funding Review, Spending Review and Adult Social Care green paper. All of these reviews could have an adverse impact on the Council's finances and may therefore require the Council to draw down on its reserves in the short term.

8.2 In addition to the aforementioned reviews, the one financial factor that sets the Council apart from other local authorities in the country is the level of business rates it collects – approximately 8% of the total in the country. This can both have benefits and disadvantages and it is important to note that a strong reserves position also helps to smooth out fluctuations in business rates which can be a significant number for Westminster.

Annual Accounts

Westminster City Council • 2018/19


DOMINE·JESU·REX·ET·REDEMPTOR
PER·SANGUINEM·TUUM·SALVA·NOS

Contents

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

1. Preface

Member Preface

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

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

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

Headlines of our achievements in the year include:

- Remaining on course to build more than 1,850 new affordable homes by 2023.
- Hiring former rough sleepers to help the street population thanks to the generosity of Westminster residents who contributed to the Community Contribution Fund.
- Helping 750 Westminster adults back into work.
- Ensuring more than 800 older residents continue to lead independent lives in their own homes.
- Opening creative hubs in areas like Paddington to give a boost to local entrepreneurs.

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

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

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

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

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

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

Annual Governance Statement 2018/19

INTRODUCTION

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

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

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

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

KEY ELEMENTS OF THE COUNCIL’S GOVERNANCE FRAMEWORK

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

Council, Cabinet and Leader

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

Decision making

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

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by ELT every quarter
- Monitoring financial outcomes/governance of group companies and key partnerships

Scrutiny and review

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

Executive Leadership Team (ELT)

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

REVIEW OF EFFECTIVENESS

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

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

Annual Governance Statement (continued)

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

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

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

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

Appendix 1 The CIPFA/SoLACE Framework

Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law
At Westminster, Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Executive Director both have specific responsibilities to ensure that Council decisions meet legal requirements.
Principle 2 - Ensuring openness and comprehensive stakeholder engagement
The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The annual City Survey informs community engagement strategies as well as service and budget priorities. The Council publishes a quarterly magazine and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube.
Principle 3 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
The strategic vision for Westminster is set out in City for All. To deliver this Vision the Council defines specific outcomes and performance indicators for each service area. More specific strategies focus on sustainability and the environment e.g. the Greener Action Plan and Air Quality Strategy, and the Council carries out environmental impact assessments before undertaking major works.
Principle 4 - Determining the intervention necessary to achieve intended outcomes
A Quarterly Performance report tracks the performance of all Council activities in terms of key performance indicators and delivery of City for All pledges. The report also highlights remedial actions being taken where slippage does occur. Senior Management and Members (via Scrutiny committees and the Audit and Performance Committee), ensure the Council remains focussed on achieving its agreed objectives and priorities.
Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council
A key element of the Council's service planning is to maximise the investment in staff through staff training, e.g. Westminster Way leadership academy, to develop leaders of the future. This year the focus for the council has been to drive excellence and innovation. To achieve this, the council has introduced a personal development framework, based on several key themes. All council employees are encouraged to use these themes to identify areas of development.
Principle 6 - Managing risks and performance through strong internal control and financial management
Corporate risk registers are updated quarterly, with significant risks brought to the attention of senior management and members. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and producing annual accounts within 4 working days of the year end.
Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
The Council follows the Government Communication Service guidance on providing clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. Minutes of meetings, key decisions, registers of interests, gifts and hospitality and all items of expenditure and contracts awarded over £500 are published on the Council's website.

Annual Governance Statement (continued)

CONCLUSION

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

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

Cllr Nickie Aiken
Leader of Westminster City Council

Stuart Love
Chief Executive of Westminster City Council

2.

Written Statements and Executive Director's Narrative Report

Executive Director's Narrative Report

1. WESTMINSTER AS A PLACE

Westminster is the UK's political and cultural centre, containing world-renowned theatres, restaurants, hotels and entertainment. Businesses in the city generate £55bn of the UK's economic output, more than any other single local authority area. Westminster is a unique place, home to Monarchy, Government, and over 11,000 listed buildings as well as the West End and Soho, two of the most creative and exciting locations in the world. Westminster is also home to nearly a quarter of a million people, living in distinctive and well-known neighbourhoods, which are an important part of this great city.

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

2. WESTMINSTER CITY COUNCIL

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

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

Localisation was introduced to replace lost grants and subsidies with retained Business Rates income. The Council is currently part of the London Business Rates Pilot Pool which has allowed 100% growth retention across London this year and 75% next year. The Council will benefit from increased commercial development but also carry a greater level of risk associated with lost income from empty properties, rates relief defaults and late payments.

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

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

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

3. FINANCE AND RESOURCES

Delivering a City for All

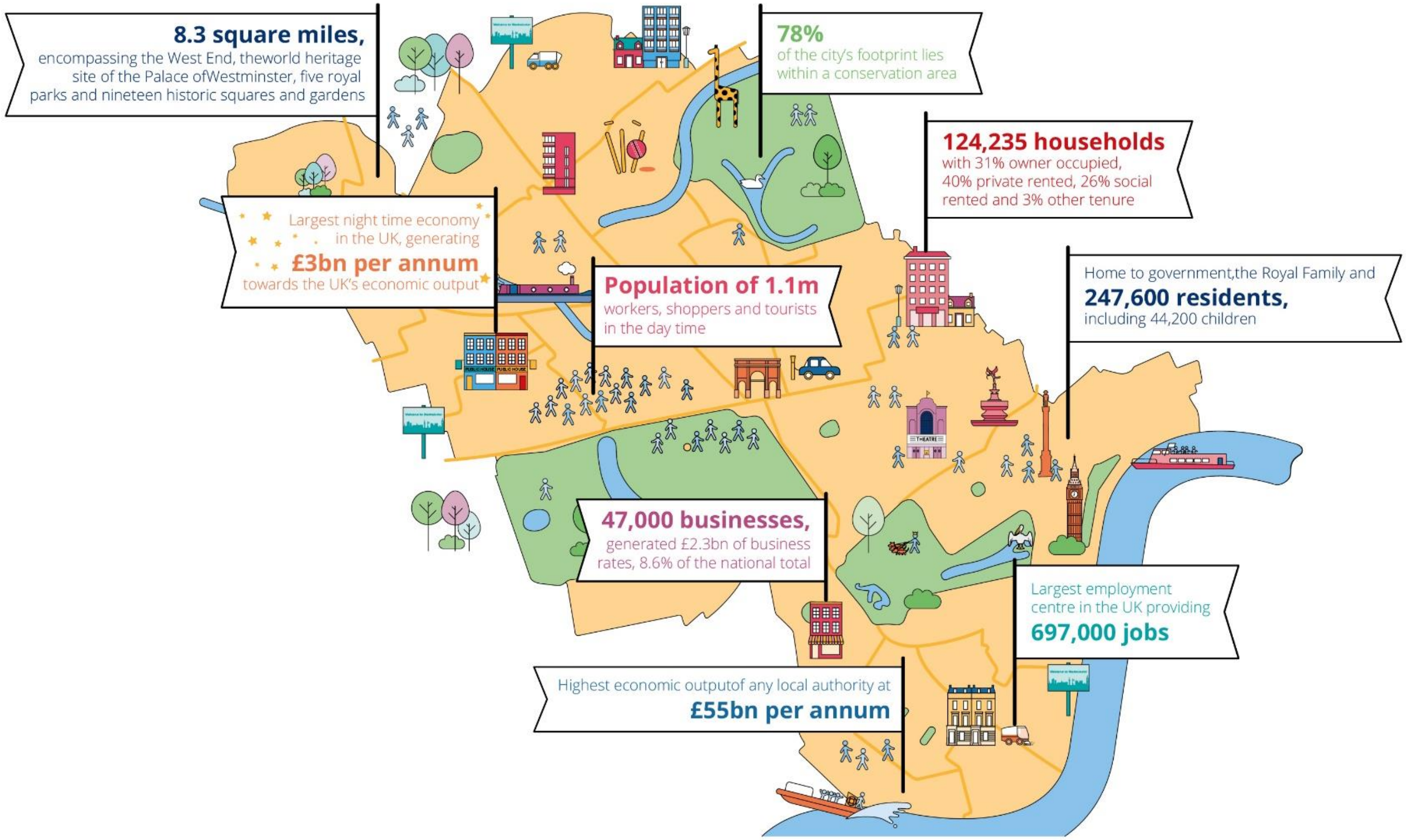
Westminster City Council sits at the heart of the capital and continues to deliver world class services to residents and visitors. The Council's ambition to be a City for All is a key element of realising this vision. The Council prides itself on ensuring services deliver high outcomes and offer value for money and sound and prudent financial management supports this objective. This year's Statement of Accounts continues that tradition, with the Council maintaining its position of being the first local authority in the country to produce its accounts.

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

Gerald Almeroth
Executive Director – Finance and Resources
Section 151 Officer

Westminster City Council

About the City



About the Council

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

Named
"best performing area"
in the UK for social mobility by the Social Mobility and Child Poverty Commission in 2016

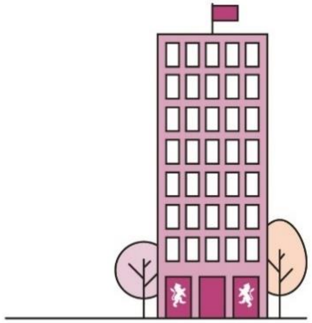
Overall resident satisfaction with the council at a record high of **88%**

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

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

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

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



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

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

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

4. CITY FOR ALL

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

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

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

CITY OF OPPORTUNITY

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

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

EXCELLENT LOCAL SERVICES

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

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

CARING AND FAIRER CITY

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

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

HEALTHIER AND GREENER CITY

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

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

CELEBRATING COMMUNITIES

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

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

#MyWestminsterDay July 2018

THE COUNCIL'S PERFORMANCE ACHIEVEMENTS 2018/19

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

- ✓ We are on track to deliver our target of 2,000 new affordable homes by 2023.
- ✓ The new Moberly Sports Centre opened in June 2018 and now attracts up to 50,000 visits per month.
- ✓ The #MyWestminster Fund has now granted £0.3m funding to 48 local organisations, faith groups and projects.
- ✓ We have raised over £0.6m to invest in local projects that support youth services, tackle loneliness and isolation and help rough sleepers off the streets.
- ✓ We are on-track to open a new 84-bed home by July 2020 to provide specialist care for people living with dementia
- ✓ Our Healthy Schools programme is bringing together action on air quality, oral health and obesity to benefit the 42,600 children who live, learn and grow up in Westminster.
- ✓ Over 3,000 people took part in the second annual #MyWestminster Day at Paddington Recreation Ground in July 2018 .

New swimming pool at Moberley Sports Centre

- ✓ A £10m project has transformed Bond Street and prepared it for the opening of Crossrail's Elizabeth Line.
- ✓ To date we have installed over 148 electric vehicle charge points across Westminster and have applied for funding to roll out 150 additional charging points this year.
- ✓ We successfully trialled the diesel surcharge, achieving a 16% reduction in the number of older diesel vehicles parking,
- ✓ This year the #DontBeIdle campaign will focus on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge.
- ✓ 34% of the city's schools are rated outstanding by Ofsted, compared with the national average of 21% and London average of 32%.
- ✓ 72% of children are currently reaching the expected levels for reading, writing and maths at the end of primary school, this compares with 64% nationally and 71% for Inner London.
- ✓ The City Council's Prevention Team now offers debt advice, family and landlord mediation, employment support, legal advice, repairs enforcement and benefit advice.
- ✓ To make Westminster's highways safer for pedestrians, 39 20mph zones have been introduced following trials last year.
- ✓ More than 1,000 young people had the chance to brush up their business skills as part of Westminster Enterprise Week.
- ✓ School streets is a pioneering scheme to transform roads outside schools, so that only pedestrians and cyclists can use them at school start and finish times. Five Westminster schools are taking steps to establish school streets so that pupils can get to school safely.
- ✓ We have launched the new Soho Angels and Night Hub service which has helped more than 160 people who become vulnerable while on a night out get home safe.

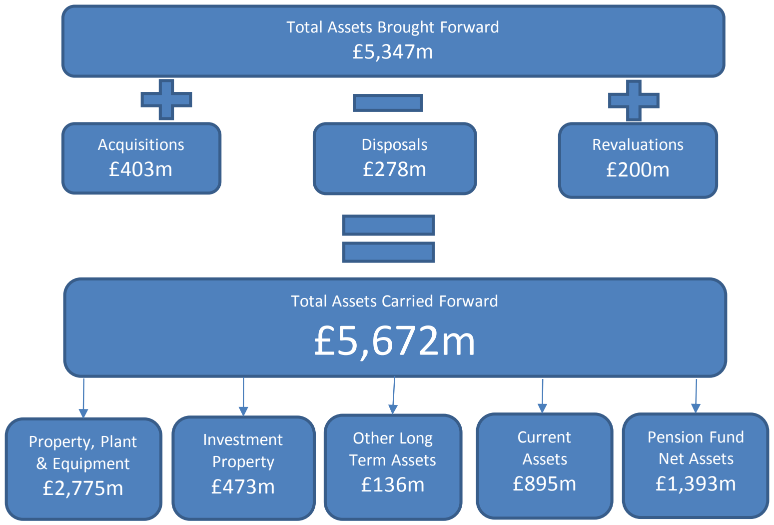
5. FINANCIAL PERFORMANCE

Financial Context of the Council

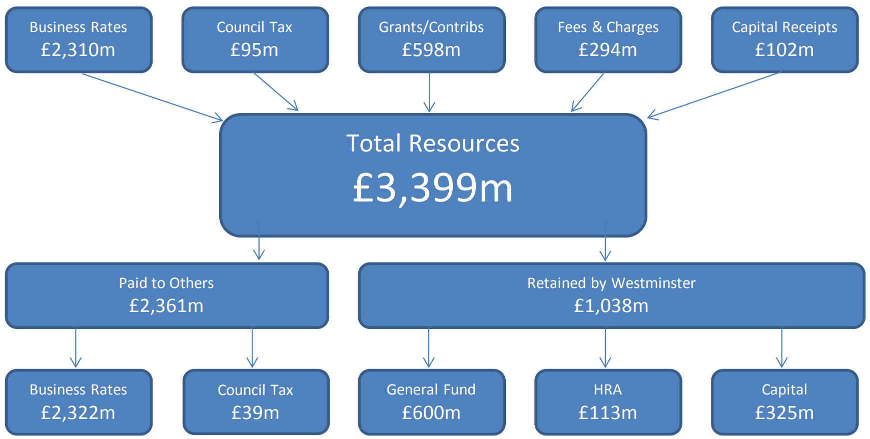
Westminster City Council manages cashflows and assets in excess of £8 billion by:

- Collecting over £2bn of Business Rates, the largest amount in the country. The Council only keep a small proportion of this.
- Collecting £95m Council Tax each year
- Administering the City of Westminster Pension Fund which provides pensions to over 5,900 pensioners and has 4,300 active members.
- Managing a £3.4bn portfolio of land, buildings and other assets.
- Spending approximately £1bn each year on Council services.
- Accounting for £1bn per annum of fees, charges, rents, and grant funding which are used to help deliver services and keep council tax down.
- Proactively investing cash and investment balances totalling over £1.0bn.

CAPITAL CASHFLOWS



REVENUE CASHFLOWS



5. FINANCIAL PERFORMANCE (CONTINUED)

CORE FUNDING

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

ADDRESSING FUTURE CHALLENGES

The Medium Term Financial Plan has recently been updated, indicating that in addition to reductions in government funding the Council also expects to see increasing demand for services over the next ten years. Population growth will put pressure on both adult social care and services for children. Anticipated changes to the Better Care Fund, Universal Credit Scheme and New Homes Bonus will also affect the Council’s finances together with more general economic changes brought about by Brexit.

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

2018/19 COUNCIL TAX AND REVENUE SPENDING

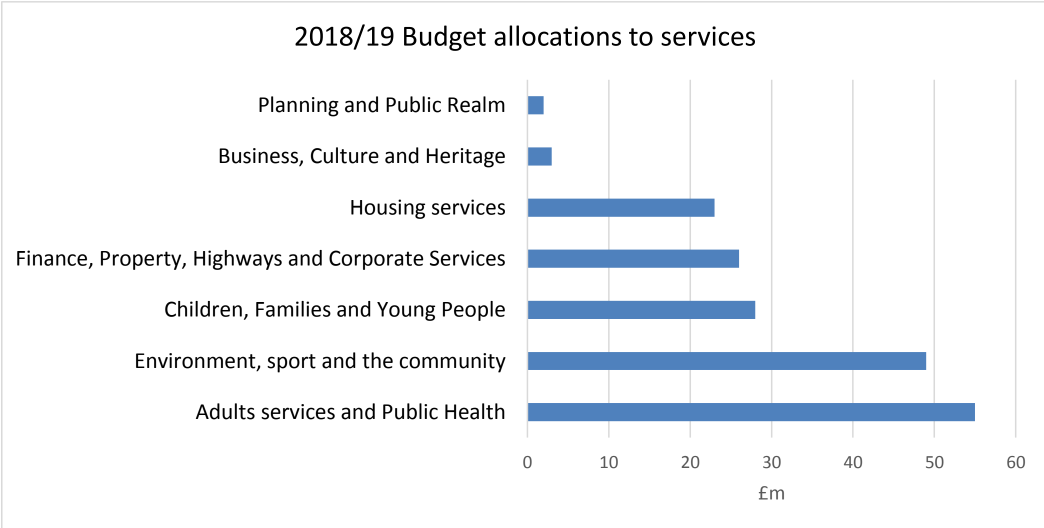
Westminster set the lowest Council Tax in the country at £416.27 for a Band D property in 2018/19 (£408.12 in 2017/18). This 2% increase was specifically to fund adult social care costs, with no general increase for other services.

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

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

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

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



5. FINANCIAL PERFORMANCE (CONTINUED)

PENSION LIABILITIES £702M

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

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

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

HOUSING REVENUE ACCOUNT

The Council owns approximately 21,000 homes generating rental income of over £75m in the year (£76m in 2017/18).This income is held in a ring-fenced account (the Housing Revenue Account or HRA) which can only be used for social housing purposes.
The Council is planning to spend over £740m in the next five years to increase and improve its social housing stock.

PROVISIONS AND CONTINGENCIES

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

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

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

5. FINANCIAL PERFORMANCE (CONTINUED)

NET ASSETS £2,724M (£2,256M AT 31 MARCH 2018)

The Council has maintained a strong year-end Balance Sheet with useable reserves increasing by £183m. Sufficient funding is in place to repay both long and short term liabilities as these fall due.

GROUP ACCOUNTS £2,762M (£2,254M AT 31 MARCH 2018)

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

Westminster Community Homes Limited – a housing development vehicle.

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

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

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

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

Non current assets (property and investments) £2,851m

Net current assets £480m

Long term liabilities (see below) £1,088m

Funded by: Useable reserves £641m

Unusable reserves £1,615m

Net Council assets £2,256m 31 March 2018

Net Group assets £2,254m 31 March 2018

Long term liabilities consist of:

Pensions	£698m
Borrowing and PFI schemes	£235m
Creditors and provisions	£84m
Capital receipts received in advance	£71m

Non current assets (property and investments) £3,384m

Net current assets £517m

Long term liabilities (see below) £1,177m

Funded by: Useable reserves £824m

Unusable reserves £1,900m

Net Council assets £2,724m 31 March 2019

Net Group assets £2,762m 31 March 2019

Long term liabilities consist of:

Pensions	£702m
Borrowing and PFI schemes	£241m
Creditors and provisions	£148m
Capital receipts received in advance	£86m

Capital expenditure 2018/19	£m	Financed by	£m
Council land and buildings	216	Capital receipts	55
Housing (HRA and General Fund)	210	Grants	173
Highways, Public realm and West End Partnership	94	Council resources	351
Other projects and developments	59		
TOTAL	**579**		**579**

5. FINANCIAL PERFORMANCE (CONTINUED)

CAPITAL

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

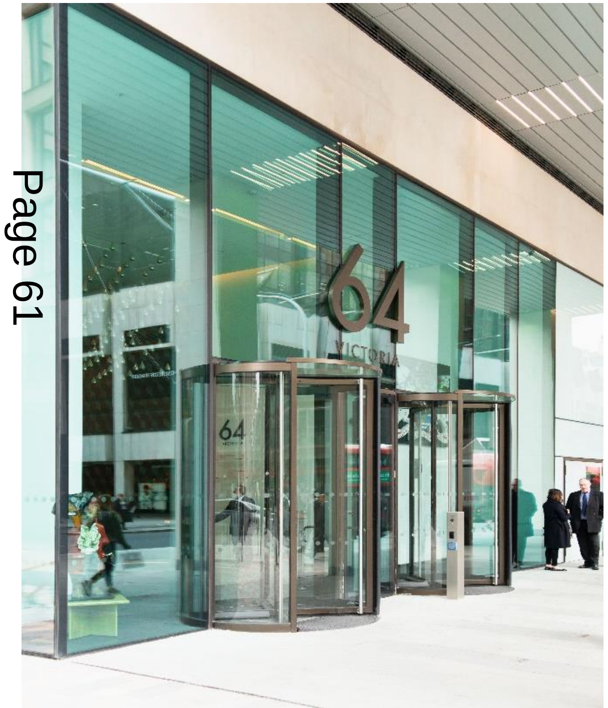
- 1,850 new units of affordable housing.
- 900 new units of social housing.
- Investment to ensure the continued success of the West End as a business, leisure and heritage destination.
- New and improved leisure, adult social care and education facilities.
- More commercial space for new and established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

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

£104m Dudley House – mixed-use development

£100m investment in new accommodation at Beachcroft Residential Home

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



£90m City Hall refurbishment

6. WHO WORKS FOR THE COUNCIL?

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

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

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

7. HEALTH AND WELLBEING

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

- improving outcomes for children and young people
- improving the risk factors for long-term conditions such as dementia
- improving mental health through prevention and self-management, and
- leading an effective local health and care system

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

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

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

8. WORKING WITH THE VOLUNTARY SECTOR

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

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

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

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

9. TOP STRATEGIC RISKS FOR UPCOMING YEAR

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

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

10. EXPLANATION OF ACCOUNTING STATEMENTS

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

The **Core Statements** are:

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

The **Group Accounts** include:

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

The **Supplementary Financial Statements** are:

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

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

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

Independent Auditor’s Report

Independent Auditor's Report (continued)

Independent Auditor's Report (continued)

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Independent Auditor's Report – Pension Fund

Independent Auditor's Report – Pension Fund (continued)

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Statement of Responsibilities for the Statement of Accounts

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

Gerald Almeroth

Executive Director – Finance and Resources

Section 151 Officer

APPROVAL OF STATEMENT OF ACCOUNTS

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

Councillor Ian Rowley

Chairman of the Audit and Performance Committee

3.

Core Financial Statements

Comprehensive Income and Expenditure Statement

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

2017/18 Restated				Note	2018/19		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**			**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
19,454	(27,066)	(7,612)	City Treasurer		74,729	(8,495)	66,234
9,306	(9,181)	125	Policy, Performance and Communications		6,855	(10,499)	(3,644)
154,077	(94,198)	59,879	Adult Services		153,204	(92,367)	60,837
150,712	(109,904)	40,808	Childrens Services		143,726	(97,172)	46,554
177,130	(138,385)	38,745	City Management and Communities		194,729	(134,903)	59,826
481,889	(403,505)	78,384	Growth, GF-Housing and Planning		418,401	(404,358)	14,043
9,099	(9,722)	(623)	Corporate Services		18,601	(8,078)	10,523
1,001,667	**(791,961)**	**209,706**	**Cost of services**		**1,010,245**	**(756,276)**	**254,371**

Comprehensive Income and Expenditure Statement (continued)

2017/18 Restated				Note	2018/19		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**			**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
-	-	(18,543)	Other operating income and expenditure	Note 5	-	-	(28,601)
-	-	29,606	Financing and investment income and expenditure	Note 6	-	-	(12,757)
-	-	(400,300)	Taxation and non-specific grant Income	Note 7	-	-	(350,317)
-	-	**(179,531)**	**(Surplus)/Deficit on Provision of Services**	Note 8			**(137,306)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	(92,567)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	(291,734)
-	-	(91,378)	Remeasurement of the net defined benefit liability		-	-	(38,469)
		(363,476)	Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services		-	-	(467,509)
-	-	1,135	(Surplus)/deficit on revaluation of financial assets (Available for sale)		-	-	223
-	-	**(362,341)**	**Comprehensive Income and Expenditure (Surplus)/Deficit**		**-**	**-**	**(467,286)**

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Movement in Reserves Statement

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

2017/18	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account (Revenue Reserves)	Earmarked HRA Reserves (Revenue Reserves)	HRA Total	Capital Receipts Reserve (Capital Reserves)	Capital Grants Unapplied (Capital Reserves)	Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 March 2017**	(48,777)	(145,010)	(3,704)	(197,491)	(41,586)	(12,331)	(53,917)	(87,162)	(239,698)	(578,267)	(1,316,099)	(1,894,366)
Movement in reserves during 2017/18												
Surplus/(Deficit) on provision of services (accounting basis)	(168,234)	-	-	(168,234)	(11,297)	-	(11,297)	-	-	(179,531)	-	(179,531)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(182,810)	(182,810)
Total Comprehensive Income and Expenditure	(168,234)	-	-	(168,234)	(11,297)	-	(11,297)	-	-	(179,531)	(182,810)	(362,341)
Adjustments between accounting basis and funding basis under regulations	149,883	-	-	149,883	30,679	-	30,679	25,550	(89,726)	116,385	(116,384)	1
Net increase/(decrease) before Transfers to Earmarked Reserves	(18,351)	-	-	(18,351)	19,382	-	19,382	25,550	(89,726)	(63,146)	(299,194)	(362,340)
Transfers to/(from) Earmarked Reserves	8,263	(6,324)	(1,939)	-	(3,162)	3,162	-	-	-	-	-	-
Increase/(Decrease) In Year	(10,088)	(6,324)	(1,939)	(18,351)	16,220	3,162	19,382	25,550	(89,726)	(63,146)	(299,194)	(362,340)
Balance at 31 March 2018	**(58,865)**	**(151,334)**	**(5,643)**	**(215,842)**	**(25,366)**	**(9,169)**	**(34,535)**	**(61,612)**	**(329,424)**	**(641,413)**	**(1,615,293)**	**(2,256,707)**

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

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

Movement in Reserves (continued)

2018/19					Revenue Reserves			Capital Reserves		Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 March 2018	(58,865)	(151,334)	(5,643)	(215,842)	(25,367)	(9,169)	(34,536)	(61,611)	(329,424)	(641,415)	(1,615,293)	(2,256,708)
Movement in reserves during 2018/19												
Surplus/(Deficit) on provision of services (accounting basis)	(129,264)	-	-	(129,264)	(8,040)	-	(8,040)	-	-	(137,304)	-	(137,305)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-		(329,979)	(329,979)
Total Comprehensive Income and Expenditure	(126,264)			(129,264)	(8,040)	-	(8,040)	-	-	(137,304)	(329,979)	(467,284)
Adjustments between accounting basis & funding basis under regulations	10,609	309	-	10,918	25,341	-	25,341	(65,879)	(16,004)	(45,625)	45,625	45,624
Net increase/(decrease) before Transfers to Earmarked Reserves	(118,656)	309	-	(118,351)	17,301	-	17,301	(65,879)	(16,004)	(91,679)	(284,355)	(376,034)
Transfers to/(from) Earmarked Reserves	114,739	(117,965)	3,226	-	(9,169)	9,169	-	-	-	-	-	-
Increase/(Decrease) In Year	(3,917)	(117,660)	3,226	(118,351)	8,132	9,169	17,301	(65,879)	(16,004)	(182,930)	(284,355)	(467,285)
Balance at 31 March 2019	**(62,782)**	**(268,994)**	**(2,417)**	**(334,193)**	**(17,236)**	**-**	**(17,235)**	**(127,490)**	**(345,428)**	**(824,345)**	**(1,899,647)**	**(2,723,992)**

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

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

Balance Sheet

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

1 April 2017 Restated	31 March 2018 Restated		Note	31 March 2019
£'000	**£'000**			**£'000**
		ASSETS		
		Non-current		
2,091,617	2,367,005	Property, plant and equipment	Note 18C	2,775,096
42,746	42,846	Heritage assets	Note 19	42,846
454,840	385,314	Investment property	Note 20	472,825
1,077	875	Intangible assets		724
28,886	17,433	Long-term investments	Note 21A	25,150
15,229	38,015	Long-term debtors	Note 26	67,604
2,634,395	**2,851,488**	**Total long term assets**		**3,384,244**
		Current		
742,980	864,800	Short-term investments	Note 21A	673,751
179	94	Inventories		101
73,369	93,842	Short-term debtors	Note 26	153,267
170,302	161,238	Cash and other cash equivalents	Note 21B	67,978
2,250	-	Assets held for sale		-
-	40,000	Investment property held for sale		-
989,080	**1,159,974**	**Current assets**		**895,097**

Balance Sheet (continued)

Certification by the Chief Financial Officer

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

Gerald Almeroth

Executive Director – Finance and Resources

Section 151 Officer

16 April 2019

1 April 2017 Restated	31 March 2018 Restated		Note	31 March 2019
£'000	**£'000**			**£'000**
		LIABILITIES		
(2,069)	(32,069)	Short-term borrowing		(2,486)
(469,035)	(629,411)	Short-term creditors	Note 27	(371,176)
-	-	Short-term provisions	Note 28	(685)
(8,341)	(5,635)	Revenue receipts in advance	Note 13	(3,643)
(479,445)	**(667,115)**	**Total current liabilities**		**(377,990)**
		Long term		
(204)	(2,917)	Long-term creditors	Note 27	(4,321)
(121,504)	(81,451)	Provisions	Note 28	(144,150)
(251,269)	(221,230)	Long-term borrowing		(222,521)
(786,898)	(710,551)	Other long-term liabilities	Note 29	(720,187)
(89,789)	(71,490)	Capital receipts in advance	Note 13	(86,180)
(1,249,664)	**(1,087,639)**	**Long-term liabilities**		**(1,177,359)**
1,908,287	**2,257,128**	**Net assets**		**2,723,991**
(578,267)	(641,414)	Total Usable Reserves		(824,344)
(1,316,099)	(1,615,294)	Total Unusable Reserves	Note 16B	(1,899,648)
(1,894,366)	**(2,256,708)**	**Total Reserves**		**(2,723,991)**

Cash Flow Statement

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

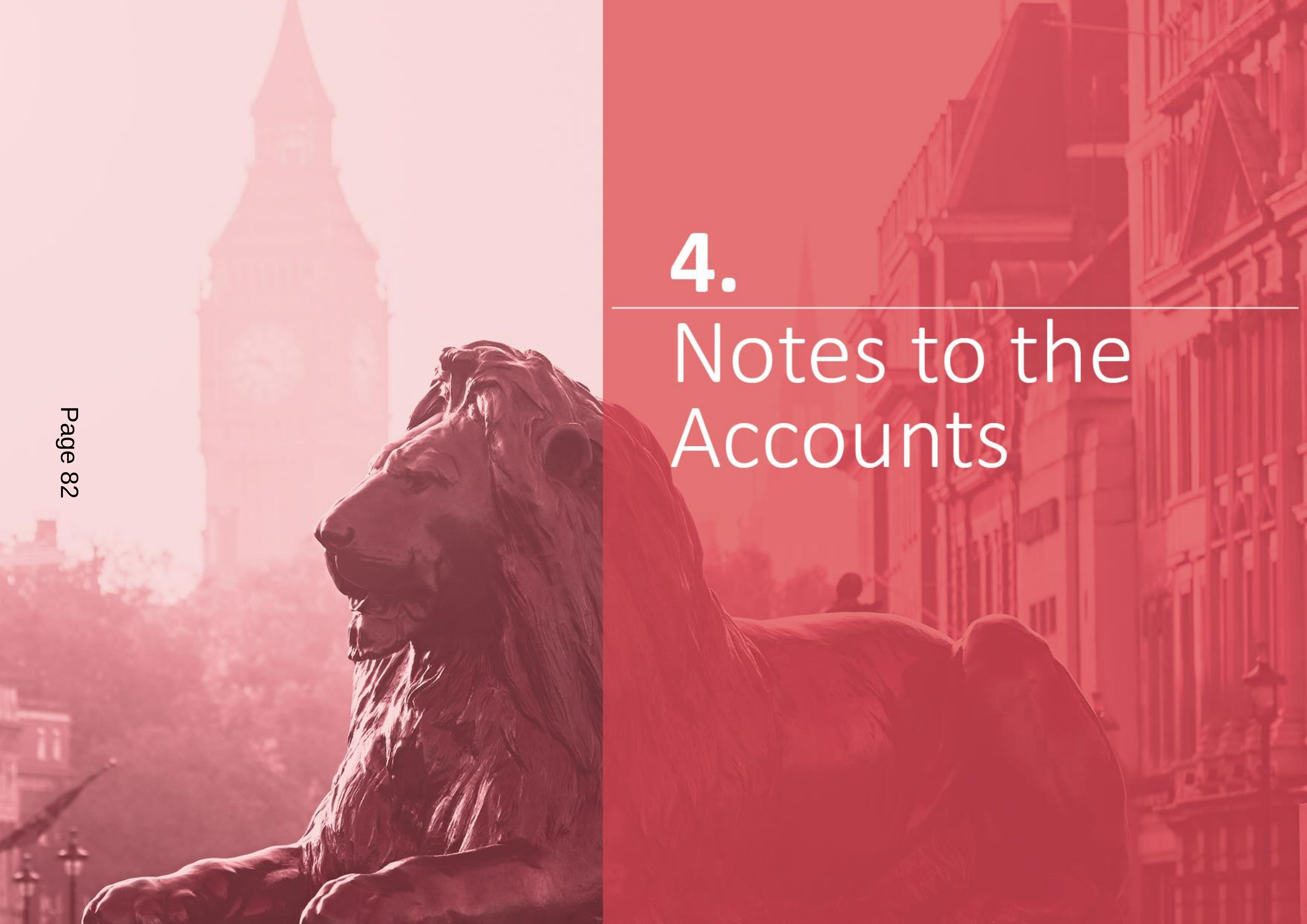
The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

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

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

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

2017/18 Restated		Note	2018/19
£'000			**£'000**
(179,531)	Net surplus/(deficit) on the provision of services		137,306
(217,826)	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 31	207,430
126,636	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 31	(146,530)
(270,721)	Net Cash Flows from Operating Activities		198,206
303,750	Net Cash Flows from Investing Activities	Note 32	38,697
(23,965)	Net Cash Flows from Financing Activities	Note 33	(330,164)
9,064	Net increase/(decrease) in cash and cash equivalents		(93,261)
170,302	Cash and cash equivalents at the beginning of the reporting period		161,238
161,238	**Cash and cash equivalents at the end of the reporting period**		**67,977**



4.

Notes to the Accounts

Note 1 Accounting Policies

GENERAL PRINCIPLES

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

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

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

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

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

ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are recognised where the value exceeds £10,000.

CASH AND CASH EQUIVALENTS

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

CHANGES IN ACCOUNTING POLICY

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

INTERESTS IN COMPANIES AND OTHER ENTITIES

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

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

INVESTMENT PROPERTY

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

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

SUPPORT SERVICES AND OVERHEADS

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

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

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

RESERVES

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

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

SCHOOLS

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

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

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

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

VALUE ADDED TAX

The Comprehensive Income and Expenditure 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.

Note 2 Accounting Standards Issued but Not Yet Adopted

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

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

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

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

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

Item	Uncertainties	Consequences if actual results differ from assumption
Valuation of operational property	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2019 for all of the Council's investment portfolio and approximately 20% of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values reflect current values. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £55m. 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 current value. The net book value of non-current assets subject to potential revaluation is over £2 billion.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

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

Items	Uncertainties	Consequences if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.	The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis by the Pension Fund Committee. Variations in the key assumptions will have the following impact on the net liability: • A 0.1% increase in the discount rate will reduce the net pension liability by £30.1m; • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £28.4m; An increase of one year in longevity will increase the net pension liability by £62.9m.
Business Rates	2018/19 is the sixth year of the Business Rates Retention Scheme and the first year of the 100% London pilot scheme. In 2018/19 the council will retain 64% of the business rates income (£1.388bn) it collects but pays a tariff of approx. (£1.256bn) into the London pool. Following the 2010 revaluation of business hereditaments, when average rateable values across the City rose by 62%, we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield, especially with the majority (73% when determined) being back dated to 2010. As at the end of March 2019, 684 appeals remain outstanding with the Valuation Office Agency. The council holds a sufficient level of provision for these appeals. Following the 2017 revaluation, where average rateable values rose by 17%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with no challenges lodged to date in Westminster. The Council has made a provision for the likely impact on the its yield of expected future successful appeals for the period to the end of March 2019.	The Council's overall financial losses are protected via the London Pool with any variance to our assumptions being offset by the safety net payment entitlement for the council (which is accrued for at year end). Thus, a 1% increase in appeals provision would reduce the council's share of income by £0.692m. The council's loss is capped at approximately £3.9m. If London's business rates income fell, the pool would have a higher "safety net" threshold – 97% rather than the current 92.5% of the overall baseline funding level. This reflects the greater reliance local authorities will have on business rates and the fact that, under the terms of the pilot, the 32 London Boroughs, the City of London and Greater London Authority will not collectively have less resources than would have been the case with the previous local government finance regime.

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

Items	Uncertainties	Consequences if actual results differ from assumptions
Impairment Allowance for Doubtful Debts	As at 31 March 2019, the Council had an outstanding balance of short term debtors totalling £241m. Against this debtors balance, there is an impairment allowance of £91m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.
Valuation of Group Housing Dwellings	The value of the dwellings held by the Council's subsidiaries have been revalued from depreciated historic cost to existing use value-social housing (EUV-SH) on consolidation. In revaluing the dwellings, the value at 1 April 2018 was estimated using an average of valuation indices for dwellings in the relevant area. The indices used were the Land Registry, Acadata and the Nationwide.	A variation of +/- 1% in the indexed value would be £0.57m on the EUV-SH of £57m

Items	Uncertainties	Consequences if actual results differ from assumptions
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Note 4 Critical Judgements in Applying Accounting Policies

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

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

- The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied. The Council has considered its accounting classification for each school on an individual case basis in conjunction with relevant dioceses for voluntary aided and voluntary controlled schools. As a result, the Council:

1. recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rests with the Council; and
2. assesses that the assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools are not controlled by the Council but, following consultation and review, the VA and VC schools have been deemed to be owned by the relevant dioceses. Recognition of the disposal of school assets on the Council's balance sheet occurs on the date on which a school converts to academy status, not on the date of any related announcement. Neither is any impairment recognised by the Council prior to conversion.

- The Council is part of a London-wide business rate pooling pilot which may change from 2019/20. The governance arrangements set in place for this pilot pool guarantee no detriment compared to what the Council's position would have been if it had not entered into such an arrangement over this period – MHCLG supports this. The potential share of the surplus from the pool pertaining to London Boroughs specifically excludes all financial impacts of events relating to years before 2018/19. The Council's accounts as at 31 March 2019 are unaffected by the possibility that the business rate pilot may change from 2019/20 nor are they affected by other future decisions of local authorities.

- The council collects approximately net £2.47bn in business rates. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with both the 2005 and 2010 lists as well as appeals determinations so far made against the 2017 list. A 1% variance in the determined appeals provision would alter the net locally retained income to the council by approximately £0.692m. Due to the technical adjustment relating to the Collection Fund Adjustment Accounts this will not impact the general reserves in that year and only hit the Council's General Fund account in future years. However, if the net rate income reduces below the levels set by central government the council will be compensated accordingly.

- Dwellings held by Westminster Community Homes Ltd have been re-valued to Existing Use Value - Social Housing on consolidation into the Council's Group Accounts to align with the Council's valuation of council dwellings. This is because tenants occupy these dwellings on assured tenancy terms similar to those of council dwellings except for the Right to Buy.

4.1. Notes Supporting the Comprehensive Income and Expenditure Statement

Note 5 Other Operating Income and Expenditure

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

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

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

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

Other operating expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets. The Council's Arm's-Length Management Organisation (ALMO), City West Homes, was brought back in-house on 31 March 2019. The loss on taking on their assets and liabilities is reflected in this note. Further details are in Note 40 Business Combinations.

2017/18		2018/19
£'000		**£'000**
3,029	Levies, Precepts and Special Expenses	2,519
2,913	Payments to the Government Housing Capital Receipts Pool	1,919
(24,485)	(Gains)/losses on the disposal of non-current assets	(56,610)
-	Premium on surrender of lease	(3,247)
-	(Gains)/losses on acquisition of the business of City West Homes	26,819
(18,543)	**Total**	**(28,601)**

Note 6 Financing and Investment Income and Expenditure

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

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

2017/18		2018/19
£'000		**£'000**
12,466	Interest payable and similar charges	10,626
20,359	Net interest on the net defined benefit liability (asset)	17,286
(7,321)	Interest receivable and similar income	(11,148)
-	Net (gains)/losses on financial assets at fair value through profit and loss	1,634
4,846	Income and expenditure in relation to investment properties and changes in their fair value	(30,026)
(744)	Other investment income	(1,130)
29,606	**Total**	**(12,757)**

Note 7 Taxation and Non-Specific Grant Income

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

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

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

Note 8 Expenditure and Funding Analysis

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

Table A

		2017/18				2018/19
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis (see Table C)**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
(7,447)	165	(7,612)	City Treasurer	65,934	(160)	66,095
367	242	125	Director of Policy, Performance and Communications	(3,202)	441	(3,643)
60,173	294	59,879	Executive Director Adult Services	61,328	490	60,837
33,338	(7,470)	40,808	Executive Director of Childrens Services	45,476	(1,077)	46,554
10,770	(27,975)	38,745	Executive Director of City Management and Communities	19,588	(40,238)	59,826
(2,497)	(1,874)	(623)	Executive Director of Corporate Services	6,559	(3,963)	10,522
7,069	(71,315)	78,384	Executive Director of Growth, Housing and Planning (GF)	12,508	(1,271)	13,779
101,774	(107,933)	209,706	Net Cost of Services	208,192	(45,779)	253,970

Note 8 Expenditure and Funding Analysis (continued)

Table B

2017/18				2018/19		
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
10,822	29,365	(18,543)	Other operating income and expenditure	85,253	113,911	(28,658)
15,872	(13,734)	29,606	Financing and investment income and expenditure	(61,871)	(49,114)	(12,757)
(151,229)	249,071	(400,300)	Taxation and non-specific grant income and expenditure	(268,329)	81,531	(349,860)
(124,535)	264,702	(389,237)	Other Income and Expenditure	(244,947)	146,329	(391,275)
(22,761)	**156,769**	**(179,531)**	**(Surplus)/Deficit on Provision of Services**	**(36,755)**	**100,550**	**(137,305))**

Note 8 Expenditure and Funding Analysis (continued)

Table C

		2017/18				2018/19
Opening Balance	Surplus or Deficit on the Provision of Services	Closing Balance		Opening Balance	Surplus or Deficit on the Provision of Services	Closing Balance
£'000	£'000	£'000		£'000	£'000	£'000
(48,777)	(10,088)	(58,865)	General Fund Balance	(58,865)	(3,918)	(62,783)
(41,586)	16,220	(25,366)	Housing Revenue Account Balance	(25,366)	8,130	(17,236)
(90,363)	**6,132**	**(84,231)**	**Sub-Total General Fund and Housing Revenue Account Balance**	**(84,231)**	**4,213**	**(80,019)**
(144,884)	(6,146)	(151,030)	General Fund Earmarked Reserves	(151,030)	(117,964)	(268,994)
(12,331)	3,162	(9,169)	Housing Revenue Account Reserves	(9,169)	9,169	-
(3,704)	(1,939)	(5,643)	Schools Reserves	(5,643)	3,226	(2,417)
(160,919)	**(4,923)**	**(165,842)**	**Sub-Total Earmarked and Schools Reserves**	**(165,842)**	**(105,568)**	**(271,412)**
(251,282)	**1,209**	**(250,073)**	**Total Reserves**	**(250,073)**	**(101,356)**	**(351,430)**

Note 8 Expenditure and Funding Analysis (continued)

Table D

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

			2017/18					2018/19
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	165	-	165	City Treasurer	(640)	479	-	(160)
(38)	280	-	242	Director of Policy, Performance and Communications	(38)	479	-	441
(440)	734	-	294	Executive Director Adult Services	(518)	1,008	-	490
(8,142)	672	-	(7,470)	Executive Director of Children's Services	(2,134)	1,056	-	(1,077)
(29,547)	1,572	-	(27,975)	Executive Director of City Management and Communities	(42,643)	2,404	-	(40,238)
(2,170)	296	-	(1,874)	Executive Director of Corporate Services	(843)	(3,120)	-	(3,963)
(72,140)	824	-	(71,315)	Executive Director of Growth, Housing and Planning (GF)	(823)	(448)	-	(1,271)
(112,475)	**4,543**	**-**	**(107,933)**	**Net Cost of Services**	**(47,637)**	**1,859**	**-**	**(45,779)**
29,365	-	-	29,365	Other Operating Income and Expenditure	113,911	-	-	113,911
(6,876)	(20,359)	13,503	(13,732)	Financing and Investment Income and Expenditure	(33,169)	(17,286)	1,342	(49,114)
178,833	-	70,238	249,071	Taxation and Non-Specific Grant Income and Expenditure	139,970	-	(58,439)	81,531
88,847	**(15,816)**	**83,741**	**156,771**	**Difference Between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Suplus or Deficit on the Provision of Services**	**173,074**	**(15,427)**	**(57,097)**	**100,550**

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Note 8 Expenditure and Funding Analysis (continued)

Adjustments for Capital purposes

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

Net change for the pensions adjustments

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

Other differences

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

Note 8 Expenditure and Funding Analysis (continued)

EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18		2018/19
£'000		£'000
175,136	Employee Benefit Expenses	210,062
763,560	Other Service Expenses	661,832
32,484	Interest Payments	27,944
2,765	Precepts and Levies	1,919
2,913	Payments to the Housing Capital Receipts Pool	2,724
102,791	Depreciation, Amortisation, Impairment	87,233
1,079,649	Total Expenditure	991,715
(631,070)	Grants and Contribution	(597,988)
(455,277)	Fees, Charges and other service income	(293,883)
(141,256)	Income from Council Tax, business rates	(197,359)
(23,845)	Gains on Disposals	(28,649)
(7,732)	Interest and Investment Income	(11,141)
(1,259,180)	Total Income	(1,129,020)
(179,531)	**Surplus on the Provision of Services**	**(137,305)**

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Note 9 s.75 Better Care Fund

Social Care

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

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

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

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

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

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

Note 10a Senior Officers' Remuneration

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

2017/18	Notes	Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive - Charlie Parker (ex)	A	165,886	61,578	-	-	-	-	227,464
Chief Executive - S Love	B	33,449	-	-	7,628	-	-	41,077
Executive Director of City Management & Communities (ex) – S Love	C	129,677	15,255	-	36,253	-	-	181,185
City Treasurer (Section 151 Officer)		130,568	13,391	5,581	36,718	310	-	186,568
Executive Director the West End Partnership (ex) – E Watson	D	76,335	-	-	18,694	-	52,600	147,629
Executive Director Growth, Planning and Housing (ex) – E Watson	E	54,778	10,847	-	16,144	-	-	81,769
Executive Director Growth, Planning and Housing	F	83,992	-	-	20,662	-	-	104,654
Bi-borough Executive Director of Adult Social Care	G	66,888	-	1,017	16,705	-	-	84,610
Director of Communication and Strategy		128,487	10,713	1,421	34,593	-	-	175,215
Her Majesty's Coroner - Inner West London - F Wilcox	H	166,735	-	4,808	37,334	-	-	208,877
Executive Director of Corporate Services	I	119,689	12,717	4,032	-	-	-	136,438
Director of Public Health	J	134,554	12,052	4,716	-	-	-	151,322
Interim Executive Director of City Management & Communities	K	41,550	-	-	10,222	-	-	51,772
Bi-borough Executive Director of Children's Services	L	97,578	-	-	24,004	-	-	121,582

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

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

2018/19		Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive - S Love		191,055	16,887	-	51,154	-		259,096
City Treasurer (Section 151 Officer) (Ex)	A	67,541	20,422	5,376	22,221	-		115,560
Executive Director of Finance Resources	B	11,237	-	-	2,764	-		14,002
Executive Director Growth, Planning and Housing		149,800	13,872	-	40,263	-		203,935
Bi Borough Executive Director of Adults Social Care	C	149,298	7,432	3,580	39,408	-		199,719
Executive Director of City Management & Communities (Ex)	D	126,514	12,307	-	34,150	-		172,971
Executive Director of City Management & Communities	E	31,787	-	-	7,820	-		39,607
Bi Borough Executive Director of Children's Services	F	149,800	15,123	-	18,364	-		183,287
Director of Communication and Strategy- J Corkey		157,447	13,525	1,329	42,386	-		214,687
Her Majesty's Coroner - Inner West London - F Wilcox	G	160,283	-	-	40,062	667		201,011
Director of Corporate Services (Ex)	H	70,754	19,741	3,845	-	-		94,340
Director of Public Health (Ex)	I	69,394	12,173	4,569	-	1,141	68,374	155,651
Director of Public Health (Ex)	J	31,425						31,425
Director of Public Health (Ex)	K	60,259						60,259
Director of Public Health	L	5,000	-	-	-	-		5,000
Director of Law		121,604	12,173	-	33,671	-		167,448
Director of People Services		129,429	12,173	2,897	35,547	-		180,045
Acting City Treasurer (Section 151 Officer)	M	45,333	4,549	1,071	12,916	-		63,869

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

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

A) The post holder ceased on 30 September 2018.

B) The post holder commenced on 04 March 2019.

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

D) The post holder ceased on 31 December 2018.

E) The post holder commenced on 01 January 2019.

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

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

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

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

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

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

L) The post holder commenced on 13 March 2019.

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

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

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

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

2017/18 No of Employees		2018/19 No of Employees
189	£50,000 - £54,999	208
83	£55,000 - £59,999	115
51	£60,000 - £64,999	57
33	£65,000 - £69,999	45
30	£70,000 - £74,999	35
26	£75,000 - £79,999	20
20	£80,000 - £84,999	14
12	£85,000 - £89,999	20
6	£90,000 - £94,999	14
6	£95,000 - £99,999	8
2	£100,000 - £104,999	4
5	£105,000 - £109,999	2
-	£110,000 - £114,999	1
4	£115,000 - £119,999	2
-	£120,000 - £124,999	2
-	£125,000 - £129,999	1
1	£130,000 - £134,999*	3
-	£135,000 - £139,999	2
1	£140,000 - £144,999	2
-	£145,000 - £149,999	1
469	**Total**	**556**

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

Note 10c Exit Packages

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

2017/18					2018/19			
(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band	(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band
			£'000					£'000
39	-	39	320	£0 - £20,000	40	-	40	384
17	-	17	529	£20,001 - £40,000	26	-	26	639
9	-	9	454	£40,001 - £60,000	7	-	7	344
5	-	5	319	£60,001 - £80,000	3	-	3	192
1	-	1	82	£80,001 - £100,000	1	-	1	98
3	-	3	365	£100,001 - £150,000	1	-	1	149
1	-	1	179	£150,001 - £200,000	-	-	-	-
75	**-**	**75**	**2,248**	**Total**	**78**	**-**	**78**	**1,806**

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Note 10d Termination Benefits

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

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

The Council terminated the contracts of 78 employees in 2018/19. Of the total payment of £1.806m, there were no enhancements of retirement benefits.

Note 10e Members' Allowances

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

Note 11 External Audit Fees

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

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

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

Note 12 Dedicated Schools Grant

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

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

	Central Expenditure	Individual Schools Budget	Total 2018/19	Total 2017/18
	£'000	**£'000**	**£'000**	**£'000**
Final DSG before Academy Recoupment			152,561	152,049
Academy figure recouped			(66,306)	(66,938)
Total DSG after Academy recoupment			**86,255**	**85,111**
Plus: Brought forward			4,079	5,275
Less: Carry forward projected			(4,079)	(5,275)
Agreed initial budgeted distribution	**5,182**	**81,073**	**86,255**	**85,111**
In year adjustments	(1,492)	(2,297)	(3,789)	(455)
Final budgeted distribution	**3,690**	**78,776**	**82,466**	**84,656**
Less Actual central expenditure	(3,777)		(3,777)	(4,566)
Less Actual ISB deployed to schools		(80,188)	(80,188)	(81,284)
(Drawdown from)/Contribution to DSG Reserve	**(87)**	**(1,412)**	**(1,498)**	**(1,195)**
Estimated Carry Forward to 2019/20			**2,581**	**4,080**

Note 13 Grant Income

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

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

Note 13 Grant Income (continued)

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

Note 13 Grant Income (continued)

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

2016/17		2018/19
£'000	**Revenue Grants and Contributions Receipts in Advance (Current)**	**£'000**
(1,244)	Education and Skills Funding Agency Grant	(1,075)
(2,462)	Other Non-Government Grants and Contributions	(1,098)
(1,929)	Other Grants and Contributions	(1,470)
(5,635)	**Total**	**(3,643)**

Note 14 Trading Operations

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

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

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

Note 15 Agency Services

2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
		Transport for London		
(11,108)		Contributions	(6,238)	
11,108		Expenditure	6,238	
	-	(Surplus)/ Deficit		-
		Inner West London Coroner's District		
(1,035)		Contributions	(1,155)	
1,394		Expenditure	1,556	
	359	(Surplus)/ Deficit		401
		Collection of Mayoral CIL		
(16,661)		Contributions	(16,762)	
	(666)	Proportion retained by WCC (see note)		(670)
		Thames Water		
(4,311)		Contributions	(4,385)	
3,266		Expenditure	3,342	
	(1,045)	(Surplus)/ Deficit		(1,043)
	(1,352)	Net Surplus		**(1,310)**

TRANSPORT FOR LONDON

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

INNER WEST LONDON CORONER'S DISTRICT

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

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

Note 15 Agency Services (continued)

COLLECTION OF MAYORAL CIL

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

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

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

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

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

THAMES WATER

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

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

In August 2018 Thames Water Utilities issued Westminster City Council (WCC) with notification of their decision to bring customer billing back in-house. From 31 September 2019, WCC will no longer collect tenant water charges on their behalf. CityWest Homes have been informed that WCC is not alone in this change to be implemented by Thames Water, as the billing process is being brought back in-house from local authorities across the board.

4.2. Notes Supporting the Movement in Reserves Statement

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

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

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

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

2017/18	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	Relevant Unusable Reserve*
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	2,549	93	-	-	-	(2,642)	Financial Instruments Adjustment Account
· Pensions costs	(15,956)	-	-	-	-	15,956	Pensions Reserve
· Council tax	70,238	-	-	-	-	(70,238)	Collection Fund Adjustment Account
· Holiday pay	140	-	-	-	-	(140)	Accumulated Absences Account
· Capital expenditure	77,996	14,805	(31,880)	(23,371)	(94,756)	57,206	Capital Adjustment Account
Capital and Revenue Financing							
Resources set aside for capital financing	7,398	15,781	54,549	23,371	15,322	(116,421)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,991)	-	2,991	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	217	-	(110)	-	-	(107)	Deferred Capital Receipts
Total adjustments	**139,591**	**30,679**	**25,550**	**-**	**(79,434)**	**(116,386)**	

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

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

2018/19	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	Relevant Unusable Reserve*
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	(369)	77	-	-	-	292	Financial Instruments Adjustment Account
· Pensions costs	(42,580)	-	-	-	-	42,580	Pensions Reserve
· Council tax	(58,439)	-	-	-	-	58,439	Collection Fund Adjustment Account
· Holiday pay	(459)	-	-	-	-	459	Accumulated Absences Account
· Capital expenditure	105,674	3,440	(113,642)	(24,256)	(127,653)	156,437	Capital Adjustment Account
Capital and Revenue Financing							
Resources set aside for capital financing	9,067	21,902	45,774	24,256	111,649	(212,701)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,029)	-	2,107	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	-	-	(118)	-	-	118	Deferred Capital Receipts
Total adjustments	**10,865**	**25,419**	**(65,879)**	**-**	**(16,004)**	**45,624**	

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

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Note 16b Unusable Reserves

Unusable Reserves	Opening Balance 1 April 2017	Adjustments between Accounting and Funding Basis 2017/18				
		Other Comprehensive Income and Expenditure 2017/18	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements	Closing Balance 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(373,387)	(92,567)			24,275	(441,679)
Available for Sale Financial Instruments Reserve	(1,357)	1,135	-	-	-	(222)
Financial Instruments Adjustment Account	5,367	-	(2,642)	-	-	2,725
Financial Instruments Revaluation Reserve	-	-	-			-
Pensions Reserve	772,989	(91,378)	15,956	-	-	697,567
Collection Fund Adjustment Account	(5,964)	-	(70,238)	-	-	(76,202)
Accumulated Absences Account	1,170	-	(140)	-	-	1,030
Capital Adjustment Account	(1,712,553)	-	70,706	(129,921)	(24,275)	(1,796,043)
Deferred Capital Receipts	(2,364)	-		(107)	-	(2,471)
Total	**(1,316,099)**	**(182,810)**	**13,642**	**(130,028)**	**0**	**(1,615,295)**

Note 16b Unusable Reserves (continued)

Unusable Reserves	Opening Balance 1 April 2018	Adjustments between Accounting and Funding Basis 2018/19 Other Comprehensive Income and Expenditure 2017/18	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements	Closing Balance 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(441,679)	(291,733)	-	-	68,690	(664,722)
Available for Sale Financial Instruments Reserve	(223)	223	-	-	-	-
Financial Instruments Adjustment Account	2,725	-	(1,342)	-	-	1,383
Financial Instruments Revaluation Reserve	-	-	1,634	-	-	1,634
Pensions Reserve	697,568	(38,469)	42,580	-	-	701,679
Collection Fund Adjustment Account	(76,202)	-	58,439	-	-	(17,763)
Accumulated Absences Account	1,031	-	459	-	-	1,490
Capital Adjustment Account	(1,796,044)	-	156,437	(212,701)	(68,690)	(1,920,998)
Deferred Capital Receipts	(2,470)	-	-	118	-	(2,352)
Total	**(1,615,294)**	**(329,979)**	**258,207**	**(212,583)**	**-**	**(1,899,649)**

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Note 17 Transfer to/from Earmarked Reserves

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

Earmarked Reserves	1 April 2017 Restated	Transfers Out	Transfers In	31 March 2018 Restated	Transfers Out	Transfers In	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contract Risk Reserve	-	-	(11,713)	(11,713)	-	-	(11,713)
Infrastructure reserve	(1,199)	1,313	(25,327)	(25,213)	3,467	(1,928)	(23,675)
Business Rate Equalisation Reserve	-	-	-	-	-	(48,948)	(48,948)
Smoothing out business rates timing differences	-	-	-	-	-	(24,000)	(24,000)
Economic recession not covered by safety net	-	-	-	-	-	(7,000)	(7,000)
Business Rates net contribution to the pool, timing difference	-	-	-	-	-	(6,000)	(6,000)
Recognising 31 grants in future years due to timing difference	-	-	-	-	-	(6,000)	(6,000)
Property Modernisation Resave	-	-	-	-	-	(4,500)	(4,500)
Digitalisation Reserve	-	-	-	-	-	(5,000)	(5,000)
Economy and Enterprise Reserve	(3,062)	1,127	(57)	(1,993)	604	(505)	(1,894)
Learning Skills Council Reserve	(918)	-	(755)	(1,673)	-	(622)	(2,295)
Other	(10,744)	19,180	(23,180)	(14,744)	6,496	(13,480)	(21,727)
Children's Reserves	(4,590)	1,250	(1,894)	(5,234)	771	(1,071)	(5,533)
Dedicated Schools Grant	(5,275)	1,196	-	(4,079)	1,498	-	(2,581)
Statues Reserves	(374)	17	-	(357)	17	-	(339)
Housing Benefits Reserve	(1,000)	-	-	(1,000)	-	-	(1,000)
CORPORATE Items	(32,171)	35,171	(3,000)	-	-	-	-
Invest to Save Reserve	(14,632)	37,046	(47,321)	(24,907)	1,119	-	(23,788)
Insurance Reserve	(12,030)	3,624	(4,197)	(12,602)		(818)	(13,420)

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Earmarked Reserves	1 April 2017 Restated	Transfers Out	Transfers In	31 March 2018 Restated	Transfers Out	Transfers In	31 March 2019
Refurbishment/Transformation of Estate	(10,000)	10,000	-	-	-	-	-
Corporate Risks Reserve	(8,046)	8,246	(200)	-	-	-	-
MRP Equalisation Reserve	(5,589)	-	(1,598)	(7,187)	-	(3,500)	(10,687)
Redundancy and Reorganisation	(2,775)	70	-	(2,701)	-	-	(2,701)
Income Pressures Reserve	(2,120)	2,120	-	-	-	-	-
Revenue Receipts in Advance without conditions	(19,837)	17,377	202	(2,258)	235	(1,364)	(3,388)
Public Health Reserve	(8,554)	2,265	(1)	(6,289)	15	-	(6,274)
Adults Services Reserve	(2,096)	7,338	(11,793)	(6,551)	-	(5,149)	(11,700)
Transformation Reserve	-	-	(14,843)	(14,843)	344	(2,331)	(16,830)
Modernisation Reserve	-	-	(8,000)	(8,000)	-	-	(8,000)
Total General Fund Reserves	**(145,012)**	**147,339**	**(153,676)**	**(151,344)**	**14,567**	**(132,216)**	**(268,995)**
HRA Earmarked Reserves	**(12,331)**	**3,162**		**(9,169)**	**9,169**	**-**	**-**
Total Reserves	**(157,343)**	**150,501**	**(153,676)**	**(160,513)**	**23,736**	**(132,216)**	**(268,995)**

Note 17 Transfer to/from Earmarked Reserves (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

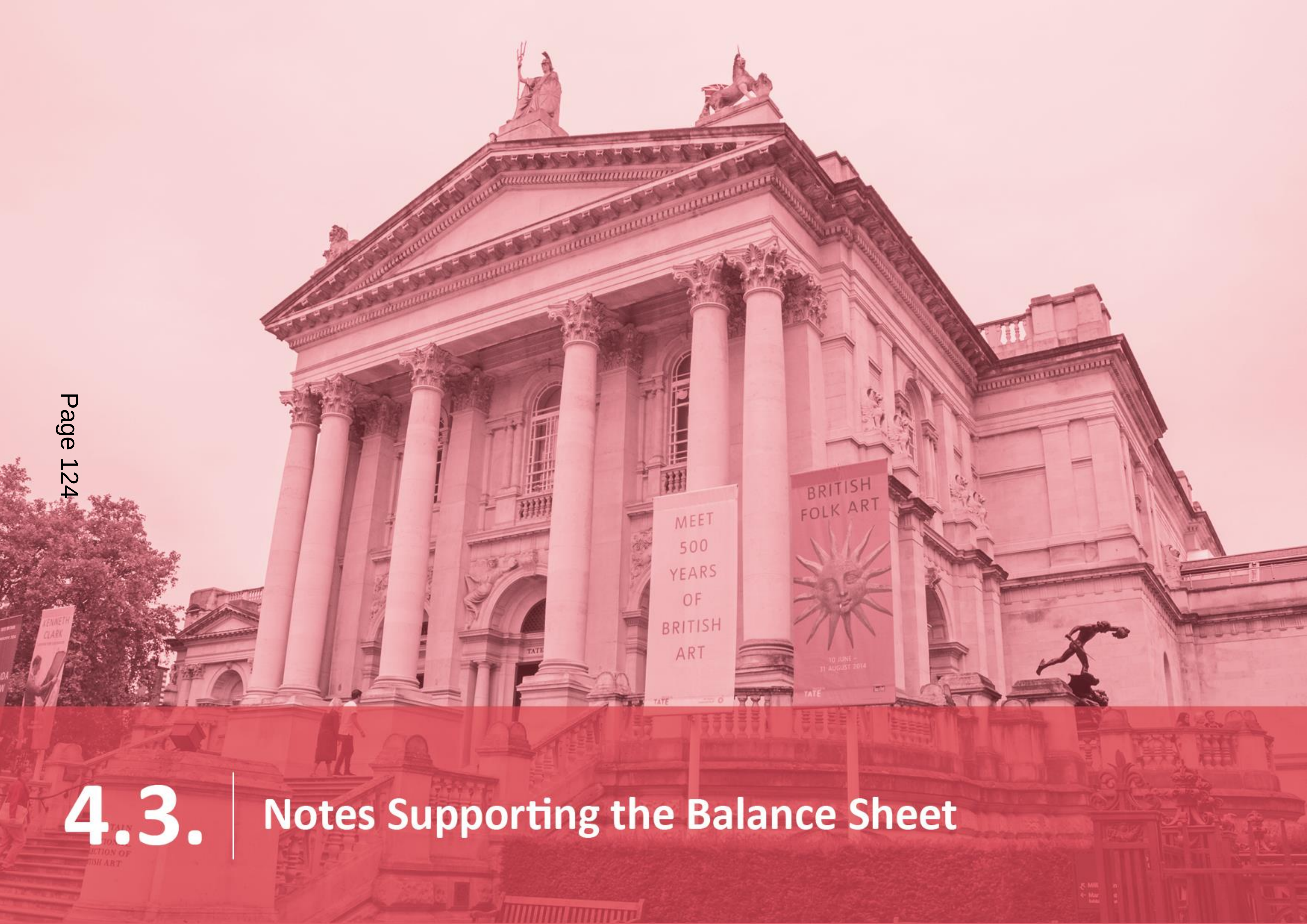
The **Statues and Monuments Reserve** is in place to provide the funds to maintain some of the many statues within Westminster.

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

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

Other Council Reserves represent minor balances.

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



4.3. Notes Supporting the Balance Sheet

Note 18a Capital Contractual Commitments

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

31 March 2018 Restated		31 March 2019
£'000		**£'000**
15,868	FM Conway Various Public Realm Schemes	18,755
3,843	Amey Community Ltd	-
40,751	Dudley House	1,291
39,523	City Hall Refurbishment	-
493	Moberly and Jubilee Leisure Centres Project	-
-	Beachcroft House	14,940
6,825	Edgware Road	6,825
-	West End Gate	20,174
9,580	Tollgate	9,580
116,883	**Total**	**71,566**

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

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

Note 18b Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Sanderson Weatherall undertook valuations on behalf of the Council in 2018/19 for operational property and investment property. HRA stock was valued at 1st April 2018.

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.

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	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Investment Property	Heritage Assets	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at Historic Cost and at depreciated historic cost.	76,592	137	65,897	-	-	76,685	530,661	23,136	**773,108**
			.						
Different Valuations are applied to different asset classes.									
31st March 2019	1,589,004	127,368	465,891	472,825	-	-	-	-	**2,656,761**
31st March 2018	-	-	-	-	100	-	-	-	**100**
31st March 2017	-	-	-	-	-	-	-	-	**-**
31st March 2016	-	-	-	-	-	-	-	-	**-**
31st March 2015	-	-	-	-	-	-	-	-	**-**
31st March 2014	-	-	-	-	42,745	-	-	-	**42,745**
Total Cost or Valuation	**1,665,596**	**127,505**	**531,788**	**472,825**	**42,845**	**76,685**	**530,661**	**23,136**	**3,471,041**

Note 18c Property, Plant and Equipment

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historic cost. Other categories of Property, Plant and Equipment are subsequently re-measured at existing use or fair value – see General Principles within Note 1 for details. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Assets are revalued in accordance with the methodologies and requirements of the Royal Institute of Professional Valuers.

Revaluation

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

As Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

Depreciation

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

Depreciation is calculated on the following bases:

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

Note 18c Property Plant and Equipment (continued)

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

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

Disposals

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

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

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

Minimum Revenue Provision

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

Componentisation

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

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

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

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation									
At 1 April 2017	1,361,321	119,495	357,246	69,527	429,066	20,340	44,772	2,401,767	6,523
Additions	63,732	1,124	56,930	869	48,202	961	72,467	244,285	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	48,066	9,484	(13,585)	-	-	-	-	43,965	38
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1)	(4,181)	-	-	-	-	(4,182)	61
Derecognition – disposals	(5,145)	-	-	-	-	-	-	(5,145)	-
Assets reclassified	-	1,506	21,466	-	-	-	(37)	22,935	-
At 31 March 2018	**1,467,974**	**131,608**	**417,876**	**70,396**	**477,268**	**21,301**	**117,202**	**2,703,625**	**6,622**

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Accumulated Depreciation and Impairment									
At 1 April 2017	(28,555)	(3,330)	(2,040)	(62,192)	(214,031)	-	-	(310,148)	(3,148)
Depreciation Charge	(18,378)	(4,993)	(12,399)	(4,156)	(29,769)	-	-	(69,695)	(679)
Depreciation written out to the Revaluation Reserve	20,801	7,080	12,966	-	-	-	-	40,847	-
Accumulated Impairment written out to the Revaluation Reserve	7,755	-	-	-	-	-	-	7,755	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,600)	-	1,221	-	-	-	-	(5,379)	-
At 31 March 2018	(24,977)	(1,243)	(252)	(66,348)	(243,800)	-	-	(336,620)	(3,827)
Net Book Value:									
At 31 March 2018	**1,442,997**	**130,365**	**417,624**	**4,048**	**233,468**	**21,301**	**117,202**	**2,367,005**	**2,795**
At 31 March 2017	**1,332,766**	**116,165**	**355,206**	**7,335**	**215,035**	**20,340**	**44,772**	**2,091,617**	**3,375**

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Valuation									
At 1 April 2018	1,467,974	131,608	417,876	70,396	477,268	21,301	117,202	**2,703,625**	6,622
Additions	76,592	137	65,897	6,289	53,392	1,834	73,865	**278,005**	
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	142,875	(794)	103,570	-	-	-	-	**245,651**	65
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(855)	15,902	-	-	-	-	**15,047**	-
Derecognition – Disposals	(4,075)			-	-	-		**(4,075)**	-
Derecognition – Other	-	(797)	(255)	-	-	-	(329)	**(1,381)**	-
Assets reclassified	-			-	-	-		**-**	-
Other Movement in Cost or Valuation	-	(1,795)	(71,195)	-	-	-	(12,143)	**(85,132)**	-
At 31 March 2019	**1,683,365**	**127,504**	**531,795**	**76,685**	**530,660**	**23,135**	**178,595**	**3,151,739**	**6,687**

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment									
At 1 April 2018	(24,977)	(1,243)	(252)	(66,348)	(243,800)	-	-	(336,620)	(3,827)
Depreciation Charge	(17,770)	(6,485)	(19,746)	(2,234)	(40,516)			(86,752)	(681)
Depreciation written out to the Revaluation Reserve	18,378	4,956	16,149					39,483	
Accumulated Impairment written out to the Revaluation Reserve	6,600							6,600	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		26	590					616	
Other Movements in Depreciation and Impairments		14	17					31	
At 31 March 2019	(17,769)	(2,733)	(3,242)	(68,582)	(284,316)	-	-	(376,642)	(4,508)
Net Book Value:									
At 31 March 2019	**1,665,596**	**124,771**	**528,553**	**8,103**	**246,344**	**23,135**	**178,595**	**2,775,097**	**2,179**
At 31 March 2018	**1,442,997**	**134,132**	**429,277**	**4,048**	**233,468**	**21,301**	**117,202**	**2,367,005**	**2,795**

Note 19 Heritage Assets

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

	Statues and Monuments	Civic Regalia, Works of Art, Trophies and the like	Total Assets
	£'000	**£'000**	**£'000**
Balance at 1 April 2018	38,774	4,071	42,846
Additions	-	-	-
Balance at 31 March 2019	**38,774**	**4,071**	**42,846**

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

Note 20 Investment Property

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

		2017/18				**2018/19**
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
7,704	14,570	22,274	Rental income from investment property	8,629	18,595	27,225
(1,649)	(2,575)	(4,224)	Direct operating expenses arising from investment property	(2,275)	(4,060)	(6,335)
6,055	**11,995**	**18,050**	**Net gain**	**6,354**	**14,535**	**20,890**

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

Note 20 Investment Property (continued)

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

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

		2017/18				2018/19
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
189,544	265,296	454,840	Balance at 1 April	168,794	216,520	385,314
			Additions:			
-	15,733	**15,733**	Purchases	-	-	**-**
24	546	**570**	Subsequent expenditure	1,362	51	**1,412**
			Disposals	(305)	(7,865)	**(8,171)**
(3,394)	(19,501)	**(22,895)**	Net gains/losses from fair value adjustments	(7,998)	17,135	**9,137**
			Transfers:			
-	(40,000)	**(40,000)**	Assets reclassified (to)/from Investment Property Held for Sale	-	-	**-**
(17,380)	(5,554)	**(22,934)**	Assets reclassified (to)/from Property, Plant and Equipment	(8,406)	93,538	**85,132**
168,794	**216,520**	**385,314**	**Balance at 31 March**	**153,447**	**319,378**	**472,825**

The Council received a capital receipt of £84.8m for the sale of Moxon Street Car Park in April 2018.

Note 21a Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

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

Note 21a Financial Instruments (continued)

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

31 March 2018 Restated			31 March 2019	
Long term	**Short term**		**Long term**	**Short term**
£'000	**£'000**		**£'000**	**£'000**
		Loans and receivables		
2,203	528,929	Investments	-	-
38,015	83,428	Debtors*	-	-
-	161,238	Cash and Cash Equivalents	-	-
40,218	773,595		-	-
		Financial Assets at Amortised Cost		
15,230	335,872	Investments	-	-
		Fair Value Through Profit and Loss – Financial Assets		
-	-	Investments	24,366	-
		Financial assets at amortised cost		
-	-	Investments	784	673,751
-	-	Debtors	68,192	121,353
-	-	Cash and Cash Equivalents	-	67,978
55,448	**1,109,467**	**Total Financial Assets**	**93,342**	**863,082**
		Financial liabilities at amortised cost		
221,230	32,069	Borrowing	222,521	2,486
-	122,849	Creditors*	4,321	196,139
17,178	1,753	Service concession and finance lease liabilities	16,747	1,783
238,408	**156,671**	**Total Financial Liabilities**	**243,589**	**200,408**

Note 21a Financial Instruments (continued)

Income, Expense, Gains and Losses

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

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

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

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

A further £200m forward deal is currently being negotiated with Rothesay Life with a view to a similar forty-year loan to be struck around mid-April 2019 to commence in four years' time.

Note 21a Financial Instruments (continued)

Fair value of assets and liabilities

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

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

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

31 March 2018 Restated			31 March 2019	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
		Loans and receivables		
531,131	531,131	Investments	-	-
121,443	121,443	Debtors	-	-
161,238	161,238	Cash and Cash Equivalents	-	-
-	-	**Loans and receivables**	-	-
-	-	Investments	674,535	674,535
-	-	Debtors	189,546	192,115
-	-	Cash and Cash Equivalents	67,978	67,978
813,812	**813,812**	**Total Financial Assets**	**932,058**	**934,627**
		Financial liabilities at amortised cost		
		Borrowing*		
182,486	208,482	Public Works Loan Board	152,008	180,584
70,813	96,915	Lender Option Borrower Options	70,999	101,150
-	-	Other	2,000	2,000
253,299	**305,397**		**225,008**	**283,734**
122,849	122,849	Creditors	200,460	200,460
18,931	29,731	Service concession and finance lease liabilities	18,530	26,839
395,079	**457,977**	**Total Financial Liabilities**	**443,998**	**511,033**

Note 21b Cash and Cash Equivalents

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

31 March 2018		31 March 2019
£'000		£'000
1,076	Cash held by the Authority	3,970
30,522	Cash at bank	4,244
129,640	Short-term liquid deposits	59,764
161,238	**Total Cash and Cash Equivalents**	**67,978**

Note 22 Nature and Extent of Risk

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

CREDIT RISK

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

Note 22 Nature and Extent of Risk (continued)

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

31 March 2018			31 March 2019	
Available for Sale	**Loans and receivables**	**Fitch Rating**	**Available for Sale**	**Amortised Cost**
£'000	**£'000**		**£'000**	**£'000**
81,935	181,878	AAA	-	59,783
-	-	AA+	-	--
143,678	240,383	AA	59,926	301,222
90,134	59,318	AA-	55,327	84,489
20,124	111,873	A+	-	138,700
-	95,428	A	-	45,332
-	-	BBB+	230	191,749
230	124,932	NA		
336,101	**813,812**	**Total**	**115,482**	**821,276**

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

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

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

Note 22 Nature and Extent of Risk (continued)

LIQUIDITY RISK

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

				31 March 2018						31 March 2019
PWLB	**LOBO***	**Mortgage Annuity**	**Other**	**Total**		**PWLB**	**LOBO***	**Mortgage Annuity**	**Other**	**Total**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
31,217	813	40	-	32,070	Less than one year	963	814	42	667	2,486
-	-	42	-	42	Between one and two years	15,000	-	45	667	15,712
20,400	-	142	-	20,542	Between two and five years	5,400	10,000	98	667	16,164
25,000	10,000	-	-	35,000	Maturing in five to ten years	29,000	-	-	-	29,000
105,645	60,000	-	-	165,645	Maturing in more than ten years	101,645	60,000	-	-	161,645
				253,299	**Total**					**225,007**

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

Note 22 Nature and Extent of Risk (continued)

MARKET RISK

Interest Rate Risk

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

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

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

Price Risk

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

Note 23 Capital Expenditure and Capital Financing

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

2017/18		2018/19
£'000		**£'000**
521,086	Capital Financing Requirement at 1 April	633,909
	Capital investment	
244,285	Property, Plant and Equipment	278,005
16,304	Investment Properties	1,412
438	Intangible Assets	330
56,301	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	45,497
	Sources of finance	
(54,549)	Capital Receipts	(45,775)
(103,406)	Government grants and other contributions	(111,701)
	Sums set aside from revenue	
(16,585)	Direct revenue contributions	(22,346)
(23,371)	Major Repairs Allowance	(24,256)

Note 23 Capital Expenditure and Capital Financing (continued)

2017/18		2018/19
£'000		**£'000**
	Debt repayment	
(5,669)	Minimum Revenue Provision	(7,038)
(925)	Minimum Revenue Provision PFI and Finance Lease	(1,585)
633,909	**Capital Financing Requirement at 31 March**	**746,454**
	Explanation of movements in year	
119,417	Increase /(decrease) in underlying need for borrowing (unsupported by government financial assistance)	121,168
(5,669)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(7,038)
(925)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(1,585)
112,823	**Total**	**112,545**

Note 24 Leases

COUNCIL AS LESSEE

Finance Leases

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

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

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

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

The interest element of finance leases is charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement. The principal element of finance lease payments is applied to write down the lease liability.

31 March 2018		31 March 2019
£'000		£'000
30,790	Other Land and Buildings	106,200
30,790	**Total**	**106,200**

Minimum Lease Payments

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

31 March 2018				31 March 2019		
Minimum Lease Payment	**Finance Charges**	**Present Value**		**Minimum Lease Payment**	**Finance Charges**	**Present Value**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
887	70	817	Not later than one year	904	885	834
3,549	880	2,669	Later than one year and not later than five years	3,617	3,528	2,737
41,701	35,015	6,686	Later than five years	41,502	30,903	7,136
46,137	**35,965**	**10,172**	**Total**	**46,023**	**35,316**	**10,707**

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

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

Note 24 Leases (continued)

Operating Leases

All other leases are treated as operating leases.

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

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

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

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

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

Note 24 Leases (continued)

COUNCIL AS LESSOR

Operating Leases

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

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

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

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

Note 25 Service Concessions

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

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

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

Veolia Waste Disposal Contract
2017/18 was due to be the final year of a seven-year service concession contract for waste and recycling collection, street cleansing and ancillary services, terminating part way through 2017/18. This contract was extended during the year to now terminate part way through 2020/21. Under the contract, the operator provides a fleet of vehicles subject to a renewal programme approved by the Authority for the sole use of the contract. During the contract period to date, the vehicle fleet was completely renewed in April 2012 at a cost of £5.015m. At the end of the contract, the Authority has the option to purchase the vehicles at net book value, which is currently estimated to be £nil. The contract provides for the Authority's depots to be leased to the operator for the duration of the contract and returned to the Authority in good condition at the end of contract. The contract specifies the routes and to whom the services are provided, minimum standards of service with deductions from the fee payable if performance falls below the minimum standards.

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

Penfold Contract
Penfold Street was jointly commissioned in 2004 between the Council and Notting Hill Housing Trust with the objective of providing housing for older people in the heart of London. Under the terms of the contract, the Authority provided the operator with a site for demolition and development on a 99 year lease, the operator constructed a new building on the site, which reverts to the Authority at the end of the lease, and the Authority has 100% nomination rights and provides an annual care contract for residents. The operator retains all rent and service charge income from residents

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

The Council has the rights under the contract to specify the activities and services to be provided and regulate the prices charged. the contract specifies minimum standards to be met by the contractor with penalties payable if the facilities or performance is below minimum standards. The Council is responsible for the maintenance of the structure of the leisure centres, and the contractor for maintenance and redecoration, including equipment replacement. The buildings, plant and equipment provided by the Council at the start of the contract remain the Council's assets, together with the planned enhancement works. In addition the Council has the right to buy any plant and equipment supplied by the contract at the end of the contract at its written down value. The Council has an option to extend the contract for a further five years. Also the Council has the option to terminate the contract either for poor performance, of in the event that the Council wishes to reconfigure leisure services, it may terminate the contract subject to paying compensation to the contractor.

Property, Plant and Equipment

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

Payments

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

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

Note 25 Service Concessions (continued)

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

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

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

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

Note 26 Debtors

31 March 2018				31 March 2019		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	34,135	**34,135**	Central government bodies	-	38,468	**38,468**
-	3,039	**3,039**	NHS bodies	-	5,555	**5,555**
-	6,767	**6,767**	Other local authorities	-	10,794	**10,794**
-	-	-	Public corporations and trading funds	-	1	**1**
			Other entities and individuals:			
-	17,325	**17,325**	Westminster share of Business Rates debt	-	42,411	**42,411**
-	23,371	**23,371**	Parking fines	-	26,526	**26,526**
-	17,654	**17,654**	Housing benefits overpayments	-	17,455	**17,455**
15,374	15,778	**31,152**	Housing debtors	23,994	17,102	**41,096**
22,641	50,704	**73,345**	Other	43,610	85,525	**129,135**
-	(74,931)	**(74,931)**	Less: Impairment allowance for doubtful debts (see below)	-	(90,569)	**(90,569)**
38,015	**93,842**	**131,857**	**Total**	**67,604**	**153,267**	**220,871**

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Impairment allowance for doubtful debts

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

Note 27 Creditors

31 March 2017 Restated			31 March 2018 Restated				31 March 2019		
Long Term	Short Term	Total	Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000
-	(232,531)	**(232,531)**	-	(244,676)	**(244,676)**	Central government bodies	-	(122,263)	**(122,263)**
-	(93,832)	**(93,832)**	-	(204,473)	**(204,473)**	Other local authorities	-	(10,552)	**(10,552)**
-	(4,204)	**(4,204)**	-	(734)	**(734)**	NHS bodies	-	(817)	**(817)**
-	-	**-**	-	-	**-**	Public corporations and trading funds	-	0	**0**
(204)	(138,468)	**(138,672)**	(2,917)	(179,528)	**(182,445)**	Other entities and individuals	(4,321)	(237,544)	**(241,865)**
(204)	**(469,035)**	**(469,239)**	**(2,917)**	**(629,411)**	**(632,328)**	**Total**	**(4,321)**	**(371,176)**	**(375,497)**

Note 28 Provisions

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

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

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

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

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

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

Note 28 Provisions (continued)

Closing provisions include the following elements:

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

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

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

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

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

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

Note 29 Other Long-Term Liabilities

2017/18		Note	2018/19
£'000			£'000
(4,225)	Lease Liabilities*	Note 24	(10,687)
(8,759)	Service Concessions	Note 25	(7,823)
(697,566)	Pension Liability	Note 30	(701,677)
(710,550)			**(720,187)**

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

Note 30 Pension Schemes

PARTICIPATION IN PENSIONS SCHEMES

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

POST-EMPLOYMENT BENEFITS

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

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

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

Under IAS 19 and Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions.

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

Note 30a Pensions Schemes Accounted for as Defined Contribution Schemes

TEACHERS' PENSIONS SCHEME

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

NHS STAFF PENSION SCHEME

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

Note 30b Defined Benefit Pension Schemes

THE LOCAL GOVERNMENT PENSION SCHEME

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

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

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

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

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

- Service cost comprising:
    - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
    - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
    - net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - contributions paid to the pension fund are charged to the General Fund via an entry in the Movement in Reserves Statement to replace the service cost items above discretionary benefits

DISCRETIONARY BENEFITS

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

DESCRIPTION OF THE WESTMINSTER FUND

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

Note 30b – Defined Benefit Pension Schemes (continued)

2017/18				2018/19		
Scheme Assets	**Pensions Obligations**	**Net Pensions Liability**	**Programme area**	**Scheme Assets**	**Pensions Obligations**	**Net Pensions Liability**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
822,640	**(1,595,630)**	**(772,990)**	**Opening Balance at 1 April**	**863,012**	**(1,560,578)**	**(697,566)**
-	(33,502)	(33,502)	Current Service Cost	-	(32,970)	(32,970)
-	(1,105)	(1,105)	Past Service Cost and gains/losses on curtailments	-	(1,680)	(1,680)
22,115	(42,474)	(20,359)	Interest Income and Expense	22,026	(39,301)	(17,275)
(347)	-	(347)	Administration Expenses	(373)	-	(373)
			Remeasurements			-
17,746	-	17,746	• Return on Plan Assets	20,406		20,406
-	-	-	• Actuarial Gains and Losses arising from changes in demographic assumptions	-	95,526	95,526
-	74,068	74,068	• Actuarial Gains and Losses from changes in financial assumptions	-	(76,885)	(76,885)
-	-		Experience (loss)/gain on defined benefit obligation	-	153	153
-	(434)	(434)	Changes in the effect of the Asset Ceiling	-	(742)	(742)
-	-	-	Effect of changes in foreign exchange rates	-	-	-
			Contributions			
39,357	-	39,357	• The Council	39,178	-	39,178
6,367	(6,367)	-	• Employees	6,633	(6,633)	-
			Payments			
(44,866)	44,866	-	• Retirement Grants and Pensions	(43,063)	43,063	-
-	-	-	• Settlements	71,968	-	71,968
-	-	-	• Effects of business combinations and disposals	-	(101,417)	(101,417)
863,012	**(1,560,578)**	**(697,566)**	**Closing Balance at 31 March**	**979,787**	**(1,681,464)**	**(701,677)**

Note 30b – Defined Benefit Pension Schemes (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED

WCC Pension Scheme 31 March 2018			WCC Pension Scheme 31 March 2019	
£'000	**%**		**£'000**	**%**
12,615	1.5%	Gilts - UK	-	0.0%
14,297	1.7%	Gilts - Overseas	-	0.0%
841	0.1%	Gilts - Index Linked	-	0.0%
52,984	6.3%	Corporate Bonds - UK	-	0.0%
31,959	3.8%	Corporate Bonds - Overseas	135,923	14.2%
1,682	0.2%	Listed Equities - UK	200,056	20.9%
2,523	0.3%	Listed Equities - Overseas	460,415	48.1%
388,549	46.2%	Unlisted Equities - UK	-	0.0%
254,828	30.3%	Unlisted Equities - Overseas	-	0.0%
73,168	8.7%	Property	88,063	9.2%
5,887	0.7%	Cash	957	0.1%
1,682	0.2%	Net Current Assets - debtors	-	0.0%
-	0.0%	Net Current Assets - creditors	-	0.0%
-	0.0%	Multi Asset Credit	62,218	6.5%
-	0.0%	Infrastructure	9,572	1.0%
841,016	**100%**	**Total**	**957,204**	**100%**

Note 30b – Defined Benefit Pension Schemes (continued)

LPFA Pension Scheme 31 March 2018			LPFA Pension Scheme 31 March 2019	
£'000	**%**		**£'000**	**%**
13,450	61%	Equities	12,286	54%
4,930	22%	Target Return Portfolio	6,022	27%
962	4%	Infrastructure	1,361	6%
1,583	7%	Property	2,124	9%
1,071	5%	Cash	790	4%
21,996	**100%**	**Total**	**22,583**	**100%**

Note 30b – Defined Benefit Pension Schemes (continued)

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

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

The principal assumptions used by the actuaries have been:

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

Note 30b – Defined Benefit Pension Schemes (continued)

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

Note 30b – Defined Benefit Pension Schemes (continued)

IMPACT ON THE COUNCIL'S CASH FLOWS

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

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

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

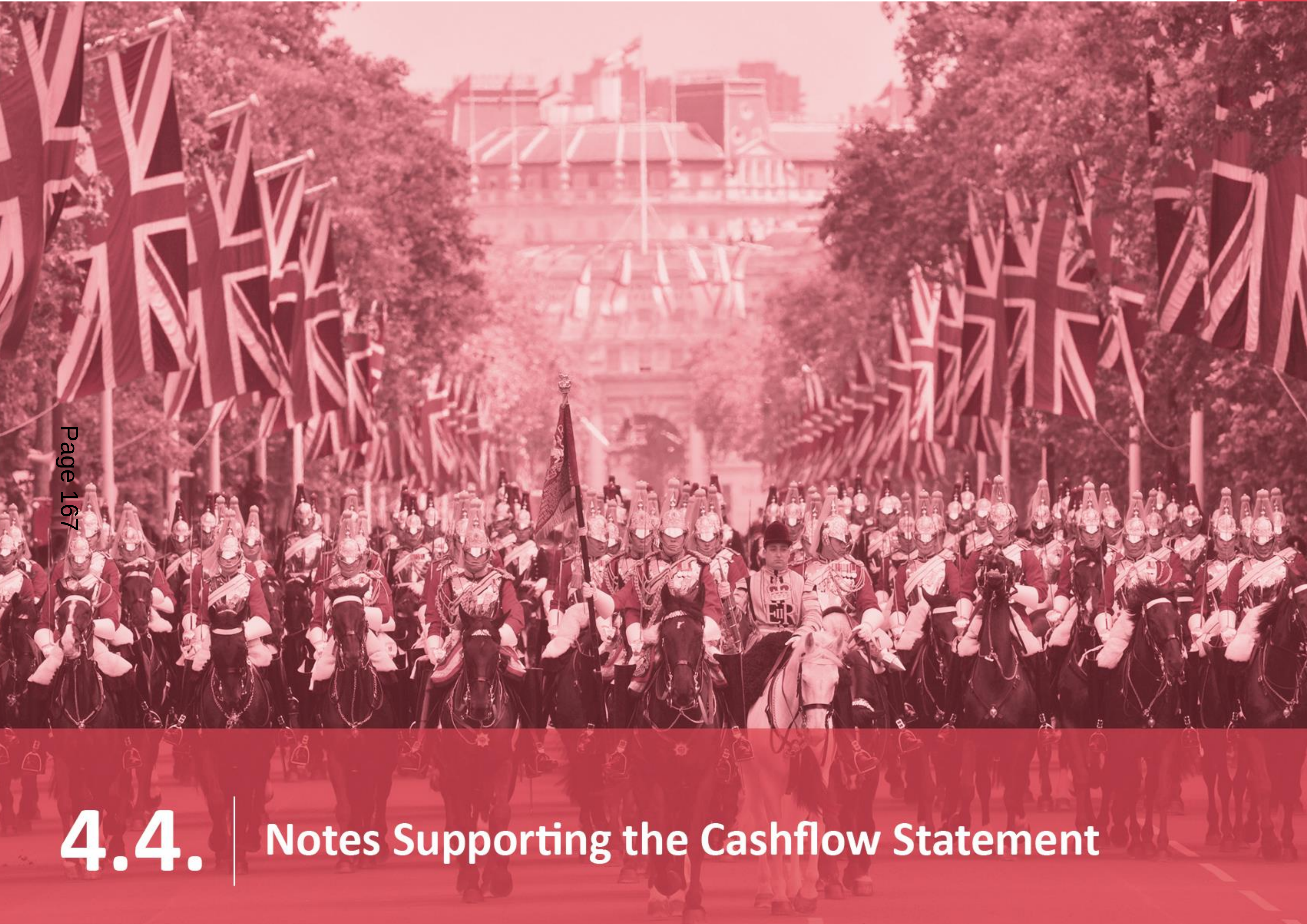
The weighted average duration of the defined benefit obligation for the WCC scheme members is 19 years, 2018/19 (19 years 2017/18).

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

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

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

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



4.4. Notes Supporting the Cashflow Statement

Note 31 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		**£'000**
7,697	Interest received	10,521
(12,168)	Interest paid	(11,101)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
111,216	Depreciation	87,233
32,456	Impairment and downward valuations	(15,663)
114,614	Increase/(decrease) in creditors	25,760
(43,263)	(Increase)/decrease in debtors	(70,043)
86	(Increase)/decrease in inventories	(7)
15,956	Movement in pension liability	71,804
5,145	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	53,622
(18,385)	Other non-cash items charged to the net surplus or deficit on the provision of services	54,724
217,826	Sub-total of non-cash movements	207,430
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(94,756)	Capital Grants credited to surplus or deficit on the provision of services	(32,700)
(31,880)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113,830)
(126,636)	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(146,530)**
100,160	**Total**	**60,900**

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Note 32 Cash Flows from Investing Activities

2017/18		2018/19
£'000		**£'000**
(317,333)	Purchase of property, plant and equipment, investment property and intangible assets	(279,913)
(2,828,009)	Purchase of short and long-term investments	(2,954,718)
31,880	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	111,329
2,714,452	Proceeds from short and long-term investments	3,138,288
95,261	Other receipts from investing activities*	23,710
(303,750)	**Total Cash Flows from Investing Activities**	**38,697**

*The £95,261m primarily relates to capital grants initially credited to the surplus/deficit on the provision of services, reversed out in note 31.

Note 33 Cash Flows from Financing Activities

2017/18		2018/19
£'000		**£'000**
-	Cash receipts of short- and long-term borrowing	2,000
24,928	Other receipts from financing activities	-
(925)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(19)
(37)	Repayments of short- and long-term borrowing	(30,040)
-	Other payments for financing activities	(302,105)
23,966	**Net cash flows from financing activities**	**(330,164)**

4.5. Other Notes

Note 34 Related Party Transactions

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

CENTRAL GOVERNMENT

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

MEMBERS

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

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

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

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

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

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

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

Note 34 Related Party Transactions (continued)

ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

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

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

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

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

Note 34 Related Party Transactions (continued)

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

Westminster Community Homes –Thomas McGregor, Thomas Harding, James Green
Westco trading Limited – Julia Corkey, Dai Williams
Westminster Procurement Services - Dai Williams
Westminster Housing Investment Ltd - Thomas McGregor, James Green, Stephen Muldoon
Westminster Housing Development Ltd - Thomas McGregor, James Green, Stephen Muldoon

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

The Council has the following associate:

Hub Make Lab CIC

a) Nature of the business

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

b) Relationship with the Council

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

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

c) Financial performance

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

d) Council Officers/Members on the Board

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

Note 35 Contingent Liabilities

There are no contingent liabilities at the reporting date.

Note 36 Contingent Assets

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

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

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

Note 37a Fair Value – Basis of Valuation

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

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

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

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Council has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out opposite the consequent potential impact on the closing value of investments held at 31 March 2018.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Investment property, assets held for sale	+16.9%/-12.9%	393,312	459,782	342,575
Total		**393,312**	**459,782**	**342,575**

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

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

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

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

		31 March 2018 Restated				31 March 2019
Quoted market price	Using observable inputs	With significant unobservable inputs		Quoted market price	Using observable inputs	With significant unobservable inputs
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
-	336,102	15,000	Available for sale	-	-	-
-	-	-	Fair value through profit and loss assets	-	-	24,366
-	-	-	Assets at amortised cost	-	115,608	-
-	-	385,314	Investment property	-	-	472,825
-	-	40,000	Assets held for sale	-	-	-
-	**336,102**	**440,314**	**Total Financial Assets**	**-**	**115,608**	**497,191**
			Liabilities at Amortised Cost*			
-	208,482	-	Borrowing: Public Works Loan Board (PWLB)	-	180,584	-
-	96,915	-	Lender Option Borrower Option loan	-	101,150	-
-	5,768	-	Service Concessions	-	4,045	-
-	**311,165**	**-**	**Total Liabilities**	**-**	**285,779**	**-**

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

Note 37c Transfers between Levels 1 and 2

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

Note 37d Reconciliation of Fair Value Measurements within Level 3

2017/18 Restated	1 April 2017	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property*	454,840	-	(62,934)	16,303	-	(22,895)	-	385,314
Assets held for sale**	2,250	40,000	-	-	(2,250)	-	-	40,000
Pooled property fund	1,500	-	-	13,500	-	-	-	15,000
	458,590	**40,000**	**(62,934)**	**29,803**	**(2,250)**	**(22,895)**	**-**	**440,314**

2018/19	1 April 2018	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	385,314	85,132	-	1,412	(8,171)	-	9,137	472,824
Assets held for sale	40,000	-	-	-	(40,000)	-	-	-
Pooled property fund	15,000	-	-	11,000	-	(1,634)	-	24,366
	440,314	**85,132**	**-**	**12,412**	**(48,171)**	**(1,634)**	**9,137**	**497,191**

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

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

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

Note 38 Events After the Reporting Period

The Director of Finance and Resources authorised the Statement of Accounts on 15 April 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

Note 39 Prior Period Adjustment

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

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

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

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

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

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

The above restatements are summarised below:

EFFECT ON THE OPENING BALANCE SHEET AT 1 APRIL 2017

	Opening balances at 1 April 2017	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	Restated balances at 1 April 2017
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	2,107,037	(15,420)	-	-	2,091,617
Long-term investments	27,386	-	1,500	-	28,886
Total long-term assets	**(471,583)**	**-**	**-**	**2,549**	**(469,034)**
Short-term creditors	(471,583)	-	-	2,549	(469,034)
Current Liabilities	**(481,993)**	**-**	**-**	**2,549**	**(479,444)**
Net Assets	**1,905,738**	**(15,420)**	**1,500**	**2,549**	**1,894,367**
Usable Reserves	(575,719)	-	-	(2,549)	(578,268)
Unusable Reserves	(1,330,019)	15,420	(1,500)	-	(1,316,099)
Total Reserves	**(1,905,738)**	**15,420**	**(1,500)**	**(2,549)**	**(1,894,367)**

NOTE 39 Prior Period Adjustment (Continued)

EFFECT ON COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2017/18

	2017/18 as previously stated	Restatements - Property, plant & equipment	Long-term investment	Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Growth, Planning and Housing (including HRA)	91,884	-	(13,500)	-	78,384
Corporate Services	(445)	-	-	(178)	(623)
Cost of Services	223,384	-	(13,500)	(178)	209,706
Taxation and non-specific grant Income	(390,008)	-	-	(10,292)	(400,300)
(Surplus)/Deficit on provision of services	(155,561)	-	(13,500)	(10,470)	(179,531)
Comprehensive Income and Expenditure (Surplus)/Deficit	(338,371)	-	(13,500)	(10,470)	(362,341)

Note 39 Prior Period Adjustment (continued)

EFFECT ON MOVEMENT IN RESERVES STATEMENT – GENERAL FUND BALANCE

	2017/18 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
(Surplus)/Deficit on provision of services	(144,264)	-	(13,500)	(10,470)	(168,234)
Total Comprehensive Income and Expenditure	**(144,264)**	**-**	**(13,500)**	**(10,470)**	**(168,234)**
Adjustments between accounting basis & funding basis under regulations	126,091	-	13,500	10,292	149,883
Net (increase)/decrease before Transfers to Earmarked Reserves	**(18,173)**	**-**	**-**	**(178)**	**(18,351)**
Transfers to/(from) Earmarked Reserves	8,085	-	-	178	8,263

EFFECT ON MOVEMENT IN RESERVES – EARMARKED GENERAL FUND RESERVES

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

Note 39 Prior Period Adjustment (continued)

EFFECT ON MOVEMENT IN RESERVES STATEMENT – GENERAL FUND TOTAL

	2017/18 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(197,364)	-	-	(127)	(197,491)
(Surplus)/Deficit on provision of services	(144,264)	-	(13,500)	(10,470)	(168,234)
Total Comprehensive Income and Expenditure	(144,264)	-	(13,500)	(10,470)	(168,234)
Adjustments between accounting basis & funding basis under regulations	126,091	-	13,500	10,292	149,883
Net (increase)/decrease before Transfers to Earmarked Reserves	(18,173)	-	-	(178)	(18,351)
(Increase)/Decrease in Year	(18,173)	-	-	(178)	(18,351)
Balance at 31 March 2018	(215,537)	-	-	(305)	(215,842)

Note 39 Prior Period Adjustment (continued)

EFFECT ON MOVEMENT IN RESERVES - USABLE RESERVES

	2017/18 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(575,719)	-	-	(2,549)	(578,268)
(Surplus)/Deficit on provision of services	(155,561)	-	(13,500)	(10,470)	(179,531)
Total Comprehensive Income and Expenditure	(155,561)	-	-	(10,470)	(179,531)
Adjustments between accounting basis & funding basis under regulations	102,885	-	13,500	-	116,385
Net (increase)/decrease before Transfers to Earmarked Reserves	(52,676)	-	-	(10,470)	(63,146)
(Increase)/Decrease in Year	(52,676)	-	-	(10,470)	(63,146)
Balance at 31 March 2018	(628,395)	-	-	(13,019)	(641,414)

EFFECT ON MOVEMENT IN RESERVES – UNUSABLE RESERVES

	2017/18 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(1,330,019)	15,420	(1,500)	-	(1,316,099)
Adjustments between accounting basis & funding basis under regulations	(102,884)	-	(13,500)	-	(116,384)
Net (increase)/decrease before Transfers to Earmarked Reserves	(285,694)	-	(13,500)	-	(299,194)
(Increase)/Decrease in Year	(285,694)	-	(13,500)	-	(299,194)
Balance at 31 March 2018	(1,615,713)	15,420	(15,000)	-	(1,615,293)

Note 39 Prior Period Adjustment (continued)

EFFECT ON MOVEMENT IN RESERVES - TOTAL RESERVES

	2017/18 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(1,905,738)	15,420	(1,500)	(2,549)	(1,894,367)
(Surplus)/Deficit on provision of services	(155,561)	-	(13,500)	(10,470)	(179,531)
Total Comprehensive Income and Expenditure	(338,371)	-	(13,500)	(10,470)	(362,341)
Net (increase)/decrease before Transfers to Earmarked Reserves	(338,371)	-	(13,500)	(10,470)	(362,341)
(Increase)/Decrease in Year	(338,371)	-	(13,500)	(10,470)	(362,341)
Balance at 31 March 2017	(2,244,109)	15,420	(15,000)	(13,019)	(2,256,708)

Note 39 Prior Period Adjustment (continued)

EFFECT ON BALANCE SHEET AT 31 MARCH 2018

	Balances at 31 March 2018 as previously stated	Restatements - Property, plant & equipment	Restatements - Long-term investment	Restatements - Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	2,382,425	(15,420)	-	-	2,367,005
Long-term investments	2,433	-	15,000	-	17,433
Total long-term assets	**2,851,908**	**(15,420)**	**15,000**	**-**	**2,851,488**
Short-term creditors	(642,430)	-	-	13,019	(629,411)
Current Liabilities	**(680,134)**	**-**	**-**	**13,019**	**(667,115)**
Net Assets	**2,244,109**	**(15,420)**	**(15,000)**	**(13,019)**	**2,256,708**
Total Usable Reserves	(628,395)	-	-	(13,019)	(641,414)
Total Usable Reserves	(1,615,714)	15,420	(15,000)	-	(1,615,294)
Total Reserves	**(2,244,109)**	**15,420**	**(15,000)**	**(13,019)**	**(2,256,708)**

Note 40 Business Combinations

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

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

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

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

There were no contingent liabilities at the year end.

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

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

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

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

5.

Group Accounts, and Explanatory Notes

Group Accounts and Explanatory Notes

INTRODUCTION

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

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.

- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

RESULTS OF SUBSIDIARIES

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

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

For 2017/18, the company's results showed a surplus of £0.448m (£0.672m surplus in 2016/17), and net assets of £12.153m (£11.706m at 31 March 2017). Loans outstanding from the Council to the company total £10.177m (£10.283m at 31 March 2017).

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

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

On 31st March 2019, the Council absorbed City West Homes in its entirety into the Council's operations and assumed responsibility for the assets and liabilities associated with this business. The primary reason for this is to improve the services provided to council tenants and leaseholders and to generate cost savings of around £3.5m.

Other entities within the Group

The other entities within the Group are:

- WestCo Trading Ltd, which provides communications support and business transformation programmes mainly to public sector clients. The company is a private limited company with share capital of £0.080m and is wholly owned by the Council. The company generated a profit of £0.014m in 2018/19 (£0.032m in 2017/18), and had net assets of £0.956m (£0.969m at 31 March 2018).
- Westminster Procurement Services Limited is a trading vehicle wholly owned by the Council providing procurement consultancy services to public sector organisations. The company generated a profit of £0.036m in 2018/19 (£0.008m in 2017/18)
- Hub Make Lab CIC, which trades as Hub Westminster, provides low cost office space in the heart of London’s West End for start-up businesses. In 2018/19, the company reported a loss of £0.039m. (£0.123m loss in 2017/18), and net liabilities of £0.321m (net liabilities of £0.282m at 31 March 2018).
- Paddington Recreation Ground charity was set up under the Paddington Recreation Ground Act 1893 to manage the land and facilities at Paddington Recreation Ground in perpetuity. The Council is sole trustee of the charity, which aims to break even year-on-year, entirely supported by funding from the Council. The charity generated a surplus of £0.534m in 2017/18 (£0.145m in 2018/19).
- Westminster Housing Investments Limited and Westminster Housing Development Limited were both incorporated in June 2018 but have not traded.

Group Account Statements

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

		2017/18				2018/19
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
19,454	(27,066)	(7,612)	City Treasurer	74,729	(8,635)	66,095
13,390	(10,949)	2,441	Policy, Performance and Communications	8,601	(12,243)	(3,641)
154,077	(94,198)	59,879	Adults' Services	153,204	(92,367)	60,837
150,712	(109,904)	40,808	Children's Services	143,726	(97,172)	46,554
172,206	(134,821)	37,385	City Management and Communities	194,729	(134,903)	59,826
497,030	(404,259)	92,771	Growth, Planning and Housing	421,092	(406,733)	14,359
5,290	(4,083)	1,207	Chief of Staff	-	-	-
9,099	(9,544)	(445)	Corporate Services	18,683	(8,206)	10,478
1,021,258	**(794,824)**	**226,434**	**Cost of Services – Continuing Operations**	**1,014,764**	**(760,257)**	**254,507**

Group Comprehensive Income and Expenditure Statement (continued)

		2017/18				2018/19
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
-	(18,543)	(18,543)	Other operating expenditure	-	(28,658)	(28,658)
1,290	30,554	31,844	Financing and investment income and expenditure	1,220	(12,808)	(11,588)
-	(390,008)	(390,008)	Taxation and non-specific grant Income	-	(349,860)	(349,860)
-	(435)	(435)	Profit on disposal on tangible assets	-	(25,928)	(25,928)
1,022,548	**(1,173,256)**	**(150,708)**	**(Surplus)/Deficit on Provision of Services**	**1,015,984**	**(1,177,511)**	**(161,527)**
1	-	1	Tax expenses of subsidiary	8	-	8
1,022,549	**(1,173,256)**	**(150,707)**	**Group (Surplus)/Deficit**	**1,015,993**	**(1,177,511)**	**(161,518)**
1,135	-	1,135	(Surplus)/deficit on revaluation of financial assets (Available for sale)	223	(291,733)	(291,510)
-	(92,567)	(92,567)	(Surplus)/deficit on revaluation of fixed assets	-	-	-
-	(96,778)	(96,778)	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	-	(38,469)	(38,469)
1,135	**(189,345)**	**(188,210)**	**Other Comprehensive Income And Expenditure**	**223**	**(330,202)**	**(329,979)**
1,023,684	**(1,362,601)**	**(338,917)**	**Total Comprehensive Income And Expenditure**	**1,016,216**	**(1,507,713)**	**(491,497)**

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GROUP MOVEMENT IN RESERVES STATEMENT

2017/18	Revenue Reserves							Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(47,704)	(144,882)	(3,704)	(196,290)	(41,586)	(12,331)	(53,917)	(87,162)	(237,276)	(574,645)	(1,353,429)	(1,928,075)	13,046	(1,915,029)
Movement in reserves during 2017/18														
(Surplus) or deficit on provision of services (accounting basis)	(144,264)	-	-	(144,264)	(11,297)	-	(11,297)	-	-	(155,561)	-	(155,561)	3,023	(152,538)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(182,810)	(182,810)	(5,400)	(188,210)
Total Comprehensive Income and Expenditure	**(144,264)**	-	-	**(144,264)**	**(11,297)**	-	**(11,297)**	-	-	**(155,561)**	**(182,810)**	**(338,371)**	**(2,377)**	**(340,748)**

Group Movement in Reserves Statement (continued)

2017/18	Revenue Reserves							Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between group accounts and authority accounts	(1,805)	-	-	(1,805)	-	-	-	-	-	(1,805)	1,939	134	1,696	1,830
Net increase before transfers	(146,069)	-	-	(146,069)	(11,297)	-	(11,297)	-	-	(157,366)	(180,871)	(338,237)	(681)	(338,918)
Adjustments between accounting basis & funding basis under regulations	126,091	-	-	126,091	30,679	-	30,679	25,550	(79,434)	102,886	(102,885)	1	-	1
Net Increase / Decrease before Transfers to Earmarked Reserves	(19,978)	-	-	(19,978)	19,382	-	19,382	25,550	(79,434)	(54,480)	(283,756)	(338,236)	(681)	(338,917)
Transfers to / from Earmarked Reserves	8,085	(6,146)	(1,939)	-	(3,162)	3,162	-	-	-	-	-	-	-	-
Increase / Decrease In Year	(11,893)	(6,146)	(1,939)	(19,978)	16,220	3,162	19,382	25,550	(79,434)	(54,480)	(283,756)	(338,236)	(681)	(338,917)
Balance at 31 March 2018 carried forward	**(59,597)**	**(151,028)**	**(5,643)**	**(216,268)**	**(25,366)**	**(9,169)**	**(34,535)**	**(61,612)**	**(316,710)**	**(629,125)**	**(1,637,185)**	**(2,266,311)**	**12,365**	**(2,253,946)**

Group Movement in Reserves Statement (continued)

2018/19					Revenue Reserves				Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	(59,597)	(151,028)	(5,643)	(216,268)	(25,366)	(9,169)	(34,535)	(61,612)	(316,710)	(629,125)	(1,637,185)	(2,266,311)	12,365	(2,253,946)
Adjustment to opening balance	-	(305)	-	(305)	-	-	-	-	(12,713)	(13,018)	15,420	2,402	1,813	4,215
Opening Balance	(59,597)	(151,333)	(5,643)	(216,573)	(25,366)	(9,169)	(34,535)	(61,612)	(329,423)	(642,143)	(1,621,765)	(2,263,909)	14,178	(2,249,731)
Movement in reserves during 2018/19														
(Surplus) or deficit on provision of services (accounting basis)	(126,201)	-	-	(126,201)	(11,104)	-	(11,104)	-	-	(137,305)	-	(137,305)	(23,726)	(161,031)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(329,979)	(329,979)	-	(329,979)
Total Comprehensive Income and Expenditure	**(126,201)**	**-**	**-**	**(126,201)**	**(11,104)**	**-**	**(11,104)**	**-**	**-**	**(137,305)**	**(329,979)**	**(467,284)**	**(23,726)**	**(491,010)**

Group Movement in Reserves Statement (continued)

2018/19	Revenue Reserves							Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between group accounts authority accounts	-	-	-	-	-	-	-	-	-	-	-	-	(21,063)	(21,063)
Net increase before transfers	(126,201)	-	-	(126,201)	(11,104)	-	(11,104)	-	-	(137,305)	(329,979)	(467,284)	(44,790)	(512,074)
Adjustments between accounting basis & funding basis under regulations	7,545	305	-	7,850	28,405	-	28,405	(66,027)	(15,852)	(45,625)	45,624	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(118,656)	305	-	(118,351)	17,301	-	17,301	(66,027)	(15,852)	(182,930)	(284,355)	(467,284)	(44,790)	(512,074)
Transfers to / from Earmarked Reserves	114,739	(117,965)	3,226	-	(9,169)	9,169	-	-	-	-	-	-	-	-
(Increase) / Decrease In Year	(3,918)	(117,660)	3,226	(118,351)	8,132	9,169	17,301	(66,027)	(15,852)	(182,930)	(284,355)	(467,284)	(44,790)	(512,074)
Balance at 31 March 2019 carried forward	**(63,515)**	**(268,993)**	**(2,417)**	**(334,924)**	**(17,234)**	**-**	**(17,234)**	**(127,639)**	**(345,275)**	**(825,073)**	**(1,906,120)**	**(2,731,193)**	**(30,612)**	**(2,761,805)**

GROUP BALANCE SHEET

31 March 2018		31 March 2019
£'000		**£'000**
	ASSETS	
	Non-current	
2,433,339	Property, plant and equipment	2,831,305
42,846	Heritage Assets	42,846
385,314	Investment property	472,825
875	Intangible Assets	732
1,977	Long -term investments	24,565
27,683	Long -term debtors	58,458
2,892,034	**Total Long Term Assets**	3,430,730
	Current	
864,800	Short-term investments	673,751
331	Inventories	357
99,000	Short-term debtors	152,659
173,560	Cash and other cash equivalents	71,582
40,000	Investment Assets held for sale	1,238
1,177,691	**Current Assets**	899,587

Group Balance Sheet (continued)

31 March 2018		31 March 2019
£'000		**£'000**
	LIABILITIES	
(32,415)	Short-term borrowing	(2,486)
(650,830)	Short-term creditors	(370,794)
-	Short-term provisions	(893)
(18,850)	Short-term RIA	(16,979)
(702,095)	**Current Liabilities**	**(391,152)**
(2,762)	Long-term creditors	(4,321)
(81,451)	Provisions	(144,150)
(221,111)	Long-term borrowing	(222,522)
-	Grants deferred	(720,187)
(736,869)	Other long-term liabilities - Pensions	(86,180)
(71,491)	Capital Grants - Receipts in Advance	-
(1,113,684)	**Long-term liabilities**	**(1,177,360)**
2,253,946	**Net assets**	2,761,805
(629,126)	Total Usable Reserves	(806,883)
(1,636,473)	Total Unusable Reserves	(1,923,599)
12,365	Share of Subsidiary reserves	(30,612)
(712)	Restricted Reserves	(712)
(2,253,946)	**Total Reserves**	**(2,761,805)**

GROUP CASH FLOW STATEMENT

2017/18	Group Cash Flow Statement	2018/19
£'000		£'000
155,561	Net surplus or (deficit) on the provision of services	137,306
226,796	Adjustment to surplus or deficit on the provision of services for noncash movements	207,430
	Adjust for items included in the net surplus or deficit	
(126,636)	on the provision of services that are investing and financing activities	(146,530)
2,716	Subsidary's Cash Flows from Operating Activities by Group Entities	(5,431)
258,437	Net Cash Flows from Operating Activities	192,775
(288,749)	Authority's Cash Flows from Investing Activities	38,697
183	Subsidiary's Cash Flows from Investing Activities	(9,449)
(288,566)	Net cash flows from investing activities	29,248
23,966	Authority's Cash Flows from Financing Activities	(330,164)
109	Subsidiary's Cash Flows from Investing Financing	5,937
24,075	Net cash flows from financing activities	(324,227)
(6,054)	Net increase or (decrease) in cash and cash equivalents	(102,204)
179,614	Cash and cash equivalents at the beginning of the reporting period	173,786
173,560	Cash and cash equivalents at the end of the reporting period	71,582

NOTES TO THE GROUP ACCOUNTS

This shows the main difference between items in Westminster's single entity accounts and the group accounts. Where there are intra-group entries these are adjusted in calculating the overall group position.

	WCC	WCH	CWH	CWH Services	Westco	Hub Westminster CIC	Paddington Recreation Ground	Westminster Procurement Services	Group Adjustments	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	2,775,096	114,552	-	-	9	-	2,828	-	(61,179)	2,831,305
Intangible Assets	724	-	-	-	7	-	-	-	-	732
Long -term investments	20,940	-	-	-	-	-	-	-	(584)	20,355
Long -term debtors	47,448	-	-	-	-	-	-	-	(9,147)	38,301
Inventories	101	-	-	-	256	-	-	-	-	357
Short-term debtors	153,267	695	-	-	1,595	-	-	20	(2,919)	152,659
Cash and other cash equivalents	67,978	3,006	-	-	565	-	-	33	-	71,582
Assets held for sale	-	1,238	-	-	-	-	-	-	-	1,238
Short-term borrowing	(2,486)	(911)	-	-	-	-	-	-	911	(2,486)
Short-term creditors	(371,176)	(348)	-	-	(1,269)	-	(186)	(8)	2,193	(370,794)
Short-term provisions	(685)		-	-	(208)	-	-	-	-	(893)
Short-term RIA	(3,643)	(13,336)	-	-	-	-	-	-	-	(16,979)
Long-term borrowing	(222,521)	(9,147)	-	-	-	-	-	-	9,147	(222,522)
Usable Reserves	(823,208)	(11,713)	-	-	(876)	-	(1,930)	(44)	1,413	(836,358)
Unusable Reserves	(1,875,282)	-	-	-	(80)	-	(712)	-	(23,871)	(1,899,945)
Net Cash Flows from Operating Activities	206,072	991	(6,087)	(178)	(130)	-	-	(27)	-	200,640
Net cash flows from investing activities	30,832	(9,500)	70	-	(19)	-	-	-	-	21,383
Net cash flows from financing activities	(330,164)	5,937	-	-	-	-	-	-	-	(324,227)

Note 1 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		**£'000**
7,697	Interest Received	10,521
(12,168)	Interest Paid	(11,101)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
126,636	Depreciation	87,233
32,456	Impairment and downward valuations	(15,663)
127,633	Increase/(decrease) in creditors	25,760
(43,263)	(Increase)/decrease in debtors	(70,043)
86	(Increase)/decrease in inventories	(7)
15,956	Movement in pension liability	71,804
5,145	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	53,622
(37,853)	Other non-cash items charged to the net surplus or deficit on the provision of services	54,724
226,796	Sub-total of non-cash movements	207,430
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(94,756)	Capital Grants credited to surplus or deficit on the provision of services	(32,700)
(31,880)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113,830)
(126,636)	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(146,530)**

Note 2 Cash Flows from Financing Activities

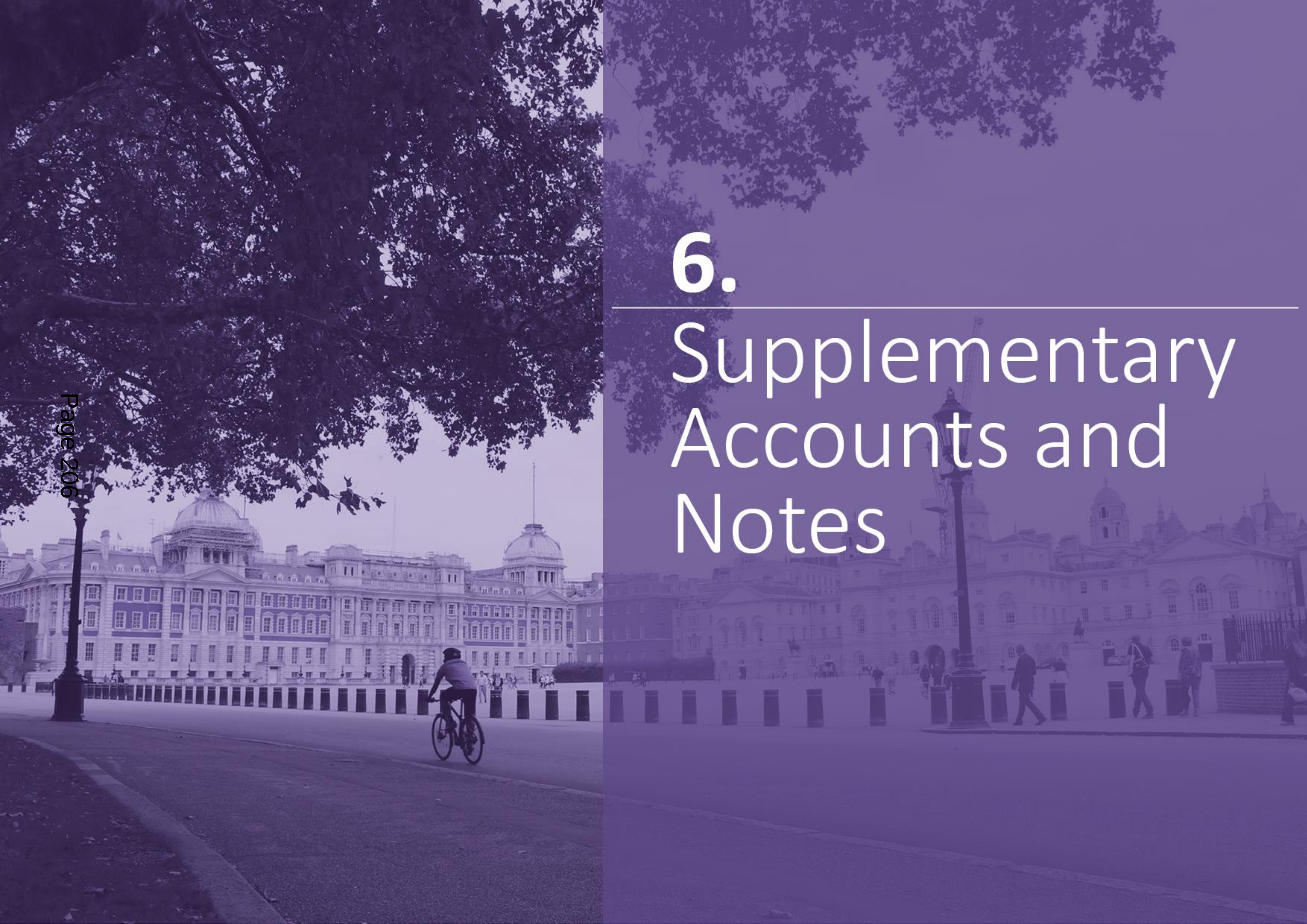
The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		**£'000**
7,697	Interest Received	10,365
(12,168)	Interest Paid	(11,101)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
126,636	Depreciation	87,233
32,456	Impairment and downward valuations	(15,663)
127,633	Increase/(decrease) in creditors	25,760
(43,263)	(Increase)/decrease in debtors	(70,043)
86	(Increase)/decrease in inventories	(7)
15,956	Movement in pension liability	71,804
5,145	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	53,622
(37,853)	Other non-cash items charged to the net surplus or deficit on the provision of services	54,724
226,796	Sub-total of non-cash movements	207,430
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(94,756)	Capital Grants credited to surplus or deficit on the provision of services	(32,700)
(31,880)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113,830)
(126,636)	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(146,530)**

Note 3 Cash Flows from Investing Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		**£'000**
7,697	Interest Received	10,365
(12,168)	Interest Paid	(11,101)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
126,636	Depreciation	
32,456	Impairment and downward valuations	
127,633	Increase/(decrease) in creditors	
(43,263)	(Increase)/decrease in debtors	
86	(Increase)/decrease in inventories	
15,956	Movement in pension liability	
5,145	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	
(37,853)	Other non-cash items charged to the net surplus or deficit on the provision of services	
226,796	Adjustment to surplus or deficit on the provision of services for noncash movements	
(94,756)	Capital Grants credited to surplus or deficit on the provision of services	(32,700)
(31,880)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(113,830)
(126,636)	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**(146,530)**



6. Supplementary Accounts and Notes

Housing Revenue Account (HRA) Statements

HRA INCOME AND EXPENDITURE STATEMENT AND MOVEMENT ON HRA BALANCE

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

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HRA Income and Expenditure Statement

2017/18		2018/19
£'000		**£'000**
	Expenditure	
19,053	Repairs and Maintenance	20,162
56,474	Supervision and Management	50,906
777	Rents, Rates, Taxes and Other Charges	1,378
3,070	Increase/(decrease) in Impairment Allowance for Doubtful Debts	397
29,972	Depreciation, Impairment and Revaluation losses in relation to non-current assets	25,085
123	Debt Management Cost	130
109,469	Total HRA Expenditure	98,059
	HRA Income	
(75,230)	Dwellings Rents	(73,764)
(1,421)	Non-dwellings Rents	(1,154)
(7,414)	Charges for Services and Facilities	(7,434)
(19,411)	Contributions towards Expenditure	(21,809)
(103,476)	Total HRA Income	(104,161)
5,993	**Net Cost of HRA services as included in the whole-authority Income and Expenditure Statement**	**(6,102)**

Housing Revenue Account (HRA) Statements (continued)

HRA Income and Expenditure Statement (continued)

2017/18		2018/19
£'000		**£'000**
45	HRA services share of Corporate and Democratic Core	45
6,038	Net Cost of HRA services including HRA share of costs not allocated to specific services	(6,057)
(22,799)	(Gain) or loss on sale of HRA non-current assets	(11,942)
(2,000)	Capital grants and contributions	(245)
3,393	Movements in the fair value of investment properties	7,998
12,089	Interest payable and similar charges	11,018
(7,531)	HRA Investment Property income	(8,329)
(487)	HRA Investment Income	(481)
(11,297)	**(Surplus) or deficit for the year on HRA services**	**(8,039)**

2017/18		2018/19
£'000		**£'000**
	Movement on the Housing Revenue Account Statement	
(41,586)	Balance on the HRA at the end of the previous reporting period	(25,366)
(11,297)	(Surplus) or deficit for the year on the HRA Services	
	Adjustments between the accounting basis and funding basis:	(8,039)
23,371	Transfer to Major Repairs Reserve	24,256
22,799	(Gain) or loss on sale of HRA non-current assets	11,942
(3,393)	Movements in the fair value of investment properties	(7,998)
17,781	Capital expenditure funded by the HRA	22,148
93	Financial Instrument Adjustment	77
(29,972)	Transfer (to) the Capital Adjustment Account (CAA)	(25,085)
19,382	Net (increase) or decrease before transfers to or from reserves	17,301
(3,162)	Transfers (to) or from earmarked reserves	(9,169)
16,220	Increase or (decrease) in year on the HRA	8,132
(25,366)	Balance on the HRA at the end of the current reporting period	(17,234)
(9,169)	Earmarked Reserves	-
(34,535)	**Total HRA Reserves**	**(17,234)**

Housing Revenue Account (HRA) Explanatory Notes

HRA 1 Housing Stock

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

HRA 2 Housing Asset Valuation

a) The vacant possession value of HRA tenanted dwellings is £6,153m.

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

HRA 3 Rent Arrears and Provision

31 March 2018		31 March 2019
£'000		£'000
2,805	Rent Arrears	3,218
(1,220)	Bad Debt Provision	(1,417)
1,584	**Total**	**1,800**

Collection Fund Accounts

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

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

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

Collection Fund Accounts (continued)

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

Collection Fund Accounts (continued)

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

Collection Fund Explanatory Notes

COLL 1 General

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

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

Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

The proportions were as follows:

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

COLL 2 Council Tax

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

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

COLL 3 Business Rates

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

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

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

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

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

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

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

COLL 4 Business Rates Supplements – Crossrail

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

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

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

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

Fund Account (continued)

2017/18		Notes	2018/19
£'000			£'000
(1,518)	Net (Additions)/Withdrawals from Dealings with Members		(3,053)
5,734	Management Expenses	Note 8	5,823
4,216	Net (Additions)/Withdrawals including Fund Management Expenses		2,770
	Returns on Investments		
(15,785)	Investment Income	Note 9	(12,194)
	Other Income	-	(48)
(15,785)			(12,242)
(56,708)	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 11	(67,286)
(72,493)	Net return on investments		(79,528)
(68,277)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(76,758)
(1,267,699)	Opening Net Assets of the Scheme		(1,335,976)
(1,335,976)	Closing Net Assets of the Scheme		(1,412,734)

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2019*

2017/18		Notes	2018/19
£'000			**£'000**
	Investment assets		
183,879	Bonds	Note 16	-
150	Equities		150
1,008,609	Pooled Investment Vehicles		1,269,946
120,667	Pooled Property		126,744
	Derivative Contracts:		-
282	Futures	Note 13	-
55	Forward Foreign Exchange	Note 13	-
	Other Investment Balances:		-
2,790	Income Due		120
13,218	Debtors		-
10,321	Cash Deposits		5,802
1,339,971			**1,402,762**
	Investment Liabilities		
	Derivative Contracts:		
(173)	Futures	Note 13	-
(56)	Forward Foreign Exchange	Note 13	-
(229)			-

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

2017/18		Notes	2018/19
£'000			
(9,663)	Amounts payable for purchases of investments	Note 11	-
1,330,079	Net Value of Investment Assets	Note 10	1,402,762
6,728	Current Assets	Note 19	11,293
(831)	Current Liabilities	Note 20	(1,321)
1,335,976	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,412,734**

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

Note 1 Description of the City of Westminster Pension Fund

a) General

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

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

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

b) Funding

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

c) Benefits

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

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

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

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

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

d) Governance

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

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

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

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

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

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

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

Organisations participating in the City of Westminster Pension Fund include:

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

The following table summarises the membership numbers of the scheme:

31 March 2018		31 March 2019
31	Number of employers with active members	36
4,359	Active members	4,371
5,830	Pensioners receiving benefits	5,920
6,220	Deferred Pensioners	6,201
16,409	**Total**	**16,492**

Note 2 Basis of Preparation of Financial Statements

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

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

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

The Pension Fund Accounts have been prepared on a going concern basis.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

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

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

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

b) Transfers to and from Other Schemes

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

c) Investment Income

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

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

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

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

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

FUND ACCOUNT – EXPENSE ITEMS

d) Benefits Payable

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

e) Taxation

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

f) VSP, MSP and lifetime allowance

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

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

Note 3 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

NET ASSETS STATEMENT

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

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

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

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

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

l) Financial Liabilities

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

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

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

Note 3 Summary of Significant Accounting Policies (continued)

o) Recharges from the General Fund

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

Note 4 Critical Judgements in Applying Accounting Policies

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

PANTHEON INVESTMENT £14,403,000

This investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because:

- the Investment has only been drawn down on 20 March 2019.
- no dividend to shareholders has as yet been declared.
- no published trading results are as yet available which would allow fair value to be calculated on a net asset basis or enable the accuracy of profit and cash flow projections to be assessed with confidence.

PENSION FUND LIABILITY

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

Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

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

VALUATION OF INVESTMENTS LEVEL 3

The Pension Fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments (as detailed in note 14). These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of those pooled units may differ slightly from the valuations presented in the accounts.

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Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £35.9m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £2.77m and a year increase in life expectancy would increase the liability by about £38.0m.

Note 6 Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

BY AUTHORITY

2017/18		2018/19
£'000		**£'000**
(43,652)	Administering Authority	(45,265)
(5,763)	Scheduled bodies	(5,146)
(4,461)	Admitted bodies	(3,934)
(53,876)	**Total**	**(54,345)**

BY TYPE

2017/18		2018/19
£'000		**£'000**
(8,894)	Employees' normal contributions	(8,982)
	Employers' contributions:	
(18,981)	Normal contributions	(20,025)
(24,863)	Deficit recovery contributions	(24,743)
(1,138)	Augmentation contributions	(595)
(53,876)	**Total**	**(54,345)**

Note 7 Benefits Payable

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

BY TYPE

2017/18		2018/19
£'000		**£'000**
43,802	Pensions	45,610
7,034	Commutation and lump sum retirement benefits	6,839
1,640	Lump sum death benefits	625
52,476	**Total**	**53,074**

BY AUTHORITY

2017/18		2018/19
£'000		**£'000**
41,206	Administering Authority	41,837
2,020	Scheduled Bodies	2,172
9,250	Admitted Bodies	9,065
52,476	**Total**	**53,074**

Note 8 Management Expenses

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

2017/18		2018/19
£'000		**£'000**
386	Administration Expenses	546
373	Oversight and Governance	437
4,975	Investment Management Expenses	4,840
5,734	**Total**	**5,823**

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

2017/18		2018/19
£'000		**£'000**
3,095	Management fees*	4,572
63	Custody fees	38
1,817	Transaction costs*	230
4,975	**Total**	**4,840**

*£1.6m transaction costs transferred to management fees.

Note 9 Investment Income

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

2017/18		2018/19
£'000		**£'000**
6,762	Income from bonds	210
6,713	Pooled investments - unit trust and other managed funds	9,653
2,265	Pooled property investments	2,240
45	Interest and cash deposits	91
15,785	Total before taxes	12,194
15,785	**Total**	**12,194**

Note 10 Investment Management Arrangements

As at 31 March 2019, the investment portfolio was managed by nine external managers:

- UK property portfolios are split between Hermes Investment Managers and Aberdeen Standard;
- Fixed income mandates are managed by CQS (Multi Asset Credit, via the London CIV), Insight (Bonds) and Pantheon (Infrastructure);
- Equity portfolios are split between Majedie Investment Managers (active UK, managed by the London CIV), Baillie Gifford (active global, managed by the London CIV), Legal and General Investment Management (passive global) and Longview Partners (active global).

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

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

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

The market value and proportion of investments managed by each fund manager at 31 March 2019 was as follows:

31 March 2018 Market Value	%	Fund Manager	Mandate	31 March 2019 Market Value	%
£'000				**£'000**	
Investments merged by the London CIV asset pool:					
297,503	22.4%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	292,964	20.9%
150	0.0%	London CIV	UK Equity (Passive)	150	0.0%
297,653	**22.4%**	**UK Equity**		**293,114**	**20.9%**
264,319	19.9%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	283,978	20.2%
310,073	23.4%	LGIM	World Equity (Passive)	320,684	22.9%
574,392	**43.3%**	**Global Equity**		**604,662**	**43.1%**
-	0.0%	CQS LCIV Global Mac	Multi Asset Credit	91,269	6.5%
-	0.0%	**Fixed Income**		**91,269**	**6.5%**
872,045	**65.7%**	**Total pooled**	**Sub-Total**	**989,045**	**70.5%**
Investments managed outside of the London CIV asset pool:					
142,754	10.7%	Longview	Global Equity (Active)	70,003	5.0%
142,754	**10.7%**	**Global Equity**		**70,003**	**5.0%**
-	0.0%	Insight Buy and Maintain Bond Fund	Bonds	198,690	14.2%
18,626	1.4%	Insight	Bonds	-	0.0%
173,103	13.0%	Insight	Sterling non-Gilts	-	0.0%
191,729	**14.4%**	**Bonds**		**198,690**	**14.2%**
62,983	4.7%	Hermes	Property	65,247	4.7%

Note 10 Investment Management Arrangements (continued)

31 March 2018 Market Value	%	Fund Manager	Mandate	31 March 2019 Market Value	%
£'000				**£'000**	
60,474	4.5%	Standard Life	Property	64,429	4.6%
123,457	**9.2%**	**Property**		**129,676**	**9.2%**
-	0.0%	Pantheon Global Infrastructure	Infrastructure	14,403	1.0%
-	**0.0%**	**Fixed Income**		**14,403**	**1.0%**
457,940	**34.3%**	**Total outside pool**	**Sub-total**	**412,772**	**29.4%**
94	0.0%	Cash deposits		945	0.1%
1,330,079	**100%**	**Total investments**		**1,402,762**	**100%**

Note 11 Reconciliation in Movement in Investments

2017/18	Market value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Bonds	173,673	127,645	(112,775)	(4,664)	183,879
Equities	150	-	-	-	150
Pooled equity investments	974,609	393,201	(410,211)	51,010	1,008,609
Pooled property investments	110,739	-	(333)	10,261	120,667
Derivatives:					
Futures	243	1,205	(987)	(352)	109
Forward foreign exchange	(36)	816	(1,232)	451	(1)
Cash Instruments	-	-	-	-	-
Total	**1,259,378**	**522,867**	**(525,538)**	**56,706**	**1,313,413**
Cash deposits	1,726	-	-	47	10,321
Amounts receivable for sales of investments	-	-	-	-	13,218
Investment income due	2,499	-	-	-	2,785
Spot FX contracts	-	-	-	(1)	5
Amounts payable for purchases of investments	(1,710)	-	-	(44)	(9,663)
Net investment assets	**1,261,893**	**-**	**-**	**56,708**	**1,330,079**

Note 11 Reconciliation in Movement in Investments (continued)

2018/19	Market value 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2019
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	183,879	-	(26)	(183,853)	-
Equities	150	-	-	-	150
Pooled equity investments	1,008,609	101,221	(101,278)	246,992	1,255,544
Pooled property investments	120,667	50	(309)	6,336	126,744
Derivatives:	-	14,402	-	-	14,402
Futures	-	-	-	-	-
Forward foreign exchange	109	129	(216)	(22)	-
Cash Instruments	(1)	272	(443)	172	-
Total	**1,313,413**	**116,074**	**(102,272)**	**69,625**	**1,396,841**
Cash deposits	10,321	-	-	190	5,802
Amounts receivable for sales of investments	13,218	-	-	0	-
Investment income due	2,785	-	-	(2,580)	120
Spot FX contracts	5	-	-	7	-
Amounts payable for purchases of investments	(9,663)	-	-	44	-
Net investment assets	**1,330,079**	**-**	**-**	**67,286**	**1,402,763**

Note 12 Investments Exceeding 5% of Net Assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

31 March 2018			31 March 2019	
Market Value	**Holding**		**Market Value**	**Holding**
£'000	**%**		**£'000**	**%**
292,703	22.0%	London LGPS CIV Ltd – LCIV MJ UK Equity A GBP INC	292,609	20.9%
310,073	23.3%	L&G - World Equity Index - GBP Hedged/GB Hedged OFC	320,684	22.9%
261,977	19.7%	London LGPS CIV Ltd – Baillie Gifford Life Global Alpha Sub Fund	282,477	20.1%
142,754	10.7%	Longview	70,003	5.0%
-	-	Insight Buy and Maintain Bond Fund	198,500	14.2%
-	-	CQS LCIV Global MAC	91,269	6.5%
1,007,507	**75.7%**	**Total Top Holdings**	**1,255,542**	**89.6%**
1,330,079		**Total Value of Investments**	**1,402,762**	

Note 13 Analysis of Derivatives

OBJECTIVES AND POLICIES FOR HOLDING DERIVATIVES

The Committee has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks, in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

a) Liquidity
The Fund uses interest rate futures to hedge some of the non-Sterling interest rate risk.

b) Forward foreign currency
The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio (foreign currency exposure is fully hedged into Sterling).

VALUATION OF FUTURES

c) Futures
On close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.

FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2018	Type	Expires	Economic Exposure	Market Value 31 March 2019
£'000	**£'000**			**£'000**	**£'000**
		Assets			
14,861	278	UK Fixed Income	less than 1 year	-	-
547	4	Overseas fixed income	less than 1 year	-	-
	282	Total Assets			-
		Liabilities			
(5,927)	(173)	Overseas Fixed Income	less than 1 year	-	-
	(173)	Total Liabilities			-
	109	**Net futures**		**-**	**-**

Note 14a Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques that represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy 17/18	Valuation hierarchy 18/19	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Futures	Level 2	N/A	Published exchange prices at the year-end.	Evaluated price feeds	Not required
Forward Foreign Exchange Derivatives	Level 2	N/A	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled Long Lease Property Fund	Level 2	Level 2	The Standard Life Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
Pooled Investments – Property Funds	Level 3	Level 3	Closing bid price where bid and offer prices are published.	Adjusted for net capital current assets	Estimated acquisition and disposal costs
Pooled Investments – Multi Asset Credit	N/A	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Investments - Infrastructure	N/A	Level 3	Valued at cost at year end.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

Note 14a Fair Value – Basis of Valuation (continued)

SENSITIVITY OF ASSETS VALUED AT LEVEL 3

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

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Pooled investments - Property funds	3%	62,315	64,184	60,445
Total		**62,315**	**64,184**	**60,445**

As at March 2018 – Restated due to cash balances held within the portfolio

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£000	£000	£000
Pooled investments - Property funds	3%	60,343	62,153	58,533
Total		**60,343**	**62,153**	**58,533**

Note 14b Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

	31 March 2018					31 March 2019
Quoted Market Price Level 1	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**		**Quoted Market Price Level 1**	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
282	1,251,920	60,343	Financial assets at fair value through profit and loss	-	1,319,972	76,868
282	**1,251,920**	**60,343**	**Total financial assets**	**-**	**-**	**-**
			Financial Liabilities			
(173)	(9,719)	-	Financial liabilities at fair value through profit and loss	-	-	-
(173)	**(9,719)**	**-**	**Total financial liabilities**	-	**-**	**-**
				-	-	-
109	1,242,201	60,343		-	1,319,972	76,868
	1,302,653				**1,396,840**	

Note 14c Reconciliation of Fair Value Measurements Within Level 3

2018/19	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equity	150	-	-	-	-	-	-	150
Pooled investments - property funds	60,193	-	-	-	-	2,122	-	62,315
Pooled investments - Infrastructure	-	-	-	14,403	-	-	-	14,403
Total	**60,343**	**-**	**-**	**14,403**	**-**	**2,122**	**-**	**76,868**

Transferred from level 2 to level 3 due to reappraisal of property valuation techniques – balances restated due to cash balances held in the property portfolio

2017/18 Restated	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equity	150	-	-	-	-	-	-	150
Pooled investments - property funds	55,967	-	-	-	-	4,226	-	60,193
Total	**56,117**	**-**	**-**	**-**	**-**	**4,226**	**-**	**60,343**

Note 15a Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

		31-Mar-18				31-Mar-19
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
98,537	-	-	UK Corporate Bonds	-	-	-
-	-	-	Overseas Index Linked	-	-	-
85,342	-	-	Overseas corporate	-	-	-
			Pooled funds - investment vehicles			
864,903	-	-	UK Managed Funds Other	987,190	-	-
120,667	-	-	UK Unit Trusts Property	126,744	-	-
143,856	-	-	Overseas Managed	268,503	-	-
-	-	-	Infrastructure	14,403	-	-
			Derivative Contracts			
282	-	-	Futures	-	-	-
55	-	-	Forward Foreign Exchange	-	-	-
-	**4,668**	**-**	**Cash Balances (held directly by Fund)**	**-**	**7,397**	**-**
-	**2,790**	**-**	**Other Investment Balances**	**-**	**120**	**-**
-	**10,321**	**-**	**Cash Deposits**	**-**	**5,802**	**-**
-	**14,611**	**-**	**Debtors**	**-**	**3,875**	**-**
1,313,642	**32,930**	**-**		**1,396,840**	**17,194**	-

Note 15a Classification of Financial Instruments (continued)

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Liabilities			
			Derivative Contracts			
(173)	-	-	Futures	-	-	-
(56)	-	-	Forward Foreign Exchange	-	-	-
-	-	-	Other Investment Balances	-	-	-
-	-	(9,904)	Creditors	-	-	(745)
(229)	-	(9,904)		-	-	(745)
1,313,413	32,390	(9,904)	Total	1,396,840	17,194	(745)
	1,335,899				**1,413,289**	

Note 15b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2018		31 March 2019
£'000		**£'000**
	Financial Assets	
56,706	Designated at fair value through profit and loss	69,625
2	Loans and receivables	(2,390)
56,708		67,235
	Financial Liabilities	
-	Financial liabilities at amortised cost	51
-		51
56,708	**Total**	**67,286**

The Council has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16 Nature and Extent of Risks Arising from Financial Instruments

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

Price Risk

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

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

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value	Value on 10% price increase	Value on 10% price decrease
	£'000	**£'000**	**£'000**
As at 31 March 2018	1,330,079	1,463,088	1,197,072
As at 31 March 2019	**1,402,762**	**1,543,038**	**1,262,486**

Note 16 Nature and Extent of Risks Arising From Financial Instruments (continued)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year. The Fund manages its interest risk exposure through the use of futures derivatives (see Note 13).

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Years	**£'000**	**£'000**	**£'000**
UK public sector quoted	6.83	98,536	91,810	105,263
UK quoted	8.13	85,342	78,403	92,282
As at 31 March 2018		**183,878**	**170,213**	**197,545**

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Years	**£'000**	**£'000**	**£'000**
UK quoted	8.16	198,690	182,477	214,903
Overseas quoted	1.27	91,269	90,110	92,429
As at 31 March 2019		**289,959**	**272,587**	**307,332**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of derivatives (see Note 13). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

Assets exposed to currency risk	Value	Value on 10% foreign exchange rate increase	Value on 10% foreign exchange rate decrease
	£'000	£'000	£'000
As at 31 March 2018	750,881	825,969	675,793
As at 31 March 2019	**665,350**	**731,885**	**598,815**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2019, liquid assets were £1,259m representing 90% of total fund assets (£1,209m at 31 March 2018 representing 91% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

The Fund also has an overdraft facility of £1m for short-term cash needs (up to 90 days). This facility is only for meeting timing differences on pension payments. It was not used in the year 2018/19.

Note 17 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 31 March 2017. The report and Funding Strategy Statement are both available on the Council's website.

The actuary's smoothed market value of the scheme's assets at 31 March 2016 was £1,056.7m and the Actuary assessed the present value of the funded obligation at £1,320.8m. This indicates a net liability of £264.1m, which equates to a funding position of 80% (2013: £297.3m and 74%).

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

Future assumed returns at 2016	Assumed returns %	Risk adjusted weighting %
Other Bonds	3.3	20
Equities	7.4	65
Property	5.9	15

Financial assumptions	2013 %	2016 %
Discount rate - scheduled bodies	5.9	5.1
Discount rate - admitted bodies	4.9	4.5
RPI	3.5	3.3
CPI	2.7	2.4
Pension increases	2.7	2.4
Short-term pay increases	1.0	2.4
Long-term pay increases	4.5	3.9

The 2016 valuation certified an aggregate employer contribution rate of 33.9% of pensionable pay (2013: 29.8%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement (2013: 25 years). The common future service contribution rate for the Fund was set at 16.9% of pensionable pay (2013: 13.3%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2017 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Note 18 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2019. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2018		31 March 2019
£'000		**£'000**
(2,014,651)	Present Value of Promised Retirement Benefits	(2,046,789)
1,335,977	Fair Value of Scheme Assets (bid value)	1,402,762
(678,674)	**Net Liability**	**(644,027)**

Present Value of Promised Retirement Benefits comprise of £2,003m (2017/18: £1,967.2m) and £43.8m (2017/18: £47.5m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2019.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2019, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016, hence they are different from those used for the 2018/19 statement of accounts. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2018	31 March 2019
Retiring today	Males	24.5	23.4
	Females	26.1	24.8
Retiring in 20 years	Males	26.8	25.0
	Females	28.4	26.6

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2018	31 March 2019
	%	%
RPI increases	3.30	3.40
CPI increases	2.30	2.40
Salary increases	3.80	3.90
Pension increases	2.30	2.40
Discount rate	2.55	2.40

Note 19 Current Assets

31 March 2018		31 March 2019
£'000		**£'000**
	Debtors:	
1,228	Contributions due - employers	1,893
165	Contributions due - employees	578
667	Sundry debtors	1,425
4,668	Cash balances	7,397
6,728	**Total**	**11,293**

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ANALYSIS OF DEBTORS

31 March 2018		31 March 2019
£'000		**£'000**
667	Central Government Bodies	14
706	Other entities and individuals	718
687	Administering Authority	3,150
2,060		**3,882**

Note 20 Current Liabilities

31 March 2018		31 March 2019
£'000		**£'000**
(831)	Sundry creditors	(1,321)
(831)	**Total**	**(1,321)**

ANALYSIS OF CREDITORS

31 March 2018		31 March 2019
£'000		**£'000**
(589)	Central government bodies	(576)
(242)	Other entities and individuals	(140)
-	Administering Authority	(605)
(831)	**Total**	**(1,321)**

Note 21 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

Market Value 31 March 2018		Market Value 31 March 2019
£'000		**£'000**
956	Aegon	956
438	Equitable Life	438
1,394	**Total**	**1,394**

Additional voluntary contributions of £0.1m were paid directly to Aegon during the year (2017/18: £0.1m).

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 22 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.424m in the period 2018/19 (2017/18: £0.43m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Executive Director of Finance and Resources (of which no remuneration was payable by the Pension Fund for 2018/19), the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2018		31 March 2019
£'000		**£'000**
42	Short-term benefits	58
83	Post-employment benefits	22
-	Termination benefits	-
125	**Total**	**80**

Note 23 External Audit Costs

The external fee payable to the Fund’s external auditors Grant Thornton UK LLP was £16,000 (£21,000 in 2017/18).

31 March 2018		31 March 2019
£'000		**£'000**
21	External audit fees	16
(3)	PSAA refund	-
18	**Total**	**16**

Note 24 Events After the Reporting Period

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 25 Contractual Commitments

The Fund has committed $91.5m (£70.2) to the Pantheon Global Infrastructure Fund III. Of this commitment $72.8m (£55.8m) was still outstanding at 31 March 2019.

(Exchange rate £1 : $1.3043).

7. Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

BALANCES (OR RESERVES)

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

BUSINESS RATES (NNDR/NDR)

Rates are payable on business premises based on their rateable value (last assessed in the 2017 Rating List by the Valuation Office Agency) and a national rate poundage multiplier (49.3p/£ in 2018/19). Westminster acts as the "billing authority" for its area and under the current Localised Business Rates regime retains 64% of the net yield from business rates with the Greater London Authority receiving 36%. A system of Tariffs and Top-ups as well as a Safety Net scheme operate within the Council's General Fund to further adjust the amount the Council ultimately retains.

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPTS

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

CENTRAL SUPPORT SERVICES

Support provided to front line services by administrative and professional officers, including financial, legal, people services, IT, property and general administrative support.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

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

COUNCIL TAX BASE

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

CREDITORS

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

CURRENT SERVICE COST

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

DEBTORS

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

DEFERRED CAPITAL INCOME

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXPECTED RETURN ON ASSETS

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

FINANCE LEASE

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

FIXED ASSETS

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INTEREST COST

For defined benefit pension schemes the interest cost is the present value of trhe liabilities during the year as a result of moving one year closer to being paid.

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

LEVIES

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

LONG TERM DEBTORS

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

MINIMUM REVENUE PROVISION

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

MOVEMENT IN RESERVES STATEMENT

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

NET BOOK VALUE

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

NET REALISABLE VALUE

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

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST

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

POST BALANCE SHEET EVENTS

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

PRECEPTS

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

PRIOR YEAR ADJUSTMENT

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

PROJECTED UNIT METHOD – PENSION FUND VALUATION

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

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

PROVISIONS

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

PRUDENTIAL CODE

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

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

RESERVES

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

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the

Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

SERVICE CONCESSIONS

An arrangement involving the private sector constructing or upgrading assets used in the provision of a public service and operating and maintaining those assets for a specified period of time.

SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES (SOLACE)

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

SOCIETY OF LONDON TREASURERS

Representative body of section 151 Officers from all 32 London Boroughs, the City of London Corporation and the Greater London Authority Group.

THE CODE

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

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

UK GAAP

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

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Contact Information

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

CONTACT FOR FURTHER INFORMATION:

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City of Westminster

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City of Westminster

Audit and Performance Committee Report

Date:	2 May 2019
Classification:	General Release
Title:	Pensions Investment and Administration Update
Wards Affected:	All
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs Tri-Borough Director of Treasury & Pensions Email: ptriggs@westminster.gov.uk Tel: 020 7641 4136

1. Executive Summary

1.1 This report presents an annual update on Pensions Investment and Administration, including the internal control processes in place, together with an update on the performance of the Pension Fund's investments, strategic asset allocation, investment manager arrangements and funding position to 31 March 2019.

1.2 The fund marginally underperformed the benchmark net of fees by 0.1% over the year to December 2018 and the estimated funding level as at 31 December 2018 was 94.5%. Therefore, the funding position remains currently stable subject to market volatility.

1.3 The total value of the Fund as at 31 March 2019 was £1,403m with an asset allocation of 9% within property, 1% in infrastructure, 69% invested in equities and 21% in fixed income.

2. Recommendations

2.1 The Committee is asked to note:

- the pension fund's internal control processes;
- the performance of the investments, and funding position;
- the progress achieved with regard to recent manager appointment and by the Fund's pooling entity, the London Collective Investment Vehicle (LCIV);
- the fund asset allocation and summary of changes over the last 12 months.

3. Internal Control Processes

3.1 As part of its annual audit plan, Internal Audit undertakes reviews of the controls in place for pensions administration and pension investments. The most recent reviews for both functions have resulted in positive assurance reports with clear evidence that actions agreed by management have been implemented.

Pensions Administration

3.2 An internal audit review of the Pensions Administration Service was undertaken in 2018/19 and reported to the Audit and Performance Committee on 18 September 2018. The review included a follow up with successful outcomes on the implementation of recommendations made in the 2016/17 internal audit of this area.

3.3 People Services have worked with Hampshire County Council to ensure that there is an appropriate payroll interface to the pension administrator (Surrey County Council) from the SAP solution implemented in December 2018.

Pension Investments

3.4 An internal audit was undertaken in 2017/18 to provide the City Treasurer with assurance that internal controls in respect of pension investments are sufficiently robust following changes in personnel and accounting systems. The outcome of the review was reported to the Audit and Performance Committee on 23 April 2018.

3.5 Overall, the system controls were considered to be appropriate and internal audit identified that suitable internal controls were in place. A follow up review has recently been undertaken which is due to be reported to the next meeting of the Audit and Performance Committee.

3.6 The most recent review has confirmed that all previous recommendations have been implemented as follows:

- There are now comprehensive procedure notes now available including the fund manager versus custodian reconciliation.

- Recent knowledge and skills assessments have been carried out for members involved with the Pension Fund, with training sessions hosted, including fixed income, equity protection strategies and infrastructure. A log is kept of all training sessions Council officers attend, with staff attending a variety of educational sessions. Individual training plans are discussed with each staff member at one-to-one meetings.

- All investment management agreements are in place on the shared drive for Westminster Pension Fund managers where they exist, or the application forms where they are in place instead.

- Manager fees are checked before paying against the contracts (where invoices are paid direct) or are interrogated afterwards where fees are deducted at source.

Court Case

3.7 A former manager in the Westminster City Council Treasury and Pensions team was found guilty of one charge of Fraud by Abuse of Position and one charge of concealing criminal property, and was sentenced to seven years in prison on 25 January 2019. The offences occurred in the financial year 2010/11.

3.8 The police investigation followed an internal audit investigation which identified payments of circa £1.1m had been transacted through the Pension Fund's global custodian account. The potential fraud was initially identified through accounting controls.

3.8 Following the identification and investigation of the fraud, a further review was undertaken, resulting in enhanced and tighter internal controls being put in place, especially in respect of the officer authorisation of transactions.

4. Pension Fund Investment Performance and Funding Level

4.1 This report presents a summary of the Pension Fund's performance and estimated funding level to 31 December 2018. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.

4.2 The Investment Performance Report shows that the fund marginally underperformed the benchmark net of fees by 0.1%, with Aberdeen Standard and Longview being the major positive contributors, offsetting underperformance from Majedie and Baillie Gifford.

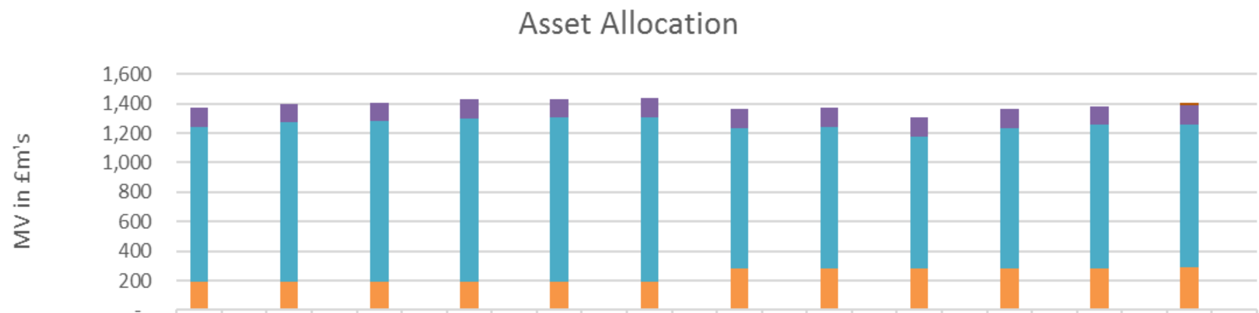
4.3 The advisors continue to rate the fund managers favourably, with the exception of Longview as a result of the retirement of the Chief Executive, Ramzi Rishani, in December 2018, and this remains a major concern. In January 2019, Marina Lund was appointed as the sole Chief Executive following her role as Co-Chief Executive since 2014. The Pension Fund Committee approved a phased disinvestment of the Longview portfolio, as outlined in Section 5 below.

4.4 Advisors have also expressed ongoing concern about the historical resignations and vacancies at senior management level within the Pension Fund's pooling entity, the London Collective Investment Vehicle (LCIV), and continue to monitor developments. Recent positive progress has been made. On 4 March 2019, ex LB Camden S151 Officer, Mike O'Donnell, commenced his role as LCIV's new Chief Executive, and this will allow the LCIV to move forward quickly with the recruitment of a replacement Chief Investment Officer.

4.5 The funding update (Appendix 2) has been prepared by the fund actuary, Barnett Waddingham. The estimated funding level for the Westminster City Council Fund as assessed by the actuary as at 31 December 2018 was 94.5% (89.8% at 31 December 2017), an increase of 4.7% over the year. The position is an improvement on the 31 March 2018 of funding level of 92.2% and is also up 14.5% on the funding level of 80% that was calculated and reported at the outcome of the previous triennial valuation at 31 March 2016.

5. Asset Allocation and Summary of Changes

5.1 The chart below shows the changes in asset allocation of the fund from 1 April 2018 to 31 March 2019. Asset allocations may vary due to changes in market value.



	April		May		June		July		Aug		Sept		Oct		Nov		Dec		Jan		Feb		Mar	
Infrastructure	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	14	1%
Property	125	9%	126	9%	127	9%	127	9%	127	9%	128	9%	128	9%	129	9%	130	10%	130	10%	130	9%	130	9%
Equities	1,0	77%	1,0	77%	1,0	77%	1,1	78%	1,1	78%	1,1	78%	952	70%	961	70%	898	69%	950	70%	969	70%	968	69%
Fixed Income	192	14%	193	14%	191	14%	192	13%	193	13%	191	13%	283	21%	280	20%	280	21%	285	21%	286	21%	290	21%

Fixed Income Equities Property Infrastructure

*Fixed Income includes bonds and Multi Asset Credit

5.2 The Westminster Pension Fund target asset allocation is 65% of assets allocated to equities, 20% to fixed income, 5% to infrastructure and 10% to property.

5.3 On 6 April 2018, the Pension Fund fund transitioned £174m of assets in to the Insight Asset Management Buy and Maintain Bonds portfolio from the Insight Gilt and Non-Gilt Funds, following a fixed income investment manager selection process implemented by the Pension Fund Committee during November 2017.

5.4 In June 2018, the Fund's investment advisor undertook a review of the Longview equity mandate with the Fund being 12% overweight against its policy asset allocation to equities. The Pension Fund Committee elected to rebalance the Fund's portfolio by selling down its entire holdings in the Longview mandate during 2018 and 2019, with the intention of transitioning the portfolio into multi asset credit and infrastructure asset classes.

5.5 During August 2018, the Pension Fund Committee appointed CQS Asset Management as its fixed income manager Multi Asset Credit (MAC) via the London CIV fixed income platform. The CQS MAC fund offers diversification in a wide variety of different fixed income securities that are resilient at different stages in the economic cycle. A £91m transfer of assets from Longview to the CQS MAC portfolio took place on 30 October 2018.

5.6 In December 2018, following an investment manager selection process, the Pension Fund Committee appointed Pantheon Asset Management as the Fund's new Infrastructure Manager. The remaining part of the portfolio held with Longview will be sold and the remaining £70m transitioned in to the Pantheon Global Infrastructure Fund III over a phased period. The first drawdown took place on 20 March 2019, with £14m in cash held with the global custodian transferred to Pantheon.

5.7 The total value of Pension Fund investments transferred to the LCIV at 31 March 2019 was £989 million. With a total of 70% of the Westminster Pension Fund value held under the LCIV's jurisdiction at 31 March 2019, this takes the City of Westminster Pension Fund to the highest proportion of LB Borough pension funds invested with the LCIV.

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

Billie Emery pensionfund@westminster.gov.uk or 020 7641 7062

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Deloitte Investment Report, Quarter Ending 31 December 2018

Appendix 2: Barnett Waddingham Funding Update as at 31 December 2018

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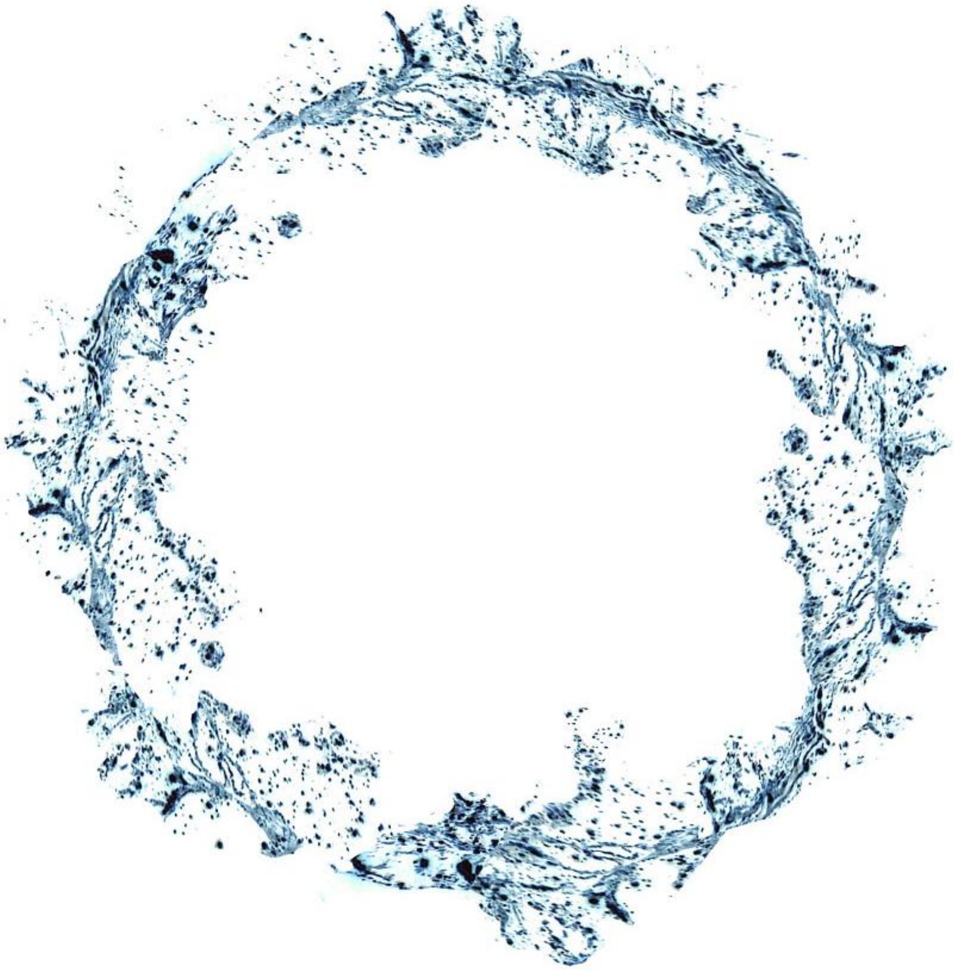
Deloitte.



City of Westminster Pension Fund
Investment Performance Report to 31 December 2018

Deloitte Total Reward and Benefits Limited
March 2019

Contents

1 Market Background

Three and twelve months to 31 December 2018

Global equity markets experienced a sharp downturn over the fourth quarter with economic data signalling a slowdown in economic activity across all global regions, fuelling fears of declining global growth. In addition, the potentially detrimental impact of monetary tightening, particularly in the US, and the ongoing US-China trade war continue to weigh on investors.

The UK equity market also fell over the fourth quarter as the FTSE All Share Index delivered a negative return of -10.2%. As well as the aforementioned global slowdown and trade war fears, UK markets were also impacted by further uncertainty over Brexit as the Prime Minister struggled to gain support from MPs for her deal and the risk of a ‘cliff-edge’ no deal Brexit became more pronounced.

The FTSE 100 Index fell by 9.6% while the FTSE 250 lost 13.3% over the quarter as smaller more UK-centric companies suffered most from the Brexit related uncertainty, whilst larger international companies benefitted, to some extent, from sterling weakness which boosted the value of their overseas revenues. At the sector level, Health Care was the best performing sector returning -3.2%, while Industrials was the worst performing sector delivering a return of -17.5%.

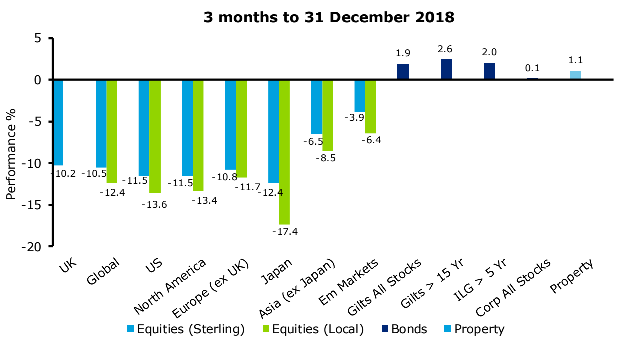
Global markets as a whole underperformed UK equities in both local currency terms (-12.4%) and sterling terms (-10.5%). The weakening of sterling over the quarter meant that currency hedging detracted from returns delivered to investors over the quarter. All regions experienced negative returns, with Japan (-17.4%) and the US (-13.6%) the worst performers when measured in local currency terms.

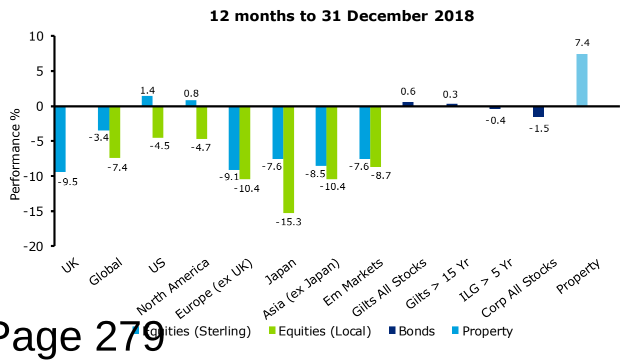
Nominal gilt yields fell across the curve and the All Stocks Gilts Index delivered a positive return of 1.9% over the fourth quarter. Real yields also fell with the Over 5 Year Index-Linked Gilts Index delivering a return of 2.0% over the same period. Credit spreads widened by around 30 bps over the fourth quarter, offsetting the effect of falling gilt yields. Corporate bond returns were broadly flat with the iBoxx All Stocks Non Gilt Index returning 0.1% over the quarter.

Over the 12 months to 31 December 2018, the FTSE All Share delivered a negative return of -9.5% following the sharp falls over the fourth quarter. At the sector level, all sectors experienced a negative absolute return with the exception of Health Care which returned 9.4%, whilst Telecommunications was the poorest performing sector delivering a negative return of -28.2%. Global equity markets outperformed the UK in both local (-7.4%) and sterling terms (-3.4%), driven by particularly strong performance in the US prior to the last 3 months of the year.

UK nominal gilts achieved modest returns over the 12 months to 31 December 2018, with income offsetting the slight increase in yields. The All Stocks Gilts Index returned 0.6% and the Over 15 Year Gilts Index returned 0.3% over the year. UK index-linked gilts delivered negative returns as the real yield curve steepened over the year. Real yields fell at shorter durations but rose at longer maturities with the Over 5 Year Index-Linked Gilts Index returning -0.4%. Corporate bonds underperformed gilts over the year to 31 December 2018 as credit spreads widened. The iBoxx All Stocks Non Gilt Index delivered a negative return of -1.5% over the year.

The IPD UK Monthly Property Index returned 1.1% for the quarter and 7.4% over the year to 31 December 2018. Whilst demand for UK property from both UK and overseas investors remains, and was the main driver behind the strong 12 month returns, the weaker performance in the fourth quarter suggests the property market is beginning to cool in light of Brexit uncertainty and a slowing UK economy.





2 Total Fund

2.1 Investment Performance to 31 December 2018

The following table summarises the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)			Last Year (%)			Last 3 Years (% p.a.)[1]			Since inception (% p.a.)[1]		
		Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]	
Majedie	UK Equity	-10.4	-10.5	-10.3	-9.5	-10.1	-9.5	5.7	5.1	6.1	10.0	9.4	8.4
LGIM	Global Equity	-13.0	-13.0	-13.0	-8.2	-8.2	-8.2	6.3	6.3	6.3	9.5	9.4	9.5
Baillie Gifford	Global Equity	-12.3	-12.4	-10.7	-4.0	-4.4	-3.8	13.8	13.5	11.9	12.4	12.0	10.3
Longview	Global Equity	-7.9	-8.1	-11.4	4.2	3.6	-3.0	14.6	13.9	11.6	12.8	12.2	9.7
Insight	Buy and Maintain	0.0	0.0	0.3	n/a	n/a	n/a	n/a	n/a	n/a	5.9	5.8	5.1
Hermes	Property	1.0	0.9	1.3	8.1	7.7	7.5	8.5	8.1	7.5	10.1	9.7	8.7
Aberdeen Standard	Property	1.7	1.6	2.4	7.5	7.0	2.6	8.2	7.7	6.1	9.0	8.5	6.2
CQS[2]	Multi Asset Credit	-1.9	-2.1	0.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total		**-8.7**	**-8.8**	**-7.7**	**-4.0**	**-4.4**	**-4.3**	**8.2**	**7.8**	**7.2**	**n/a**	**n/a**	**n/a**

Source: Northern Trust

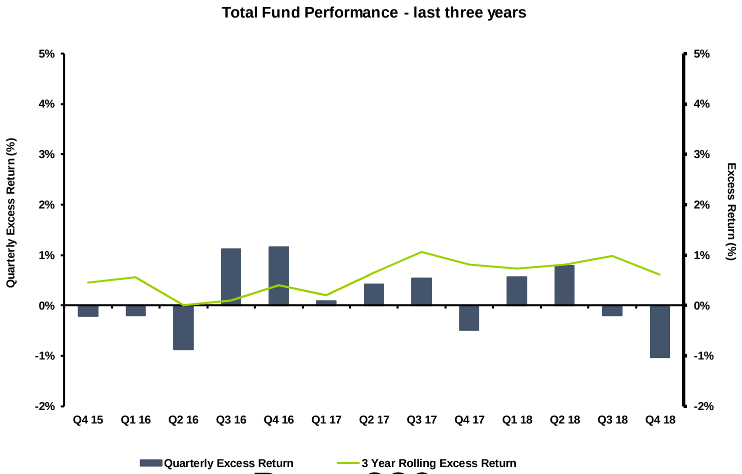
(1) Estimated by Deloitte when manager data is not available

See appendix 1 for more detail on manager fees and since inception dates

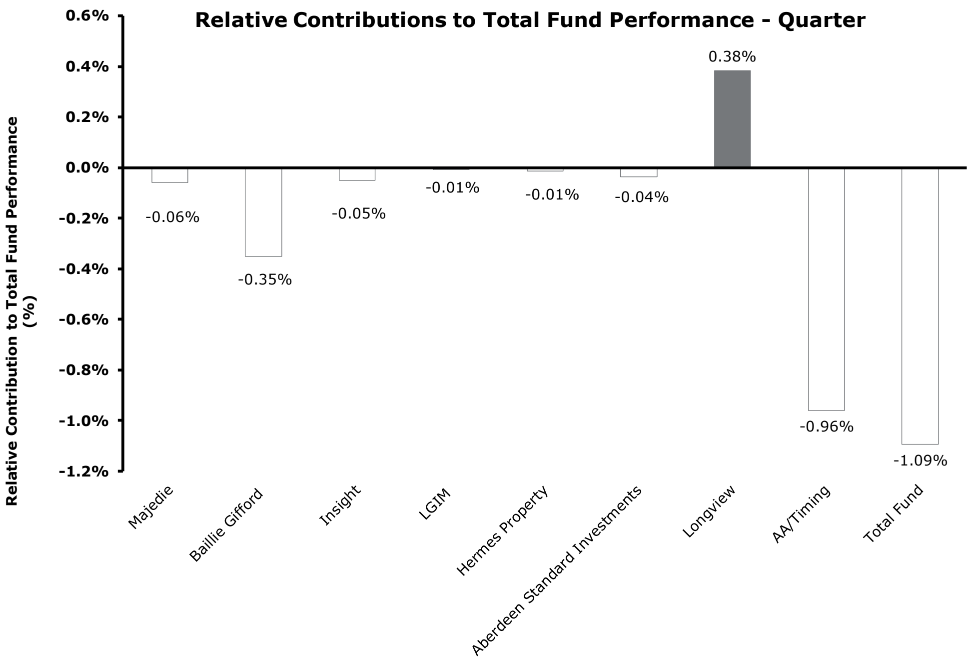
(2) CQS Fund date of inception of 30 October 2018. Returns and benchmark returns reflect CQS Multi Asset Credit Fund and benchmark returns from date of inception until end of quarter

Over the quarter to 31 December 2018, the Fund underperformed its benchmark by 1.1% on a net of fees basis. Over the 12 month period to 31 December 2018, the Fund marginally underperformed its benchmark on a net of fees basis by 0.1% whilst the Fund has outperformed its benchmark by 0.6% p.a. over the longer three year period.

The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.

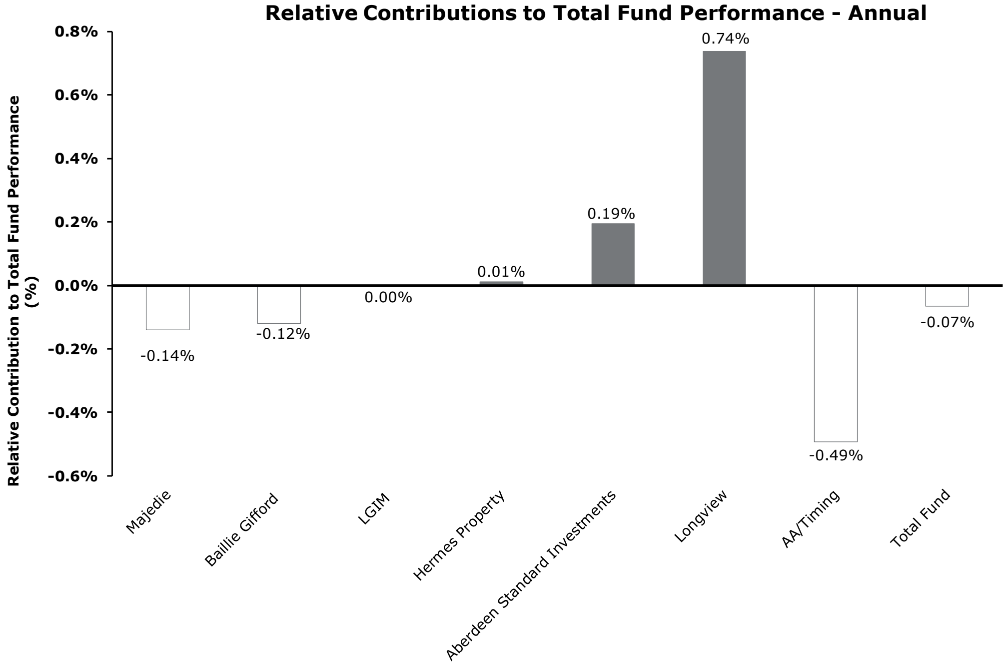


2.2 Attribution of Performance to 31 December 2018



Over the fourth quarter of 2018, the Fund underperformed its composite benchmark by 1.1% on a net of fees basis. Underperformance was largely as a result of partially disinvesting from Longview during a period of relative outperformance, this is represented by the "AA/Timing" bar. Considerable underperformance from Baillie Gifford further added to the underperformance of the Fund.

The Fund underperformed its benchmark by 0.1% over the year to 31 December 2018 with outperformance from Longview and Aberdeen Standard only partially offsetting the relative underperformance driven by Majedie, Baillie Gifford and partially disinvesting from Longview during a period of relative outperformance.



2.3 Asset Allocation as at 31 December 2018

The table below shows the assets held by manager and asset class as at 31 December 2018.

Manager	Asset Class	End Sept 2018 (£m)	End Dec 2018 (£m)	End Sept 2018 (%)	End Dec 2018 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	320.9	287.6	22.3	21.9	22.5
LGIM	Global Equity (Passive)	335.4	291.8	23.4	22.3	22.5
Baillie Gifford	Global Equity	292.0	256.0	20.3	19.5	25.0
Longview	Global Equity	168.7	65.3	11.7	5.0	
	Total Equity	**1,117.0**	**900.7**	**77.8**	**68.7**	**70.0**
Insight	Buy and Maintain	191.2	191.2	13.3	14.6	13.5
CQS	Multi Asset Credit	0.0	89.3	0.0	6.8	6.5
	Total Bonds	**191.2**	**280.5**	**13.3**	**21.4**	**20**
Hermes	Property	64.9	65.6	4.5	5.0	5
Aberdeen Standard	Property	62.9	64.0	4.4	4.9	5
	Total Property	**127.8**	**129.6**	**8.9**	**9.9**	**10**
	Total	**1,436.0**	**1,310.8**	**100**	**100**	**100**

Source: Northern Trust Figures may not sum due to rounding

* The benchmark allocation has been set to 70% equity, 20% bonds and 10% property over the fourth quarter of 2018 to better align the benchmark performance calculation with the allocation and performance of the Fund.

The market value of the assets decreased by c. £125.2m over the quarter to 31 December 2018, largely as a result of negative returns from the Fund's equity investments.

As at 31 December 2018, the Fund was 1.3% underweight to equities and 1.4% overweight to bonds compared with the amended benchmark allocation. The Fund was broadly in line with the benchmark property allocation as at 31 December 2018.

At the end of October 2018, the Fund made a 6.5% allocation to CQS' Multi Asset Credit Fund. This was funded from the Longview mandate and the benchmark allocation has been adjusted to reflect this.

2.4 Yield analysis as at 31 December 2018

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 December 2018
Majedie	UK Equity	4.15%**
Baillie Gifford	Global Equity	1.41%**
LGIM	Global Equity (Passive)	0.27%*
Longview	Global Equity	2.31%
Insight	Buy and Maintain	2.88%
Hermes Property	Property	4.10%
Aberdeen Standard Investments	Long Lease Property	4.14%
CQS	Secure Income	5.80%
	Total	**2.30%**

*Benchmark yield is 2.8% (represents the income that would be distributed).
** Majedie and Baillie Gifford yields are provided by the London CIV and are historic yields, reflecting the distributions declared over the past 12 months as a percentage of average market value.

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK Equity products with no clear limits on the value of assets that they would take on	1
Baillie Gifford	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	2
LGIM	Global Equity (Passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	1
Aberdeen Standard Investments	Property	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years	1
CQS	Multi Asset Credit	Significant changes to the investment team responsible for the Fund	1

3.1 London CIV

Business
As at 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

Personnel
Following quarter end, it was announced that Mike O'Donnell has been appointed as the London CIV's Chief Executive, subject to FCA approval with the intention to start the role on 4 March 2019. Mike is a senior finance professional and non-executive director with a background in local government finance, including twelve years as Executive Director responsible for Finance at LB Camden and nine month seconded to Birmingham City Council. He has chaired LFAC and been president of SLT the representative group for London s151 officers.

This appointment allows the London CIV to move forward with the recruitment of a CIO. Mark Hyde-Harrison, interim CEO, will work with Mike to ensure a smooth transition and will leave his role at the end of March.

Deloitte view – It is crucial that steps are taken to rebuild the senior management team and an appropriate strategy agreed for taking the pool forward, getting "buy-in" from the shareholders. We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 Majedie

Business

The total assets under management for Majedie was c. £11.8bn as at 31 December 2018, a decrease of c. £2.3bn over the fourth quarter of 2018. This large decrease in assets under management is attributable to a combination of some clients de-risking and a number of councils transferring into different pools, in addition to the fall in UK equity markets

Personnel

There were no significant team or personnel changes over the quarter to 31 December 2018.

In January 2019, a decision has been taken to replace Richard Staveley, manager of the Smaller Companies element of the UK Equity Fund. This represents c. 7% of UK Equity strategy client portfolios. Majedie felt that performance of this element of the portfolio has been disappointing and a change of manager is now appropriate. Management of the other 93% of the strategy assets remains unchanged. The UK Focus strategy is unaffected. A replacement is being sought, with Majedie stating that they will keep clients and consultants appraised with the progress on this front.

Deloitte view – We recently met with Majedie regarding recent performance and team changes. Please see Majedie UK Equity Fund Review provided by Deloitte.

3.3 Baillie Gifford

Business

Total assets under management as at 31 December 2018 was c. £173.3bn, a decrease of c. £22.7bn over the quarter. This considerable change in AuM was attributable to performance, with net cash flows positive over the period.

Personnel

There have been no significant team or personnel changes over the quarter to 31 December 2018.

Deloitte view - We continue to rate Baillie Gifford positively for its equity capabilities.

3.4 LGIM

Business

As at 30 June 2018, Legal & General Investment Management ("Legal & General") had total assets under management ("AuM) of £985bn, an increase of £2bn since 31 December 2017.

Personnel

Over the quarter, Roger Bartley, Vice Chairman of Investments, retired and Kaye Maguire, Chief Resourcing & Legal Officer also left. Neil Perry who had previously been HR Director replaced Kaye.

Following quarter end, Siobhan Boylan, Chief Financial Officer, left the firm and has been subsequently replaced by Richard Lee. Richard was the Group Performance Director and had previously held the positions of CFO and CRO for Legal & General Retirement.

Also, following quarter end, Will Riley was appointed Head of Solutions and Sonja Laud was appointed Deputy CIO. Will held a number of senior portfolio management roles at BlackRock before joining and Sonja joins from Fidelity International, where she was head of equity.

At the Index team level, there were no new joiners or leavers.

Deloitte View - We continue to rate Legal & General positively for its passive capabilities.

3.5 Longview

Business

As at 31 December 2018, Longview managed c. $24.5bn on behalf of its clients.

Over the fourth quarter of 2018, net flows out of the firm amounted to c. $541m including existing client flows due to continued de-risking among UK Corporate DB Pension Schemes.

Personnel

At the end of December 2018, Ramzi Rishani, Co-CEO, CIO and Founder of Longview Partners, retired from his executive role in the business. In January 2019, Marina Lund was appointed as sole CEO following her period as Co-CEO with Ramzi since 2014. Alistair Graham was appointed as CIO at the start of October 2018. Alistair had previously held the role of Head of Research.

Deloitte view – The departure of Ramzi Rishani means that both of Longview's founding partners are no longer involved in the business. This is a significant departure given Ramzi's previous role and involvement in the success of the business to date. Taking these factors into account, we would not put this strategy forward for new business. The decision has been taken to disinvest from the strategy, with the Longview investment used to fund a 6.5% allocation to the new fixed income strategy, managed by CQS, and remaining proceeds to be invested in a new infrastructure strategy, managed by Pantheon.

3.6 Insight

Business

Insight's total AuM at 31 December 2018 was c. £621bn, an increase from the previous quarter (c. £604bn). The Insight Buy and Maintain fund held assets under management of c. £2.2bn as at 31 December 2018, an increase of c. £0.1bn over the quarter.

Personnel

Insight made no changes to their Buy and Maintain fund team over the quarter.

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

3.7 Hermes

Business

As at 31 December 2018, Hermes had total assets under management of c. £36.0bn, an increase of c. £0.7bn over the quarter. Within the HPUT, total assets under management remained relatively constant at c. £1.6bn at quarter end.

Personnel

There were no changes to the HPUT team over the quarter.

Deloitte view –We continue to rate the team managing HPUT and at this stage, see no reason to change this.

3.8 Aberdeen Standard Investments – Long Lease Property

Business

The Fund's assets under management increased by £0.1bn to c. £2.4bn as at 31 December 2018.

Personnel

There were no team changes for either the Long Lease Property Fund over the fourth quarter of 2018.

Process

Since the two businesses merged, ASI has put in place a formalised process where all potential transactions are reviewed and an "allocation policy" applied where interest is expressed in the investment by more than one fund/client portfolio.

Deloitte View - We continue to rate Aberdeen Standard Investments positively for its long lease property capabilities.

3.9 CQS – Multi Asset Credit

Business

As at 31 December 2018, CQS held assets under management of c. $17.7bn, with the Credit Multi Asset Fund managing $7.6bn of assets.

Personnel

During December 2018, it was announced that Xavier Rolet would join CQS as CEO effective 14 January 2018. Xavier had previously held the position of CEO for the London Stock Exchange, with Sir Michael Hintze, CQS' founder, taking on the role as Senior Investment Officer. The move will allow Xavier to focus on the growth of CQS' business whilst Sir Michael can continue to oversee investment management. Both have previously worked together at Goldman Sachs and believe that their long-term relationship will have a positive impact at CQS.

There were no specific team/personnel changes to the Credit Multi Asset Fund team over the quarter.

Deloitte View - We continue to rate CQS positively for its multi asset capabilities.

4 London CIV

4.1 Investment Performance to 31 December 2018

As at 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 September 2018 (£m)	Total AuM as at 31 December 2018 (£m)	Number of London CIV clients	Inception Date
LCIV UK Equity	UK Equity	Majedie	526	467	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	120	106	1	02/12/15
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,371	2,092	12	11/04/16
LCIV Global Equity	Global Equity	Newton	616	557	3	22/05/17
LCIV Global Equity	Global Equity	Longview Partners	683	700	5	17/07/17
LCIV Equity Income	Global Equity	Epoch Investment Partners	235	222	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	186	276	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	283	249	2	18/04/18
LCIV Global Total Return	Diversified growth fund	Pyrford	315	308	5	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	637	627	8	15/02/16
LCIV Absolute Return	Diversified growth fund	Ruffer	912	854	10	21/06/16
LCIV Real Return	Diversified growth fund	Newton	194	182	2	16/12/16
LCIV MAC	Fixed Income	CQS	492	639	9	31/5/18
LCIV Global Bond	Fixed Income	PIMCO	-	167	2	30/11/18
Total			**7,572**	**7,447**		

The London CIV launched its second Fixed Income sub fund over the quarter to 31 December 2018. The initial investment in the Global Bond sub-fund is to be managed by PIMCO. Over the quarter, the Emerging Market Equity sub-fund (managed by Henderson) and the Multi Asset Credit sub-fund (managed by CQS) both added three new London Boroughs to their client list.

5 Baillie Gifford – Global Equity

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014. The manager is remunerated on an asset based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark of 2% p.a.

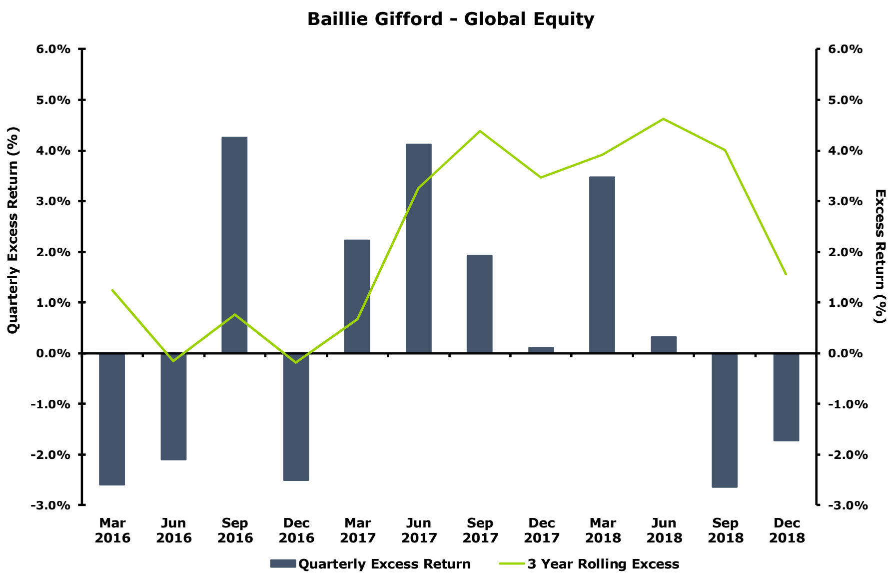
5.1 Global Equity – Investment performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	-12.3	-4.0	13.8	12.4
Net of fees	-12.4	-4.4	13.5	12.0
MSCI AC World Index	-10.7	-3.8	11.9	10.3
Relative (net of fees)	-1.7	-0.6	1.6	1.7

Source: Northern Trust and estimated by Deloitte.
See appendix 1 for more detail on manager fees
Inception date taken as 18 March 2014

Over the quarter to 31 December 2018, the Baillie Gifford Global Equity Alpha Fund underperformed its benchmark by 1.7% on a net of fees basis. The Fund underperformed its benchmark by 0.6% net of fees over the 12 month period.

The graph below shows the net quarterly returns and the rolling three-year excess returns relative to the benchmark. The Fund's current three year excess return has outperformed the benchmark by 1.6% p.a. but has dropped below the outperformance target of +2% p.a.



5.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 25.7% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2018	Proportion of Baillie Gifford Fund
Naspers	3.9%
Amazon	3.7%
Anthem	2.9%
Prudential	2.6%
AIA	2.3%
Alphabet	2.1%
Mastercard	2.1%
Moody's	2.1%
Alibaba	2.0%
Visa	2.0%
Total	**25.7%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below show the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution (%)
Banco Bradesco	+0.45
Tesla	+0.29
ICICI Bank Limited	+0.25
ICICI Bank Limited - Sponsor	+0.24
Brasil Bolsa Balcao	+0.21

General underperformance across the portfolio was partially offset through Baillie Gifford's emerging market exposure, particularly ICICI and Banco Bradesco.

The Fund's exposure to US, UK and Ireland detracted from performance due to disappointing earnings growth projections causing a mass sell-off in the market. Long duration stocks such as GrubHub and Amazon were also particularly affected over the quarter. The strategy's holding in energy related companies, particularly Apache and EOG, detracted from performance in line with a declining oil price.

Top 5 detractors as at 31 December 2018	Contribution
Distribuidora Internacional De Alimentacion	-0.51
Apache	-0.43
GrubHub	-0.43
Advanced Micro Devices	-0.39
Stericycle Steel Dynamics	-0.36

6 LGIM – Global Equity (Passive)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

6.1 Passive Global Equity – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	-13.0	-8.2	6.3	9.5
Net of fees[1]	-13.0	-8.2	6.3	9.4
FTSE World (GBP Hedged) Index	-13.0	-8.2	6.3	9.5
Relative (net of fees)	0.0	0.0	0.0	-0.1

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 1 November 2012 (prior to that the mandate was an active equity mandate). The portfolio aims to track the benchmark.

The investment objective of the Fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

The LGIM Fund successfully tracked its benchmark over the quarter to 31 December 2018. The Fund also performed in line with its benchmark over the one year and three year periods respectively.

7 Majedie – UK Equity

Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to outperform the benchmark by 2% p.a.

7.1 Active UK Equity – Investment Performance to 31 December 2018

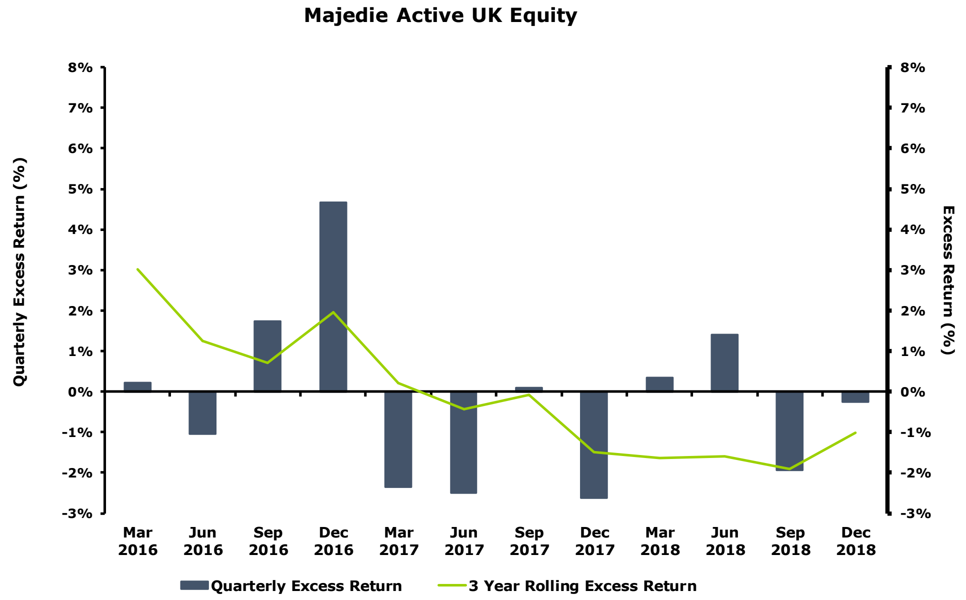
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	-10.4	-9.5	5.7	10.0
Net of fees[1]	-10.5	-10.1	5.1	9.4
MSCI AC World Index	-10.3	-9.5	6.1	8.4
Relative (on a net basis)	-0.2	-0.6	-1.0	1.0

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



The Majedie UK Equity Fund underperformed its benchmark on a net of fees basis by 0.2% over the quarter to 31 December 2018. Over the one year and three year periods to 31 December 2018, the Fund underperformed its MSCI based benchmark by 0.6% and 1.0% p.a. respectively on a net of fees basis.

7.2 Performance Analysis

The top 10 holdings in the UK Equity strategy account for c. 48.4% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2018	Proportion of Majedie Fund
Royal Dutch Shell	8.1%
BP	7.8%
Majedie Asset Management Special	7.6%
Tesco	4.8%
GlaxoSmithKline	4.6%
HSBC	3.4%
Orange	3.3%
WM Morrison	3.3%
Centrica	3.0%
Pearson	2.6%
Total	**48.4%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below show the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution (bps)
Gold Fields	+0.49
Acacia Mining	+0.38
Barrick Gold Corp	+0.26
Agnico Eagles Mines	+0.21
Koninklijke Kpn NV	+0.13

Top 5 detractors as at 31 December 2018	Contribution (bps)
Ensco	-0.57
Oceaneering	-0.55
Diamond Offshore Drilling	-0.52
William Hill	-0.37
Tullow Oil	-0.32

The Fund’s holdings in Ensco plc, Oceaneering International and Diamond Offshore Drilling Inc provided the largest detractions to performance over the quarter to 31 December 2018.

8 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

8.1 Active Global Equity – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	-7.9	4.2	14.6	12.8
Net of fees[1]	-8.1	3.6	13.9	12.2
MSCI World Index	-11.4	-3.0	11.6	9.7
Relative (on a net basis)	3.3	6.6	2.3	2.5

Source: Northern Trust

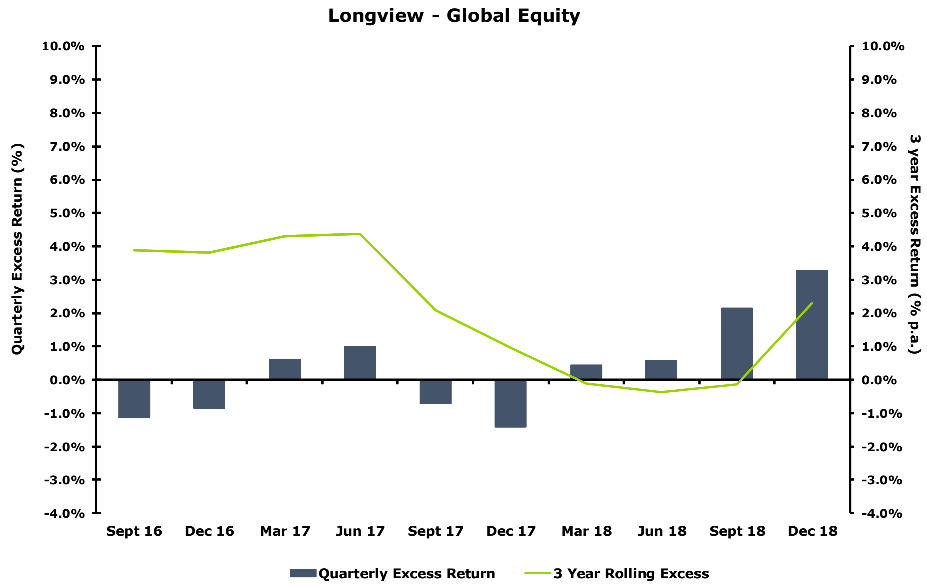
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed its benchmark over the fourth quarter of 2018 by 3.3% on a net of fees basis. Over the longer one year and three year periods to 31 December 2018, Longview outperformed its benchmark by 6.6% and 2.3% p.a. on a net of fees basis.

The Fund targets an outperformance of 3% p.a. over a three year period. The chart below shows the quarter and rolling three year returns.



8.2 Performance Analysis

The tables below represent the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution
Willis Towers Watson	+0.65
Dollar General	+0.45
Pfizer	+0.44
Sanofi	+0.43
Omnicom	+0.36

The Fund’s holdings in Willis Towers Watson, Dollar General and Pfizer were amongst the largest contributors to performance over the fourth quarter of 2018.

State Street were the largest detractor to performance over the quarter following an earnings miss in the previous quarter.

Top 5 detractors as at 31 December 2018	Contribution
State Street	-0.37
WPP	-0.36
Emerson Electric	-0.31
Allergan	-0.24
Zimmer Biomet	-0.24

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The fund aims to invest in predominantly investment grade credit which the manager believes can be held to maturity. The manager's fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 31 December 2018

	Last Quarter (%)
Insight IBAM - Gross of fees	0.0
Net of fees[1]	0.0
iBoxx £ Non-Gilt 1-15 Yrs Index	0.3
Relative (on a net basis)	-0.3

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 12 April 2018.

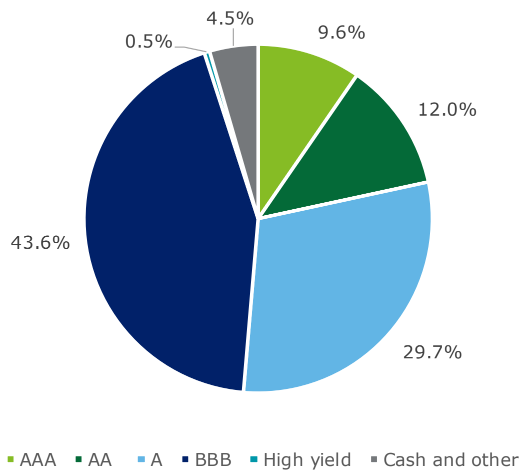
Over the quarter to 31 December 2018 the Insight Buy and Maintain Fund slightly underperformed its temporary iBoxx non-gilt benchmark on a net of fees basis.

9.2 Performance Analysis

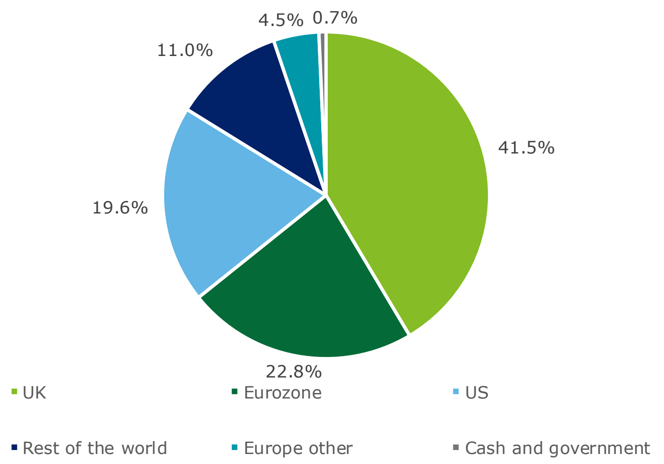
The table below summarises the Buy and Maintain portfolio's key characteristics as at 31 December 2018.

	31 Dec 2018
Yield	2.9
No. of issuers	158
Modified duration (years)	8.1
Spread duration (years)	7.6
Government spread (bps)	167
Swaps spread (bps)	155
Largest issuer (%)	1.4
10 largest issuers (%)	11.1

The graph below shows the split of the Buy and Maintain portfolio by credit rating. The Fund's investment grade holdings made up c. 94.9% of the portfolio as at 31 December 2018, with the fund predominantly invested in BBB and A rated bonds.

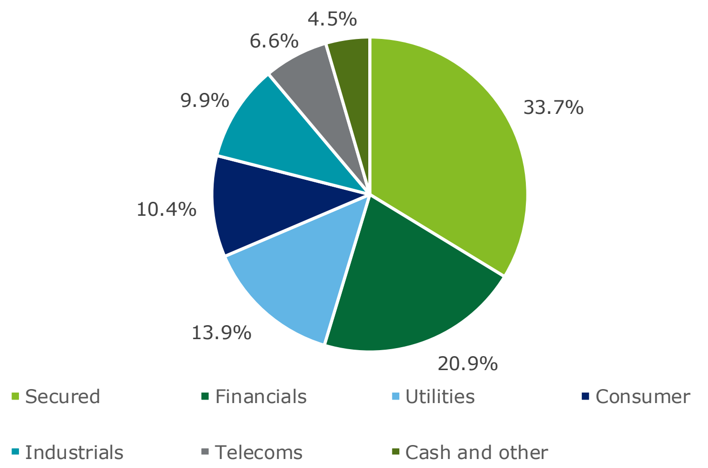


The graph below shows the split of the Buy and Maintain portfolio by country.



As at 31 December 2018, the Fund's UK and Eurozone holdings made up c. 64.3% of the portfolio.

The graph below shows the split of the Buy and Maintain portfolio by sector as at 31 December 2018.



The table below shows the top 10 issuers by market value as at 31 December 2018.

Issuer name	Rating*	Holding (%)
Center Parcs	BBB	1.42
Income Contingent Student Loan	A	1.17
Westpac	AAA/AA	1.16
Prudential	BBB	1.15
Volkswagen	BBB	1.14
Santander	A/BBB	1.11
ESB Finance	A/BBB	1.07
American Airlines	AA	1.02
Daimler	A	1.01
Equity Release Fund	AA	1.01

*Ratings provided by Insight.

10 Hermes – Property

Hermes was appointed to manage a core UK property portfolio. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

10.1 Property – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	1.0	8.1	8.5	10.1
Net of fees[1]	0.9	7.7	8.1	9.7
Benchmark	1.3	7.5	7.5	8.7
Relative (on a net basis)	-0.4	0.2	0.6	1.0

Source: Hermes

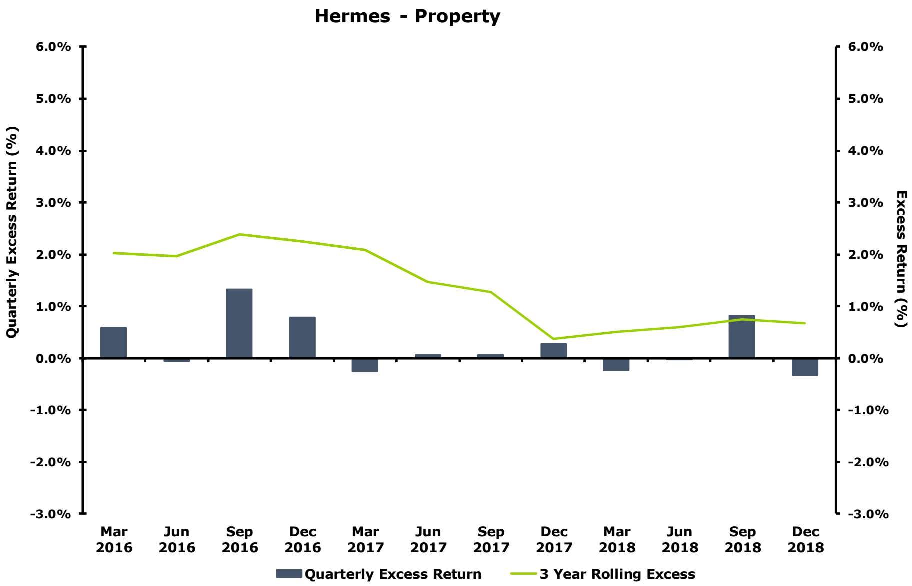
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Over the quarter to 31 December 2018, Hermes underperformed its benchmark by 0.4% on a net of fees basis. The strategy outperformed its benchmark over both the one year and three year periods to 31 December 2018 by 0.2% and 0.6% p.a. respectively. The Fund remains above its target since inception, to outperform the benchmark by 0.5% p.a., outperforming its benchmark by 1.0% p.a. over this period.

Key contributors to the performance over the quarter came from properties in the Industrial sector, delivering the highest contribution, with the "Other" and Leisure sectors also contributing positively to performance. The Retail Warehouses sector was a detriment to performance over the quarter with valuation declines reflecting poor investor sentiment for retail assets generally, and a weak occupier demand in the retail sector.



10.2 Sales and Purchases

In November 2018, the Trust exchanged contracts to sell its Charlton Gate industrial property with a delayed sale to be completed in January 2019 so that the Trust can maximise rental income. The value of the sale is £48.5m, an 8% premium to the September valuation. This reflects an initial net yield of 3.0% and an equivalent yield of 3.85%. Despite the strong demand for Greater London industrial investments, the Trust believes that several planning risks were likely to impact expected returns.

In October 2018, the Trust sold its Sainsbury's property in Cheltenham for a price of £20.7m, reflecting a net initial yield of 5.0% and an equivalent yield of 4.5%. The agreed sale price reflects a small premium over the latest valuation by Knight Frank of £20.1m. Although the asset is let to a strong tenant for another 20 years, the property is over-rented and the tenant is able to break its lease in 2028. Both the investment value and market liquidity of this asset are likely to fade as the period to the break reduces.

Over the quarter, the Trust secured two important lettings in two vacant units of the Summit Centre industrial estate in Heathrow covering a total area of almost 71,000 sq. ft. that will generate rental income of c. £650,000 per annum for the Trust after tenant incentives. The new tenant, MS International, will take units 5 and 6 on 20 year leases with tenant break options at year 15 and with 15 months' rent free. The lettings were facilitated by capital works to the units of £1.5m.

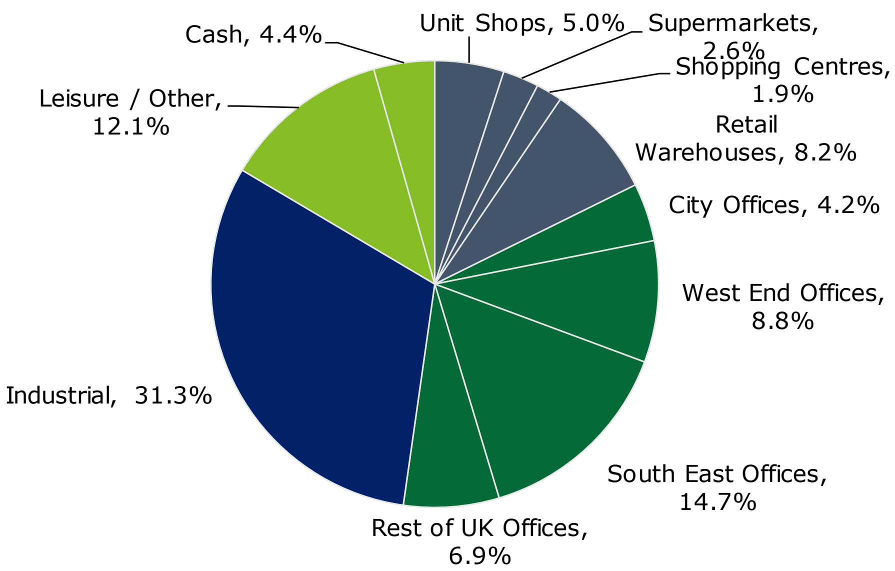
At the end of February 2018 the tenant Maplin, occupying a 7,000 sq. ft. unit, went into administration and vacated the Broadway premises in Wimbledon at the end of June 2018. The unit is situated in a good retail pitch opposite Wimbledon railway station. In November 2018 the Trust completed a new lease with Rymans to take over the unit for a 10 year term at £160,000 per annum after tenant incentives (3 months rent free). The term of the lease remains separate to the top floor of the unit which will allow the Manager to enable the possible development of a rooftop cinema and bar.

In December 2018 the Chamber of Commerce, already occupying 20,000 sq. ft in the Elliot House building in Manchester, completed a lease for the remaining vacant space (6,700 sq. ft. at the second floor and 1,500 sq. ft. at basement level) for a term until September 2029. The new leases will secure annual rental income of £160,000 per annum (£23 per sq. ft.) after tenant incentives. As part of the transaction, the tenant only break clauses due in 2024 were removed for the remaining existing leases in the building, resulting in a lease term certain until 2029 and a total rental income of £442,000 per annum. The property is now fully let.

In November 2018, the Trust completed a new lease with Bircham Dyson Bell for The Anchorage in Reading for a 7 year period which will expire in December 2025, including a tenant break option in November 2023. The lease completed will secure annual rental income of c. £170k (£27.50 per sq. ft.) after tenant incentives.

10.3 Portfolio Summary as at 31 December 2018

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 December 2018 shown below.



The table below shows the top 10 directly held assets in the Fund as at 31 December 2018, representing c. 32.1% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	86.3
8/10 Great George Street, London SW1	Offices	65.3
Polar Park, Bath Road, Heathrow	Industrial	54.7
Horndon Industrial Park, West Horndon, CM13	Industrials	49.2
Charlton Gate, London	Industrials	48.5
27 Soho Square, London W1	Offices	46.3
Broken Wharf House, London	Leisure/Other	44.3
Sainsbury's, Beaconsfield	Supermarket	42.0
Jurys Inn Hotel, Liverpool	Leisure/Other	40.8
Round Foundry & Marshalls Mill, Leeds	Offices	40.5
Total		**517.9**

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Gross of fees	1.7	7.5	8.2	9.0
Net of fees[1]	1.6	7.0	7.7	8.5
Benchmark	2.4	2.6	6.1	6.2
Relative (on a net basis)	-0.8	4.4	1.6	2.3

Source: Aberdeen Standard Investments

(1) Estimated by Deloitte

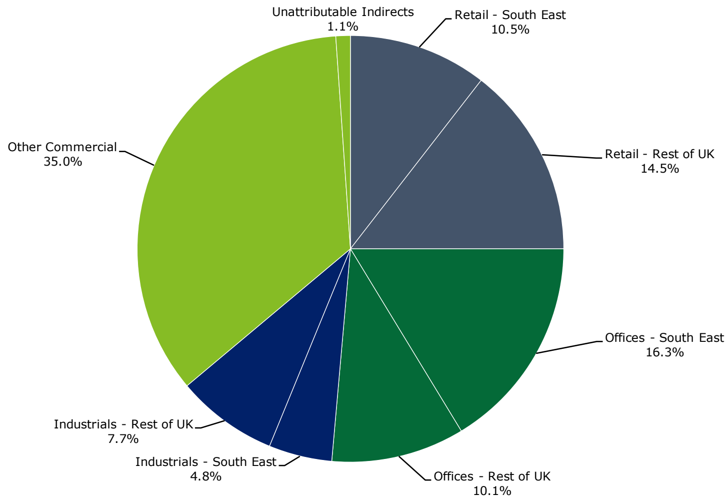
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The ASI Long Lease Property Fund has delivered a net of fees return of 1.6% over the fourth quarter of 2018, underperforming the FTSE Gilt All Stocks Index + 2% benchmark by 0.8%.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2018 is shown in the graph below.



The Fund’s allocation to the office sector increased over the quarter from 24.3% as at 30 September 2018 to 26.4% as at 31 December 2018. Over the same period the holdings in the retail sector fell by 0.9% to 25.0% and other commercial also fell by 1.1% to 35% as at the end of the fourth quarter.

The table below shows details of the top ten tenants in the Fund measured by percentage of net rental income:

Tenant	Total Rent £m p.a.	% Net Income
Tesco	8.4	8.2
Whitbread	6.4	6.3
Marston's	5.0	4.9
Sainsbury's	5.0	4.9
Asda	4.4	4.3
Salford University	4.0	4.0
QVC	4.0	3.9
Lloyds Bank	3.9	3.8
Save The Children	3.8	3.7
Park Holidays UK Limited	3.6	3.5
Total	**48.6**	**47.4 ***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 47.4% of the total net income into the Fund. Supermarkets continue to make up a significant part of the fund with Tesco, Sainsbury's and Asda contributing 17.4% to the Fund's total net rental income as at 31 December 2018.

The Fund's average unexpired lease term decreased over the quarter from 26.7 years to 26.4 years.

11.3 Sales and Purchases

Over the fourth quarter of 2018:

- The Fund completed the purchase of Lloyds Bank Plc, Chester, for c. £67m. Representing a net initial yield of 5.4% with an unexpired term of 25 years.
- The Fund also completed on three holiday parks in Suffolk and Kent operated by Park Holidays UK Limited for c. £25m, reflecting a net initial yield of 3.0%. This was an off-market transaction given ASI's previous relationship with the company, acquiring another portfolio in 2017. The transaction was structured on a ground rent basis with a lease term of 99 years and annual rent set at 12% of the underlying earnings for each park.

Following quarter end, the Fund exchanged on a 20 year unexpired term office for c. £47m. The purchase of St James Place, Cirencester, will provide a net initial yield of 4.0%.

12 CQS – Multi Asset Credit

CQS was appointed to manage a multi asset credit mandate in October 2018 with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. An annual fee covers the manager's and the London CIV platform management fees.

12.1 Multi Asset Credit – Investment Performance to 31 December 2018

	Last Quarter (%)
CQS – MAC – Gross of fees	-2.0
3 Month Libor + 4%	1.2
Relative (on a net basis)	-3.2

Source: CQS

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Please note that the CQS Multi Asset Credit Fund date of inception is 30 October 2018, hence the performance figures quoted above are for illustrative purposes only.

The CQS Multi Asset Credit Fund underperformed its benchmark by 3.2% on a net of fees basis over the quarter to 31 December 2018. Underperformance has been attributed to mark-to-market losses and not defaults. Hedging costs were a further detriment to performance over the quarter.

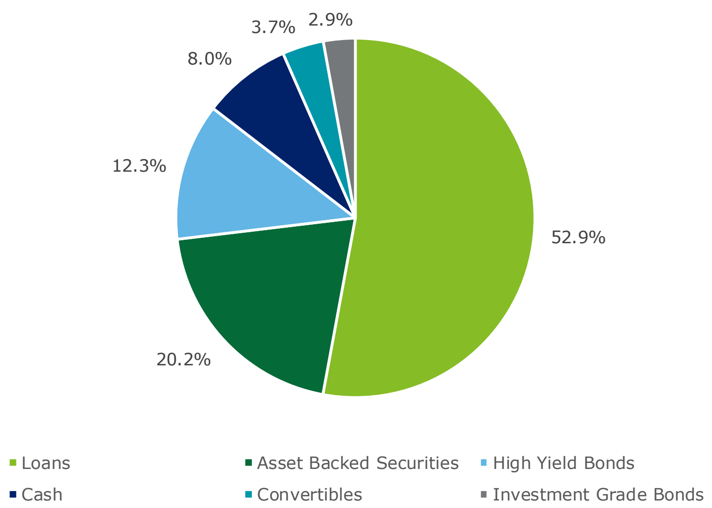
12.2 Portfolio Analysis

The table below summarises the Multi Asset Credit portfolio's key characteristics as at 31 December 2018.

	31 Dec 2018
Weighted Average Bond Rating	B+
Long Bond Equivalent Exposure with Public Rating (%)	84.5
Investment with Public Rating (%)	83.7
Yield to Maturity (%)	5.8
Spread Duration	4.1
Interest Rate Duration	1.3

12.3 Asset Allocation

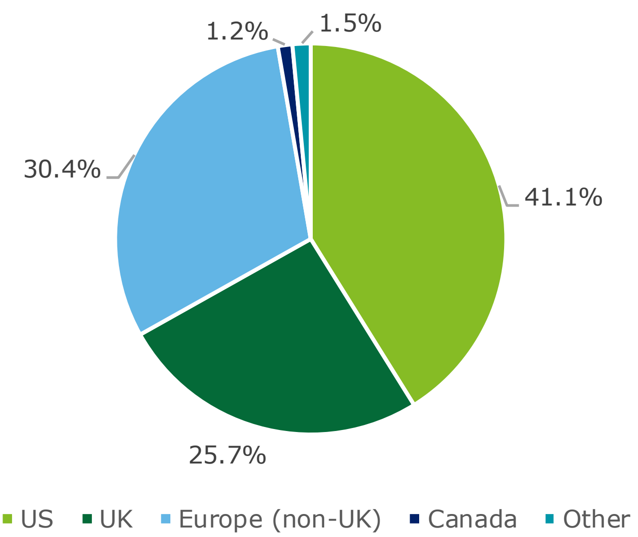
The asset allocation split of the Multi Asset Credit Fund as at 31 December 2018 is shown below.



The portfolio’s largest exposure is to loans, which provided a net contribution of -0.62% to the portfolio’s performance over the quarter to 31 December 2018. The Fund also holds large allocations to ABS and high yield bonds which contributed -0.40% and -0.46% to performance respectively over the quarter.

12.4 Country Allocation

The graph below shows the regional split of the CQS Multi Asset Credit Fund as at 31 December 2018.



Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date	Fees (p.a.)	Tracking Error p.a.
Majedie	UK Equity	22.5	FTSE All-Share Index	+2.0 p.a. (net of fess)	31/05/06	c.35bps base fees +20 performance fee on 1 outperformance over 3 year rolling	**2.0-6.0**
LGIM	Global Equity	22.5	FTSE World GBP Hedged	Passive	01/11/12	13bps base fees	**+/- 0.5**
Baillie Gifford	Global Equity	25.0	MSCI AC World Index	+2.0 p.a. (net of fess)	18/03/14	36bps base fee	
Longview	Global Equity		MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15	75bps base fees minus a rebate dependent on fund size	
Insight	Buy and Maintain	13.5	Insight Custom Benchmark	n/a	12/04/18	9.5bps base fees	
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13	50bps on first £25m, 40bps on next £25m, 30bps thereafter	
CQS	Multi Asset Credit	6.5	3 Month Libor	+ 4% p.a. (net of fees)	30/10/18	40bps base fees	
	Total	**100.0**					

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Risk warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

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City of Westminster Pension Fund

Funding update report as at 31 December 2018

Barnett Waddingham LLP

11 January 2019

Contents

Introduction

Westminster City Council, as administering authority for the City of Westminster Pension Fund (the Fund) has asked that we carry out a quarterly monitoring assessment of the Fund as at 31 December 2018. The purpose of this assessment is to provide an update on the funding position.

We have shown the funding position as at 31 December 2018 using assumptions consistent with the triennial valuation as at 31 March 2016 (the ongoing basis) and also on a "SCAPE basis" where we have used the SCAPE discount rate of CPI plus 2.4%. The SCAPE discount rate is the discount rate that will be used in the unfunded public service schemes valuations and this rate may have an influence on the assumptions that we adopt at the forthcoming 2019 triennial valuation.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

The information in this report is addressed to and is provided for use by Westminster City Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

This is version 2 of the report which supersedes the initial report. This version contains additional information about the projected financial position of Westminster City Council up until 31 March 2020. This projection can be found in Appendix 3.

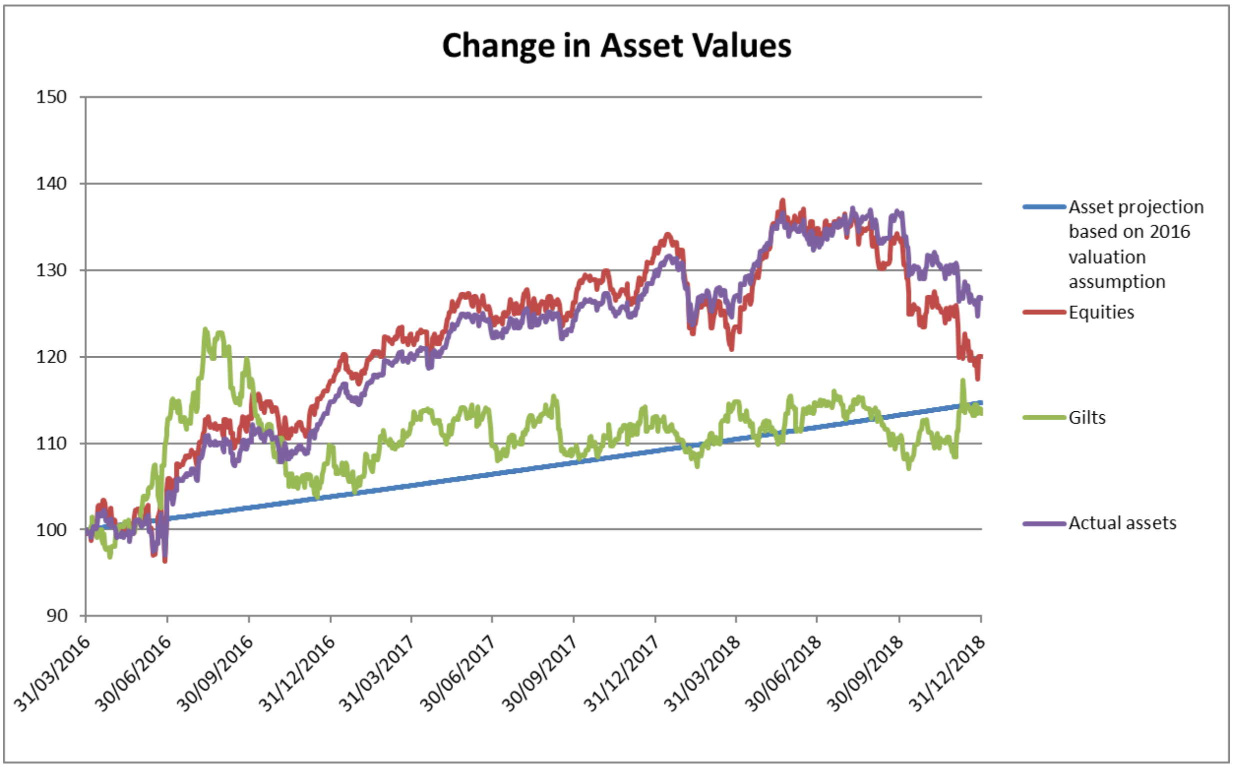
Assets

The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 December 2018, based on data received from Westminster City Council, is as follows:

Assets (market value)	31 Dec 2018		30 Sep 2018		31 Mar 2016	
	£000s	%	£000s	%	£000s	%
UK and overseas equities	908,047	68.1%	1,103,033	76.8%	790,289	74.1%
Bonds	281,358	21.1%	191,031	13.3%	130,390	12.2%
Property	127,148	9.5%	125,928	8.8%	105,811	9.9%
Gilts	0	-	0	-	26,733	2.5%
Cash and accruals	16,780	1.3%	16,250	1.1%	13,120	1.2%
Total assets	**1,333,332**	**100%**	**1,436,242**	**100%**	**1,066,343**	**100%**

The investment return achieved by the Fund's assets in market value terms for the quarter to 31 December 2018 is estimated to be -7.2%. The return achieved since the previous valuation is estimated to be 26.8% (which is equivalent to 9.0% p.a.).

The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



As we can see the asset value as at 31 December 2018 in market value terms is more than where it was projected to be at the previous valuation.

Changes in market conditions – market yields and discount rates

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (smoothed)	31 Dec 2018		30 Sep 2018		31 Mar 2016	
	Nominal	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
Pension increases (CPI)	2.76%	-	2.68%	-	2.39%	-
Salary increases	4.26%	1.50%	4.18%	1.50%	3.89%	1.50%
Discount rate	5.52%	2.75%	5.29%	2.61%	5.10%	2.71%

In addition to that, it is assumed that salaries increase in line with CPI until 31 March 2020.

The ongoing discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. Consistent with the method adopted for the 31 March 2016 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.1%.

As noted in the Introduction, the discount rate on the SCAPE basis is CPI plus 2.4% p.a.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see the real discount rate is broadly similar as at the 31 March 2016 valuation, maintaining the value of liabilities used for funding purposes.

The real discount rate on the SCAPE basis is lower than on the ongoing basis and therefore would place a higher value on the liabilities.

Results

The funding position for each month has been rolled forward from the formal valuation and is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 December 2018 is 94.5% and the average required employer contribution would be 20.6% of payroll assuming the deficit is to be paid by 2038.
- This compares with the reported (smoothed) funding level of 80.0% and average required employer contribution of 29.1% of payroll at the 31 March 2016 funding valuation.

The ongoing discount rate underlying the smoothed funding level as at 31 December 2018 is 5.5% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 5.8% p.a.

Westminster City Council

We have also estimated the funding position of Westminster City Council. The development since 31 December 2017 can be found in the table below.

Smoothed	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)
31 Dec 2017	842,147	1,043,061	(200,914)	81%	17.3%
31 Mar 2018	858,830	1,044,850	(186,020)	82%	17.1%
30 Jun 2018	874,734	1,051,143	(176,410)	83%	17.1%
30 Sep 2018	883,354	1,032,151	(148,796)	86%	16.3%
31 Dec 2018	857,312	1,014,836	(157,524)	84%	15.5%

SCAPE basis

The results summarised above and in the Appendix are based on the ongoing basis. On the SCAPE basis, as at 31 December 2018, we estimate the comparable funding level for the Fund to be 89% and the average required employer contribution rate would be 27.3% of payroll assuming the deficit is to be paid by 2038. This contribution includes 18.8% of payroll towards the cost of future benefits and 8.5% of payroll towards deficit recovery.

On the SCAPE basis, as at 31 December 2018, we estimate the comparable funding level of Westminster City Council to be 79% and the average required employer contribution rate would be 33.1% of payroll assuming that the deficit is to be paid by 2038. The contribution includes 17.5% of payroll towards the cost of future benefits and 15.6% of payroll towards deficit recovery.

Although the SCAPE discount rate is used for the purpose of the valuations of the unfunded public service pension schemes rather than the LGPS, it is likely that this will be used as a guide for the purpose of the Section 13 assessments applied to the local LGPS valuations and therefore may influence the assumptions to be adopted for the Fund's 2019 valuation.

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2016 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

Looking forward to 2019

Since the last valuation at 31 March 2016, assets have performed well and deficits have reduced (using assumptions consistent with the 2016 valuation), reducing the deficit recovery rate (the secondary rate).

Overall, on a basis consistent with the 2016 valuation, the total required contribution rate is estimated to have reduced since 31 March 2016. The next triennial valuation will be taking place as at 31 March 2019, with revised contribution rates payable from 1 April 2020. As part of the 2019 valuation, the Fund and Fund Actuary will work together in setting the assumptions for the valuation.

Given the improvement in funding position over the period and the level of uncertainty in the markets going forward, it may be appropriate to increase the level of prudence underlying the valuation funding assumptions.

We would be pleased to answer any questions arising from this report.

M Paton

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Actuary
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Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

The results shown below are calculated on the ongoing basis.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 9%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 8%.

Smoothed Valuation date	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Discount rate	Return required to restore funding level (p.a.)
31 Mar 2016	1,056,747	1,320,797	(264,050)	80%	16.9%	12.2%	29.1%	5.1%	6.1%
30 Apr 2016	1,069,289	1,336,329	(267,040)	80%	17.2%	12.6%	29.8%	5.0%	6.0%
31 May 2016	1,088,792	1,362,238	(273,446)	80%	17.8%	12.8%	30.6%	4.9%	5.9%
30 Jun 2016	1,103,684	1,384,191	(280,507)	80%	18.2%	13.0%	31.2%	4.8%	5.9%
31 Jul 2016	1,121,960	1,404,739	(282,779)	80%	18.6%	13.1%	31.7%	4.8%	5.8%
31 Aug 2016	1,133,402	1,421,201	(287,799)	80%	18.9%	13.3%	32.2%	4.8%	5.9%
30 Sep 2016	1,150,014	1,437,793	(287,779)	80%	19.3%	13.3%	32.6%	4.9%	5.9%
31 Oct 2016	1,172,816	1,449,639	(276,823)	81%	19.5%	12.7%	32.2%	4.9%	5.9%
30 Nov 2016	1,185,339	1,456,544	(271,205)	81%	19.5%	12.5%	32.0%	5.0%	6.0%
31 Dec 2016	1,206,192	1,462,515	(256,323)	82%	19.6%	11.8%	31.4%	5.1%	6.0%
31 Jan 2017	1,217,761	1,466,703	(248,942)	83%	19.5%	11.5%	31.0%	5.1%	6.0%
28 Feb 2017	1,237,696	1,476,212	(238,516)	84%	19.7%	11.1%	30.8%	5.1%	5.9%
31 Mar 2017	1,261,355	1,485,068	(223,713)	85%	19.8%	10.4%	30.2%	5.0%	5.8%
30 Apr 2017	1,272,195	1,484,924	(212,729)	86%	19.7%	9.6%	29.3%	5.0%	5.8%
31 May 2017	1,291,739	1,484,738	(192,999)	87%	19.6%	8.7%	28.3%	5.0%	5.7%
30 Jun 2017	1,297,593	1,481,802	(184,209)	88%	19.4%	8.4%	27.8%	5.0%	5.7%
31 Jul 2017	1,305,713	1,480,613	(174,900)	88%	19.2%	8.0%	27.2%	5.0%	5.7%
31 Aug 2017	1,309,876	1,477,979	(168,103)	89%	19.1%	7.7%	26.8%	5.1%	5.7%
30 Sep 2017	1,313,109	1,477,681	(164,572)	89%	19.0%	7.6%	26.6%	5.1%	5.7%
31 Oct 2017	1,328,003	1,482,309	(154,306)	90%	19.0%	7.1%	26.1%	5.1%	5.6%
30 Nov 2017	1,325,817	1,479,561	(153,744)	90%	18.8%	7.2%	26.0%	5.1%	5.7%
31 Dec 2017	1,330,352	1,476,578	(146,226)	90%	18.6%	6.8%	25.4%	5.1%	5.7%
31 Jan 2018	1,341,968	1,475,210	(133,242)	91%	18.5%	6.3%	24.8%	5.1%	5.6%
28 Feb 2018	1,358,573	1,478,129	(119,556)	92%	18.5%	5.6%	24.1%	5.1%	5.6%
31 Mar 2018	1,379,889	1,481,363	(101,474)	93%	18.5%	4.8%	23.3%	5.1%	5.5%
30 Apr 2018	1,383,869	1,481,851	(97,982)	93%	18.4%	4.6%	23.0%	5.1%	5.4%
31 May 2018	1,392,524	1,488,835	(96,311)	94%	18.4%	4.6%	23.0%	5.1%	5.4%
30 Jun 2018	1,394,788	1,493,108	(98,320)	93%	18.4%	4.7%	23.1%	5.1%	5.4%
31 Jul 2018	1,409,340	1,489,981	(80,641)	95%	18.2%	3.9%	22.1%	5.1%	5.4%
31 Aug 2018	1,406,781	1,480,121	(73,340)	95%	17.9%	3.5%	21.4%	5.2%	5.5%
30 Sep 2018	1,407,799	1,468,021	(60,222)	96%	17.5%	2.9%	20.4%	5.3%	5.5%
31 Oct 2018	1,391,799	1,460,566	(68,767)	95%	17.2%	3.4%	20.6%	5.4%	5.6%
30 Nov 2018	1,383,503	1,452,101	(68,598)	95%	17.0%	3.4%	20.4%	5.4%	5.7%
31 Dec 2018	1,365,927	1,445,343	(79,416)	95%	16.7%	3.9%	20.6%	5.5%	5.8%

Appendix 2 Data, method and assumptions

Data

In completing our calculations we have used the following items of data, which we received from Westminster City Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 December 2018; and
- Estimated Fund returns based on Fund asset statements provided to 31 December 2018, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Method

To assess the value of the Fund's liabilities as at 31 December 2018, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016 using the financial assumptions below and estimated cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 31 December 2018 without completing a full valuation. However, we are satisifed that the approach of rolling forward the previous valuation data to 31 December 2018 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and estimated cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 31 December 2018.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions.

A summary of the main financial assumptions adopted is set out in the main body of this report.

The main demographic assumptions are:

- The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- The dependant post retirement mortality tables adopted are the S2PMA tables with a multiplier of 95% for males and the S2DFA tables with a multiplier of 100% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- Members retire at a single age, based on the average age at which they can take each tranche of their pension; and
- It is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

Appendix 3 Projected financial position

Below we show the projected financial position on a smoothed basis for each following quarter up to 31 March 2020. We assume that the assets increase in line with the ongoing discount rate as at 31 December 2018, i.e. 5.5%. For the liabilities we show the results on both an ongoing basis and the SCAPE basis. The relevant cashflows are estimated based on the Fund accounts for the period from 31 March 2017 to 31 March 2018 and the revised contribution rates from 1 April 2017. Please note that the following projections make no allowance for the review of employer contribution rates and the funding basis of the Fund that will take place during the 2019 valuation.

Smoothed			Ongoing Basis			SCAPE basis	
Valuation date	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	Liabilities £000s	Surplus / Deficit £000s	Funding level %
31 Mar 2019	867,548	1,022,892	(155,345)	85%	1,089,093	(221,546)	80%
30 Jun 2019	877,922	1,031,058	(153,136)	85%	1,097,235	(219,313)	80%
30 Sep 2019	888,437	1,039,335	(150,898)	85%	1,105,480	(217,043)	80%
31 Dec 2019	899,094	1,047,724	(148,630)	86%	1,113,830	(214,737)	81%
31 Mar 2020	909,895	1,056,227	(146,333)	86%	1,122,287	(212,393)	81%

Any changes to the discount rate or inflation assumption will affect the funding level at all times in the same way as described in Appendix 1.

City of Westminster

Audit & Performance Committee Report

Date:	2nd May 2019
Classification:	General Release
Title:	**Quarter 3 Performance Report**
Key Decision:	Review and challenge officers on the contents of the report
Report of:	Julia Corkey, Director of Policy, Performance and Communications

1. Executive Summary

1.1 Quarter 3 Performance Report - This report presents the latest performance outturns available at the end of the third quarter of 2018/19 (December 2018). It provides commentary in respect of outstanding and poor performance, including details of remedial actions being taken, where appropriate.

2. Recommendations

- Committee notes the content of the report
- Committee indicate any areas of the report that require further investigation
- Committee highlights any new emerging risks that have not been captured

3. Reasons for Decision

3.1 To inform Members of how the City Council is delivering on its key objectives, hold Officers to account and steer improvement activity where necessary.

4. Background, including Policy Context

4.1 This report sets out how the City Council is delivering on the City for All vision.

1. Introduction

The quarterly performance report summarises the Council's performance at the end of the third quarter of the 2018/19 financial year. It captures how we are performing against the City for All priorities and includes progress towards achieving the deliverables and targets within the Business Plans.

Content

The information reported is by exception and focuses on those areas of notable achievement or concern where action / intervention is likely to be required. The report consists of four sections:

- This quarter's headlines - Top achievements, challenges and risks at the end of Q3
- An update on the Council's strategic risks
- Organisational efficiency and effectiveness
- Featured analysis on the findings from the 2018 City Survey

Appended to the report is a more detailed account of performance by directorate covering:

- a narrative section evidencing progress against key service deliverables by exception
- a comprehensive tracker of the City for All 2018/19 commitments
- a set of key performance indicators and targets for each department

Further Development work by request of Audit and Performance Committee

- Integrate City West Homes performance monitoring into the corporate reporting framework,
- Regular reporting on the Borough Command Unit performance after implementation.

2. This quarter's headlines

The information presented below is by exception and highlights the top achievements and challenges at quarter three. This section draws on the data provided by service directorates detailed in appendix 1.

2.1 Performance achievements and opportunities

City of opportunity

Over 700 residents have been supported into work by the Westminster Employment Service, with over 250 of those long term unemployed. These figures are not inclusive of partner contributions so the actual figure is likely to exceed the year end target of 750 (of which 300 long term unemployed). WES not only assists residents into work, it also supports employers access a wider, more diverse pool of talent. Forthcoming events include a 5 day "Tech Taster" workshop run by Accenture, which gives those not in education or training the opportunity to work on a 'real life' tech project with a mentor.

Six Westminster-based firms have been celebrated at the Westminster Lion awards for their efforts to make Westminster a better place to live, work and visit. Capital Arches Group, Grosvenor Britain and Ireland, Willmott Dixon, Baker Street Quarter Partnership, Odelay Films and David Miller Architects were presented with awards.

The topping out ceremony was held on 18 March for the new Marylebone Boys' School which forms part of the Dudley House development, one of Westminster City Council's flagship projects. The £80 million scheme is located on North Wharf Road in the Paddington Basin regeneration area. The school comprises one part of the Dudley House development which, when completed, will also offer 197 new intermediate affordable homes for rent, a modern community space for the Pentecostal Church and neighbourhood improvements to local public spaces. This scheme is clearly significant to our target of providing a minimum of 1,850 affordable homes by 2023.

Approval of key regeneration scheme in Church Street – On Tuesday 13th February Westminster City Council's planning committee last night unanimously gave the green light to plans which form part of the Council's ambitious wider framework for the regeneration of the Church Street area. The site of a former disused coal store adjoining Marylebone Station, off Luton Street, combined with a car park site at Fisherton Street, is set to be transformed to provide 171 high quality new homes, 35% of which will be affordable.

The Council has increased its average investment yields to 0.89% as a result of optimising performance of the Council's existing portfolio. The team is now expected to bring in just over double its original budget at around £11.7m. The revised 2019/20 target is making a significant contribution towards assisting the Council in balancing its budget

86.4% (89/103) of Education, Health and Care plans, which describe a young person's special educational, health and social care needs, were completed within 20 weeks, beyond the aspirational yearend target of 75%

Excellent local services

The Integrated Business Centre (IBC) was launched, providing managers and employees with an accessible, easy to use payroll and HR transactional system, recruitment system and a learning management system and successful payroll run

The **Westminster Way is a strategy** that brings all of our employee programmes together in one place. The strategy was launched October 2018 and the staff conference in December 2018 provided a key opportunity for the council to engage with staff and embed the Westminster Way which had a key emphasis on Inclusion and Diversity within the workforce. A programme of activities has been rolled out over the last few months to create opportunities for employee development, improve diversity within the workforce and to empower our staff.

At Quarter 3, 3.6% (2/55) of children were subject to a child protection plan for a second or subsequent time. This demonstrates improvement from 4% in 2017-18 and compares well with national rates for England 18.7% and London 14.8%

A media monitor dashboard has been developed to track both proactive and reactive stories across media platforms. The dashboard tracks media activity (proactive and reactive), interviews by members, hits on our target media publications and aligns media activity against City for All priorities. The dashboard also tracks impressions on social media platforms such as Twitter.

80% of licensed premises were found to be well managed following a single inspection from the licensing team, ahead of the aspirational target of 70%. This ensures that Westminster residents and the public have access to safe bars and restaurants across the city

42% of the staff identified as talented gained a promotion or made a planned development move during 2018/19 and in the 2018 Our Voice staff survey, 58% of staff felt that they had the development support they need to deliver their work

The Housing Standards Taskforce, with the remit of locating rogue landlords, has undertaken a number of activities including a "Day of Action" which uncovered three unlicensed houses of multiple occupation. The Taskforce has also secured £164,000 of external funding to fund the project to the end of March 2020.

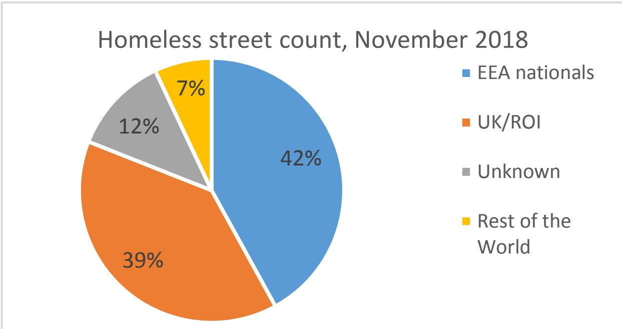
A pilot of the Soho Angels (the name given to the volunteers) and the Night Hub were conducted on each Friday night from the 30th November to the 21st December 2018. The pilot supported over 160 people on the street during its operation and 61 people visited or were taken to the Night Hub. 31 of those who attended the Night Hub required medical monitoring/support whilst they recovered. Preparations are now moving forward with the full operation of the service on Friday and Saturday nights from March 2019. The initiative received a significant amount of positive media attention and was well received by the community.

Caring and Fairer City

The Local Account Group (LAG) comprising 12 service users from across the breadth of our Adults Social Care and Public Health service provision was established. It is a group of service users who will help the directorate ensure that service users are at the heart of everything that we do including delivering our six key priorities (Personalisation, Market Shaping and Development, Quality Assurance, Safeguarding, Prevention and Integration). The group is important to ensure that local users can hold us to account in terms of what we deliver

As a council, we invest £6.5m a year on services to help get people off the streets and use our services, more than any other local authority. The Leader, Cllr Nickie Aiken and a reporter from the BBC's London Inside Out both joined Westminster's rough sleeping team for a night on the streets, **raising awareness of the challenges that the council faces in supporting EEA rough sleepers**. In addition, we have **launched a new campaign called CHAT APP TAP** to present three effective ways for residents, workers, visitors, and council staff to support our commitment to help those who are most in need.

Homeless Street Count
A Street Count took place in November 2018. The result found a total of 306 people on the street from the following locations:



The proportion of young people re-offending in a one-year period has decreased from 43.1% to 42.0% for the last two financial year cohorts. The most recent cohort of two quarters April-September 2016 shows further reduction down to 39.3%. This rate is below both the London average 45.7% and the national average of 41.7%.

There were 54 new permanent additions to residential/nursing care by the end of September (data reported in arrears), which is projected to be lower than the ideal target of 95 by year end.

A revised gambling policy has now been agreed and published. This has enabled the council to meet its statutory obligations of reviewing and revising its gambling policy every three years

At Quarter 3, **93% of women accessing specialist domestic abuse services who reported a reduction in abuse**. This figure is 30% higher that the figure prior to the current contract

The Home Improvement Agency offers housing related services to help vulnerable residents live independently. At Quarter 3, **589 vulnerable residents have been supported** to continue living independently in their homes

A new set of parental leave policies was launched at the Staff Conference on 3 December with the new changes backdated to 1 April 2018. The Council has increased the occupational parental pay to 6 months full pay and 6 months half pay for all employees with 6 months service

17 emergency planning exercises, which simulate emergency situations (e.g. terror attacks) and test the councils response, were completed up until Quarter 3. This is already ahead of the year end ideal target of 7 and will help to maintain Council services in the event of a major incident

Healthier and greener city

The #DontBeIdle campaign has now reached over 14,000 pledges and 24,000 interactions with drivers to switch off their engines. The trial diesel surcharge has now been operational for a year in Westminster's F-Zone. There has been a 16% reduction in the number of older diesel vehicles parking in the LEN. Residents, businesses and visitors are being given the chance to give their views on the diesel parking surcharge in a city-wide consultation running between 18th July and 12th September. This year we will roll-out of the #Don'tBeIdle2 campaign focusing on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge.

School streets is a pioneering scheme to transform roads outside schools, so that only pedestrians and cyclists can use them at school start and finish times. **Five Westminster schools are taking steps to establish school streets to ensure pupils can get to school safely**

The redevelopment of City Hall, 64 Victoria Street, was completed at Christmas 2018 following a substantial 18-month programme of works. The building has undergone a complete modernisation and transformation to include new accommodation, double decker lifts, better connectivity, new mechanical and electrical systems and 2,000 new windows. It is also expected to improve energy efficiency around the building and have positive environmental impact by reducing its carbon emissions

In Quarter 2 (reported a quarter in arrears), 3,928 residents were reached through Community Champion activity (where local residents come together to identify and achieve better public health outcomes) exceeding the quarterly aspirational target of 3,500

At the most recent survey of 300 sections of the City's streets, 98.25% of streets in Westminster passed the street score survey for litter. This was despite the clearing of leaves disrupting the sweeping schedule in November

City that celebrates its communities

The #MyWestminster Fund has so far granted funding to 48 local organisations within Westminster, making up to £10,000 available to all voluntary organisations, resident, faith and community groups within Westminster. Safe Haven Basketball, providing weekly training sessions for young adults with learning disabilities, is one of nineteen organisations set to benefit from funding.

Consultations on plans for the Oxford Street District and the Strand/Aldwych have been running from 30 January 2019 to 13 March 2019 and ran from 6th November to 16th December 2018 respectively with a series of exhibitions across the district and plenty of opportunities for people to get involved and to have their say. The city council is planning on setting aside £50 million each year for the next three years in order to provide a massive kick start to turn the Oxford Street district strategy into reality and is calling on private and public partners to back the improvements. The Strand/Aldwych scheme is backed by £28m of council investment to deliver key improvements

The Westminster Reporter is sent five times a year to residents and includes the latest information on services, local issues, events and activities. **60% of Westminster residents have seen the Reporter, an increase of 6 percentage points on 2017**

A £10m project has transformed Bond Street into a new streetscape for the area, incorporating a new public square and more space for pedestrians. A façade to façade replacement of footways and carriageways using high quality natural materials and prepares Bond Street for the opening of Elizabeth line. The project has been shortlisted for the Royal Town Planning Institute (RTPI) award for Excellence in Planning for a Successful Economy.

Baker Street and Gloucester Place have been permanently switched to two-way traffic flow. This aim of the this is to reduce the dominance of traffic along Baker Street and Gloucester Place, making it safer and easier to access. The scheme is a key element of wider improvement works that are being delivered by Westminster City Council working with TfL with the support of the Baker Street Quarter Partnership and The Portman Estate. The whole project is scheduled to be completed in summer 2019.

Westminster is proposing new fiscal flexibilities as part of its response to the Government's Fair funding review. The Council has asked that this new innovation be part of a fiscal devolution pilot and the flexibilities would range from additional council tax bands for super prime properties to a small nightly levy on hotels and short term lets. The fair funding formula as presented in its consultation could result in a reduction of income for Westminster Council in the range of £2m to £5m.

As part of the pledge to make Westminster's highways safer for pedestrians, **the 39 trial sites for 20mph zone have now been made permanent.** The sites that were trialled can be found here: https://www.westminster.gov.uk/20mph-trials

There were almost 850 responses, with 73 received from traders, to the council's 12-week market consultation, which ended on 29 October 2018. It sought views on how the Council can bring more diversity to Westminster's markets such as encouraging non-street food traders to open market stalls. The Licensing Committee considered four options to refresh market fees and charges, and decided on changes to ensure the future basic running costs of Westminster's markets are recovered. Of those traders who responded to the consultation, 55% favoured the preferred option, which will see a staggered increase in fees across all markets, which remain in the lower range when compared with those of other local authority-run markets in London. This will be implemented from 1st April 2019.

2.2 Performance challenges

Top emerging and current risks

- **If serious harm or death comes to a child or young person to whom we have a duty of care.** There are the impacts of the child or the incident as well as the associated emotional impact for anyone else involved. There is also the potential reputational impact if the Council and/ or partner agencies were seen to be at fault.

- **School Budget deficit.** Schools funding is largely driven by pupil numbers and therefore schools with falling rolls and those with budget reductions l are at risk of developing budget deficits. 26 of the 52 mainstream schools have seen a budget reduction since 2018-19 and all of these schools have a reduction in pupil numbers.

- **Looked after Children numbers are rising, due to increase in Unaccompanied Asylum Seekers (UASC) (71 in Q3 from 59 in Q2) and there is an increasing demand for placements.** The increased demand in placements will create a financial pressure on the council as well as pressure on resources to manage this demand. This could lead to financial overspend.

- **City West Homes – Transfer of services back to Westminster City Council.** In October 2018, Cabinet made the decision to transfer the responsibilities of City West Homes, our arm's length housing provider, back into Westminster City Council. This came as a result of a number of problems with service delivery that had taken place over the past few years and significant concerns expressed by both residents and customers of the service. The Council has recently put in place a quarterly survey to track the perceptions as we work towards transition. The top line results from the first City West Homes quarterly tracker (winter, 2018) shows:
    - 53% satisfied and 39% dissatisfied with the overall housing service provided by CWH.
    - 78% satisfied and 15% dissatisfied with their neighbourhood as a place to live.
    - 69% satisfied and 19% dissatisfied with rent/service charges provide value for money.
    - 54% agree and 31% disagree with the statement 'I trust CWH'.
    - 65% agree and 22% disagree with 'CWH has friendly and approachable staff'.
    - 48% agree and 40% disagree with 'CWH provides an effective and efficient service'.
    - 67% rated 'good' and 24% rated 'poor' when asked how informed they feel about things that might affect you as a resident or leaseholder.
    - 46% satisfied and 38% dissatisfied with how CWH listens and acts on their views

- **Central London Clinical Commissioning Group (CLCCG) funding pressure.** CLCCG is having financial problems due to funding and cost pressures. They are looking to make efficiencies in all of their out of hospital service including in the joint investments with Adult Social Care/Public Health (ASCPH). Although ASCPH is working very closely with CLCCG and monitoring their savings programme, there is a risk of funding pressures to ASCPH

- **Refurbishment of Seymour Leisure Centre/new Marylebone Library integrated.** The scope of the wider Seymour Centre programme is changing following community consultation and the options are currently under consideration

- **Increase in European Economic Area (EEA) national rough sleepers with no recourse in public funds.** EEA nationals have now overtaken the number of UK/Irish nationals across London by just over 10% with Westminster consistently seeing the largest share. The impact is a growing number of EEA nationals on the streets for whom we are only able to offer support to gain employment or a reconnection to their country of origin. The council has started fortnightly meetings with both Home Office and MHCLG staff in order to underline the importance of a solution, discuss trialling new practices and sharing evidence to ensure that central government is briefed appropriately on how large the issue has become.

- **The opening of the re-provided Paddington Children's Library at Westbourne Baptist Church has been deployed.** The developer has reported that there has been a delay in completion, due a sub-contractor going into administration. The new handover date is now at the end of February 2019

2.3 Key performance indicators (KPIs) for attention

The KPIs presented below are critical to the council's performance and have either missed the ideal target at Quarter 3 or only met the minimum standard (RAG rated Red or Amber). Mitigation for this is presented in the table below and further detail can be found in appendix 1.

Key performance indicator [Statutory]	2017/18 position	2018/19 ideal target	Position at Quarter 3	Target assessment	Mitigation
Adult Social Care					
Delayed transfers of care, acute days attributed to social care (cumulative)	540	1,103	**748**	Off track	Actions are discussed through the accountability meetings with managers to ensure that there is a continued focus on appropriate admissions into residential / nursing care.
Public Health					
Percentage of children who receive a 2-2.5-year development review	81%	80%	**68.5%** (394/575)	Off track	An action plan is in place and monthly meetings are held to track and monitor performance. The commissioner continues to work with the service to ensure improvement
Proportion of alcohol misusers in treatment, who successfully completed treatment and did not re-present within 6 months	18%	30%	**27.8%** (146/526)	Minimum standard met	The commissioner worked with the service and implemented an improvement plan at the end of 2017. This improvement plan has been embedded now and latest figures show levels should reach around the 35% mark
Children's Services					
Percentage of Westminster's pupils who achieve 9 - 4 (A*-C) in English & mathematics	74% (2017 academic year)	76%	**74% (2018 academic year)**	Minimum standard met	The percentage is 74% in 2018 which is was above the national average of 59% and 66% for Inner London, which matches the minimum target level for service continuity.
Percentage of Westminster schools judged to be outstanding by Ofsted	35% (21/59)	38%	**34%** (20/59)	Off track	The target was set when all schools had 2-day inspections and could move up to outstanding position which has now changed. The value of 34% still compares very strongly to average national figure which currently stands at 21% and a London average of 32%. Please note that there may be potential risk as many of our outstanding schools have not had an Ofsted inspection in more than six years
To promote independence of young people by offering Independent Travel Training	New indicator	3	2	Minimum standard met	There are currently two WCC children being travel trained and we will have an update on their progress in April. If they are successfully travel trained and taken off minibus transport, then it can be classified as 'on track'.

Key performance indicator [Statutory]	2017/18 position	2018/19 ideal target	Position at Quarter 3	Target assessment	Mitigation
City Management and Communities					
2% increase in real and virtual visits to libraries	1.98m	2%	**-1.7%** (1,470,960 visitors)	Off track	There are new gate counters in place. Promotional plan to increase virtual visits in place, starting Feb 2019.
Number of Houses of Multiple Occupation improved (buildings with more than one household including shared facilities)	59	65	**42**	Minimum standard met	Recruitment exercise complete with new starters in place in January to improve position to between minimum and ideal for year end
Percentage of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision.	55%	80%	**73%**	Minimum standard met	Significant improvement from 17/18 position. Team is now fully staffed which will improve turnaround times.
Growth, Planning and Housing					
Resident Satisfaction with service provided by CWH	New	Improve	**53%**	Off track	Results from the first wave (Winter, 2018) of the new 2018 CWH quarterly tracker are shown. The Second wave of results is excepted end of March. The objectives of the 2018 CWH quarterly tracker is: • To measure satisfaction and perceptions of the housing service provided by CWH • Understand areas of improvement for when the service is brought back under WCC control from 1 April 2019.
People Services					
Ensure staff turnover is managed at appropriate benchmark levels (excluding redundancies)	14%	14%	**18%**	Off track	Turnover still at 18% in Q3, though we have identified some reporting gaps in SAP which we are addressing and might affect this data. Will be able to review in more detail and better validate next quarter
Reduce the total population of TACS	263	203	**294**	Off track	ELT are asked to renew efforts to reduce the number of TACs, in particular those costing more than £100k and those who have been engaged for more than 12 months. Support to explore other resource strategies, in particular for hard to fill roles, is available from People Services
Finance					
Percentage sundry debtors (more than 1 year old) of total gross sundry debtors	£2.675m	5%	**12.2%** (£4,532,000 /£37,074,000)	Minimum standard met	Percentage position improving since Period 3. ASC debt is causing the KPI to be above target – new processes in place, but need to be mindful of vulnerability of the client group.
Policy, Performance and Communications					
Total customer calls answered in 30 seconds by the council (new contract agreement)	80.17%	> last year	**78.8%** (164,365/208,586)	Off track	A customer contacts PowerBI dashboard has been developed which gives live updates against this KPI. This will be used to track further movements in the customer contact data.

Target range definitions[1]	**Minimum**	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity

Q3 Target assessment definitions[2]	**Off track**	Failing to achieve the minimum target level
	Minimum standard met	Meeting the minimum target below ideal level

3. Council Strategic Risks

Strategic risks have been identified by the Chief Executive and the Executive Leadership Team. The updates below are suggested to provide a view of the level of each risk and are taken from operational risk registers and from directorate submissions.

<table>
<tr><th>Strategic Risk</th><th>Risk Owner</th><th>Update</th></tr>
<tr><td>The council fails to meet its safeguarding responsibilities for a child, young person or adult</td><td>Children's Services/ Adults</td><td>For a child or young people to whom we have a duty of care there are ongoing safety, reliability and quality assurance processes in place including Practice Week and focused audits of work with children. Activities are monitored by the Local Safeguarding Children's Board to ensure lessons are learnt from case reviews and staff are expected to attend safeguarding training. In the event of an incident there would be a co-ordinated response (including corporate teams) and. and working with other agencies to ensure appropriate action is taken.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>Delayed transfers of care, acute days attributed to social care (cumulative)</td><td>-</td><td>540</td><td>748</td></tr>
<tr><td>Children subject to a child protection plan for a second or subsequent time</td><td>4.9%</td><td>4%</td><td>3.6%</td></tr>
</table></td></tr>
<tr><td>A significant incident occurring in Westminster (e.g. weather event, fire, terror attack, etc.)</td><td>CMC</td><td>Business Continuity - The following plans are in place: WCC Winter Service Plan, Agile Working, Westminster Plan for Major Emergencies, WCC Corporate Business Continuity Plan, Monitoring of Weather Reports (Met Office), WCC Staff 10 Point Plan for Business Continuity, Departmental Business Continuity Plans.

An ongoing work programme is in place across the strands of the CONTEST strategy to ensure preparedness to respond to and recover from a terrorist attack. A 6 weekly CONTEST meeting is chaired by the Chief Executive.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>Terrorism - MET police alert level</td><td>-</td><td>Severe</td><td>Severe</td></tr>
<tr><td>Number of Emergency planning exercises completed</td><td>-</td><td>-</td><td>17</td></tr>
</table></td></tr>
<tr><td>The impact of Brexit on Council services and communities across Westminster</td><td>All</td><td>PPC - will be monitoring the convergence and divergence between the sides on the key issues that impact Westminster. There will be further work done with central London partners to understand and articulate specific issues relating to Westminster.
Business Continuity - 8 themed surveys to be produced for directorates to complete and highlight their relative Brexit risks. Weekly and Fortnightly Reporting rhythm back to Central Government/MHCLG via the London Resilience Forum. Regular group meetings with the WCC Brexit Strategic Board. Monitoring documentation from the London Resilience Forum, MHCLG & London Councils.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>No. of planning applications</td><td>-</td><td>-</td><td>8,319 (Apr-Dec)</td></tr>
<tr><td>Reduction in rough sleepers spending more than one night out</td><td>-</td><td>-</td><td>83% (300/361)</td></tr>
</table></td></tr>
<tr><td>Loss of major IT systems due to either systems failure or cyber attacks</td><td>Information Services</td><td>- The move to cloud services including Office365 has resulted in an improvement in IT availability as measured by the volume of Priority 1 incidents (IT outages where more than 100 staff are affected).
- Completed and launch new Bi-Borough telephony and networks procurement to replace these extended contracts from 2020. Planning also underway regarding with the IT infrastructure with City West Homes.
- PSN compliance for a year to June 2019 awarded.
- Continued implementation of Agile working practices, using SharePoint & Office 365 to reduce printed materials, and risk of paper data loss.
- Windows 10 rollout (completing spring 2019) to further secure end-user devices and avoid data breach instances.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>No. of major business impact Priority 1 incidents</td><td>16</td><td>22</td><td>7</td></tr>
<tr><td>No. of system upgrades planned to prevent cyber attacks</td><td>-</td><td>-</td><td>TBD</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>Strategic Risk</th><th>Risk Owner</th><th>Update</th></tr>
<tr><td>Accidental or malicious loss of Council data</td><td>Information Services</td><td>
- Recruitment of additional staff and training of existing to support management of Freedom of Information (FOI) and Subject Access Requests (SAR). This will ensure compliance with Information Commissioner’s Office minimum requirements and will minimise opportunities for data breach. A case management system providing centralised oversight of FOI and SAR statuses to be implemented.
- A Data Protection Officer appointed within Legal Services.
- Implementation of a new Security Incident Management process to standardise IT response to incidents including Phishing.
- Plans underway to identify resource to establish Information Security policies and governance. A Security Maintenance Plan also in place.
- IT Information Security and Health checks ensure that risk assessments are completed, and controls are in place for strategic projects
- Service Directorates are required to ensure staff complete mandatory Information Security Training and nominate Service Directors to attend quarterly Information Security Forums to ensure all departments are actively engaged in the management of information.
- Separately a Cybersecurity project has been agreed for funding in 2019/20 to analyse current security architecture supporting Threat Analysis, Web-Filtering, Patch Management, Virus protection and Data-Loss Prevention.
- Windows 10 rollout to secure end-user devices and avoid data breach instances. Councillor email accounts secured and issued with new devices avoiding any potential loss of data. Software implemented with Councillors - now being rolled out to all officers Council wide.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>No. of significant incidents attracting fines under new GDPR legislation</td><td>-</td><td>-</td><td>0</td></tr>
<tr><td>No. of users trained in advance of the Windows 10 roll out</td><td>-</td><td>-</td><td>500</td></tr>
</table>
</td></tr>
<tr><td>Financial pressures resulting in an inability to fund services for resident, businesses and visitors</td><td>All</td><td>
Children Services - Regular review and monitoring of current placements costs including breakdown of how these costs are made up and regular engagement with Lead Member on current position and potential financial implications. The service is embarking on a series of transformation projects, such as a redesign of the 0-5 offer to support financial pressure mitigations whilst retaining quality outcomes for service users. A High Needs Budget Reference Group has been set up with school representatives to review all areas of expenditure within the High Needs Block of the DSG and this review is ongoing.
Adults - Establishment of a Quality Team to work with local providers with a focus on improvement by setting a Care Quality Commission (CQC) rating of “Good” as a basic minimum standard. A more cohesive relationship with the CQC regulator including bi-monthly meetings. Utilisation of the improved Better Care Fund (iBCF) to support the local care market. Working with the West London Alliance and providers to better understand their cost pressures and to help manage these. Improvement should be seen by April 19’.
Finance - The finance team is constantly monitoring budgets and budgetary pressures in order to ensure early intervention. Furthermore, we are actively lobbying for our interests along with other LGAs in terms of the fair funding review.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>Variance between budget and actual spend</td><td>-17.201m</td><td>£-10.088m</td><td>£- 3.018m</td></tr>
<tr><td>Percentage of business rates collected</td><td>98.4%</td><td>98.4%</td><td>92.9%</td></tr>
</table>
</td></tr>
<tr><td>Failure of a major contract resulting in the council being unable to provide services or meet its health and safety obligations</td><td>All</td><td>
Procurement
Recommendations in relation to the review of Procurement within the Council are due to be presented to ELT in May. Engagement on the proposed Contract Management Framework commenced in February and is due to finish at the end of April. A Finance and Procurement working group has been established and is currently focussed on improved monitoring of high value/high risk contracts.
<table>
<tr><th>KPIs</th><th>16/17 Outturn</th><th>17/18 Outturn</th><th>Q3 18/19 Outturn</th></tr>
<tr><td>Risk level of council’s top strategic contracts</td><td>-</td><td>TBD</td><td>TBD</td></tr>
<tr><td>% of suppliers (over £100k) under contract on capitalEsourcing</td><td>-</td><td>32%</td><td>38%</td></tr>
</table>
</td></tr>
</table>

4. Featured analysis: City Survey 2018

Introduction
The survey helps assess how satisfied residents are with services the council provides, how informed they feel and to what extent residents consider Westminster a City of opportunity. It additionally offers insight into a range of resident perspectives on topics such as crime and anti-social behaviour and attitudes towards the environment.

2,603 residents (aged 16+) were interviewed face-to-face by an independent research company, who ensured those surveyed were representative of the borough at the ward level. Survey Fieldwork began on 20 September and was completed on 26 November 2018.

Summary

- Resident satisfaction with the council remains very high, at 88% (see table 1 below - 86% in 2017).
- Over nine in ten, (93%) say they are satisfied with the area as a place to live which was same as 2017.
- Seven in ten residents (73%) agree the council offers good value for money (71% in 2017).
- Over two thirds of residents (68%) say they feel informed about services and benefits (65% in 2017).
- Almost all residents (97%) feel safe in general, whilst over four in five (87%) feel safe after dark - these results are consistent with previous years (96% and 84% respectively in 2017).
- Fear of crime affecting quality of life has increased from 19% in 2017 to 21% but remains lower than the 2016 rate (25%).
- Nearly a third of residents (29%) feel services improved over the past 12 months which increased from 22% in 2017, over half (58%) reported they have remained the same and 7% felt they have worsened.
- 71% of residents reported feeling financially comfortable, 19% just about managing and 5% as not managing. This is a big change from last year where 35% of residents were just about managing so Evaluation and Performance will be validating this with the fieldwork contractor.

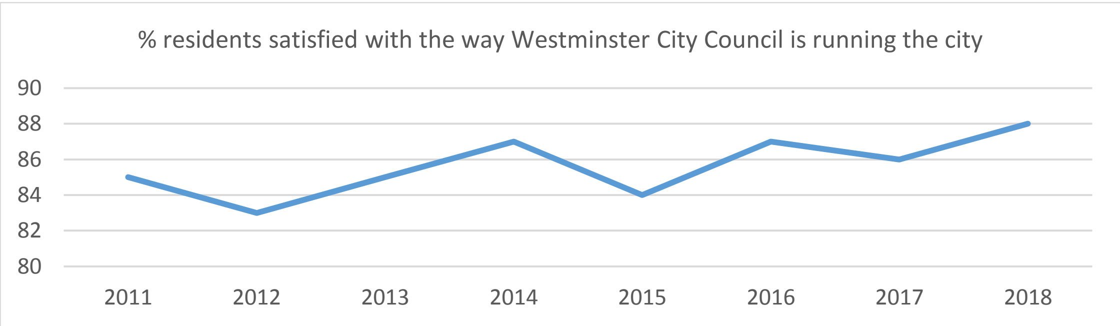


Table 1 – how well residents feel informed

Reputation Drivers – The Council

Core council services continue to see high satisfaction levels and improvements upon the previous years, with 91% of respondents reporting satisfaction with street sweeping and 93% with refuse collection. Nearly two-thirds (63%) of respondents felt well informed about plans for their local area, a three-percentage point increase from 2017. Between 2016 and 2017, this had fallen by 10 percentage points.

The Area

In 2018 the City Survey gauged residents' perceptions of opportunities in Westminster, over two thirds (69%) of respondents were positive about these overall. Almost eight in ten respondents (76%) stated living in the City offers them the opportunity to improve their quality of life, as well as health and well-being. A lower proportion (63%) of residents reported they have the opportunity to improve their career prospects. Almost two thirds (60%) feel they have the opportunity to live in a home that is affordable.

Overall, 38% of residents reported to have taken actions to prevent crime in the last 12 months. Of those, a fifth (21%) have been more vigilant of their surrounding and possessions and although in small percentage. 5% of those that have taken actions to prevent crime reported criminal behaviour to the police and 6% dealt with the matter themselves.

Resident’s top concerns are people dealing and using drugs (31%), homelessness (29%), closely followed by begging (28%). Whilst these were similar proportions to 2017, poor air quality moved from being the top issue in 2017 with 42% of residents thinking it was a problem to 23% in 2018, which are similar levels

Over eight in ten residents (84%) feel that people from different backgrounds get on well in their area. Although social cohesion is over all high, this figure has fallen by three percentage points since 2017.

The Resident

Nearly two thirds of residents (64%) spend a great deal or fair amount of time in their local community. This has decreased from 2017 where three quarters of residents (75%) reported spending time in their local community.

Over a quarter (28%) of residents personally spend time doing something to help improve their community or neighbourhood, which is an eight percentage point increase from 2017. Almost a third (31%) are interested in spending time taking part in community activities, which has also increased from 2017.

In terms of residents’ attitude towards the environment, nearly a quarter (23%) denote poor air quality as one of the top local concerns. In 2018, residents were also asked if they have taken any actions to tackle environmental challenges. Overall, half of the residents have taken some sort of action (52%).

The council launched the *Don’t Be Idle* campaign to raise resident’s awareness of environmental concerns, 9% of residents reported to have heard of it.

Next Steps for the City Survey team

- Meetings to promote the survey so that results can incorporate into their business planning
- A City Survey Power BI dashboard has been developed and a summarised version will be made available on the Council’s website for the public to view the results.

N.B. full results for the Council’s City for All indicator set are available on the following page

Table 3 - City for All indicators

In the below table, City Survey questions have been aligned to the Council's City for All themes. This offers oversight of how Westminster residents feel that the Council is delivering on its strategic objectives.

City For All Theme	Indicator	2017/18	2018/19
Caring and Fairer	**% who think the Council cares enough about its most vulnerable residents**	**N/A**	**71%**
	% who think WCC does enough for people like me	68%	73%
	% who think that people homeless on the streets is NOT a problem	68%	68%
Celebrates Communities	**% of people who say that different communities get on well together**	**87%**	**84%**
	% who believe they can influence decisions affecting their local area	45%	48%
	% who believe that The Council does enough to ensure that local businesses act responsibly	70%	78%
	% who think WCC keeps residents informed about their plans for your local area	60%	63%
City of Opportunity	**I have the opportunities to make the most of my life, in Westminster**	**N/A**	**69%**
	% of people who might move because costs of housing is too high (based on the 6% who would be likely to move)	19%	19%
	% of residents who feel they can influence decisions in their local area	45%	48%
Excellent Local Services	**% satisfied with the way Westminster City Council is running the City**	**86%**	**88%**
	% who believe that over the last 12 months WCC services have got better	22%	29%
	% of who believe that the Council is helpful when you contact it	71%	72%
	% satisfied with Westminster City Council's waste collection	87%	93%
	% satisfied with Westminster City Council's street cleaning	85%	91%
Healthier and Greener	**% of people who think they are in good health**	**84%**	**87%**
	% of households who use sports and leisure facilities	30%	17%
	% of households who use parks and open spaces	68%	55%
	% who think air pollution is NOT a problem	57%	76%
Reputation	**% The Council gives local people good value for money**	**71%**	**73%**
	% Feels informed about Services And Benefits WCC provides	65%	68%
	% satisfied with the way Westminster City Council is running the City	86%	88%

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Appendix 1
Performance by service directorate

Introduction
The information presented below is by exception and has been provided by service directorates. Each directorate section below features:

i) a narrative account of performance covering significant achievements and challenges
ii) a set of KPIs for each department
iii) a comprehensive tracker of the City for All 2018/19 commitments

ELT Directorate sections:

For more information please contact the Evaluation and Performance Team.

1.1 Adult Social Care and Public Health

Achievements

One You Westminster service launched

The new One You Westminster service has been launched as of January 2019. The way residents across the bi-borough access stop smoking and cardiovascular disease prevention services has changed. As of this New Year, these services have been combined into one, known as One You Westminster.

Outputs delivered

- The service will aim to help 1000 residents quit smoking.
- 650 residents will start programmes to help reduce risk factors that lead to cardiovascular disease.
- The service will train 300 council and other sector workers in courses including MECC, Smoking Cessation, Very Brief Advice around health issues.
- The service will develop a brand new website, to serve as it's digital platform for increasing engagement with residents and driving healthier lifestyle.

Outcomes achieved

As well as bringing together our stop smoking and cardiovascular disease prevention services, the 'One You' services offer two new Man v Fat football programmes and social hubs giving residents the opportunity to meet with others through activities aimed at helping them to make healthy lifestyle choices. Coming soon is a brand new website for each One You service, with plenty of inspiration and ideas on how our residents can lead a healthy lifestyle.

Local Account Group established

The Local Account Group (LAG) is a group of service users who will help the directorate ensure that service users are at the heart of everything that we do including delivering our six key priorities. The group is important to ensure that local users can hold us to account in terms of what we deliver.

Outputs delivered

In Q3, the members of the LAG attended the staff conference to raise awareness of their role and how they input into establishment and review of our priorities, service redesign and supporting our quality assurance work.

Outcomes achieved

Awareness of their role has been raised amongst staff, whilst the group have had an opportunity to meet staff and hear more about other aspects of service provision that they may not have been aware of or come in contact with.

Staff conference

The Adult Social Care and Public Health staff conference was held in November. The conference was based around the 6 key priorities for the directorate and allowed areas to showcase what achievements have been made over the past 6 months.

Outputs delivered

Staff were able to expand their knowledge of services across adult social care and public health, in order to also be able to provide better support to our service users. Staff got an opportunity to more fully understand different areas in Adult Social Care and Public Health and learn more about the number and range of services provided across the bi-borough.

Outcomes achieved

Staff improved their knowledge and understanding, providing very positive feedback on the learning and opportunities to network provided by the event.

The 7th Annual Community Champions Conference

The 7th Annual Champions Conference was held at Porchester Centre on the 28th November 2018. It was made up of presentations and talks from champions (aged 7 to 72), debates, table discussions and choir singing. It was attended by champions, residents, lead members and local services.

Outputs delivered

The Community Champions achieved 20,894 contacts during 2017/18 across 718 events and sessions held. These sessions covered a range of topics including nutrition, children and family activity, outreach, promotion and reducing isolation amongst others. For the first three quarters of this year community champions have already made 23,601 contacts across 821 sessions.

Outcomes achieved

250 community champions attended the event, where the lord mayor handed out 227 awards to champions. Lead members also attended and had the opportunity to both engage and be engaged with champions, residents, and local services. Attendees left feeling inspired by how many positive people there are wanting to do things that make a difference to health and community.

Adult Social Care and Public Health Risks and issues:

Fragility of the Care Market

Pressures on the local care market including staffing, training and development and financial pressures are resulting in the local markets being “fragile”.

Impacts and consequences

Inability to provide services to the number of clients requiring care or support due to providers closing or receiving poor CQC status.

Mitigation and progress

A Quality Team has been established across Westminster and Kensington and Chelsea to work with local providers with a focus on quality. Focus has been made particularly on service users with an emphasis on safety, wellbeing and security. There has been a more cohesive relationship with the care regulator, the Care Quality Commissioning (CQC) including bi-monthly meetings and we are working with all providers that require improvement for them to obtain a Care Quality Commission rating of “Good” as a basic minimum standard. To further support the local care market, the service has utilised the improved Better Care Fund (iBCF) grant funding to support the local care market and is working with the West London Alliance (WLA) and providers to better understand their cost pressures and to help manage these. Following these actions, improvement should be seen by April 2019.

Significant public health incident

Failure to protect / safeguard individuals / businesses / visitors from significant public health incidents or incidents affecting large numbers of residents (e.g. pandemic health incident, infectious disease outbreaks, legionella outbreaks).

Impacts and consequences

Residents, visitors and businesses could become more susceptible to public health incidents

Mitigation and progress

Specific measures are in place to mitigate the risk of pandemic health incidents (e.g. flu): these include staff being given specific portfolios and responsibilities to own risk areas (e.g. flu pandemic and immunisations). Improvement should be seen by August 2019.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator *[S] - Statutory indicator*	2017/18 position	2018/19 target ranges[1]			Position at Q3	Target assessment[2]	Other contextual insight
		Minimum →	Ideal →	Aspirational			
Adult Social Care – *Q3 data unavailable for KPIs below at time of reporting*							
1. Delayed transfers of care, acute days attributed to social care (cumulative)	540	1,213	1,103	1,047	**748**	Off track	**Benchmarking:** Performance over this period is below the Inner London mean
↳ • **Service commentary:** Performance has improved from a poor start in April / May and is a continued focus. With the winter period underway, there remains a risk that the target may not be achieved despite continued improvements. • **Mitigation:** Actions are discussed through the accountability meetings with managers to ensure that there is a continued focus on appropriate admissions into residential / nursing care. • **Timeframe for improvement:** We expect to see further improvement over the rest of the year and hope to achieve the minimum target level at year end.							
2. Total number of new permanent admissions to residential/nursing care of people aged 65 years and over	98	105	95	85	**54**	Exceeding target	**Benchmarking:** In 2017/18, the number of admissions per 100,000 was 315.2, below the average for all London boroughs
3. Number of carers (caring for an adult) who have received an assessment of review of their needs	90%	75%	85%	90%	**51%** (472/925)	Exceeding target	**Benchmarking:** In 2016/17 (latest data), 37.9% of carers were satisfied with social services, ahead of the London average of 34.2%
4. Percentage of service users receiving an assessment/review	85%	75%	85%	90%	**45%** (1,177/2,622)	Exceeding target	**Benchmarking:** In 2016/17 (latest data), 74.2% of services users found it easy to find information about support, in excess of the London average of 72.1%
Public Health – *data reported a quarter in arrears*							
5. Percentage of children who receive a 2-2.5-year development review	81%	75%	80%	85%	**68.5%** (394/575)	Off track	
↳ • **Service commentary:** The service was impacted by vacancies in hard to recruit to health visitor and community nurse roles, impacting on the capacity to deliver on this KPI. • **Mitigation:** An action plan is in place and monthly meetings are held to track and monitor performance. The commissioner continues to work with the service to ensure improvement: this includes monthly monitoring, and a piece of analysis has been undertaken to look at those not attending or engaging, to allow the service to tailor their offer to ensure greater engagement, and full participation of missing groups. • **Timeframe for improvement:** We expect improvement over the next two quarters while recruitment takes place and staff are embedded. After the dip in Performance in Q2 we are now noticing an slight improvement (1.5%) for Q3, which will be reported in Q4.							
6. Proportion of alcohol misusers in treatment, who successfully completed treatment and did not re-present within 6 months	18%	Mid Percentile 25% proposed	30%	35%	**27.8%** (146/526)	Minimum standard met	
↳ • **Service commentary:** Our commissioned service for alcohol misuse had run into issues around quality and staffing. This coupled with the GP provider not recording successful completions led to a drop in successful completions. Both these issues have now been resolved, however due to the 6 month lag in this measure we will see these improvements over the next two quarters • **Mitigation:** The commissioner worked with the service and implemented an improvement plan at the end of 2017. This improvement plan has been embedded now and latest figures show levels should reach around the 35% mark • **Timeframe for improvement:** By Q3 18/19 (Improvement has already occurred, however lag in recording method means we will not see this till Q3, which will be published during Q4 18/19, and we will therefore see this in the next performance update)							

Key performance indicator *[S] - Statutory indicator*	2017/18 position	2018/19 target ranges[1] Minimum		Ideal		Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Public Health									
7. Community Champions -Number of residents reached through activity	13,855	2,500	➡	3,000	➡	3,500	**3,928**	Target exceeded	**Insight:** This is a quarterly target - it is not fixed into any contracts but rather an aspirational level the service aims to achieve.
8. Proportion of opiate misusers in treatment, who successfully completed treatment and did not re-present within 6 months	7.70%	Mid Percentile	➡	7%	➡	7.37%	**7.1%** (38/537)	On track	**Benchmarking**: Westminster's 2017 outturn of 7.7% is slightly ahead of the overall London figure of 7.5% and is beyond the England outturn of 6.5%
9. Stop Smoking Services – number of 4 week quits	1,513	525 (quarterly target)	➡	590 (quarterly target)	➡	661 (quarterly target)	**590**	On track	
10. Total Sexual Health Screens Undertaken through E-services	New KPI	600	➡	800	➡	1,000	**1,382**	On track	This is a new indicator, and will be reviewed at the end of 18/19 both for scope and targets
11. Screening Positivity rate (% screens resulting in diagnosis)	New KPI	Target to be defined at end of first year	➡		➡		**2.23%** (107/4,806)	N/A	This is a new indicator, and will be reviewed at the end of 18/19 both for scope and targets

Target range definitions[1]		
	Minimum	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Q3 Target assessment definitions[2]		
	Off track	Failing to achieve the minimum target level
	Exceeding target	Performance is above ideal target level
	On track	Performance is at ideal target level
	Minimum standard met	Meeting the minimum target below ideal level

City for All Tracker

The table below provides a progress update at the end of Q3 (December 2018) on the measures and milestones aligned to the CFA pledges that the directorate is directly responsible for delivering.

City for all Pledge	Delivery Status	Progress update
Caring and fairer city		
We will be opening a new 84-bed home to provide specialist care for people living with dementia as part of a wider dementia strategy to support those and their families living with this difficult illness.	On track	• Building works scheduled for completion in March / April 2020. Occupation expected in July 2020.
Healthier and greener city		
We will launch a new healthier schools programme, bringing together action on air quality, oral health and obesity to make sure the 42,600 children who live, learn and grow up here get the best start in life.	On track	• New Healthy Schools contract awarded from September 2018. Need to progress on planning future whole system approach which is being developed. This is in very early stages.

1.2 Children's Services

Achievements:

Annual review of Youth Offending Team (YOT)

In October 2018, Westminster submitted the annual review of their Youth Justice and Prevention Partnership Plan (2017 – 2019) to the Youth Justice Board. In line with best practice, the YOT is focusing on developing relationship based working, embedding systemic and trauma-informed practice in their work with families and expanding the range of skills and evidence-based interventions available in the team.

Outputs delivered

There has been a focus on improving the quality of work and a few examples of key outputs are as follows:

- A new virtual health team has been created consisting of a speech and language therapist, a Child and Adolescent Mental Health Services worker, educational psychologist and a liaison and diversion worker. These staff will have a significant role in assessing the needs of young people and inputting into their plans.
- Staff are now attending training to deliver the Non-Violent Resistance parenting programme and will be focused on parents of young people who offend to equip them with tools to improve and repair relationships within the family and address challenging behaviour.
- All practitioners are currently undertaking systemic training in relation to the simplified assessment. It is hoped that this will further embed the principles of systemic practice and a trauma informed approach within assessments.
- An external audit of practice to drive forward improvement and an Improvement Plan for the YOT stemming from it. The improvement plan prioritises practice changes that have taken place which need to be embedded in the service:
    - Introducing Speech and Language Therapy Screening and Health Screening for all young people on first engagement with the YOT.
    - Implementation of Referral Order guidance.
    - Out of Court Disposals changes.
    - Ensuring assessments address trauma and safety of victims.

Outcomes achieved

The Review shows the following outcomes achieved:

- In Westminster, forty-nine young people aged 10-17 years old entered the Youth Justice System for the first time between April 2017 and March 2018, a reduction of 19 on the previous financial year. The comparative rate of first time entrants (FTE) per 100,000 remained steady for the latest period to June 2018 and aligns with the national average (275 FTEs/ annum) and below the London average (326 FTEs/ annum).
- The proportion of young people re-offending in a one-year period has decreased from 43.1% to 42.0% for the last two financial years. The most recent data for the two quarters April-September 2016 shows a further reduction down to 39.3%. This rate is below both the London average 45.7% and the national average of 41.7%. Custodial rates within Westminster between October 2016 and September 2017 reduced by more than half compared to the year before to just five young people.

Celebrated the educational achievement of looked after children

Looked After Children and Care Leavers are more likely to face significant barriers to education and we have committed to improving support for their education so they can achieve better outcomes. We recognise as corporate parents that education that encourages high aspirations, positive experiences and individual achievement is central to improving immediate and long-term outcomes for Looked

After Children and Care Leavers. This quarter we celebrated the educational achievements of more than 200 Looked After Children and Care Leavers at an Awards Ceremony in Tate Modern.

Outputs delivered

- Children and young people were nominated by social workers, personal advisors and staff across Westminster city Council.
- Young people celebrated their individual successes.
- The ceremony has become one of the key events in our calendar and is a recognition of the academic progress that our Looked After Children and Care Leavers have made over the year.

Outcomes achieved

- Westminster Looked After Children achieved 67% progress and attainment at Key Stage 2 this academic year. This is 3 per cent above the national average of 64% for progress and attainment at KS2 in all areas (provisional results).
- This year we can report a significant increase in the overall attainment of pupils at Key Stage 4, despite the complex nature of the cohort. This cohort had a range of needs, with four young people having Education Health Care Plans in place and two young people on SEN support. Despite a range of complex needs, young people made good progress. In particular, one young person gained 6 9's (the new A**), two 8's (A*) and one 7 (A).
- 70% of our 16 and 17 year olds in care are in education, employment or training. The Department of Education revealed that in Westminster City Council 26% of children and young people in care go on to study degrees, diplomas and higher national certificates, the highest rate in the country.

Successful mobilisation of the new passenger transport taxi contract

A new taxi service was successfully mobilised for children with special educational needs eligible for travel assistance to school or college. As outlined in the 2018/19 Business plan, we are committed to increasing the satisfaction of parents and young people using local authority commissioned transport. To ensure this, the Passenger Transport team consulted parents throughout the entire process of procurement and mobilisation.

Outputs delivered

- Officers worked with the new taxi suppliers, internal teams, partners, parent representatives, schools and families to ensure a smooth transition to the new service for children and their families. This was evidenced by parents' satisfaction with the service. No complaints were received.
- Parents and carers were written to directly by the Council to confirm the specific arrangements in place for their child from the start of term. For taxi routes where there has been a change of provider or staff, parents and carers were contacted with offers of 'meet and greets'.

Outcomes to be achieved

- The taxi suppliers were successfully mobilised.
- The individual needs of each child were taken into account and informed their unique travel plan.
- All Children and young people who are eligible for travel assistance were transported to and from school or college.

Risks and Issues:

If serious harm or death comes to a child or young person to whom we have a duty of care

Impacts and consequences
There is the impact for the child, the implications of the incident as well as the associated emotional impact for anyone else involved. There is also the potential reputational impact if the Council and/or partner agencies were at fault/seen to be at fault.

Mitigation and progress
For a child or young people to whom we have a duty of care there are ongoing safety, reliability and quality assurance processes in place including Practice Week and focused audits of work with children. Activities are monitored by the Local Safeguarding Children's Board to ensure lessons are learnt from case reviews and staff are expected to attend safeguarding training. In the event of an incident there would be a co-ordinated response (including corporate teams) and working with other agencies to ensure appropriate action is taken.

School Budget deficit
Schools with falling rolls and those with budget reductions of pupil are at risk of developing budget deficits.

Impacts and consequences
Schools funding is largely driven by pupil numbers and therefore those with falling rolls have reductions in their funding. 26 of the 52 mainstream schools will see a budget reduction in 2019-20 (compared to 2018-19) and all of these schools have a reduction in pupil numbers. There may also be a financial and reputational impact for the council with supporting maintained schools to put in place financial strategies.

Mitigation and progress
- The Westminster Schools' Forum, which includes Academy representatives decided on the school budget allocation formula for 2019/20 with the aim of keeping per pupil reductions to a minimum.
- The council needs to ensure effective financial standards and processes are in all schools by continuing engagement via governing body workshops, schools forum papers and support and challenge sessions with individual schools.
- Schools with falling rolls of more than 5% can apply for an allocation from the falling rolls fund. The Schools' Forum are reviewing the criteria and deciding on allocations in March 2019.
- The schools finance team are working closely with schools with deficits and the paper regarding schools with deficits and at risk of going into deficit taken to the WCC Schools Forum on the 15th October 2018 was agreed.
- Officers will continue to support and promote the development of joint arrangements between schools and are engaging with the relevant Dioceses in relation to Voluntary Aided Church schools.
- While Academies budgets are calculated via the Westminster school budget allocation formula they receive their funding from the Education & Skills Funding Agency (ESFA) and they are held accountable to the ESFA for their budget management and budget setting including deficits. Therefore, the Council's role and responsibilities in relation to Academies with deficits is limited.

Looked after Children numbers are rising, due to an increase in Unaccompanied Asylum Seeker Children (UASC) (71 in Q3 up from 59 in Q2) and there is an increasing demand for placements.

Impacts and consequences

- The increased demand in placements will create a financial pressure on the council as well as pressure on resources to manage this demand. This could lead to financial overspend without mitigations.
- The Pan London USAC Protocol has recently ended this means that the potential number of UASCs coming into the authorities (especially for Westminster) may increase dramatically in the forthcoming financial years. London authorities are now mostly at their 0.07 quota per 10,000 population limiting the PAN London transfer scheme to small numbers of transfers from Croydon. This means that the numbers of UASC arriving in Westminster are remaining the responsibility of Westminster City Council. Modelling, using trend analysis, highlights a net financial increase in Looked After Children due to numbers of UASC presenting by £0.650m per annum reflecting an average increase of 49 children per annum cumulatively.
- As at the end of December 2018, Westminster City Council has 205 Looked After Children, of which 71 are UASC. The UASC cohort represents 34.6% of the total LAC numbers.
- Assuming Westminster resident LAC numbers remained stable at 134, the number of UASC looked after would become greater than local residents by Quarter 4 in 2021/22.
- The ability to transfer UASC arrivals under the terms of the National Transfer Scheme (NTS) is affected by delay and increasing legal challenges.

Mitigation and progress

- Regular review and monitoring of current placement costs including a breakdown of how these costs are made up.
- Implementation of a new Placement Strategy in 2019/20 as part of a wider transformation review of Looked After Children Placements.
- The Lead Member is kept informed on a regular basis as to the current position and potential financial implications
- A Looked after Children tracker and financial placement models are in place to monitor numbers, need and cost.
- Forecasting future demand and sufficiency planning are in place over the medium term to 2022/23.
- Regular lobbying of government regarding this issue.
- Ensuring the consultation on the Spending Review for Local Government has a robust response regarding the financial pressures created by Looked After Children and in particular rising UASC numbers in Westminster to ensure the final settlement meets the needs of the borough.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator *[S] - Statutory indicator*	2017/18 position	2018/19 target ranges[1]					Position at Q3	Target assessment[2]	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
Children's Services									
1. Percentage of Westminster schools judged to be outstanding by Ofsted	35% (21/59)	35%	➡	38%	➡	40%	**34%**	**Off track**	**Insight:** Please note that there may be potential risk as many of our outstanding schools have not had an Ofsted inspection in more than six years (c.f. The Grey Coat Hospital School, Ofsted Inspection 2009)
↳ **Service Commentary:** The target was set when all schools had 2-day inspections and could move up to outstanding position which has now changed. The value of 34% still compares very strongly to average national figure which currently stands at 21% and a London average of 32%. **Timeframe for improvement:** We continue to provide the support needed to schools to look to maintain the highest standards.									
2. Percentage of Westminster's pupils who achieve 9 - 4 (A*-C) in English & mathematics	**74%** (2017 academic year)	74%	➡	76%	➡	78%	**74% (2018 academic year)**	**Minimum standard met**	**Service Commentary:** The percentage is 74% in 2018 which is was above the 2017 national average of 59%., which matches the minimum target level for service continuity.
3. Increased proportion of Education, Health and Care assessments which are completed within 20 weeks [S]	**69%** (109/159)	60%	➡	70%	➡	75%	**86.4%** (89/103)	**Exceeding target**	**Service Commentary:** Overall performance for April to December 2018 was 86%. Which demonstrates significant improvement from 69% in 2017-18.
4. Improve % of children who reach expected levels for reading, writing and maths at the end of primary school	**68%** (2017 academic year)	58%	➡	68%	➡	73%	**72% (2018 academic year)**	**On track**	**Benchmark:** 72% of children are currently reaching the expected levels for reading, writing and maths at the end of primary school, which is matching the ideal target level of the service and compares with 64% nationally and 71% for Inner London.
5. % care leavers in education, training or employment (at age 19, 20, 21) (excluding those not in touch)	57%	50%	➡	60%	➡	80%	**62%** (54/87)	**On track**	**Service Commentary:** Nationally, Westminster achieves higher rate of Care Leavers aged 19-21 in EET when compared with the most recent England 2018 rate of 51% and London rate of 53%. Placing Westminster in the second top quartile. At 31st December 2018, of the care leavers in touch 54 were in ETE.
6. To promote independence of young people by offering Independent Travel Training	New indicator	2	➡	3	➡	4	2	**Minimum standard met**	**Insight:** Independent travel training is designed to support young people aged 11-19 years with special educational needs to access locally provided transport services.
↳ **Service Commentary:** This indicator is based on academic year reporting. First reporting point is Q3. There are currently two WCC children at College Park School being travel trained, they haven't completed their training yet, and we will have an update on their progress in April. If they are successfully travel trained and taken off minibus transport, then it can be classified as 'on track'.									
7. Children subject to a child protection plan for a second or subsequent time	4% (4/100)	15%	➡	10%	➡	5%	**3.6%** (2/55)	**Exceeding target**	**Service Commentary:** Overall performance for April to December 2018 was 3.6%. Which demonstrates improvement from 4% in 2017-18 and compares well with national rates for England 18.7% and London 14.8%.

City for All Tracker

The table below provides a progress update at the end of Q3 (December 2018) on the measures and milestones aligned to the CFA pledges that the directorate is directly responsible for delivering.

City for all Pledge	Delivery Status	Progress update
City of opportunity		
We recognise that we have some of the best schools in the country. We will do all we can to make sure they continue to receive the support needed to maintain the highest standards.	On track	• 34% of Westminster Schools are currently judged outstanding by Ofsted. Which compares very strongly to average national figure which currently stands at 21% and a London average of 32% and is in line with minimum targets for the service. The target was set when all schools had 2-day inspections and could move up to outstanding position, which is now not the case. Please note that there may be potential risk as many of our outstanding schools have not had an Ofsted inspection in more than six years. • 72% of children are currently reaching the expected levels for reading, writing and maths at the end of primary school, which is matching the ideal target level of the service and compares with 64% nationally and 71% for inner London.
City that offers excellent local services		
We will continue to invest in and maintain the highest standards in our outstanding children's services as rated by Ofsted.	On track	• Following the two-day Ofsted 'focused visit' in August that looked at the Council's "front door", there was some very positive feedback about the quality of social work in Westminster and Kensington and Chelsea. To address Ofsted's recommendations and staff's feedback, an Action plan is currently being developed. The scope and functions of the Outstanding practice group (OPG) have been redesigned. Terms of reference of the OPG will be agreed in the upcoming meeting in February. Based on some of the preliminary findings as part of the Action Plan, two working groups have been established-'Missing Children' and 'the Voice of the Child'.
Caring and fairer city		
We will prioritise resources to support our most vulnerable children. We are offering a package of help to the 700 children with special education needs and their families, including a short breaks offer. We will pilot a new approach to tackling the root cause of exclusion from primary school, helping every child thrive in the classroom	On track	• Feedback from all families that took part in the short break play scheme pilot was very positive and the pilot was extended to run again during October Half Term and Christmas Holidays. This has enabled us to offer a service locally and fund outings and trips that offer better experiences for the children. 5 additional families have signed up and will be using the offer moving forward. • The register of Disabled Children is in place to support service planning and improve communication with families. To date 70 Families have registered. To encourage more families to register, we are now introducing the MAX card. It is a recognised discount card for children with additional needs and it offers discounts on a huge range of activities nationwide. We have also taken over the health notifications from Health. Families receive a letter from us welcoming them to the Local Authority and introducing them to the Local offer. We then follow this up with a phone call and a meet up where the Front Door Officer can signpost as needed or take a referral for the Short Breaks Service. • At the end of Quarter 3, all five schools involved in the schools' exclusions pilot to date had sent staff to two-day Trauma Informed ARC (Attachment, Regulation and Competency) framework training. 88 practitioners attended the training. The pilot had received 17 direct referrals from the three primary schools with other referrals under discussion. The team had been going through a process of engaging the families concerned in partnership with the schools. Three voluntary sector organisations have been engaged to provide a range of mentoring opportunities for the children concerned.

1.3 City Management and Communities

Achievements:

Active Westminster Awards

People who change lives through dedication and contribution to physical activity, leisure and sport were recognised at the 2018 Active Westminster Awards on Friday 7th December. The event was held at Lord's Cricket Ground and is now in its ninth year. The ActiveWestminster strategy aims to encourage residents to lead active lives by making use of all the city has to offer. The annual awards event recognises the huge difference that partners make to Westminster's communities to help residents to maintain healthier lives. It is important to recognise their outstanding contribution, as the services they provide and their remarkable dedication has a significant impact on the quality of life of people in Westminster.

Outputs delivered

The 2018 awards attracted over 200 nominations in total, which related to over 70 unique nominations – more than in 2017. On the night itself the Thomas Lord Suite was at capacity with 200 guests in attendance awaiting the announcement of winners across 10 separate award categories. Awards range from Active Volunteer of the year, Active Place to recognising talented young people on the Champions of the Future Programme and the final award Outstanding Contribution.

Outcomes achieved

Winners included Rashmi Becker, who established Step Change Studios – London's first dedicated inclusive ballroom dance company – which gives opportunities for disabled and non-disabled children and adults to dance, including blind ballroom dance and wheelchair dance. Rashmi won the Active Inclusive Finalists award. Our very own Sayers Croft Forest School picked up the Active Place or Space Award, the school's Wildlife Garden has been running outdoor learning sessions at Paddington Recreation Ground for five years. These sessions are for local schoolchildren and for other specialist groups. Sessions include tree-climbing and den-building, with more than 5,500 individual sessions last year.

Keep Britain Tidy's Network Awards 2019

Westminster City Council's Waste & Parks team scooped top prize in Keep Britain Tidy's 'Waste Performance Project of the Year' category for the Street Waste Action Team (SWAT) - Dumping is a waste of space project. The MyWestminster project was assembled last year as part of a twelve-month pilot undertaken with waste partner Veolia. The project aims to reduce fly-tipping and waste dumping in Westminster's worst affected wards, and educate residents on waste presentation, and improving general street cleanliness, by changing behaviours of dumping bags around litterbins and street furniture, and adherence to waste collection schedules.

Outputs delivered

The pilot was an overwhelming success and the results dramatic in Warwick, Tachbrook, Vincent Square, Hyde Park and Harrow Road, and has since been rolled out across five further ward areas.

Outcomes achieved

Westminster Council's Cabinet Member for Environment and City Management, Cllr Tim Mitchell, said: "We know our residents in some wards have concerns about rubbish dumping, particularly around shared bin areas, which is why we formed Street Waste Action Team. The pilot was an overwhelming success last year and reduced the problem substantially within the five pilot wards. We are delighted to work with Veolia to roll out the SWAT service permanently and look forward to seeing even better results. Westminster is a city for all and we strive to deliver excellent services and make our city a healthier and greener place for everyone."

Bond Street (Phase 1)

The £10m project has transformed Bond Street into a new streetscape for the area, incorporating a new public square and more space for pedestrians. A façade to façade replacement of footways and carriageways using high quality natural materials and prepares Bond Street for the opening of Elizabeth line. Footways are in new York stone, carriageways have been reduced in width, feature granite footway loading pads have been introduced that allow business servicing in the morning and additional footway space in the afternoon when pedestrian movements will be at their busiest. New innovative Restricted Parking Zone controls have been introduced that remove the needs for the use of yellow lines at the kerbside. The project has been delivered in conjunction with enhancement to freight and waste consolidation activities and the development of a Management Plan covering operational matters such as cleaning, maintenance and enforcement.

Outputs delivered

The Bond Street Project has delivered all the elements of the 2015/16 concept design and achieved the aspirations of sponsors and stakeholders. Bond Street Phase 1 has been delivered to programme and budget and, bearing in mind the heavy civil engineering works that have been involved, in a way that has been sensitive to business needs and commercial viabilities. This required a detailed works programme that did not overload any section of Bond Street and the development of a comprehensive communications plan that has provided regular and detailed information to stakeholders about the programme. Bond Street Phase 2 will be delivered in the same way as the processes used so far have proved to be sound.

Outcomes achieved

Bond Street has been renewed and is a pleasant place to visit, shop and work and its public realm now matches its reputation. Traffic has been reduced, the kerbside activity is better managed and shop fronts are more open and attractive to prospective customers. New redevelopment of some shops on Bond Street have commenced to take advantage of new Bond Street public realm. Bond Street has been delivered in a way that has been coordinated with other nearby projects that have been in development such as OSW and Hanover Sq and is now a part of OSD. Monitoring of increased foot flow, customer dwell time, increased expenditures, etc is taking place although yet to see the benefits of Crossrail because of its delay and results will appear over time. The project has been shortlisted for the Royal Town Planning Institute (RTPI) award for Excellence in Planning for a Successful Economy.

Risks and Issues:

Downturn on demand – City Highways

Decline in Paid for Parking Income

Impacts and consequences – A decline in income from Paid for Parking has been experienced this financial year and a year end deficit against budget of £1.20m is currently forecast.

Mitigation and progress

Contract and other savings on expenditure will mitigate the underperformance on income. There will be no impact on service quality as the projected underspend is mainly as a result of contract efficiencies within the service. A data model to review parking trends is being finalised and is due to review late February. Work is underway to analyse parking trends which will provide the basis for future alignment of parking income budgets for 2019/20 onwards.

Policing resources following the planned Basic Command Unit (BCU) merger with Westminster, Kensington & Chelsea and Hammersmith and Fulham.

The new BCU's have now been announced and Westminster police will merge with RBKC and Hammersmith & Fulham to form the new 'Area West' BCU. Westminster is to be part of a 'Central West' BCU along with the Royal Borough of Kensington and Chelsea and Hammersmith and Fulham. Originally proposed to go live in November 2018, the Central West BCU is now due to launch in February 2019 and is the last merger across the capital.

Impacts and consequences

Serious concerns remain regarding the capacity of MPS to deliver an effective policing service given the complexity, in terms of its size, demands and the uniqueness, of Westminster, against a backdrop of increasing levels of crime across the city and in North Westminster as well as the West End and Evening and Night Time Economy. A growing concern of issues associated with the street population and open drug dealing and anti-social behaviour affecting the communities within the City, especially the most vulnerable.

There is also a possibility that a reduction in police resource will have a disproportionate impact on council staff working within the statutory partnership arrangements and that community confidence levels may reduce. The merger will result in:

- A reduction in officers of 11.9%, a total of 243 officers across the three boroughs
- Neighbourhood policing will see a reduction of 42.2%, with 225 fewer officers
- Reductions in CID of 34.5% reduction, with 129 fewer officers
- Safeguarding will see a 19% increase in officers, 33 officers
- Emergency Response will see an increase of 4%, 38 officers – these officers will now also be responsible for investigating crimes
- 58 officers allocated to the new HQ function

Mitigation and progress

The subject of BCU merger has been considered by the City Management and Public Protection Policy and Scrutiny Committee on 21st November 2018 and is due back for further scrutiny in April 19.

As part of Westminster's response to the BCU proposals, a number of recommendations were made with the following lobbying outcomes to date:

- Lifting the restriction on new recruits having to live in London – Since our lobbying on this point the London residency restriction has been lifted temporarily for the next six months. It is understood that this is already having a positive impact on recruitment across the MPS
- Reducing abstraction (redeployment) of local officers for events. There is a commitment that Dedicated Ward Officers will not be abstracted, however, there is a concern that this may not be reflected in reality
- Increasing the number of Neighbourhood Police Officers across Westminster to ensure the Police remain proactive rather than a purely reactive service
- Increasing the number of officers in the West End and St James's and ensuring those officers working in the Evening and Night (ENT) are proactive rather than reactive. These areas have always accounted for the highest number of reported crimes in Westminster and recent increases are concerning. whilst a dedicated team will be put in place in the West End, overall remains a significant reduction of officers in this area coupled with a reduction in proactive policing overnight

The City Council continues to work in partnership with the police and other agencies to play our part in ensuring the safety of our communities. In addition to our commissioned services and extensive preventative work, we are working to minimise the impact of these changes and where possible will innovate, commission and integrate services to reduce demand. However, the City Council cannot be expected, nor has the powers or finances, to fill a vacuum that a deficit in policing may create.

Examples of our partnership work in 2018 include:

- Neighbourhood Model
- Violent Crime Task Group
- Integrated Gangs Unit
- Integrated Street Engagement Unit
- Soho Angels
- Oxford Street District Integrated Team

The planned BCU merger planned go live date is 20th February 2019. The impact will be considered a the CMPP Policy and Scrutiny in April 19.

Refurbishment of Seymour Leisure Centre/new Marylebone Library integrated

Following Cabinet Member approval during the previous quarterly report, the team have progressed with a series of feasibility studies relating to a revised set of redevelopment proposals. These were presented during a project workshop in December 2018. The next stage required is to take the revised proposals forward through a report to the Capital Review Group in May/June, which will include a Cabinet Member briefing. The project is delayed due to changes in the wider programme which impact on the library element

Impacts and consequences

If further capital funding is approved, both Cabinet Members for Libraries and Leisure will need to consider implications for the library delivery schedules and options for mitigating impact on both leisure and library users. The scope of the wider Seymour Centre programme is changing following community consultation and the option to deliver a reinstated pool is under active consideration. This will require rescoping the library element with a revised timescale and change to the location and layout. Likely now to need reprofiling for delivery in 2021/22 but will result in better overall outcomes for residents including increased space for library.

Mitigation and progress

Following a full and detailed review an agreed timeframe will need to be to be adjusted and communicated with all users and key stakeholders. If approved this will be presented as a positive outcome with both leisure and library facilities receiving great investment and improvements that will ensure a high-quality facility for the long term. Feasibility study on revised programme is under consideration - report to Cabinet in preparation to secure required funding for revised overall programme.

Timeframe for improvement An updated website and communications to be updated in January 2019 https://www.westminster.gov.uk/marylebone-library-update. Subject to Cabinet approval of the revised overall programme, the library may open in Q1 or 2 2021/22. Timeframe for engagement and consultation is being revised.

Delays to opening the re-provided Paddington Children's Library at Westbourne Baptist Church in late 2018

A re-provided Paddington children's library is being developed as part of the Westborne Baptist Church development.

Impacts and consequences

The developer has reported that there has been a delay in completion, due a sub-contractor going into administration. The new handover date is now at the end of February 2019.

Mitigation and progress
The lease at the temporary site at 160 Queensway has been extended until the end of March 2019 to ensure seamless transition. A mobilisation plan is being developed to ensure the service transfers to its new home subject to final confirmation of the practical completion date.
Timeframe for improvement
It expected that the library should reopen in its new site in March 2019

Increase in European Economic Area (EEA) national rough sleepers with no recourse in public funds
EEA nationals have now overtaken the number of UK/Irish nationals across London by just over 10% with Westminster consistently seeing the largest share.

Impacts and consequences
The impact is a growing number of EEA nationals on the streets for whom we are only able to offer support to gain employment or a reconnection to their country of origin. The increase is putting an incredible strain services are also dealing with high levels of ASB from this group. Additionally, the police have a significant role to play and given their resourcing challenges, it is considered that the issue isn't receiving adequate attention.

Mitigation and progress
Officers have started fortnightly meetings with both Home Office and MHCLG staff in order to underline the importance of a solution, discuss trialling new practices and sharing evidence to ensure that central government is briefed appropriately on how large the issue has become. New ASB protocols are being developed.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	Ideal	Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
City Highways							
1. % of urgent lighting defects made safe within agreed timescale	99%	95%	98%	100%	**96% (277/290)**	On track	**Reporting date:** April – November 2018
2. % of carriageway and footway defects repaired or made safe within 24 hours	98%	95%	98%	100%	**99.6% (2,609/2,619)**	On track	**Reporting date:** April – November 2018
Public Protection and Licensing							
3. Number of Houses of Multiple Occupation improved (buildings with more than one household including shared facilities)	59	50	65	75	**42**	Minimum standard met	
• **Service commentary:** Resourcing levels have not been a full capacity but we expect to achieve at least the minimum standard. A full recruitment campaign has taken place. • **Mitigation:** Recruitment exercise complete with new starters in place in January to improve position to between minimum and ideal for year end							
4. Percentage of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision.	55%	70%	80%	90%	**73%**	Minimum standard met	**Insight:** Only percentage figures are available
• **Service commentary:** This is now on track for Q4 • **Mitigation:** Employed four senior licensing officers in December which has improved the issuing of licences after determination at LSC • **Timeframe for improvement:** Immediate as we have already improved the percentage since new starters. Currently at 100% for next quarter							
5. Percentage of women accessing specialist domestic abuse services who report a reduction in abuse	90%	75%	75%	80%	**93%**	Exceeding target	The figure is 30% higher that the baseline figure prior to the current contract.
6. Number of hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety	371	400	500	600	**377**	On track	**Insight:** There is ongoing work to build intelligence in this area, which will include more information around prevalence of housing hazards. The English Housing Survey 2016-17 estimated that 15% of private rented dwellings contained at least 1 Category 1 hazard
7. Percentage of licensed premises that are safe and well managed following a single inspection.	85%	65%	70%	100%	**80% (530/662)**	On track	**Insight:** This ensures that Westminster residents and the public have access to safe bars and restaurants across the city
8. Number of vulnerable residents supported to continue living in their homes	926	600	800	1,000	**589**	On track	**Insight:** This programme offers housing related services to help vulnerable residents live independently
Sports and Leisure							
9. Total participation in Council sports, leisure and wellbeing activities	3.8m	3.5m	3.7m	3.8m	**2,994,790**	On track	**2018 City Survey:** 92% of residents were satisfied with Council sports facilities

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	➡	Ideal	➡	Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Parking									
10. Ensuring parking compliance across the City is over 97%	98%	97%	➡	98%	➡	99%	**98.22%**	On track	**2018 City Survey:** 82% of residents were satisfied with Council parking services
11. Ratio of residential permits issued against parking bays available on the street	97%	85%	➡	90%	➡	95%	**99%**	Exceeding target	**Insight:** Only percentage figures are given by the reporting company
Waste & Parks									
12. % of streets in Westminster that pass the street score survey for litter	98%	98%	➡	98%	➡	98%	**98.25%**	Exceeding target	**Insight:** The inspection reports can vary across the year, with November tending to have the highest percentage. Independent surveys can take place on days when streets are not scheduled to be cleaned. The clearance of street leaves also substantially disrupted sweeping schedules. There are 300 sections per tranche, 3 tranches a year.
Libraries & Registration Services									
13. 2% increase in real and virtual visits to libraries	1.98m	1%	➡	2%	➡	3%	**-1.7%** (1,470,960 visitors)	Off track	
↳ • **Service commentary:** Down due to the starting point in 2018/19 being wrong, as inaccurate gate figures where estimated for Marylebone Library (Oct 17-Jan18) following the move to the new location. If the estimate had been accurate there would have actually been an increase in visits by 0.2% Q3 and 0.4% YTD • **Mitigation:** New gate counters in place. Promotional plan for virtual visits in place, starting Feb 2019. Expected to be on track by April 2019.									
14. % of appointments to register births available within 5 days of enquiry	86%	95%	➡	95%	➡	98%	**96%** (3,162/3,329)	On track	
15. % of satisfied users across the Libraries Services	N/A	85%	➡	90%	➡	95%	**N/A – reported annually in March**		**2018 City Survey:** 94% of residents were satisfied with Council libraries
City Management and Communities									
16. Number of Emergency planning exercises completed	N/A	6	➡	7	➡	10	**17**	Target exceeded	**Insight:** These are drills run within directorates to simulate emergency situations (e.g. terror attacks),
17. Reduction in offending by those who have engaged with our commissioned support services			➡		➡		**N/A - 18 month delay in data being calculated**		**Service insight:** The service provides additional support to up to 60 offenders on the male Integrated Offender Management cohort (aged 18 and over) in the borough of Westminster in order to work to address their needs and reduce their reoffending. Only 9% of the cohort have reoffended since leaving the cohort.

City for All Tracker

The table below provides a progress update at the end of Q3 (December 2018) on the measures and milestones aligned to the CFA pledges that the directorate is directly responsible for delivering.

City for all Pledge	Delivery Status	Progress update
City that offers excellent local services		
By the end of 2019 we will license buskers and street entertainers to make sure that residents and visitors get the best experience, and that new performers have a chance to shine.	On track	• Community Engagement has now been complete and a Project Manager has been appointed. Since the end of September 2018, council teams have engaged with our community in a number of ways including speaking with all stakeholders within the pilot areas (and beyond) individually either through meetings, email exchanges or presentations, to understand their position and what they would want to see in any street entertainment policy. In addition, and in an innovative practice, we chose to bring all the stakeholders together on a number of occasions to offer them the opportunity to listen and understand each other's perspectives and to try and arrive at collaborative solutions. Stakeholders included, Councillors, residents, businesses, BIDs, Street Performers and Keep Streets Live, and the GLA. We are currently bringing all our stakeholders' views together, and have begun developing proposals that we hope will demonstrate balance, and a fairer environment for everyone sharing the public space. We are committed to continuing our conversations and engaging with stakeholders as we develop these proposals - as it was clear that ongoing collaboration would be beneficial for long-term relationship building. Delivering a street entertainment policy cuts across many different departments and teams (including licensing, enforcement, place-shaping, events, legal), and the PM role is to co-ordinate and drive all these work streams to deliver a cohesive service response to the policy as it develops.
We will extend our Licensing Charter across the whole of the city, working in partnership with the industry to set the standards for how venues take care of the welfare of patrons and be good neighbours.	Off track	• Work continues on expanding the Licensing Charter beyond the pilot to other areas of the city. Discussions are ongoing with BID's and large landowners relating to the adoption and promotion of the Charter. Northbank BID are due to sign up to the Licensing Charter within Jan 2019. Due to the aims of the Charter an area approach has been found to achieve greater results in terms of buy in from businesses • Due to the focus on the Soho Angels launch not been able to roll the Licensing Charter out across the City in full. We have been engaging well with BIDs, large landlords and venues. We aim to add other BIDs, Landlords to the Licensing Charter by the end of the year. Resource have been assigned to take the lead on delivering the Licensing Charter and reinvigorating the Charter take up. Additional venues and BIDs signed up by April 2019
We have established the Housing Standards Task Force which has the dedicated job of making sure private renters are protected from rogue landlords and unlawful nightly letting does not overrun the city.	On track	• The Housing Standards Taskforce has undertaken a number of activities including a "Day of Action" which uncovered three unlicensed HMOs. We have also undertaken joint operation with the Immigration team and a joint visit resulted in Immigration arresting two persons. Another HMO investigated under warrant of entry was discovered to be a brothel and Police who accompanied officers are making further investigations. Two Civil Penalty Notices totalling £44,000 have been issued against local landlords and managing agents. Two further cases are being brought to the magistrates court for prosecution in January 2019. The Taskforce ran a successful Landlords Forum in November 2018 which over 40 Landlords and agents attended
We will ask all power and utility companies to sign up to a new protocol to coordinate works so our streets and traffic are not needlessly disrupted.	On track	• Working with legal services on a memorandum of understanding to deliver this pledge. The protocol is planned for the end of the financial year

City for all Pledge	Delivery Status	Progress update
Caring and fairer city		
We will consult on a new gambling policy, leading the way nationally on setting the standards for the industry and protecting the most vulnerable in our neighbourhoods by providing better regulation of betting shops across the city.	On track	• A revised gambling policy has now been agreed and published. This has enabled the council to meet its statutory obligations of reviewing and revising its gambling policy every three years. The draft consultation document on the new gambling policy is currently being drafted and will be consulted upon in March 2019.
We will fund a dedicated officer to support the work of our local neighbourhoods and the police to combat hate crime and discrimination as part of a new anti-hate crime strategy	On track	• A member of staff has been employed to administer and support the Hate Crime Commission
Healthier and greener city		
Our new four year ActiveWestminster strategy will ensure all our neighbourhoods have access to open spaces and sports facilities through developments like the new £28m Moberly Sports Centre	On track	Following an open recruitment process of or the 5 Apprentices within the Physical Activity Leisure and Sport Team, it was decided that the structure of the team would change, to include 2 full-time positions - Relationship Officer - Insight & Relationship Assistant - Digital Marketing, with possibly a Business Administration Apprentice. **Strategic key priorities:** Quest – the first ever joint Active Communities Assessment involving the City of Westminster and its main leisure contractor, Everyone Active leading to the production of a single Service Improvement Plan. The assessments is taking place on Tue 29th January, Porchester & Wed 30th January , Moberly Recruitment for the ActiveWestminster Board will consistent of; o Nominations/applications from January 2019 – need decisions from Cabinet Member(s) o Shortlisting in Feb 2019 o Elections/appointments for approval by the partnership in April 2019 Open Data o Letter to/from Parliamentary Under Secretary of State for Sport and Civil Society o Open data bookability on new ActiveWestminster website as of Spring 2019 o ActiveWestminster website to formally launch in Spring 2019
We will launch a new Recycling Information Hub and roll out five neighbourhood pilots including the expansion of our In It To Win It campaign, working with local neighbourhoods to achieve a step change in recycling rates across the city.	On track	• New web page added to the Council's website supporting the street waste action team project, including information on rubbish and recycling collections. This team recently won Waste Performance of the Year award at the Keep Britain Tidy Conference Awards on February 6th
We will expand our network of 165 electric charging points by 25%, making it as easy as possible for people to switch to electric vehicles.	On track	• Issue electric vehicle strategy for formal approval. • To roll out 100 lamp column charge points and this would include bolt on charge points on lamp columns and satellite units from the lamp column supply. • We have applied for funding for further roll out and aim to do 150 additionally this year. • BI dashboard to move to live status

City for all Pledge	Delivery Status	Progress update
Healthier and greener city		
We will deliver a new £1m Schools Clean Air Fund, giving schools the resources they need to tackle poor air quality.	On track	School streets is a pioneering scheme to transform roads outside schools, so that only pedestrians and cyclists can use them at school start and finish times. The streets tackle congestion and improve air quality at the school gates, making it easier and safer to walk and cycle to school. • St Vincent's RC Primary School has been fully pedestrianised. • Enford Street is due to be installed in April/May 2019. Forms consultation due to be issued 1/2/19. • Amberley Road is scheduled for completion by July 2019. • Douglas Street - Aim is to complete the School Street by September 2019. • Essendine Road - Aim to complete the School Street by November 2019.
We will launch a new Green for 18 campaign to raise awareness and make it easy to reduce our reliance on single use plastic. Westminster City Council has already banned single use plastic containers in meetings.	On track	• The ban on single use plastic containers is complete. Reusable water bottles and coffee cups have been provided to WCC staff to reduce/minimise the amount of single use plastics that are used within the Council.
We will expand #DontBeIdle, setting the ambition for 1,000 businesses to sign up and play their part in reducing their own and their customers' emissions.	On track	• Completion of consultation analysis report to inform future direction of diesel surcharge scheme and next steps. • Continued development and roll-out of the Leader's #Don'tBeIdle2 campaign focusing on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge
City that celebrates its communities		
We are consulting on a new markets strategy, listening to the views of residents, shoppers, visitors and traders on how we can keep the city's eight thriving local markets at the heart of local neighbourhoods. The new strategy will roll out in 2019.	On track	• The consultation is completed with a report taken to Licensing Committee. The detailed strategy and local plans are being developed and will be taken to Licensing Committee on 26th March 2019. All Licensed traders have been notified of the changes to fees and charges. The revised fees and charges will be implemented on the 1st April. The consultation on a markets strategy, included a proposal to revise the fees and charges for a pitch on a market. It ran from the 6th August to the 29th October 2018. A report on the finding of the consultation was taken to the Licensing Committee on the 28th November 2018. A separate report was taken to the Licensing Committee on the part of the consultation that dealt specifically with fees and charges. Committee approved all recommendations, including the development of a detailed strategy and local plans, and the revised set of fees and charges,
We will retain and support Westminster's libraries at the heart of our neighbourhoods.	Off track	• The Chair of the Libraries Advisory Board advises that the final report is now due in April
We will introduce a new licensing policy by 2020 to ensure that Westminster remains a major night time destination, balancing the needs of residents, visitors and businesses.	Off track	• Work continues expanding the Licensing Charter beyond the pilot to other areas of the city. Discussions are ongoing with BID's and large landowners relating to the adoption and promotion of the Charter. Northbank BID are due to sign up to the Licensing Charter within Jan 2019. Due to the aims of the Charter an area approach has been found to achieve greater results in terms of buy in from businesses • Due to the focus on the Soho Angels launch not been able to roll the Licensing Charter out across the City in full. We have been engaging well with BIDs, large landlords and venues. We aim to add other BIDs, Landlords to the Licensing Charter by the end of the year. Resource have been assigned to take the lead on delivering the Licensing Charter and reinvigorating the Charter take up. Additional venues and BIDs signed up by April 2019
We will introduce 20mph speed limits where residents tell us they want them.	On track	• 39 trial sites have now been made permanent. If there are areas where excessive speed is recorded the City Council will look to implement (non-vertical) traffic calming – e.g build outs, VAS signs (vehicle activated signs i.e. flashing 20mph signs)

1.4 Growth, Planning and Housing

Achievements:

Housing Solutions Service

The Prevention Team successfully opened a new office for our Housing Solutions Service on Bruckner Street, with the statutory homelessness service moving out of Orchardson Street to its new home.

Outputs delivered

The new service provides a multi-disciplinary team that includes: debt advice, family and landlord mediation, employment support, legal advice, repairs enforcement and benefit advice. We also now have advisors based in the community offering legal and housing advice to people at risk of homelessness. A suite of KPIs and management information is reported monthly by the provider.

Outcomes achieved

The new office is far more welcoming and has been designed to enable families to engage with us in a non-institutional, family friendly setting.

Oxford Street District - Place Strategy

Following Cabinet's endorsement of the Public Consultation on the draft Place Strategy and Delivery Plan in October, consultation took place from 6th November to 16th December 2018. The consultation generated the highest number of responses to a Council-led consultation exercise, with 2,154 completed consultation responses.

Outputs delivered

- 66% of overall respondents said they supported the Place Strategy principles
- 73% of resident respondents said they supported the Place Strategy principles
- The majority of stakeholders (resident and business groups) responded positively to the strategy.

Outcomes achieved

The Cabinet is being asked to acknowledge the results of the consultation and to approve the updates to the Place Strategy and Delivery Plan as a result of the feedback.
The most frequent comments provided via the consultation survey were:

- Support for the district wide approach;
- Support for a reduction in traffic and traffic management and for the strategy to strengthen related proposals
- Support for initiatives that would improve air quality and for the strategy to strengthen related proposals
- Support for the Marble Arch project to be more ambitious
- Requests for more detail related to design / traffic management overall and in key locations
- Concerns raised regarding management of the district and requests for more work to be done

Subject to approval by Cabinet, detailed design work will take place over the Spring and Summer with future consultations planned at some key locations where changes to traffic will be required.

City Hall

The redevelopment of City Hall, 64 Victoria Street, was completed at Christmas 2018 following a substantial 18-month programme of works. The building has undergone a complete modernisation and transformation to include new accommodation, double decker lifts, better connectivity, new mechanical and electrical systems and 2,000 new windows.

Outputs delivered

The project has been delivered on time and within budget. City Hall now provides new accommodation fit for an exemplar local authority which reflects the Council's modern, outward facing, collaborative approach. The building provides the Council with a future proofed administrative headquarters which enables it to engage better with its residents and businesses. Major milestones are the letting of the half of its floors to generate commercial opportunities and maximise income, and the promotion of an environmental friendly environment for the working staff and visitors. Our goal is to achieve a BREEAM excellent rating – a certified measure of efficiency which will reflect the council's role in championing social and environmental responsibility.

Outcomes achieved

The Council will return to the top half of the building from February 2019. The accommodation will support agile working practices and encourage greater levels of collaboration. The new layouts and furnishings will support the Council's new way of working with more break out and touch down space. It is also expected to improve energy efficiency around the building and have positive environmental impact by reducing its carbon emissions. The bottom half of the building will be let out to businesses to reduce associated running costs and generate a new source of income to support front line services.

The topping out ceremony was held on 18 March for the new Marylebone Boys' School which forms part of the Dudley House development, one of Westminster City Council's flagship projects.

Outputs to be delivered

The £80 million scheme is located on North Wharf Road in the Paddington Basin regeneration area. The school comprises one part of the Dudley House development which, when completed, will also offer 197 new intermediate affordable homes for rent, a modern community space for the Pentecostal Church and neighbourhood improvements to local public spaces.

Occupying the southern end of the site, the Marylebone Boys' School is spread out over six storeys with dual aspect classrooms and a netted play area at roof level. Today a ceremonial brick was laid at the highest point of the construction and comes just nine months after works began.

Outcomes to be achieved

This scheme is clearly significant to our target of providing a minimum of 1,850 affordable homes by 2023 and, what with the development including Marylebone Boys School and other community facilities, is important to our objective of creating vibrant and successful neighbourhoods.

Approval of key regeneration scheme in Church Street

The site of a former disused coal store adjoining Marylebone Station, off Luton Street, combined with a car park site at Fisherton Street, is set to be transformed to provide 171 high quality new homes, 35% of which will be affordable. On Tuesday 13th February Westminster City Council's planning committee last night unanimously gave the green light to plans which form part of the Council's ambitious wider framework for the regeneration of the Church Street area.

Outputs to be delivered

- 171 new homes including 62 affordable homes: 43 new social rent homes (including 14 re-provision homes) and 19 intermediate rent homes.

- £3 million contribution to infrastructure and public realm funds which includes a new landscaped green link between Fisherton Street and Salisbury Street, to connect with the planned 'green spine' in the surrounding area, and a 3-court sports hall and community space.
- Preservation of large sections of the historically important existing coal yard walls.
- £2.4m of block improvement works to six existing council owned residential blocks surrounding the Luton Street development site.

Outcomes to be achieved
The scheme also marks a significant step forward for us in regenerating the Church Street area and building on its unique character. Church Street is one of the strongest and most vibrant communities in Westminster with a strong sense of community cohesion. Our aim is to build on and support that. This scheme is also significant to our target of providing a minimum of 1,850 affordable homes by 2023.

Infill projects
Westminster City Council has committed to delivering more social and affordable housing in the heart of the city through its infill programme which takes sites such as basements, garages, vacant land and car parks on council owned estates, and turns them into much needed social and affordable housing.

Outputs to be delivered
Public exhibitions of the proposals took place in Winter 2019. And planning applications will be submitted to Westminster City Council in Spring 2019. To date, for this year, we have completed 10 homes under the infill programme and started on site for another 15. Further schemes have been submitted for planning, with more sites being progressed.

Outcomes to be achieved
Through the infill programme the council will deliver over 200 affordable homes over the next 5 years.

Ebury Bridge Renewal
The Ebury Bridge renewal project will see 750 new homes built in the south of Westminster with at least 342 affordable homes. All existing secure tenants and leaseholders will be allocated a new high quality, energy efficient home if they wish to stay on the estate.

Outputs to be delivered
- Replacing the existing 198 social rented homes with new high quality social rented homes
- Plus at least an additional 144 affordable, family-sized homes (consisting of around 87 social rented and 57 intermediate homes).

Outcomes to be achieved
The ambition is to create a range of affordable housing that addresses all needs from accessibility to overcrowding and which offers low cost opportunities to rent or buy across the estate. The council will be working further on these options over the next two months.

Baker Street Two Way
Baker Street and Gloucester Place have been permanently switched to two-way traffic flow.

Outputs delivered
- introducing two-way traffic will help shorten journey times as vehicles won't have to follow long routes around the system or make circuitous routes on residential streets
- up to 50 new and upgraded pedestrian crossings will make it easier to cross safely
- wider pavements, reduced street clutter and improved street lighting along Baker Street and at Dorset Square will make the area more pleasant
- two-way traffic will improve access to buses and take passengers closer to their destinations

Outcomes to be achieved
The scheme is a key element of wider improvement works that are being delivered by Westminster City Council working with TfL with the support of the Baker Street Quarter Partnership and The Portman Estate. The whole project is scheduled to be completed in summer 2019.
The over-arching aim of the work is to reduce the dominance of traffic along Baker Street and Gloucester Place, making it safer and easier to access.

Westminster Enterprise Week took place during November 2018
Westminster Enterprise Week (WEW) is open to all young people, aged 16 to 24, aspiring to break into the business and enterprise world.

Outputs delivered
- 1,078 young people engaged and 24 events
- 94% of attendees glad they attended the week.
- 88% agreed they had a better understanding about enterprise.
- 9 local schools and colleges engaged
- Collaborated with 28 businesses.

Outcomes to be achieved
To inspire young people to think like an entrepreneur.

Encouraging employment figures
The Westminster Employment Service has posted encouraging employment figures for the third quarter of 2018/19

Outputs delivered
WES not only assists residents into work, it also supports employers access a wider, more diverse pool of talent. Forthcoming events include a 5 day "Tech Taster" workshop run by Accenture, which gives those not in education or training the opportunity to work on a 'real life' tech project with a mentor.

Outcomes achieved
Over 700 residents have been supported into work by the Westminster Employment Service, with over 250 of those long term unemployed. These figures are not inclusive of partner contributions so the actual figure is likely to exceed the year end target of 750 (of which 300 long term unemployed).

Risks and Issues:

City West Homes – Transfer of services back to Westminster City Council
In October 2018, Cabinet made the decision to transfer the responsibilities of City West Homes, our arm's length housing provider, back into Westminster City Council. This came as a result of a number of problems with service delivery that had taken place over the past few years, culminating in customer contact handling and repairs performance dropping to unacceptable levels

Impacts and consequences
Ensuring continuity of service for our customers during this transition period is of utmost importance to the Project Team leading this initiative.

Mitigation and progress
A project team with representative from all stakeholders has been in place for a number of months and is co-ordinating a range of activities. At present, consultation is underway on transferring staff back to

Westminster under TUPE (Transfer of Undertakings, Protection of Employment) legislation. The transfer of activities and resources from City West Homes to Westminster will take place on the 1 April 2019. However, the project will continue to monitor the impact of the change into the new financial year.

Facilities Management (FM) Provision

A Deed of Settlement was signed with Amey in December 2018 which brings to an end the Tri-Borough Total Facilities Management contract between Amey and the three Councils. Amey will continue to provide FM services for a short period as we move in to a period of transition. This Council will establish a new FM department and procure new FM service contracts as well as managing TUPE implications while maintaining a corporate property portfolio which meets statutory compliance.

Impacts and consequences

All buildings across the estate are affected and the transition team will ensure that adequate service provision and compliance is retained to include building maintenance, cleaning, rubbish collection, security, fire safety and all hard and soft FM services.

Mitigation and progress

A new Head of FM, Gary Hyland, has been appointed and is in post. He will be recruiting a new FM team. Amey is providing a full service under the terms of the Deed and original contract and a phased transfer of services will take place as they are procured. A full programme of procurement is under way and tenders are being analysed. The Link, now RBKC FM, will continue to provide an “in-house” FM function which will transfer as the Council’s own FM team is established. The new FM team and newly procured services are expected to be completed by 31st May 2019.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	➡ Ideal	➡ Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Housing Service							
1. Resident Satisfaction with service provided by CWH	New	TBC	TBC	TBC	**53% (Dec 2018)**	-	WCC has put in place a quarterly survey to track the perceptions as we work towards transition. Results from the first wave (Winter, 2018) of the new 2018 CWH quarterly tracker are shown. The Second wave of results is excepted end of March. The objectives of the 2018 CWH quarterly tracker is: • To measure satisfaction and perceptions of the housing service provided by CWH • Understand areas of improvement for when the service is brought back under WCC control from 1 April 2019.
2. Residents agreed when asked whether CWH provides an effective and efficient service	New	TBC	TBC	TBC	**48% (Dec 2018)**	-	
3. Residents agreed with the statement 'I trust CWH'	New	TBC	TBC	TBC	**54% (Dec 2018)**	-	
4. Residents are satisfied with how CWH listens to their views and act upon them	New	TBC	TBC	TBC	**46% (Dec 2018)**	-	

Commentary: Finding from the CWH annual tenant survey undertaken in May 2018:

- In 2018 during the service transformation there has been a large decline in resident perceptions of CWH with barely half tenants 55% satisfied with services (a 30% reduction) and only 37% of leaseholders (a 27% reduction). This is a serious risk to the reputation of the City Council and to turn this perception round will require significant resource, leadership supported by strategic communications and engagement.
- Also following the business transformation some of the most concerning tenant perceptions shifts include: a 14% reduction in tenants who are satisfied with the neighbourhood as a place to live (87% to 73%); a 14% reduction in satisfaction that CWH is making the neighbourhood safer (69% to 54%) and a 24% reduction to impact of the home on people's health (71% to 47%).

WCC has put in place a new quarterly survey to track the perceptions as we work towards transition (results are shown above). The City Council has also enacted a listening campaign of events to listen to concerns raised by residents and gain essential qualitative insight.

Key performance indicator	2017/18 position	Minimum	➡ Ideal	➡ Aspirational	Position at Q3	Target assessment	Other contextual insight
5. Number of households where statutory housing duty is discharged into the private rented sector	New KPI	75	100	125	**59**	On track	Currently there are 4 cases where a property has been accepted and the household is in the process of moving, a further 15 properties under offer pending viewing and decision and a further 3 properties available awaiting a household to be identified
6. Affordable Housing units delivered in 18/19 (1,850 by 2023)	New KPI	TBA	201	TBA	**117**	On track	**Insight:** There are also 530 affordable units on site, being provided through registered providers and WCC developments. Whilst as always, there is some risk of in year slippage, due to factors outside the Council's control, the long term target will be achieved.
7. No families in Bed & Breakfast for more than 6 weeks [S]	0	0	0	0	**0**	On track	**Benchmark:** At the end of Q4 of 17/18 2,110 h/holds were living in TA in Westminster. Above the London average (of 1,696) and 6th highest amongst all London LAs. Source: MHCLG
8. Reduction in rough sleepers spending more than one night out	75%	70%	75%	80%	**83%** (300/361)	On track	**Reporting period:** Apr 18 – Dec 18

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	Ideal	Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Development Planning							
9. % of 'non-major' planning applications determined within 8 weeks [S]	78%	68%	68%	70%	**79%** (3632/4597)	On track	**Reporting Period:** October 2017 – Sept 2019 (MHCLG requirement)
10. % of 'major' planning applications determined within 13 weeks i.e. larger scale development. [S]	64%	60%	60%	62%	**93%** (52/67)	On track	**Benchmark:** London and inner London average was 83% for 2016/17 **Reporting Period:** October 2017 – Sept 2019 (MHCLG requirement)
11. % planning appeals determined in favour of the Council (Excluding telephone boxes)	69%	55%	60%	65%	**66%** (77/116)	On track	
Property and Estates							
12. Increase total income generated from the council's investment portfolio	£721,000	TBA	£600,000	TBA	**£1,115,631**	Exceeding target	**Insight:** Gross income at start year £25,730,283. At Qtr 3 £26,845,914.
Growth and Economy							
13. 1,000 businesses significantly engaged (incl vouchers issued, CSR activity)	New KPI	TBA	1,000	TBA	**826**	Exceeding target	
14. Connect businesses to super and ultrafast broadband (Based on vouchers redeemed).	0	TBA	250	TBA	**122**	On track	**Insight** Currently a further 50 paid with at least another 90 expected by the end of March. It is anticipated that the annual target will be met.
15. Westminster Employment Service to achieve 750 job starts of which 300 long-term unemployed	442	TBA	750 (300)	TBA	**720 people into jobs with 277 long term unemployed**	Exceeding target	**Insight:** Current figures do not include a couple of our partner contributions e.g. PDT London Councils Poverty project. Figures will be updated by February
16. Number of businesses advised about the apprenticeship levy and developing apprenticeship schemes	New KPI	TBA	100	TBA	**70**	On track	**Insight:** With National apprenticeship week taking place in March it is anticipated that the annual target will be met
17. 2,000 young people engaged in enterprise and sector-based experiences	New KPI	TBA	2,000	TBA	**1,078**	On track	**Insight:** Hospitality Week took place in January 2019. STEM week will take place in March 2019. National Apprenticeship Week will take place in March 2019.

Target range definitions[1]		
	Minimum	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Q3 Target assessment definitions[2]		
	Off track	Failing to achieve the minimum target level
	Exceeding target	Performance is above ideal target level
	On track	Performance is at ideal target level
	Minimum standard met	Meeting the minimum target below ideal level

City for All Tracker

The table below provides a progress update at the end of Q3 (December 2018) on the measures and milestones aligned to the CFA pledges that the directorate is directly responsible for delivering.

City for all Pledge	Delivery Status	Progress update
City of opportunity		
We will deliver the most ambitious house building programme in the city for a generation. We are on track to deliver nearly 2,000 new council and affordable homes by 2023 and have identified sites for a further 2,000 homes.	On track	• In addition to the 268 affordable homes delivered in the 2-year period to date, there were also 530 affordable units on site, being provided through registered providers and Westminster City Council developments.
We will support 750 people into jobs per year. We also will make sure people have the best chance of finding work by ensuring our housing and children's services work together to enable parents to return to work	On track	• Overall the service is performing very well and on track to overachieve our target. Our profiled to year end is 750+ people into jobs per year with 300+ long term unemployed. Our current position at the end of Q3 is 720 people into jobs with 277 long term unemployed. Notable highlights include 300+ attended our first Job fair held at the Greenside Community Centre, £20,000 secured for new digital skills programme to support our clients who are digitally excluded, via the recruitment and training of Digital Champions, under our Innovation plans - 5 BIDS have expressed an interest in co-designing a hospitality and careers project, anticipated leverage of £175,000 (an interim project manager has been appointed) and the HELP (WES sub project) Peer Review event at Park Plaza Hotel in Victoria where Professor Nicholas Pleace - Director of the Institute of Housing Policy at the University of York, reviewed the project and presented to National and Local Housing and Employment Organisations from the UK and across Europe including delegates from Malta, Lisbon, Belgium, Netherlands, and Finland.
City that offers excellent local services		
We will deliver a step change in the quality of CityWest Homes customer service so that it is the standard that our tenants and lessees deserve	On track	Service improvement plans include; **'Open Door'** events delivered across Westminster between December 18 – March 19. These events offer the opportunity for front-line services to discuss issues with residents. They will inform CWH on the issues of importance to our residents and support the shaping of future service delivery **The Local Offer** CWH are working with residents and stakeholders to improve services, gain support for local initiatives, and give residents a voice in their neighbourhood. The Local Offer aims to: • Focus on issues that are important to our residents • Improve consistency and efficiency of services to all our residents • Engage residents in the shaping and delivery of services • Improve the maintenance and upkeep of the environment • Ensure our neighbourhoods are safe places to live
Caring and fairer city		
We will continue to support our new £6m state-of-the-art assessment centre, outreach services and accommodation for rough sleepers, helping people to get off the streets at night	On track	• The assessment centre has gone from strength to strength and, since opening, has successfully and sustainably resettled 167 people to their home area. In Q3, the service had a 69% success rate (its highest ever) with 34 people moving to their own accommodation in their home area

City for all Pledge	Delivery Status	Progress update
We have earmarked five schemes chosen by residents that will receive a combined investment of nearly £400,000 raised through our voluntary community contribution scheme. This will include helping rough sleepers off the streets at night, tackling loneliness and isolation across all age groups and supporting youth services.	On track	• The scheme has raised over £600k so far. £390k has been approved to be spent equally between the scheme's three priorities. £130k will be invested directly in rough sleeping services: £60k to fund two outreach workers from Riverside Care and Support; £70k will be opened up for grant bids – community organisations will be able to apply for up to £10k to fund an innovative project to tackle rough sleeping. Funding is expected to be released in the spring, following the launch of bidding process which will be open for 10 weeks
Healthier and Greener City		
We will plant 3,000 trees by 2020.	On track	• Tree planting on Westminster's streets is our main planting programme. 240 trees have been planted in the planting season to date (October 2018 to end of March 2019).
City that celebrates its communities		
We are reforming the planning system so that, for the first time, members of the public will be able to speak at planning meetings. This is one of a range of measures to make the UK's busiest planning authority more transparent.	On track	• Cabinet agreed at its meeting on 25 October 2018 with the general direction of travel outlined by the Planning Advisory Service report of September 2018, including a recommendation to introduce public speaking at planning committee meetings. The Planning and City Development Committee met on 17 January 2019 and agreed the detailed proposals to facilitate public speaking, which will be introduced in February 2019, when the first planning committee takes place at the refurbished 64 Victoria Street. Live streaming and recording of planning committee meetings will also be introduced when the appropriate technological solution has been identified and procured, in order to make the planning process more open and transparent for local communities.
We will remove unwanted and misused phone boxes from our streets.	On track	• Half a dozen phone boxes have been improved in response to cases reported, with around 12 investigations still pending consideration.

1.5 Corporate Services

Achievements:

Launch of IBC system and successful payroll run

Outputs delivered
We have successfully deployed the new Transactional HR and payroll system, recruitment system including recruitment site and onboarding portal, Learning Management system, HR policy area with revamped Westminster policies and pensions employer administration services.

Outcomes achieved
Our partnership with the IBC is a key enabler of the Westminster Way, providing managers and employees with an accessible, easy to use payroll and HR transactional system, recruitment system and supporting IBC recruitment team and a learning management system. Employees can book leave or log expenses via their mobile devices. Managers can view all information about their teams via the Manager Self-service function and action any employee requests. In line with the Westminster Way the new system gives manager greater discretion to more easily manage their teams, including creating new posts and teams. All systems are accessible via single sign on for Westminster employees. The systems went live on the 1 December 2018 with minimal transactional issues.

Launch of new set of Parental Leave Policies

A new set of parental leave policies was launched at the Staff Conference on 3 December with the new changes backdated to 1 April 2018.

Outputs delivered
The Council has increased the occupational parental pay to 6 months full pay and 6 months half pay for all employees with 6 months service. Occupational parental pay is also available to partners via the Shared Parental Leave scheme. Westminster has also signed up to The Smallest Thing Campaign to support parents of premature babies by committing to extend their leave by the number of days the baby is born premature and pay this extended leave at full rate.

Outcomes achieved
Flagship family friendly policies, which prove Westminster's commitment to being an Employer of Choice that supports working families and encourages healthy work-life balance. These pioneering policies will help WCC attract new talents, improve retention rate and close its gender pay gap.

Window10 and new device deployment

Introduces shared technologies and working practices for both councils removing duplication and inefficiencies and upgrading an ageing computing estate

Outputs delivered
Finalised the selection of the new single device, the Surface Pro. On schedule completion of Proof of Concept (November) to demonstrate the new Windows 10 operating system working and the Pilot Deployment Phase (December) to test our approach to rolling out new devices to users and troubleshoot issues in advance of the full roll out. 500 users were trained by 24/01/19 at a rate of 250 per week (with a target to rise to 350 per week in February).

Outcomes achieved
The Council is on track to meet the requirements for a secure new operating system in advance of the expiry of support for Windows 7 in 2020. This has enabled mobility and modern ways of working, equipping staff with the technology to fully exploit the new City Hall environment. This will address the Councils' ageing devices through the upgrade and replacement of equipment. There has

been positive feedback from users on the deployment process (a satisfaction rating of 4.4 out of 5 on the deployment experience) and usability of new devices (e.g. new features for quick and secure log-in and improved integration with O365). In the survey, 87% of users are very or extremely satisfied with their new device with none dissatisfied. 68% of users agree with the statement 'My new device has improved features compared to my old device such as being faster, offers wider range of applications that help me to work more efficiently'.

Launch of the new Apprenticeship network

Outputs delivered
A high profile, inspiring and interactive launch event delivered on 18th January to mark the beginning of an increased focus on apprentice development. The deputy leader Cllr David Harvey and Chief Executive attended the event. Feedback has been extremely positive.

Outcomes achieved
Our apprentices who are a diverse group form a key part of our talent strategy. This launch event which provided a clear development plan and key dates for future events is the first step to build on the work we have done to date in Westminster to create world class apprenticeships by focussing on development, induction, line manager support and retention. By focussing on supporting our apprentices in this way, we create a pipeline for the future.

An engaging staff conference themed around the Westminster Way.

Outputs delivered
The staff conference provided a key opportunity for the council to engage with staff and embed the Westminster Way. The conference had an interactive market place with market stalls representing each of the three pillars under the Westminster Way e.g. staff network reps under Value our people and diversity etc. The market place was followed by the main conference which had a key emphasis on Inclusion and Diversity with an external speaker Asia Sadia.

Outcomes achieved
The Westminster Way, our people strategy which was launched in September 2018, signifies how we want our culture to be in Westminster. Theming the staff conference around the Westminster Way and in particular Inclusion and Diversity enabled our staff to see/ experience the Westminster way. Quantitative feedback has been extremely positive. The Westminster Way will enable the delivery of City for All.

Risks and Issues:

Loss of major IT systems due to either systems failure or cyber attacks

Impacts and consequences
Inability to deliver core Council systems that are either Council-wide (e.g. email) or Council Service-specific (e.g. for Children), which could result in significant operational, financial and reputational damage. Potential permanent loss of data, harming customers & services, and resulting in fines & significant recovery costs. Council reputation and staff morale may also be impacted.

Mitigation and progress

- The move to cloud services including Office365 has resulted in an improvement in IT availability as measured by the volume of Priority 1 incidents (IT outages where more than 100 staff are affected, as recorded in our service management tool). A cloud migration transition project has recently been initiated primarily focused on RBKC legacy in-house infrastructure.
- Extension of WCC & RBKC Telephony services contracts to 2020 – completed and launch new Bi-Borough telephony and networks procurement to replace these extended contracts from 2020

- PSN compliance for a year to June 2019 awarded.
- Consolidated IT infrastructure with City W Homes agreed. Planning underway and CWH to be part of the networks and telephony procurement scope
- Continued implementation of Agile working practices, using SharePoint & Office 365 for collaboration to reduce printed materials, and risk of paper data loss
- Windows 10 rollout (completing spring 2019) to further secure end-user devices and avoid data breach instances

Accidental or malicious loss of Council data

Impacts and consequences

Failure in information governance, including introduction of GDPR, leading to significant data breach and financial penalty which could affect service delivery, result in harm to one or many Council customers, significant reputational damage, and fines from the regulator (ICO)

Mitigation and progress:

- The role of the Chief Information Officer as Senior Risk Owner (SIRO), the Caldicott Guardians for Adult Social Care and Children's Services and the Data Protection Officer are established and functioning, alongside central IT function following completion of the GDPR programme.
- A Head of Service for Enterprise IT Governance (Simon Pettifer) has been appointed to strengthen governance of information and information security. A range of enhances controls are in place including:
    - A case management system providing centralised reporting and oversight of FOI and SAR statuses,
    - A corporate Information Management and Information Security framework and Information Security policies, governance, processes and standards aligned to best-practice guidance and supported by additional staff
    - Stronger information security engagement in strategic projects (eg Family Story) through IT gate process to ensure risk assessments are completed, controls agreed and assurance of controls in place
    - Launch of staff security awareness and training programme (Q4 2019) including mandatory Information Security Training. Service Directors to attend quarterly Information Security Forums to ensure all departments are actively engaged in the management of information and associated risks and required mitigations.
    - Agreed funding new Cybersecurity project in 2019-2020 to analyse current security architecture supporting Threat Analysis, Web-Filtering, Patch Management, Virus protection and Data-Loss Prevention. Project manager to start 2019 (Q1 financial year)
    - Windows 10 rollout (completing Apr 19) to further secure end-user devices and avoid data breach instances.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator	2017/18 position	2018/19 target ranges[1]			Position at Q3	Target assessment[2]	Other contextual insight
		Minimum ➡	Ideal ➡	Aspirational			
ICT							
1. Number of major business impact Priority 1 incidents per quarter such as total loss of network connectivity at a site, major security breach or a major business application being unavailable or inability of users to log-on	22	22	18	12	**7**	On track	
2. Significant incident attracting fines under new GDPR legislation such as Information Commissioner intervention regarding handling of data protection	New KPI	3	1	0	**0**	On track	
Complaints							
3. Percentage of stage 2 responses signed by Chief Executive with no need to return	New KPI	95%	98%	100%	**100%**	On track	
People Services							
4. Ensure staff turnover is managed at appropriate benchmark levels (excluding redundancies)	14%	15%	14%	13%	**18%**	Off track	
↳ • **Service commentary:** Turnover still at 18% in Q3, though we have identified some reporting gaps in SAP which we are addressing and might affect this data. Will be able to review in more detail and better validate next quarter • **Mitigation:** Individual data by service area will be shared with ELT members for their review and action planning as appropriate							
5. Reduce the total population of TACS	263	237	203	<200	**294**	Off track	
↳ • **Service commentary:** TAC numbers have decreased since Q2 but still further work to be undertaken. The main reasons for this are: • TACs filling vacancies due to be deleted for savings in planned reorganisations • TACs backfilling roles for staff seconded to the Hampshire project • TACs with specialist skills being engaged on the Digital Programme. • **Mitigation:** ELT are asked to renew efforts to reduce the number of TACs, in particular those costing more than £100k and those who have been engaged for more than 12 months. Support to explore other resource strategies, in particular for hard to fill roles, is available from People Services • **Timeframe for improvement:**							
6. Increase the number of BAME employees in senior leadership roles (band 5 and above)	7%	8%	10%	12%	**11.02%** (14/127)	On track	

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	Ideal	Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
7. Closing the gender pay gap	9.8% (2016/17)	9.5% mean	9% mean	8% mean	**8.6%**	On track	**Insight:** Latest results will be available in March 2019
8. Increase the number of women in senior leadership roles (band 5 and above)	42%	43%	45%	47%	**45.67%**	On track	
9. Percentage of the 2018 Talent cohort to gain a promotion or make a planned development move during 2018/19	New KPI	15%	20%	30%	**42%** (11/26)	Exceeding target	

Target range definitions[1]		
	Minimum	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Q3 Target assessment definitions[2]		
	Off track	Failing to achieve the minimum target level
	Exceeding target	Performance is above ideal target level
	On track	Performance is at ideal target level
	Minimum standard met	Meeting the minimum target below ideal level

1.6 Finance

Achievements:

Savings proposals for 2020-22
The Finance team has begun to make progress on its savings proposals for the period 2020-2022. An initial scoping paper was delivered to the ELT in December 2018 informed by exploratory meetings with relevant directors held in November 2018. The process is now being followed up with discussions between Cabinet members and Executive Directors.

Outputs delivered
The 2019/20 Budget proposals have now been approved at Full Council and will be tracked for delivery through the coming financial year. The subsequent period of savings required has been discussed with ELT and updates on initial progress made on 2020-2022 proposals, together with discussions on changes to the way in which the budget process will change going forward.

Outcomes achieved
Circa £25m of gross savings towards the MTP target has been identified to date. We are aiming to have agreed proposals for 2020/21 approved by November 2019. This will enable the council to meet its savings requirements for the 2020/21 period. The gross savings target for the two years 2020/21 and 2021/22 as previously reported to ELT amounts to circa £85m. This will be subject to review as the medium-term planning period is extended to incorporate 2022/23 up to the end of the current administration.

Treasury & Pensions - Budget Progress 2018/19 and 2019/20
The team has now increased average investment yields to 0.89% as a result of the optimisation of portfolio allocations. The team is now expected to bring in just over double its original budget at around £11.7m. The revised 2019/20 target is making a significant contribution towards assisting the Council in balancing its budget.

Outputs delivered
£6.125m of additional income generated off the back of improved forecasting and portfolio management.

Outcomes achieved
Overall improvement on the net position of the 2018/19 deliverable budget.

IBC system launch
As of the beginning of December 2018 the Council went live with the IBC system. Corporate Finance played a significant role in this, with staff being involved in the implementation of the system. Corporate finance have key areas of responsibility around closing, corporate control, bank reconciliation and budgets.

Outputs delivered
As at Q3, the Corporate finance team, with the help and assistance of the wider finance function and services has completed the Period 8 hard close prior to going live with the IBC solution. This ensured that balances on Agresso were correctly rolled over to SAP and that has fed into the core statements as at Period 8.

Outcomes achieved
Going forwards the IBC system will be used to produce accurate reporting in a timely and efficient manner for budget monitoring and closing producing the core financial statement.

Risks and Issues:

Concerns over future funding for Adult Social Care and Public Health(ASCPH)

Impacts and consequences
Elements of ASCPH funding is time limited and therefore creates budgetary risk. We are waiting for the green paper and the fair funding review to ascertain the expected ASCPH funding levels from 2020/21. The 2019/21 expected public health grant funds are notional at the time of writing and therefore subject to change. These include the following grants:

- The ASC Winter Pressures grant is £1.323m in 2018/19 and the same as a provisional allocation in 2019/20. There is no allocation of these funds beyond 2019/20, which represents a budgetary risk.
- The Social Care Support Grant (SCSG) of £2.260m in 2019/20 is for both Adults and Children's social care services. There is no allocation of these funds beyond 2019/20, which represents a budgetary risk.
- The iBCF Grant is £12.317m in 2018/19 and £15.807m in 2019/20. There is no allocation of these funds beyond 2019/20, which represents a budgetary risk.
- The Social Care Grant of £0.827m in 2018/19 is for one year only and therefore creates a budgetary pressure from 2019/20, although it will be offset by the SCSG of which Adults will receive £1.356m

Mitigation and progress
The government will consult on options for fully funding local authorities' public health spending for current public health duties from their retained business rates receipts as part of the move to 100% rates retention. The current ring-fence on public health spending has been maintained in 2018/19 and 2019/20. There has been no government announcement as to when the ring-fence will be lifted. The grant is ring-fenced to be used only for meeting eligible expenditure incurred or to be incurred by local authorities for the purposes of their public health functions as specified in Section 73B(2) of the National Health Service Act 2006 ("the 2006 Act"). In order to fulfil all current WCC commitments £0.018m of the Public Health Reserve will be drawn down at the end of 2018/19 (P10 forecast) and further drawdowns are planned in future years with the reserve forecast to be fully depleted by 2022/23. To contribute to MTP Savings in order to mitigate the current budget gap in 1920/22, a saving of 10% is expected from all expenditure of the Public Heath Grant. There was a Public Heath Star Chamber in December 2018 where we reviewed all PH funded expenditure including all schemes funded in other Directorates in order to identify how we can drive this saving/reduction. This work will be continued via further Star Chamber meetings in the coming weeks.

City West Homes (CWH) transition

Impacts and consequences
Transfer of CWH is expected to result in additional costs particularly with respect to the pension liability, this will need to be met by the Housing Revenue Account. To date the project has experienced challenges with the incorporation of the new systems from Exchequer and Paris into the IBC. Work is ongoing in this respect.

Mitigation and progress
The project is being managed through a project board with risk logs and other project management techniques. The project is to be completed by the 31st March 2019.

Central London Clinical Commissioning Group (CLCCG) funding pressure

CLCCG is having financial problems including a reduction in their funds due to cost pressures. They are looking to make efficiencies in all of their out of hospital service including in the joint investments with ASCPH. Although ASCPH is working very closely with CLCCG and monitoring their savings programme, there is a risk of funding pressures to ASCPH.

Impacts and consequences

Recent discussions with the local CCGs have highlighted that the pressures faced by the CCGs are forcing them to review what they fund as part of the Better Care Fund and hence that they may reduce funding in 2019/20 down towards the BCF minimum level. Work is being undertaken in conjunction with the CCGs to determine what the financial implications for Adults Services will be. However, an in-year pressure of up to £1.1m has been identified due to the CCGs ceasing their funding of the Community Independence Service and a number of other services commissioned by the Council. If the CCGs reduce funding to the extent indicated, the Council may not be able to immediately novate all health responsibilities back to them, leaving a cost with the Council until those contracts can be terminated. Up to a further estimated £5m would need to be continued by the Council, which is currently funded by the CCGs, for which budget may need to be covered by a drawdown of Council reserves until mitigating savings or funding could be identified. The CCGs have the right and ability to reduce their BCF funding down to “CCG minimum” levels, the concern is how to manage this to least impact on both residents/service users and Council finances.

Mitigation and progress

We will seek to novate as many health focused contracts back to the CCGs for them to manage and mitigate the impact on service users, and for those services which are to remain with the Council we will investigate all options for identifying funding/budget to enable this. ASCPH is monitoring CLCCGs cost savings programme, any changes in costs will be challenged early which we believe will minimise the transfer of cost pressures to ASCPH.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

	Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum		Ideal		Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Finance										
1.	Percentage sundry debtors (more than 1 year old) of total gross sundry debtors	£2.675m	20%	➡	5%	➡	0%	**12.2%** (£4,532,000 /£37,074,000)	Minimum standard met	**Insight:** Percentage position improving since Period 3. ASC debt is causing the KPI to be above target – new processes in place, but need to be mindful of vulnerability of the client group.
2.	Variance between budget and full year forecast	£17.201m underspend	On budget	➡	<£5m underspent	➡	As per ideal	**£3.018m underspend**	On track	
3.	Variance between capital budget and FY forecast	£23.513m	On budget based on forecast	➡	On budget based on forecast	➡	On budget based on forecast	**£14.562 net underspend**	On track	
4.	% of payments made via Purchase Order	76.90%	96%	➡	98.00%	➡	99.00%	**98.66%** (4,903/5,003)	On track	**Insight:** We have included the cumulative result up to P8. Due to the move to SAP in December, we are currently clarifying information from IBC regarding the cumulative figure for the percentage of payments made via purchase order up to P9.
5.	Percentage of council tax collected	96%	95%	➡	96.5%	➡	99%	**94.8%** (Feb 2019)	Minimum standard met	For the same period last year 94.7%
6.	Percentage of business rates collected	98%	96%	➡	98.5%	➡	100%	**95.7%** (Feb 2019)	Minimum standard met	For the same period last year 96.0%

Target range definitions[1]	**Minimum**	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Q3 Target assessment definitions[2]	**Off track**	Failing to achieve the minimum target level
	Exceeding target	Performance is above ideal target level
	On track	Performance is at ideal target level
	Minimum standard met	Meeting the minimum target below ideal level

1.7 Policy, Performance and Communications

Achievements:

Markets consultation held

There were almost 850 responses, with 73 received from traders, to the council's 12-week consultation, which ended on 29 October 2018.

Outputs delivered

It sought views on how the Council can bring more diversity to Westminster's markets such as encouraging non-street food traders to open market stalls. It also asked stakeholders how to attract more visitors and innovate to recruit the next generation of traders, with increased training in areas such as card payments and customer service. The consultation also asked for ideas on how to become more sustainable by increasing recycling, reducing plastic, increasing biodegradable packaging and reusable energy, and offering in-season food. Responses suggested this was very important to traders.

Outcomes achieved

The Licensing Committee considered four options to refresh market fees and charges, and decided on changes to ensure the future basic running costs of Westminster's markets are recovered. Of those traders who responded to the consultation, 55% favoured the preferred option, which will see a staggered increase in fees across all markets, which remain in the lower range when compared with those of other local authority-run markets in London. This will be implemented from 1st April 2019.

Community contribution funds help for rough sleepers

Extra help for rough sleepers has been made possible by Westminster City Council's community contribution fund. The scheme, launched in March last year, involves asking the top Band 'H' householders to voluntarily pay an extra element alongside their council tax.

Outputs delivered

The community contribution scheme has already raised over £600,000. Those donating have picked three priorities for the money to go on – people sleeping on Westminster's streets; youth support and tackling isolation across the generations.

Outcomes achieved

£60,000 will go towards employing two ex-rough sleepers to become Westminster 'buddies' – helping people on the streets who may be distrustful of mainstream authority with a further £70,000 available in grants to organisations who help rough sleepers. An additional £130,000 has been earmarked for schemes that provide young people with jobs skills or training. Finally, £130,000 will go towards initiatives that combat loneliness in the community – not just among the elderly but also the young.

Awards for Westminster's most socially responsible firms

The Westminster Lion awards were created by Westminster City Council in 2017 to recognise businesses, educational or non-profit organisations that practice outstanding local corporate social responsibility, making a demonstrable impact on communities and the environment in the city.

Outputs delivered

Six Westminster-based firms have been celebrated for their efforts to make Westminster a better place to live, work and visit. Capital Arches Group, Grosvenor Britain and Ireland, Willmott Dixon, Baker Street Quarter Partnership, Odelay Films and David Miller Architects were presented with Westminster Lion awards at a ceremony at King's College London by Lord Mayor of Westminster Deputy Leader.

Outcomes achieved

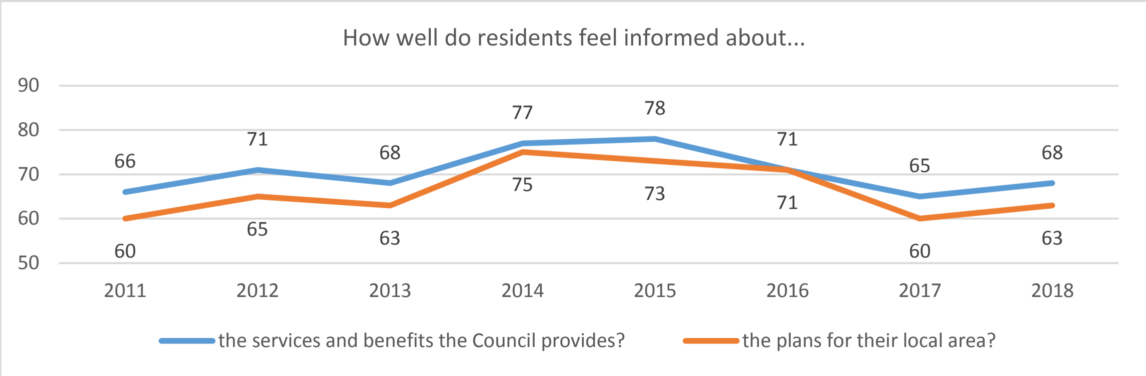
Over 30 organisations have received the Lion accreditation crest to date; these can be displayed on their business materials, identifying them as responsible Westminster businesses. The award winners attain a 'Golden' crest signifying exceptional performance in social responsibility.

Reputation Drivers – Residents City Survey Results

The survey helps assess how satisfied residents are with services the council provides, how informed they feel and to what extent residents consider Westminster a City of opportunity. 2,603 residents (aged 16+) were interviewed face-to-face by an independent research company, who ensured those surveyed were representative of the borough at the ward level. Survey Fieldwork began on 20 September and was completed on 26 November 2018.

Outputs delivered

Nearly two-thirds (63%) of respondents felt well informed about plans for their local area (see below table 2), a three-percentage point increase from 2017. Between 2016 and 2017, this had fallen by 10 percentage points.



Campaign to support people sleeping rough on our streets

The number of homeless foreign nationals in the borough has almost tripled in a year. In September 2017, there were 50 foreign nationals sleeping rough on its streets. Within a year, this figure had increased to 132. At its last count in November 2018, council officers found 150 people out of 306 sleeping rough were not from the UK. A Signiant number of people do not have any support or recourse to public funds.

Outputs delivered

- The Council has asked for new powers to help reduce the number of migrants sleeping rough on its streets.
- As a council, we invest £6.5m a year on services to help get people off the streets and use our services, more than any other local authority.
- The Leader, Cllr Nickie Aiken and a reporter from the BBC's London Inside Out both joined Westminster's rough sleeping team for a night on the streets, raising awareness of the challenges that the council faces in supporting EEA rough sleepers.
- The council have launched a new campaign called CHAT APP TAP to present three effective ways for residents, workers, visitors, and council staff to support our commitment to help those who are most in need by:
    - **CHAT:** a smile and a hello can make all the difference to boost the self-esteem of someone who is sleeping rough.
    - **APP:** Street Link is an app that connects local outreach teams with someone who is sleeping rough.
    - **TAP:** Give £3 directly to charities and services wherever you see the TAP London giving points

Outcomes

Deliver a significant reduction in rough sleeping in the Coty and address the harm it brings to individuals and communities in Westminster.

City Hall

The redevelopment of City Hall, 64 Victoria Street, was completed at Christmas 2018 following a substantial 18-month programme of works. The building has undergone a complete modernisation and transformation to include new accommodation, double decker lifts, better connectivity, new mechanical and electrical systems and 2,000 new windows.

Outputs delivered

The project has been delivered on time and within budget. City Hall now provides new accommodation fit for an exemplar local authority which reflects the Council's modern, outward facing, collaborative approach. The building provides the Council with a future proofed administrative headquarters which enables it to engage better with its residents and businesses. Major milestones are the letting of the half of its floors to generate commercial opportunities and maximise income, and the promotion of an environmental friendly environment for the working staff and visitors. Our goal is to achieve a BREEAM excellent rating – a certified measure of efficiency which will reflect the council's role in championing social and environmental responsibility.

Outcomes achieved

The Council will return to the top half of the building from February 2019. The accommodation will support agile working practices and encourage greater levels of collaboration. The new layouts and furnishings will support the Council's new way of working with more break out and touch down space. It is also expected to improve energy efficiency around the building and have positive environmental impact by reducing its carbon emissions. The bottom half of the building will be let out to businesses to reduce associated running costs and generate a new source of income to support front line services.

#DontbeIdle2 campaign progressing

The #DontBeIdle campaign has now reached over 14,000 pledges and 24,000 interactions with drivers to switch off their engines.

Outputs delivered

This year we will roll-out of the #Don'tBeIdle2 campaign focusing on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge. The council has written to more than 20 business leaders from some of London's top freight, delivery, coach, taxi and private hire companies this week, asking for support given delivery drivers and commercial vehicles make up a large proportion of idling drivers.

Outcomes achieved

The trial diesel surcharge has now been operational for a year in Westminster's F-Zone. There has been a 16% reduction in the number of older diesel vehicles parking in the LEN. Residents, businesses and visitors are being given the chance to give their views on the diesel parking surcharge in a city-wide consultation running between 18th July and 12th September.

Launch of the Night Hub and Soho Angels

A pilot of the Soho Angels (the name given to the volunteers) and the Night Hub were conducted on each Friday night from the 30th November to the 21st December 2018. Engagement was undertaken prior to the pilot with local businesses and other stakeholders to inform them of the service that will be provided and how they can assist. The initiative stems from the council's Licensing Charter work and the LGBT Foundation's Village Angels programme in Manchester. The 'Soho Angels' received training from Drinkaware, St John Ambulance, and LGBT Foundation, including caring for those who are intoxicated, conflict resolution, safeguarding and supporting vulnerable people and LGBT awareness and support.

Outputs delivered

The pilot nights ran from 10pm to 5am each night and had an average of 10 Soho Angels, which included Westminster residents, off-duty paramedics and a number of council officers, working on each of the nights alongside partners such as St John Ambulance and the Metropolitan Police Service providing support to those who needed it.

Outcomes achieved

The pilot supported over 160 people on the street during its operation and 61 people visited or were taken to the Night Hub. 31 of those who attended the Night Hub required medical monitoring/support whilst they recovered. Preparations are now moving forward with the full operation of the service on Friday and Saturday nights from March 2019. The initiative received a significant amount of positive media attention and was well received by the community.

Consultation on Oxford Street and Strand/Aldwych plans

The consultation on Strand/Aldwych has been running from 30 January 2019 to 13 March 2019. An Oxford Street consultation ran from 6th November to 16th December 2018 with a series of exhibitions across the district and plenty of opportunities for people to get involved and to have their say.

Outputs delivered

The city council is planning on setting aside £50 million each year for the next three years in order to provide a massive kick start to turn the Oxford Street district strategy into reality and is calling on private and public partners to back the improvements. A draft of the detailed Place Strategy was developed over the summer following rounds of discussion with 50 stakeholder groups, including residents, businesses, workers in the district, young people and special interest groups.

The Strand/Aldwych scheme is backed by £28m of council investment to deliver key improvements including removing the gyratory, having two-way traffic in Aldwych and removing it from part of the Strand. Work will also be done to improve public spaces across the whole area with an amazing new plaza proposed around St Mary Le Strand Church. The scheme will also create a cultural and learning quarter by joining up the world-renowned organisations and institutions in the area and supporting them to showcase their amazing offer.

Outcomes achieved

The Strand/Aldwych scheme will tackle air quality issues as well as improving facilities for walking and cycling and improve connections to South Bank, Covent Garden and the West End. The Oxford Street District plans. Plans for Oxford Street will seek to strengthen the world-renowned status of the entire District to ensure it will be a great place to live, work and visit and to secure its long-term future

Media Monitor Dashboard launched

A media monitor dashboard has been developed to track both proactive and reactive stories across media platforms.

Outputs delivered

The dashboard tracks media activity (proactive and reactive), interviews by members, hits on our target media publications and aligns media activity against City for All priorities. The dashboard also tracks impressions on social media platforms such as Twitter.

Outcomes achieved

The dashboard presents an aggregated media score by week and month to observe how often the Council is mentioned in news publications. It offers an overall picture of the type of Council stories making the news so the team can better target and respond to platforms.

Risks and Issues:

Brexit
The lack of consensus in Brexit negotiations make a no deal scenario more likely.

Impacts and consequences:
- Brexit could lead to political upheaval and a potential change in Prime Minister or government.
- Brexit also creates uncertainty for the economy of the City and the high number of EU nationals that currently work and reside in Westminster
- Lack of financial mitigation from the Treasury may mean that there are further pressures on local government funding impacting on finances available to deliver services

Mitigation and progress:
PPC will be monitoring the convergence and divergence between the sides on the key issues that impact Westminster. There will be further work done with central London partners to understand and articulate specific issues relating to Westminster. There are also regular meetings with the WCC Brexit Strategic Board in place to mitigate risks and monitor a set of key performance indicators in order reduce service impact for each area in case a no deal scenario occurs.

Revenue from filming and events at risk
There are a number of internal and external factors that are impacting on future filming and events revenue.

Impacts and consequences:
Residents views on events in parks, Brexit, growing costs of filming in Central London, an inability to grow the advertising sector of the business and the relocation of many filming crews to Manchester and Birmingham are putting revenue from filming and events at risk.

Mitigation and progress:
The team takes every opportunity to consult with residents and are working with finance colleagues to further promote events support with stakeholders. Further analysis will be performed on the impacts of Brexit and filming relocation on revenue.

Key Performance Indicators

The table below presents the latest cumulative outturns for Q3 (April 2018 – Dec 2018), unless indicated. The KPIs presented here have been selected to monitor performance against key service activities within the directorate.

Key performance indicator	2017/18 position	2018/19 target ranges[1] Minimum	➡	Ideal	➡	Aspirational	Position at Q3	Target assessment[2]	Other contextual insight
Policy, Performance and Communications									
1. Total customer calls answered in 30 seconds by the council (new contract agreement)	80.17%	= last year	➡	> last year	➡	+2% on last year	**78.8%** (164,365/208,586)	Off track	**Insight:** The data included is for the Agilisys contract. The Ericsson customer services contract has by far the most customer contact, with over 800,000 interactions
↳ • **Service commentary:** A customer contacts PowerBI dashboard has been developed which gives live updates against this KPI. This will be used to track further movements in the customer contact data.									
2. Number of views on the Open Forum website	11,300	12,500	➡	15,000	➡	17,500	**8,900**	On track	**Insight:** "Have your say on expanding the diesel parking surcharge across the city" was the most popular project listed on the Open Forum website with 4,063 visitors aware of the project
3. Less than 4% of calls abandoned	3.78%	<4%	➡	<4%	➡	<3%	**3.1%** (6,480/208,586)	On track	**Insight:** Telephone is the preferred method of contact for customers, with approx. total 1.5m calls made to council contractors
2018 City Survey									
4. Residents feel informed about services and benefits	65%	= last year	➡	> last year	➡	+5% on last year	**68%**	Achieved	
5. Residents feel informed about plans for your local area	60%	= last year	➡	> last year	➡	+5% on last year	**63%**	Achieved	
6. Residents have seen the Westminster Reporter	54%	= last year	➡	> last year	➡	+5% on last year	**60%**	Target exceeded	

Target range definitions[1]		
	Minimum	The absolute minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Q3 Target assessment definitions[2]		
	Off track	Failing to achieve the minimum target level
	Exceeding target	Performance is above ideal target level
	On track	Performance is at ideal target level
	Minimum standard met	Meeting the minimum target below ideal level

City for All Tracker

The table below provides a progress update at the end of Q3 (December 2018) on the measures and milestones aligned to the CFA pledges that the directorate is directly responsible for delivering.

City for all Pledge	Delivery Status	Progress update
City of opportunity		
We will roll out our #MyWestminster City Lions Programme for 13 to 16 year olds, making sure that young people from a variety of backgrounds have access to all of the opportunities the city has to offer	On track	• A three day schedule of tour activities has been planned for February half term. Young people will discover some of top places to visit in London and have the chance to get out and about to create works of art inspired by some of Britain's famous historical figures. There will also be the opportunity to tour the Photographer's Gallery and the Saatchi Gallery on the following days
We will consult on and adopt a new City Plan, putting in place the biggest change in policy for a generation to support the building of more affordable homes and making sure residents are at the heart of all new developments.	On track	• Westminster's draft City Plan, which sets out the future approach for the city, was launched on 12th November. Underpinned by the City for All vision, it sets out a blueprint for how Westminster will enter the next few decades in a strong and competitive position.
We will launch a new enterprise partnership bringing together businesses from across the city to shape a new economic development strategy.	On track	• More than 1,000 young people had the chance to brush up their business skills as part of Westminster Enterprise Week. Organised as part of Global Entrepreneurship Week, the Westminster City Council initiative helps nurture the next generation of budding entrepreneurs by connecting local students to the world-class enterprise organisations, employers and networks on their doorstep. With 23 events hosted in the week, and nine Westminster schools and colleges participating, the city's fourth annual Enterprise Week provided our next generation of entrepreneurs – for anyone aged 16 to 24 - with a rare opportunity to pitch ideas to inspiring business leaders.
We will work with businesses, residents, schools, colleges, and policy makers to build a new model of vocational education and, by 2020, launch a new city skills framework. This will support people develop their talents – and learn entirely new ones – from birth to well after retirement.	On track	• The development of the city skills framework is on-going, with officers delivering a series of high-profile seminars, bringing together thought leaders from the worlds of business, education, think tanks and more to shape and influence the strategies. It is planned that a partnership will be formed and launched as a result of the seminars. This partnership of leading figures will act as guardians of both strategies, providing cross-sectoral knowledge and experience and ensuring that the CSF and EOS are effectively implemented.
Caring and fairer city		
We have earmarked five schemes chosen by residents that will receive a combined investment of nearly £400,000 raised through our voluntary community contribution scheme. This will include helping rough sleepers off the streets at night, tackling loneliness and isolation across all age groups and supporting youth services.	On track	The money being raised will go towards: • £60,000 towards employing two ex-rough sleepers to become Westminster 'buddies' – helping people on the streets who may be distrustful of mainstream authority • £70,000 available in grants to organisations who help rough sleepers • £130,000 for schemes that provide young people with jobs skills or training • £130,000 to go towards initiatives that combat loneliness in the community – not just among the elderly but also the young.
Healthier and Greener City		
We will launch a new Green for 18 campaign to raise awareness and make it easy to reduce our reliance on single use plastic. Westminster City Council has already banned single use plastic containers in meetings.	Off track	• This campaign will now be taken forward into 2019

City for all Pledge	Delivery Status	Progress update
We will expand #DontBeIdle, setting the ambition for 1,000 businesses to sign up and play their part in reducing their own and their customers' emissions.	On track	• Completion of consultation analysis report to inform future direction of diesel surcharge scheme and next steps. • Continued development and roll-out of the Leader's #Don'tBeIdle2 campaign focusing on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge
City that celebrates its communities		
More than 3,000 people from all over Westminster celebrated the second #MyWestminster Day at Paddington Recreation Ground on 1 July, cementing it as a major annual event to celebrate the city's neighbourhoods.	Achieved	• Just over 3,000 residents came down to enjoy the day, which took place on Sunday 1st July. Families and residents enjoyed free family activities, sport, live music, entertainment, dancing and arts and crafts • Maida Hill Place provided food from across the world working in partnership with Westminster residents who are part of the Big Eat Training programme. Local acts provided live music and dancing from the bandstand. We were also joined by 40 community and voluntary organisations who offered free entertainment and activities to showcase our vibrant and diverse city
We will continue the roll out of the #MyWestminster Fund, making up to £10,000 available to grassroots organisations across the city to help make a difference in their neighbourhoods.	On track	• The #MyWestminster Fund has now granted funding to 48 local organisations. Safe Haven Basketball were awarded funding in the scheme's second of four rounds, which saw 19 organisations share in £123,000 of funding • A basketball association providing weekly training sessions for young adults with learning disabilities is one of nineteen organisations set to benefit from funding. Safe Haven Basketball, which trains young people between the ages of 12-25 in Little Venice, will put £2,500 in funding toward everything from basketballs to training its coaching staff and volunteers • Applications for round three opened in January 2019 and will close on 21st March at midday
We will work with our neighbourhoods and businesses to make sure our valued EU residents remain welcome and the local economy continues to thrive as the UK prepares to leave the European Union.	On track	• The EU citizen's advice hotline run by the CAB has been established. The website has attracted 1,635 individual visits and 303 advice appointments/assessments have taken place. The majority of service users report an improved capacity to manage future problems, increased knowledge and confidence regarding their rights and responsibilities and feeling better about their future. The service is now also available for Westminster City Council staff to use
We will work with residents to develop new proposals for the Oxford Street District, which includes the reduction of pollution levels, control of deliveries, protection of resident parking bays, ensuring traffic will not 'rat run' down residential roads and effective management of pedestrian areas and surrounding streets.	On track	• The city council is planning on setting aside £50 million each year for the next three years in order to provide a massive kick start to turn the strategy into reality and is calling on private and public partners to back the improvements. A draft of the detailed Place Strategy was developed over the summer following rounds of discussion with 50 stakeholder groups, including residents, businesses, workers in the district, young people and special interest groups. The consultation ran from 6th November to 16th December 2018 with a series of exhibitions across the district and plenty of opportunities for people to get involved and to have their say

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City of Westminster

Audit & Performance Committee

Date:	2 May 2019
Classification:	General Release
Title:	**Integrated Investment Framework 2018/19 Outturn**
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cabinet Member for Finance, Property and Corporate Services
Financial Summary:	This report forms part of the monitoring process (outturn position) of the Integrated Investment Framework.
Report of:	Gerald Almeroth
	Executive Director for Finance and Resources

1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to present the Outturn Report for 2018/19 for the Council's Investment Framework.

2. RECOMMENDATION

2.1. Cabinet is asked to note the Investment Framework outturn 2018/19.

3. BACKGROUND

3.1. On 7 March 2018, Full Council gave approval to implement a comprehensive strategic integrated investment framework for bringing together and managing all its investments within the approval of an Integrated Investment Framework.

3.2. The Council holds £729.0m of short term cash based investments (as at 31 March 2019), managed under the Treasury Management Strategy Statement (TMSS), which passes through Scrutiny, Cabinet and Full Council on an annual basis.

3.3. The Council also owns a significant number of Investment Properties, revalued as at 31 March 2019 at £472.7m, which are considered as part of the Capital Programme.

3.4. The Council holds a number of long term loans and equity shareholdings.

3.5. In addition, the Council is responsible for managing the Westminster Pension Fund which has net assets of £1.403bn (valued at 31 March 2019), and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee. Investments held as part of the Council's Pension Fund are managed under a separate regulatory framework and are outside the scope of this report from the point of view of investment management.

4. RISK LEVELS

4.1. The Investment Framework has focused on:

- investments with a reasonable return based on reasonable risk;
- other Treasury opportunities not covered in the TMSS; and
- property investment opportunities.

4.2. The Council has sought to obtain the maximum amount of income consistent with an optimum level of risk, and is willing to accept a lower level of income in exchange for a lower risk product which does not expose the capital value of the investment to potential loss. Security of capital and liquidity requirements are higher priorities than investment yield.

4.3. Westminster City Council's capital programme has a forecast net funding requirement of £1.765bn over the next 15 years including 2018/19. Of this funding requirement, between £0.9bn and £1bn will need to be resourced using borrowing from external providers in this period. Thus, with regard to the Treasury portfolio, the need to take liquidity into account is extremely important.

5. EXPECTED TREASURY BALANCES AND BUDGETED INCOME/EXPENDITURE

5.1. The budgeted average Treasury balance for 2018/19 was £1.2 billion. The actual average investment balance for the year was £1.172 billion. The Treasury balance peaked in June 2018 at £1.294 billion and then fell to £729.0 million at 31 March 2019.

5.2. The table below shows the actual investment income and expenditure achieved in the year, the budget and the variance.

	Budget £000	Actual £000	Variance £000
Investment Income	5,575	11,148	5,573
Interest Payable	12,293	10,626	-1,667

6. CURRENT INVESTMENT ACTIVITY

6.1. The Council is responsible for managing three investment portfolios:

- the Council treasury investment portfolio of £729.0m comprising of short/medium term cash-based investments generating a current return of 1.01%;

- the investment property portfolio of £472.7m, generating 3.1% net of direct costs; and

- the City of Westminster Pension Fund of £1.403bn with an assumed long-term investment return of 5.1%.

6.2. The Council investment portfolio is set out below.

Type of Investment	Expected rate of return	Value at 31 March 2019 £m	Value at 31 March 2018 £m
Short term investments (mostly overnight cash deposits, money market etc.)	1.01	729.0	992.2
Long term investments in shareholdings in controlled companies such as CityWest Homes, Westminster Community Homes, WestCo trading etc.	5% average	27.5	27.5
Property Fund Partnership (Lettings Fund)	3.2%	26.0	15.0
Investment properties	3.1%	472.7	385.0
Total		**1,255.2**	**1,419.7**

6.3. The Pension Fund is a separate legal entity and, therefore, its assets cannot fit within the wider investment framework of the Council. However, despite this ring-fencing, the pension fund has a significant impact on the Council's financial position and funding needs, because of the existing deficit in the scheme, and the contribution plan in place to close this over a 15-year horizon (from 1 April 2019).

6.4. The funding position of the Pension Fund has improved from 74% at 31 March 2013 to 94.5% at 31 December 2018. City of Westminster (as an employer within the Pension Fund) has an outstanding deficit of £157.5m at 31 December 2018.

6.5. The funding of the Pension Fund assumes an annualised rate of return of 5.1% over the 15-year recovery period as represented in the discount rate used to value the pension fund liabilities. From the Council perspective, as an employer paying into the Pension Fund, any deficit represents a form of borrowing with an interest rate set at the discount rate of 5.1%.

7. SHORT-TERM INVESTMENTS

7.1. In line with the current investment strategy, the treasury portfolio of short term cash-based investments with 48% bank based deposits, 36% in local authorities, 8% in money market funds, 8% in government bonds.

7.2. Investment in bank based deposits are made according to minimum required ratings (provided by Moody's, Standard and Poor and Fitch) as stipulated in the TMSS. Local authority investment decisions are transacted based on due diligence sourced by officers from the latest published financial statements, external audit reports, current expenditure outturn/forecasts and current/anticipated positions with regard to the expected use of useable reserves to fund current and future budget deficits.

7.3. This approach provides flexibility for the Council at very low levels of risk, but tends to result in fairly low returns, currently at 1.01%, and an approach to investment management which focuses primarily on security of capital and liquidity requirements.

8. INVESTMENT PROPERTY

8.1. Commercial property investment provides investors with:

- Higher income returns than equities, bonds or cash.
- Secure, regular income with income growth prospects to hedge against inflation.
- Capital value appreciation.
- Asset management opportunities to further increase rental and capital growth.
- Underlying real assets.
- Low correlation of investment performance with other asset classes.

8.2. However, as with any investment, there are associated risks:

- Illiquidity: property is a 'bricks and mortar' asset which takes time to sell/buy.

- Threats to income security if the tenancy fails and the property cannot be re-let.

- Capital depreciation: if the asset is not properly managed and left to fall into disrepair.

- High transaction and management/holding costs.

8.3. Geographically, the investment property portfolio is concentrated within the borough, which tends to concentrate the economic risk in one area. Currently, the property portfolio is heavily fragmented due to its historical incremental build-up, with a heavy concentration in car parks which generates 39% of total income, followed by shops generating 22%, offices generating 17% and other smaller units generating the remainder.

8.4. The car park assets, which provide a steady income stream, offer value added opportunities through potential change of use and redevelopment over time. The Council is focused on delivering best returns by both acquiring new assets and redeveloping existing assets, so improving the quality of the portfolio.

8.5. An annual £50m drawdown facility for investment schemes to generate additional income towards future Medium Term Plan savings was approved as part of the previous years' capital strategies (total £100m to date). Of this £28.1m has been invested, leaving an available balance of £71.9m. Schemes funded by this capital budget will go ahead after full diligence and should generate additional income.

8.6. Focus should be on optimising performance of the Council's portfolio and acquiring adjacent/adjoining assets which will also provide additional active asset management opportunities within the portfolio.

9. LONG-TERM INVESTMENTS

9.1. No general legal restrictions are placed on the value, length or nature of such investments and the only proviso is that investments are placed in accordance with investment strategies formally approved by members. The City Council's Treasury Management Strategy Statement (TMSS) expressly permits new investments in non-specified institutions. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions, and approved by the S151 Officer subject to due diligence.

9.2. The Council's current portfolio of non-specified investments is:

	Value at 31 March 2019 £ million	Value at 31 March 2018 £ million	Expected return
Investments in companies controlled or significantly influenced by the Council	27.5	27.5	Nil direct to the Council, profits made are usually reinvested in the business
LGA Loan	20.0	0	3.13%

Supranational	0.0	72.7	0.77%
Property Fund Partnership (Lettings Fund)	26.0	15.0	Annualised 3.13% over 7-year life of fund
Total	**73.5**	**115.2**	

10. FACTORS IN INCREASING YIELD

10.1. This has been partially achieved but the requirement for liquidity will remain paramount.

Change	Current situation	Risk	Progress made in 2018/19
Treasury Management			
1. Lengthen the maturity structure from the current average seven months to a target average maturity of two years	By investing in longer maturity assets with same credit quality, some additional yield may be generated, but the gilt yield curve is relatively flat, so yields would likely increase by about 0.3%.	Going out to longer dated bank deposits beyond 5 years would increase counterparty risk to individual banks, which becomes more of a risk if there is a future financial crisis	Steps have been taken to extend the average maturity periods, subject to the Council's cash flow requirements and resultant need for liquidity in the current financial year and beyond. At 31 March 2019, £145m worth of investments are locked for periods of six months to a year, with proposals in place to invest for periods of up to two years, preferably with local authorities.
2. Widen the credit quality of investments by moving from the current average rating of AA to A. This would allow the Council to invest a greater number of instruments with a moderate amount of credit risk (eg corporate bonds) that have maturity beyond one year. Yields tend to be higher to compensate for the higher perceived	For example, a portfolio of short duration investment grade sterling denominated credit benchmarked to the Barclays Sterling Corporate Bond index of 3 to 5 year maturities yields 1.24% currently, which is more than double the yield on the current treasury portfolio. The average credit rating of the index is BBB+/A	By diversifying away from bank deposits, although marginally lower credit rating, this would spread the risk in the event of a future financial crisis.	At 31 March 2019, the treasury investment portfolio had £45m invested in investments with credit ratings A, £125m in A+, £139.2m in AA-, £360.1m in AA counterparties and £59.7m in AAA rated counterparties. Any category of an A grading is known as investment grade and thus has high quality status.

Change	Current situation	Risk	Progress made in 2018/19
risk and reduced liquidity			
3. Add more credit sub-asset classes such as asset backed securities (ABS). These are typically listed rated bonds which can be traded, but liquidity varies depending on the issue. Types of credit include car loans, credit cards and residential mortgage backed securities (RMBSs)	Yields are in the range of 0.65% above the current treasury portfolio yields (AAA rated). Yields can be higher for AA or A rated asset backed securities.	The extra yield reflects the potential complexity of these instruments, but since the last financial crisis regulation has made asset backed securities more secure through risk retention rules, increased ratings scrutiny and credit protection, reflecting the government policy increasing lending to households and small businesses	Exploration has been made by officers with regard to investment in Asset Backed Securities (ABS). In the light of general economic/investment uncertainty created by the UK's pending departure from the European Union, this proposal is temporarily on hold.
Investment property			
4. Adopt a more focused property investment strategy by reducing the number of properties and increasing the lot size to efficiency gains and reduce the cost of management and maintenance. Given the added illiquidity of property investment, this only makes sense if the Council can achieve materially higher yields than the treasury portfolio and meet other objectives such as reducing risk (eg inflation) or help meet statutory duties. Therefore new acquisitions should target a total return of least 5%. A further objective is the acquisition of suitable properties which will assist in the unlocking or enhancement of regeneration schemes or the achievement of other strategic benefits (not necessarily	Increased return on property portfolio of at least 0.8%.	Adverse property markets may result in a fall in sale value	The Director of Corporate Finance and Property has continued the commercial property acquisition programme with various new properties added into the portfolio. The most recent purchases are 10-12 Orange Street for a purchase price of £11.8m and 14-20 Orange Street for a purchase price of £15m (total costs acquisition cost of £28.1m).

Change	Current situation	Risk	Progress made in 2018/19
financial) for the Council.			
5. Expanding the use of fund structures to deliver specialist functions such as supported living housing, homeless shelters, asylum housing etc. This would meet statutory duties and generate a return.	Yields from public social housing real estate investment trusts (REITs), such as the Real Lettings Fund which the Council is currently invested in are generating returns of 6%	By using a fund structure, this arms-length approach distances the Council from the costs of directly managing such property and investment is secured on the underlying property	During the implementation process, consideration will be given to additional transaction costs (which may be bid/offer on entry and exit), as well as high management fees and/or the underlying costs of such investments.
Alternative assets			
6. These fall outside traditional investments, such as listed equities and bonds, and include renewable energy, infrastructure and commodities.			Currently, these are considered too high risk for the treasury portfolio.
Pension Fund			
7. Pension Fund deficit: pay off entire deficit post 2019 actuarial valuation	This eliminate the interest payable on the pension fund deficit in its entirety, providing contribution and interest savings	Adverse markets in UK and abroad increase pensions deficit notwithstanding the payment made	The Council is proposing to pay all of its pension fund deficit identified in the 2019 triennial actuarial valuation, currently projected to be £151.5m, around 1 April 2020.

11. GOVERNANCE

11.1. The implementation, management, monitoring and reporting of the Investment Framework are delegated to officers in the same way that they are with the Treasury Management Strategy Statement (TMSS). Investment decisions that require such action are delegated to the Cabinet Member for Finance, Property and Regeneration after due diligence and advice from the Executive Director of Finance and Resources, Director of Corporate Finance and Property and Tri-Borough Director of Treasury and Pensions.

11.2. The implementation, monitoring and reporting is delegated to the Investment Executive, comprising:

- the Cabinet Member for Finance, Property and Regeneration and the Chairman of the Audit and Performance Committee;

- the Executive Director of Finance and Resources, the Director of Corporate Finance and Property and Tri-Borough Director of Treasury and Pensions.
- the Chief Executive as necessary.

11.3. The Investment Executive meets quarterly, supplemented with ad hoc calls and meetings in times of need of change.

11.4. Investment property and alternative asset allocation should focus on in-borough, with out-of-borough options being explored as and when they arise and subject to Cabinet Member approval.

11.5. With regard to investments in out-of-borough property developments, these should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property fund.

11.6. All Individual decisions should be subject to Cabinet Member approval.

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

Phil Triggs, Tri-Borough Director of Treasury & Pensions
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BACKGROUND PAPERS

Council

2018/19 Treasury Management Strategy Statement

2018/19 Investment Framework

Audit & Performance Committee

Date:	2 May 2019
Classification:	General Release
Title:	Treasury Management Strategy Outturn 2018/19
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently
Cabinet Member	Cabinet Member for Finance, Property and Corporate Services
Financial Summary:	This report forms part of the monitoring of the treasury function as recommended in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. It reviews the implementation of the strategy and final outturn position
Report of:	Gerald Almeroth Executive Director for Finance and Resources

1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to:

- Present the Council's Annual Treasury Management Outturn Report for 2018/19 in accordance with the Council's treasury management practices. It is a regulatory requirement for this outturn report to be presented to Council by the 30 September each year.

1.2. Treasury management comprises:

- managing the City Council's borrowing to ensure funding of the Council's future capital programme is at optimal cost;
- investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

1.3. This report complies with CIPFA's Code of Practice on Treasury Management, and covers the following:

- Review of the Council's investment portfolio for 2018/19 to include the treasury position as at 31 March 2019.
- Review of the Council's borrowing strategy for 2018/19.
- Review of compliance with Treasury and Prudential Limits for year to 2018/19.
- Economic update for 2018/19.

1.4. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) apart from two instances (already reported in the 2018/19 mid-year review) which arose because of exceptional banking receipts which were received too late in the day to be moved from the bank until the following day. This resulted in funds in excess of the strategy limit set for the Council's current bank account on two occasions:

- £1.171m on 3rd April 2018.
- £23.686m on 25th May 2018.

2. RECOMMENDATIONS

2.1. Cabinet is asked to note the annual treasury strategy final outturn 2018/19, noting the cases of non-compliance.

3. TREASURY POSITION AS AT 31 MARCH 2019

3.1. As at 31 March 2019, net cash invested was £506m, an decrease of £235m on the position at 31 March 2018 as shown below:

	31 March 2019 (£m)	31 March 2018 (£m)
Total Borrowing	(223)	(251)
Total Cash Invested	729	992
Net Cash Invested	**506**	**741**

Investments

3.2. The Council's Annual Investment Strategy which forms part of the annual Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by the Council on 7 March 2018. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.

3.3. The table below provides a breakdown of investments, together with comparisons for the previous financial year end.

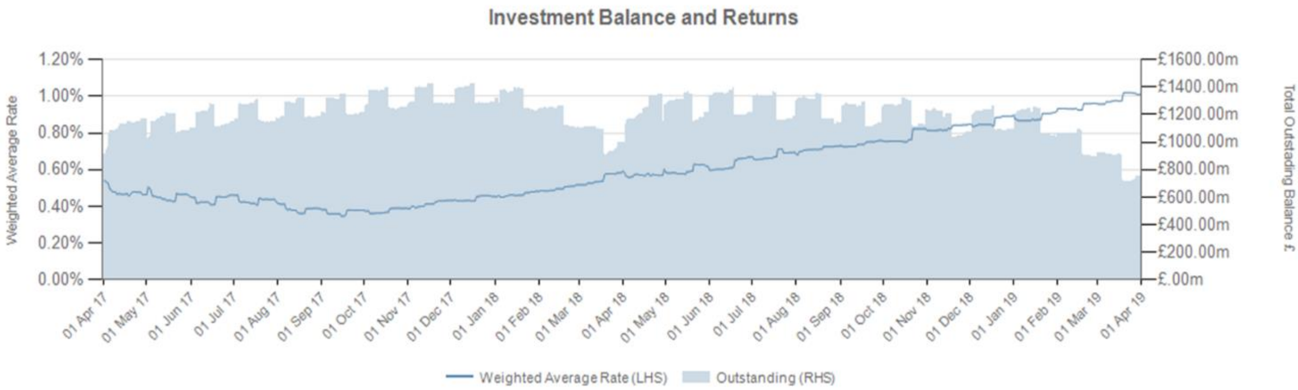
	Investment Balance 31 March 2019 (£m)	Investment Balance 31 March 2018 (£m)	Movement
Money Market Funds	59.7	129.6	-69.9
Notice Accounts	89.5	89.3	0.2
Term Deposits	465.0	385.0	80.0
Tradeable Securities	114.8	336.1	-221.3
Enhanced Cash Funds	0.0	52.2	-52.2
Total:	**729.0**	**992.2**	**-263.2**

3.4. Liquid balances are managed through Money Market Funds providing same day liquidity. Cash has been invested in alternative and less liquid instruments, particularly term deposits and tradable securities. The average level of funds available for investment in 2018/19 was £1,172m.

3.5. Daily investment balances have steadily decreased from £992.9m at 1 April 2018 to £729.0m at 31 March 2019.

3.6. The Bank of England reduced the Base Rate in August 2016. However, since the latter half of 2017, rates have steadily improved. This is due to the November 2017 and August 2018 Bank of England base rate increases.

3.7. Although surplus cash for investment has reduced, cash has been invested with higher interest rate paying counterparties. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.



3.8. All investment limits specified in the 2018/19 investment strategy have been complied with except for two instances of cash balances received after close of banking business:

- £1.171m on 3 April 2018.
- £23.686m on 25 May 2018.

3.9. The original/ budgeted average balance for 2018/19 was £1.2 billion, while the actual outturn average investment balance for the year was £1.172 billion. The average investment balance peaked in June 2018, reaching £1.294 billion.

3.10. The table below shows the actual investment income and expenditure achieved in the year: budget versus actual and the variance.

	Budget £000	Actual £000	Variance £000
Investment Income	-5,575	-11,148	-5,573
Interest Payable	12,293	10,626	-1,667

3.11. Appendix 1 provides a full list of the Council's limits and exposures as at 31 March 2019.

Borrowing

3.12. At £223m, the Council's borrowing was well within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated capital financing requirement (CFR) for 2018/19 of £724m. The final CFR for 2018/19 was £746m.

3.13. Currently, the Council is "under borrowed" by £523m because it has used internal funding resources to fund capital expenditure.

3.14. The table below shows the details around the Council's external borrowing as at 31 March 2019, split between the General Fund and HRA.

Total Borrowing	31 March 2018 (£m)	31 March 2019 (£m)
HRA	226	196
General Fund	25	27
Total Borrowing	**251**	**223**

3.15. The breakdown of the existing loans is shown below:

Borrowing Type	Loan Balance 31 March 2018 (£m)	Loan Balance 31 March 2019 (£m)	Movement
PWLB	181.04	151.04	-30.00
LOBO	70.00	70.00	0.00
Mortgage Annuity	0.23	0.19	-0.04
Greater London Authority	0.00	2.00	2.00
Total:	**251.27**	**223.23**	**-28.04**

3.16. A HRA loan of £30m has matured in August 2018 which was costing 9.75% interest per annum.

Forward Borrowing

3.17. As anticipated in the 2018/19 TMSS, the Council has undertaken no new borrowing due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).

3.18. Officers have also investigated the use of forward borrowing deals. On 12 March, the Council undertook two forward borrowing deals: £37.5m with a start date 15/3/22 and end date 15/3/62, and £12.5m with a start date 15/3/23 and end date 15/3/66.

3.19. A further £200m is currently being negotiated with a separate provider with a view to a similar forty-year loan to be transacted around end-April 2019 to commence in four years' time.

COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

3.20. During the financial year to 31 March 2019, the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 7 March 2018 as set out below.

PI Ref		2018/19 Forecast	2018/19 Actual	Indicator Met?
1	Capital expenditure	£389m	£325m	Met
2	Capital Financing Requirement (CFR)	£724m	£746m	Met
3	Net debt vs CFR	£503m underborrowing	£523m underborrowing	Met
4	Ratio of financing costs to revenue stream	GF (3.06)% HRA 30.11%	GF (2.35)% HRA 28.68%	Met
5a	Authorised limit for external debt	£724m	£746m	Met
5b	Operational debt boundary	£275m	£255m	Met
6	Working Capital Balance	£0m	£4m	Met
7a	Upper limit for variable interest rate borrowing	£0m	£0m	Met
7b	Upper limit for fixed interest rate borrowing	£724m	£746m	Met
7c	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£450m	£0m	Met
8	Maturity structure of borrowing	Upper limit under 12 months: 40% Forecast: 0% Lower limit 10 years and above: 35% Forecast: 75%	Upper limit under 12 months: 0% Lower limit 10 years and above: 73%	Met

Capital expenditure and borrowing limits

3.21. Capital expenditure to 31 March 2019 totalled £325m for the General Fund and the HRA against a forecast for the whole year of £570m. This relates to a number of large development projects and related acquisitions. The forecast for development projects are contingent on progress by developers which is anticipated will improve over the remainder of the year. Acquisitions are reactive and depend on properties becoming available on the market and as such the forecast can be volatile but will continue to be monitored by officers.

	2018/19 Indicator (£m)	2018/19 Actual (£m)
General Fund Capital Expenditure	279	224
HRA Capital Expenditure	110	101
Total Capital Expenditure	**389**	**325**
Financed by:		
Capital Receipts	130	46
Capital Grants	128	112
Funded from Revenue	18	22
Major Repairs Allowance	23	24
Prudential Borrowing	90	121
Total Finance	**389**	**325**

3.22. The impact on the Council's Capital Financing Requirement is also shown in the table below:

	General Fund £m	Housing Revenue Account £m	Total £m
Adjusted Opening CFR 31/03/2018	373	261	634
Prudential Borrowing in 2018/19	109	12	121
Capital Receipts applied to reduce CFR	0	0	0
Minimum Revenue Provision	-7	0	-7
MRP in respect of Other Long Term Liabilities	-2	0	-2
Closing CFR	**473**	**273**	**746**

3.23. External borrowing was well within the Capital Financing Requirement, Authorised Borrowing Limit and the Operational Boundary:

- The Authorised Limit is a level for which the external borrowing cannot be exceeded without reporting back to Full Council. It therefore provides sufficient headroom such that in the event that the planned capital programme required new borrowing to be raised over the medium term, if interest rates were deemed favourable and a thorough risk analysis determined, the cost of carry was appropriate, this borrowing could be raised ahead of when the spend took place.

- The Operational Boundary is set at a lower level and should take account of the most likely level of external borrowing. Operationally, in accordance with CIPFA best practice for Treasury Risk Management, a liability benchmark is used to determine the point at which any new external borrowing should take place. As a result of the significant level of cash balances, it is deemed unlikely that any new borrowing will be required in the short-term.

3.24. The purpose of the maturity structure of borrowing indicator is to highlight any potential refinancing risk that the Council may be facing if any one particular period there was a disproportionate level of loans maturing. The table below shows that the maturity structure of the Council's borrowing as at 31 March 2019 was within the limits set and does not highlight any significant issues.

Actual Maturity at 31 March 2019	Duration	Upper Limit	Lower Limit
0	Under 12 Months	40	0
7	12 Months and within 24 Months	35	0
7	24 Months and within 5 Years	35	0
13	5 Years and within 10 Years	50	0
73	10 Years and Above	100	35

3.25. The purpose of the interest rate exposure indicators is to demonstrate the extent of exposure to the Council from any adverse movements in interest rates. The table at paragraph 4.1 shows that the Council is not subject to any adverse movement in interest rates as it only holds fixed interest borrowing.

3.26. The average rate on the fixed interest borrowing is 4.24% with an average redemption period of 18 years. This reflects the historical legacy of borrowing taken out some years ago which is now higher than PWLB interest rates for comparable loans if they were taken out now. Officers have considered loan re-financing but premiums for premature redemption are prohibitively high making this option poor value for money.

3.27. The Council's borrowing portfolio contains £70m of Lender Option Borrower Option loans (LOBOs). These are long-term loans of up to 60 years, which are subject to periodic rate re-pricing. The rates are comparable with loans for similar durations provided by the PWLB. There is some refinancing risk associated with these loans because of the lender option to increase interest rates. Some banks are offering premature repayment or loan conversion for LOBOs to fixed term loans and officers will remain alert to such opportunities as they arise.

Investment limits

3.28. Investment in non-specified investments at £20m is well within the limit of £450m for such investments. This reflects the fact that 97% of the Council's investments have a life of less than 12 months. The highest level of non-specified investments during the year was £20m.

3.29. Whilst the short duration is within approved limits, there is scope within the Investment Strategy to extend the duration of investments for up to five years. Using longer duration investments and marginally lower credit ratings is likely to increase the yield the Council earns from its investments.

4. THE ECONOMY AND INTEREST RATES

4.1. After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over the UK's departure from the Euopean Union, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y, confirming that the UK was the third fastest growing individual country in the G7 in quarter 4.

4.2. After the Bank of England Monetary Policy Committee (MPC) raised the Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit are clear. If a disorderly exit resulted, it is likely that the Bank Rate would be cut to support growth.

4.3. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5% (excluding bonuses) in the three months to December 2018 before falling marginally to 3.4% in the three months to January 2019. UK employers ramped up their hiring at the fastest pace in more than three years in the three months to January 2019 as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9%, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

4.4. As for CPI inflation, this has been on a falling trend, reaching 1.8% in January 2019 before rising marginally to 1.9% in February 2019. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three-year time horizons remained marginally above the MPC's target of 2%.

4.5. The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e., a real terms wage increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

4.6. The EU has now set a Brexit deadline of 31 October 2019. It appears unlikely that there would be a Commons majority supporting no deal or revoking Article 50. The probability of a General Election in 2019 has increased over recent weeks and this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of weak Sterling and concerns around inflation picking up.

5. BACKGROUND

5.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

6. FINANCIAL IMPLICATIONS

6.1 Financial implications contained in the body of this report.

7. LEGAL IMPLICATIONS

7.1 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

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

Phil Triggs, Tri-Borough Director of Treasury & Pensions
Tel: 020 7641 4136
Email: ptriggs@westminster.gov.uk

BACKGROUND PAPERS:

Full Council Report: Treasury Management – Annual Strategy for 2018/19, including Prudential Indicators and Statutory Borrowing Determinations – 7 March 2018.

Appendix 1 – Limits and exposures as at 31st March 2019

Category	Limit per Counterparty (£m)	Duration Limit	Counterparty Name	Current Exposure (£m)
UK Government (Gilts/ T-Bills/ Repos)	Unlimited	Unlimited	Treasury Bills	59.8
UK Local Authorities	£100m per local authority; £500m in aggregate	3 years	Cambridgeshire County Council	20.0
			Isle of Wight Council	10.0
			Leeds City Council	40.0
			London Borough of Barnet	20.0
			London Borough of Croydon	10.0
			London Borough of Enfield	30.0
			London Borough of Hackney	15.0
			London Borough of Hillingdon	20.0
			London Borough of Southwark	20.0
			North Lanarkshire Council	25.0
			Redcar & Cleveland Borough Council	30.0
			South Ayrshire Council	10.0
			Surrey County Council	10.0
Money Market Funds	£70m per fund. £300m in aggregate.	Three day notice	Aberdeen Sterling Fund	11.8
			Federated Sterling Liquidity Fund	10.1
			JP Morgan Sterling Liquidity Fund	1.0
			Morgan Stanley Sterling Liquidity Fund	36.8
UK Banks (AA-/Aa3/ AA-)	£75m	5 years	HSBC	49.2
UK Banks (A-/A3/A)	£50m	3 years	Goldman Sachs International	45.0
			Lloyds Bank	30.0
			Santander UK Plc	50.0
			Standard Chartered Bank	30.0
Non-UK Banks (AA-/ Aa2/ AA-)	£50m	5 years	Svenska Handelsbanken	40.3
			Toronto Dominion Bank	40.0
Non-UK Banks (A/A2/ A)	£35m	3 years	Commonwealth Bank of Australia	35.0
			Helaba	15.0
			Rabobank Nederland	15.0
TOTAL				**729.0**

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City of Westminster

Audit & Performance Committee Report

Date:	2 May 2019
Classification:	For General Release
Title:	**Review of Effectiveness**
Wards Affected:	All
Financial Summary:	There are no direct financial implications arising from this report, which considers the effectiveness of arrangements for finance, audit and governance.
Report of:	Gerald Almeroth (Section 151 Officer)
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

1. Executive Summary

1.1 Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives.

1.2 As a public body accountable for the delivery of local services and management of public funds, transparency and accountability are key, with appropriate mechanisms to provide challenge and scrutiny. In discharging its responsibilities, the Council needs to ensure that the roles and responsibilities are clear, understood and cover all aspects of the Council's business.

1.3 To contribute to the assurances that such arrangements are in place, a number of reviews have been undertaken by the Executive Director – Finance & Resources and Director of Audit, Fraud, Risk and Insurance which have focused on effectiveness in the following areas:

- The Role of the Chief Financial Officer (S151);
- The Role of the Head of Internal Audit;
- Compliance with the Public Sector Internal Audits Standards (PSIAS);
- The Role of the Audit & Performance Committee.

1.3 The outcome of these reviews undertaken on the above are set out in this report.

2. Recommendations

2.1 That the Committee note this report and outcomes of the reviews the effectiveness undertaken, including an assessment against the CIPFA Toolkit for Effective Audit Committees, and the actions being taken by officers to further enhance existing arrangements and practice.

2.2 That the Committee consider the recommendations arising from the assessment against the CIPFA Toolkit for Effective Audit Committees set out in paragraph 4.5.4 of the report.

3. Background, including Policy Context

3.1 The corporate governance arrangements of the Council are the means by which strategy is set and monitored, managers are held to account, risks are managed, stewardship responsibilities are discharged and viability is ensured. As well as being a key element in improving efficiency and effectiveness within the Council, corporate governance is one of the primary means by which a set of relationships is established between management, Members and stakeholders. There is a clear benefit to the Council in adopting effective frameworks of corporate governance.

3.2 In general, good corporate governance provides proper incentives for the Council and its management to pursue objectives that are in the interests of the authority and its stakeholders and provide a framework that facilitates effective monitoring.

3.3 The Council is entrusted with public funds and therefore has a duty to observe the highest standards of corporate governance at all times and ensure that they are discharging their duties with due regard to the proper conduct of public business.

3.4 In summary, the Council should:

- observe the highest standards of integrity, objectivity and honesty in the transaction of all its business;
- follow a policy of openness and transparency;
- be accountable for its stewardship of funds; and,
- maximise value for money by ensuring that services are delivered in the most effective, efficient and economical way.

3.5 Good governance enables self-regulation and minimises the need for external regulation. Assurance on the Council’s governance arrangements is provided through a number of sources, including regular internal audit and finance/performance reports to the Committee as well as the Annual Governance Statement.

3.6 In addition to this, the Council periodically considers it arrangements and practice against a variety of externally-published sources of good practice by professional bodies, such as CIPFA.

4. Summary of the Independent Reviews of Effectiveness

4.1 **<u>The Role of Chief Financial Officer (S151)</u>**

4.1.1 The Chief Financial Officer (CFO) occupies a critical position within the Council. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government describes the role and the responsibilities of the CFO and sets out how the requirements of legislation and professional standards should be fulfilled by the CFO in carrying out their role.

4.1.2 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- The Organisation;
- The Role: and,
- The Individual.

4.1.3 The five principles are as follows:

- The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy;
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and,
- The CFO in a local authority must be professionally qualified and suitably experienced.

4.1.5 For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound.

4.1.6 A detailed self-assessment has been undertaken and has been subject to independent review and challenge by the Director of Audit, Fraud, Risk and Insurance. The self-assessment accurately identified that all of the principles are currently being met with a number of areas of strength noted, including:

- The CFO is a member of the Executive Leadership Team, where roles and responsibilities are clearly defined. The CFO leads on the development of the Council's Medium Term Plan (budget setting) and advising ELT and members on financial matters including budget setting and monitoring. ELT members are experienced and successful in managing their budgets.
- Successful implementation of new financial systems in 2018/19 while continuing to close the Council's accounts promptly after the financial year end, to enable sign off by the external auditor well in advance of the statutory deadline. Significant training and support provided to managers as part of the roll out to ensure that budget financial management responsibilities were understood across departments.
- Regular assurance is provided in respect of financial performance and compliance with statutory, professional and policy requirements, both for the Council and treasury/pensions functions, through reporting to the Audit and Performance Committee and Pensions Committee.
- A strong commitment to recruiting qualified and experienced staff throughout the Finance structure, including a range of specialists, who are able to support the whole organisation in the delivery of services and robust governance and decision making arrangements. The Finance team has a clear vision to be "best in class" with the ambition to be a leading edge department in all aspects. It has a strong focus on ongoing training and development and performance management.

4.1.7 The self-assessment identified a small number of actions, some of which were already in progress when the self-assessment was being undertaken, to further enhance existing arrangements and practice:

- The Scheme of Delegation, which underpins the Council's decision making arrangements, will be updated to reflect the appointment of the new Executive Director – Finance & Resources in respect of his role and title referred to throughout the document;
- The Finance & Resources Management Team will review the IFAC Code of Ethics for Professional Accountants and ensure that all Finance staff are briefed on its contents as appropriate;
- The enhanced strategic budget setting process which is currently being developed to focus on outcomes and key member prioritisation focussed on City for All will result in a 3-year Medium Term Plan being developed; and,
- Reviews of the property and procurement functions are currently in progress and revised strategies for these functions will be presented to members when the reviews have been completed.

4.2 **Role of Head of Internal Audit**

4.2.1 The objective of the review was to ensure that the Head of Internal Audit is complying with the requirements as set out in CIPFA's 'The Role of the Head of Internal Audit in Public Service Organisations' issued in July 2010.

4.2.2 CIPFA's Statement on the role of the Head of Internal Audit in public service organisations refers to the following:

- The Head of Internal Audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance.
- Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports, the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.
- The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when organisations are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on.

4.2.3 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of the organisation, the role and the individual.

4.2.4 The five principles are as follows:

- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose; and
- The HIA in a public service organisation must be professionally qualified and suitably experienced.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA.

4.2.5 A self-assessment has been undertaken by the Director of Audit, Fraud, Risk and Insurance which has been subject to independent review, with the draft findings identifying the following areas where effectiveness could be further improved:

- The Director on Internal Audit, Fraud, Risk Management & Insurance (HIA) also has responsibility for Fraud and Insurance services for the Council. In order to manage any potential conflicts of interest, delivery of the audit service is supported by external providers and a Head of Service is in place for each service;
- Following the procurement of a new finance, HR and payroll system via a shared service arrangement with Hampshire County Council, audit working protocols need to be developed with Hampshire County Council and potentially its other partners;
- The HIA is looking to develop an assurance map which will inform the audit plan. The map will look at other sources of assurance and provide a more detailed analysis justifying the areas of audit activity;
- As requested by the Executive Director of Finance and Assets, a review is planned on the governance of organisations which are wholly owned by the Council. Following this review future audit activity with such bodies should be determined;
- Consideration should be given to including key performance indicators within the Audit Charter.

4.4 Public Sector Internal Audit Standards (PSIAS)

4.4.1 The Public Sector Internal Audit Standards (PSIAS) require the chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

An Internal Audit Quality Assessment Framework is used to help drive forward the quality of internal audit, enable the sharing of good practice and the identification of common issues and areas for development. The Framework has four sections reflecting four questions that the evaluation should seek to address:

- Purpose and positioning – Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
- Structure and resources – Does the internal audit service have the appropriate structure and resources to deliver the expected service?
- Audit execution – Does the internal audit service have the processes to deliver an effective and efficient internal audit service? And
- Impact – Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?

4.4.2 Each section is divided into several sub-sections covering key elements of an effective internal audit service. For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment is made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:

- **Fully Conforms** the reviewer concludes that the internal audit service fully complies with each of the statements of good practice;

- **Generally Conforms** means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects;

- **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit;

- **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation.

4.4.3 The HIA is required to demonstrate compliance with the Standards through reports provided to senior management and the Audit and Performance Committee during the year, including the:

- Head of Internal Audit Annual Report;
- Internal Audit Strategy and Internal Audit Plan;
- Internal Audit Charter; and,
- Regular reporting on the work of Internal Audit, including completed reviews and the outcome of follow ups.

4.4.4 It is recommended that a periodic evaluation be performed internally (either self-assessment or by another internal audit service) to provide on-going feedback on the quality of the internal audit service. In addition, a formal assessment should be carried out by an independent, external contractor at least once every five years as set out in the Public Sector Internal Audit Standards.

4.4.5 A self-assessment has been completed which has identified that the Council's Internal Audit Service generally conforms to the PSIAS with minor improvements required in respect of updating procedures to reflect changes in the structure of the service in the past year. It is envisaged that the service will undergo an external assessment during 2019/20.

4.5 Role of the Audit & Performance Committee

4.5.1 Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. CIPFA believes that these functions are best delivered by an audit committee separate from executive functions. The committee must also have a clear right of access to full council, and other council groups and committees as appropriate.

4.5.2 CIPFA have developed a toolkit which is intended to provide examples of good practice to assist both officers and members who are involved in the establishment and operation of an audit committee. The toolkit includes areas of existing best practice from local government and the wider public sector.

4.5.3 The toolkit includes a self-assessment checklist which covers the following areas:

- Establishment, operation and duties: role, remit, membership, induction and training;
- Internal controls;
- Financial reporting and regulatory matters;
- Internal audit;
- External audit;
- Administration: agenda management, papers and actions arising.

4.5.4 An assessment has been completed, which has been subject to review by the Chairman and members of the Committee, which is shown in Appendix 1. The assessment shows the high degree of compliance the Committee already demonstrates in respect of CIPFA's best practice statements, with three specific recommendations to be considered at the Committee meeting to further enhance existing arrangements:

- consider the merits of including to a provision to co-opt independent members to the Committee e.g. for specific topics/areas of expertise.
- consider providing an annual report to Council on its work and performance during the year, and that the Committee recommend a similar provision be made for the Pension Fund Committee, Standards Committee and Scrutiny Commission.
- consider using the CIPFA Knowledge and Skills Framework for Audit Committees self-assessment (see Appendix 2) to identify any topics for future briefings which would assist the work of the Committee.

4.5.5 In addition, CIPFA also provide a Knowledge and Skills Framework for Audit Committee members which is provided in Appendix 2. The Committee are invited to consider the use framework to identify any topics for future briefings which would assist the work of the Committee.

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

Moira Mackie on 020 7854 5922 Email: moira.mackie@rbkc.gov.uk

BACKGROUND PAPERS
Self-Assessment CFO
Self-Assessment HIA
Self-Assessment PSIAS
Self-Assessment – CIPFA Toolkit for Audit Committees

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Appendix 1

Audit and Performance Committee

CIPFA Toolkit – Audit Committee Effectiveness – Self Assessment (April 2019)

	Priority	Met?	Supporting information
A. ESTABLISHMENT, OPERATION AND DUTIES			
i) Role and remit			
Does the audit committee have written terms of reference?	1	Y	Published in the Council Constitution which last updated August 2018.
Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	1	Y	Published in the Council Constitution which last updated August 2018. The terms of reference cover the core functions of an audit committee.
Are the terms of reference approved by the council and reviewed periodically?	1	Y	Last reviewed as part of the review of the Constitution which was approved by the Council in August 2018.
Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	1	Y	Mix of expertise on the Committee, with experienced Members sitting on the Committee. *Recommendation:* *That the Committee consider the merits of including to a provision to co-opt independent member to the Committee e.g. for specific topics/areas of expertise.*
Can the audit committee access other committees and full council as necessary?	1	Y	Chair is independent of the Executive but has access to other committees and full Council as necessary.
Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	1	Y	Covered in the Annual Governance Statement for 2017/18 reported to the Committee on 28 April 2018.
Does the audit committee periodically assess its own effectiveness?	2	Y	This assessment demonstrates that a review has been undertaken.
Does the audit committee make a formal annual report on its work and performance during the year to full council?	2	N	*Recommendation:* *That the Committee consider providing an annual report to Council on its work and performance during the year, and that the Committee recommend a similar provision be made for the Pension Fund Committee, Standards Committee and Scrutiny Commission.*
ii) Membership, induction and training			
Has the membership of the audit committee been formally agreed and a quorum set?	1	Y	Set in Terms of Reference and quorum defined as 3 Members in the Constitution.
Is the chair independent of the executive function?	1	Y	The Chair cannot be a Cabinet Member, as set out in the Terms of Reference.
Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?	1	Y	Briefings on Finance, Audit, Fraud, Risk and Pensions provided in 2018 for new committee members.
Are new audit committee members provided with an appropriate induction?	1	Y	Briefings on Finance, Audit, Fraud, Risk and Pensions provided in 2018 for new committee members.

	Priority	Met?	Supporting information
Have all members' skills and experiences been assessed and training given for identified gaps?	1	Y	Members of the Committee have a range of skills/experience which are relevant to the Audit Committee's role, *Recommendation: To enhance existing knowledge and expertise, the Committee are asked to consider using the CIPFA Knowledge and Skills Framework for Audit Committees self-assessment (see Appendix 2) to identify any topics for future briefings which would assist the work of the Committee.*
Has each member declared his or her business interests?	1	Y	Declarations are made annually by elected Members and at the beginning of each meeting of the committee by all Members.
Are members sufficiently independent of the other key committees of the council?	2	Y	One Member of the Committee is a Deputy Cabinet Member (for Finance Property and Regeneration) and this is declared at the beginning of each meeting.
iii) Meetings			
Does the audit committee meet regularly?	1	Y	The Committee met 6 times in the past year: 5 Feb 2019, 18 Sep 2018, 14 Nov 2018, 16 Jul 2018, 21 Jun 2018, 23 Apr 2018
Do the terms of reference set out the frequency of meetings?	1	N	The Terms of Reference does not include this but the Committee typically meets 6 times per year.
Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	1	Y	Meetings are scheduled to consider the annual accounts, external auditors report and key reports from officers during the year
Are members attending meetings on a regular basis and if not, is appropriate action taken?	1	Y	Members attend regularly and substitutes are identified to attend when required
Are meetings free and open without political influences being displayed?	1	Y	
Does the authority's S151 officer or deputy attend all meetings?	1	Y	The s151 officer and deputy s151 officer attend each meeting of the Committee.
Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	1	Y	During the past year the Chief Executive, Executive Management Team and directors/senior officers have attended the Committee.
B. INTERNAL CONTROL			
Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	1	Y	This is covered in the Head of Internal Audit's Annual Report and in the preparation of the Annual Governance Statement. The Committee will receive a report on the review of effectiveness of Internal Audit (in the form of a self-assessment against the Public Sector Internal Audit Standards) at its meeting on 2 May 2019.
Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?	1	Y	The Committee considers a report on the Annual Governance Statement at the same meeting when it considers the Council's Annual Accounts.
Does the audit committee consider how meaningful the SIC is?	1	Y	The Committee considers the Annual Governance Statement along with the Council's Annual Accounts.

	Priority	Met?	Supporting information
Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	1	Y	The Committee receives regular reports on the work of Internal Audit and the Head of Internal Audit's Annual Report on the Council's control environment.
Has the audit committee considered how it integrates with other committees that may have responsibility for risk management	1	Y	The Committee receives quarterly reports which combine finance, performance and risk across all directorates and challenges directors on specific issues which arise from the reports.
Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	1	Y	The Committee approves the fraud and corruption strategy and policies which take account of "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption".
Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	1	Y	The Committee receives 6 monthly reports on the work of the Corporate Anti-fraud Team which provides assurance that the fraud and corruption strategy and policies are applied effectively.
Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	2	Y	The Internal Audit Plan for 2019/20 was presented to the Committee 5 Feb 2019.
Does the audit committee review the authority's strategic risk register at least annually?	2	Y	The Performance report for Q3 2018/19 presented to the Committee on 5 Feb 2019 and contained the strategic risk register developed by the Executive Management Team.
Does the audit committee monitor how the authority assesses its risk?	2	Y	The Committee monitors how the authority assesses risk through its consideration of the: • quarterly Performance reports; • Internal Audit update reports; • Head of Internal Audit report; and, • Annual Governance Statement.
Do the audit committee's terms of reference include oversight of the risk management process?	2	Y	The Terms of Reference state the Committee will: "monitor the effective development and operation of risk management and corporate governance in the Council."
C. FINANCIAL REPORTING AND REGULATORY MATTERS			
Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	1	Y	The Terms of Reference state the Committee will: "review the annual statement of accounts and approve these for publication."
Does the audit committee consider specifically: • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?	1	Y	The Terms of Reference state the Committee will: "consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council."
Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	1	Y	Draft external audit findings were presented on 23 April 2018 and the external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018.
Does the audit committee review management's letter of representation?	1	Y	The Committee reviewed management's letter of representation for the 2017/18 accounts at its meeting on 21 Jun 2018.

	Priority	Met?	Supporting information
Does the audit committee annually review the accounting policies of the authority?	2	Y	The Committee has an opportunity to review the authority's accounting policies when it receives the annual accounts for approval.
Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	2	Y	Officers set out how the Council's accounts have been prepared and the procedures undertaken by the external auditor on the draft accounts prepared by officers.
Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	2	Y	The Committee receives updates on topical legal and regulatory issues through the reports it receives, including the external auditor's audit plan and progress reports.
D. INTERNAL AUDIT			
Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	1	Y	The Internal Audit plan/strategy for 2019/20 was considered by the Committee 5 Feb 2019. The Plan clearly sets out how internal audit will cover the key risks and corporate objectives of the Council.
Does internal audit have an appropriate reporting line to the audit committee?	1	Y	The Director of Audit, Fraud, Risk and Insurance reports regularly to the Committee and has free and unfettered access to the Chair of the Committee to discuss any matters of concern.
Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	1	Y	The Committee receives and Internal Audit Update report at each meeting and the Head of Internal Audit's Annual Report.
Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	1	Y	The Committee receives and Internal Audit Update report at each meeting which includes the results of follow up audits completed since the previous meeting.
Does the audit committee hold periodic private discussions with the Head of Internal Audit?	1	Y	The Director of Audit, Fraud, Risk and Insurance has free and unfettered access to the Chair of the Committee to discuss any matters of concern.
Is there appropriate cooperation between the internal and external auditors?	1	Y	The external auditor reviews reports issued by Internal Audit as part of their fieldwork in auditing the annual accounts. Discussions have taken place with the external auditor on testing to be undertaken as part of the migration from Agresso to SAP.
Does the audit committee review the adequacy of internal audit staffing and other resources?	1	Y	The report setting out the Internal Audit Plan/strategy provides assurance to the Committee regarding the adequacy of internal audit staffing and externally sourced provision.
Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	1	Y	The annual Head of Internal Audit Report provides assurance that Internal Audit is compliant with relevant standards, including the Public Sector Internal Audit Standards (PSIAS). A report will be presented to the Committee on 5 May 2019 setting out how Internal Audit complies with PSIAS.
Are internal audit performance measures monitored by the audit committee?	2	Y	The Internal Audit Update report present to each Committee, along with the Head of Internal Audit Report contain performance measures to enable the committee to assess the effectiveness of internal audit.

	Priority	Met?	Supporting information
Has the audit committee considered the information it wishes to receive from internal audit?	2	Y	The Committee regularly makes suggestions for enhancements to reporting which are incorporated into future reports to the Committee.
E. EXTERNAL AUDIT			
Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?	1	Y	The External Audit Plan/strategy for 2018/19 was presented on 5 Feb 2019.
Does the audit committee hold periodic private discussions with the external auditor?	1	Y	The external auditor attends the Chair's Call Over meeting when draft reports and any issues are discussed. Opportunities for private discussions are available if required.
Does the audit committee review the external auditor's annual report to those charged with governance?	1	Y	Draft external audit findings were presented on 23 April 2018 and the external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018.
Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	1	Y	The external auditor reports on the progress made by management to implement previous recommendations.
Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	1	Y	The external auditor's Annual report for the 2017/18 accounts was presented and discussed on 18 Sep 2018. Details of other inspections are included in the quarterly Performance Report.
Does the audit committee assess the performance of external audit?	1	Y	By receiving the external auditor's Plan and reports and asking appropriate questions on their work and reports.
Does the audit committee consider and approve the external audit fee?	1	Y	Public Sector Audit Appointments set the fee, which is reported to the Committee as part of the External Audit Plan (latest report on 5 Feb 2019).
F. ADMINISTRATION			
i) Agenda management			
Does the audit committee have a designated secretary from Committee/Member Services?	1	Y	Permanent clerk provided by Committee Services.
Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	1	Y	Draft papers provided to Chair prior to call over meeting and final reports published and provided to Members of the Committee at least 5 working days in advance of the meeting.
Are outline agendas planned one year ahead to cover issues on a cyclical basis?	2	Y	Forward Plan included as standing item for each agenda covering the municipal year.
Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	2	Y	The Chair's Call Over meetings provide opportunities to add to the Committee's work programme through the year.

	Priority	Met?	Supporting information
ii) Papers			
Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	1	Y	The Committee agree an annual work programme setting the frequency/ breadth of reports required during the year.
Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	2	Y	Standard reporting formats are used with suggestions from the Committee for enhanced reporting incorporated where appropriate.
iii) Actions arising			
Are minutes prepared and circulated promptly to the appropriate people?	1	Y	Draft minutes circulated promptly to officers presenting reports and the Chair before being finalised.
Is a report on matters arising made and minuted at the audit committee's next meeting?	1	Y	Matters arising (actions for officers) are progressed between meetings and confirmed as completed at the next meeting.
Do action points indicate who is to perform what and by when?	1	Y	Yes, by next meeting unless otherwise specified.

Annex A

CIPFA (Chartered Institute of Public Finance and Accountancy) Knowledge and Skills Framework for Audit Committees

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
<u>Organisational Knowledge</u> An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external audit reports and risk registers.
<u>Audit committee role and functions</u> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. Governance Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.
<u>Internal audit</u> An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.	The Committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The Committee will review the assurances from internal audit work and will review the risk-based audit plan. The Committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the Committee will need to be confident that professional standards are being followed.

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
<u>Financial management and accounting</u> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.	Reviewing the financial statements prior to publication, asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The Committee should consider the role of the Chief Financial Officer and how this is met when reviewing the AGS.
<u>External audit</u> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	The Committee should meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising benefit from audit process. The Committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.
<u>Risk management</u> Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee.	In reviewing the AGS, the Committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based internal audit plan, external audit plans, and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the Committee. The Committee should also review reports and action plans to develop the application of risk management practice.

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
<u>Counter Fraud</u> An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice (Red Book 2). Knowledge of the organisation's arrangements for tackling fraud.	Knowledge of fraud risks and good fraud risk management practice will be helpful when the Committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing that assessment.
<u>Values of good governance</u> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.	The Committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The Committee member should know to whom concerns should be reported.
<u>Treasury management</u> 'Effective Scrutiny of Treasury Management' is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: • regulatory requirements • treasury risks • the organisation's treasury • management strategy • the organisation's policies and procedures in relation to treasury management.	Core knowledge on treasury management is essential for the Committee undertaking the role of scrutiny.

Core Skills for Audit Committee Members

Strategic thinking and understanding of materiality Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures. The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.	The Committee will review reports and recommendations to address weaknesses in internal control. The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory Able to understand the practical implications of recommendations to understand how they might work in practice.	The Committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.
Objectivity Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.
Meeting management skills Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

CIPFA (Chartered Institute of Public Finance and Accountancy) Knowledge and Skills Framework for Audit Committees

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
Organisational Knowledge An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external audit reports and risk registers.
Audit committee role and functions An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. Governance Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.
Internal audit An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.	The Committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The Committee will review the assurances from internal audit work and will review the risk-based audit plan. The Committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the Committee will need to be confident that professional standards are being followed.

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
<u>Financial management and accounting</u> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.	Reviewing the financial statements prior to publication, asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The Committee should consider the role of the Chief Financial Officer and how this is met when reviewing the AGS.
<u>External audit</u> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	The Committee should meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising benefit from audit process. The Committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.
<u>Risk management</u> Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee.	In reviewing the AGS, the Committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based internal audit plan, external audit plans, and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the Committee. The Committee should also review reports and action plans to develop the application of risk management practice.

Knowledge area **Details of core knowledge required**	**How the audit committee member is able to apply the knowledge**
Counter Fraud An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice (Red Book 2). Knowledge of the organisation's arrangements for tackling fraud.	Knowledge of fraud risks and good fraud risk management practice will be helpful when the Committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing that assessment.
Values of good governance Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.	The Committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The Committee member should know to whom concerns should be reported.
Treasury management 'Effective Scrutiny of Treasury Management' is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: • regulatory requirements • treasury risks • the organisation's treasury • management strategy • the organisation's policies and procedures in relation to treasury management.	Core knowledge on treasury management is essential for the Committee undertaking the role of scrutiny.

Core Skills for Audit Committee Members

Strategic thinking and understanding of materiality	
Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures. The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	
Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding.	The Committee will review reports and recommendations to address weaknesses in internal control. The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	
Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	
Able to understand the practical implications of recommendations to understand how they might work in practice.	The Committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	
Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.
Objectivity	
Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.
Meeting management skills	
Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

City of Westminster

Audit & Performance Committee Report

Date:	**2 May 2019**
Classification:	**General Release**
Title:	**Work Programme**
Wards Affected:	**N/A**
Financial Summary:	**There are no direct financial implications arising from this report**
Report of:	**Acting Head of Committee & Governance Services**
Report Author:	**Andrew Palmer, Senior Committee & Governance Officer. Tel: 020 7641 2802 or email: apalmer@westminster.gov.uk**

1. Executive Summary

1.1 The Committee is invited to review the draft work programme for the forthcoming 2019/20 municipal year attached at Appendix 1, and to confirm the agenda items for its next meeting in June.

1.2 The Committee is asked to note the actions which arose from the meeting on the 5 February 2019 and the work undertaken in response, as detailed in Appendix 3.

2. Recommendations

2.1 That the Committee agrees the agenda items for its next meeting on 17 June as set out in **Appendix 1** to the report.

2.2 That the work undertaken in response to the actions which arose from the last meeting, as detailed in at **Appendix 3** to the report, be noted.

3. Choosing items for the Work Programme

3.1 The draft Work Programme for 2019/20 is attached at Appendix 1 to the report.

3.2 Members' attention is drawn to the Terms of Reference for the Audit & Performance Committee (attached as Appendix 2) which may assist the Committee in identifying issues to be included in the Work Programme.

3.3 The Work Programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

4. Task Groups

4.1 There are no Task Groups operating at present.

5. Monitoring Actions

5.1 The actions arising from each meeting are recorded in the Action Tracker attached as Appendix 3. Members are invited to review the work undertaken in response to those actions.

6. Resources

6.1 There is no specific budget allocation for the Audit and Performance Committee.

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

Andrew Palmer, Senior Committee Officer

Tel: 020 7641 2802 or email: apalmer@westminster.gov.uk

APPENDICES:

Appendix 1 – Work Programme 2018/19

Appendix 2 – Terms of Reference

Appendix 3 – Committee Action Tracker

BACKGROUND PAPERS: None

Work Programme 2019/20

Audit and Performance Committee

17 June 2019

Agenda Item	Reasons & objective for item	Lead Officer
Annual Statement of Accounts and Outturn 2018-19	To formally receive and approve the final accounts with any update arising from the public inspection period.	Gerald Almeroth (Finance)
Grant Thornton Audit Finding Reports 2018-19	To consider the final reports from the Council's external Auditors, Grant Thornton, on the key findings arising from their audit of the Council's financial statements and those of the Local Government Pension Scheme it administers.	Paul Dossett (Grant Thornton)

10 July 2019

Agenda Item	Reasons & objective for item	Lead Officer
Annual Contracts Review 2018/19	To review of the City Council's contracts, including details of contracts awarded, waivers and performance.	Kevin Goad (Procurement)
2018/19 End of year Performance Business Plan Monitoring and Period 2 (May) Report	The year-end report presents detailed performance results for the year April 2018 to March 2019 against the 2018/19 business plans. To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.	Gerald Almeroth (Finance) Mo Rahman/ Damian Highwood (Performance)
Annual Counter Fraud Monitoring Report	To oversee and monitor the performance of the Counter Fraud Service	Andy Hyatt (Anti-Fraud)
Annual Report on Internal Audit and Internal Control - 2018/19	To consider the work of Internal Audit in 2018/19 and the opinion of the Shared Services Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the internal control environment. To include comparative details of timelines and days expended in Corporate Anti-Fraud Service activity, together with the outcome, to establish whether the figures were similar to those anticipated. To also include a proactive review of weakness to fraud at CityWest Homes following the transition, and before the processes around the management of housing become fixed.	David Hughes (Internal Audit)

Work Programme 2019/20	To review the Committee Work Programme for the 2019/20 municipal year.	Andrew Palmer (Committee Services)

19 September 2019

Agenda Item	Reasons & objective for item	Lead Officer
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor the performance of the Police Basic Command Unit for Westminster 6 months after implementation. To monitor Quarter 1 performance results against the 2019/20 business plans	Gerald Almeroth (Finance) Mo Rahman/ Damian Highwood (Performance)
Update on HRA Capital Programme	To consider a report on the HRA capital programme outturn against forecast and mitigation measures to address any underspend.	Gerald Almeroth (Finance) Barbara Brownlee (Housing)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Internal Audit Charter	To review the Council's Internal Audit Charter which is maintained by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS)	David Hughes (Internal Audit)
Procurement Update	To review progress in the new structure and work programme, and to consider key performance indicators for the new operating model.	Kevin Goad (Procurement)

Managed Services Update	To receive an update on the transition to Hampshire County Council.	Dave Hodgkinson (Assistant City Treasurer) Jeremy Beresford (LCF Manager)
CityWest Homes Performance	To receive a report from the Council's Housing Directorate and CWH on CWH operational performance following the transition to a new operating model and the procurement of new repairs and maintenance services.	Barbara Brownlee/ Tom McGregor (CWH)
Review of Contracts for SEN Transport	To review the contracts for SEN Transport, to include how the money was being spent – and how the service was operating.	Kevin Goad (Procurement) Annabel Saunders (Assistant Director, Integrated Commissioning)
Work Programme 2019/20	The Committee is invited to review its work programme for the 2019/20 municipal year.	Andrew Palmer

27 November 2019

Agenda Item	Reasons & objective for item	Lead Officer
Grant Thornton Annual Audit Letter 2018/19	To consider Grant Thornton's assessment of the Council's financial statements and its arrangements to secure value for money in its use of resources.	Paul Jacklin Paul Dossett (Grant Thornton)
Progress and Update on 2019-2020 Audit	To consider an update on the 2019 - 2020 Audit and key information on accounting changes and emerging issues for local government	Paul Jacklin Paul Dossett (Grant Thornton)
Corporate Complaints 2018/19	To report on the volume and details of complaints received by the Council and CityWest Homes in 2018/19.	Sue Howell (Complaints)
Finance Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.	Gerald Almeroth (Finance) Dave Hodgkinson (Assistant City Treasurer)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Mid-Year Counter Fraud Monitoring Report	To oversee and monitor the success of the Counter Fraud Service.	Andy Hyatt (Anti-Fraud)

Review of Anti-Fraud Policies	To review and approve the following which are maintained by the Corporate Anti-fraud Service: • Whistleblowing Policy • Fraud Response Plan • Anti-bribery Policy • Anti-money Laundering Policy (including procedures)	Andy Hyatt (Corporate Anti-fraud Service)
Review of Effectiveness	To consider the outcomes of the following reviews: • The CIPFA Took Kit on Effective Audit Committees; • The CIFPA Statement on the Role of the Head of Internal Audit • The CIPFA Statement on the Role of the Chief Financial Officer; • The Public Sector Internal Audit Standards (PSIAS) Self-Assessment	David Hughes (Internal Audit)
Work Programme 2019/20	The Committee is invited to review its work programme for the 2019/20 municipal year.	Andrew Palmer

5 February 2020

Agenda Item	Reasons & objective for item	Lead Officer
Grant Thornton Certification of Claims and Returns Annual Report (Audit 2018/19)	To report the findings from the certification of 2018/19 claims and the messages arising from the assessment of the Council's arrangements for preparing claims and returns and information on claims that were amended or qualified.	Paul Jacklin Paul Dossett (Grant Thornton) Martin Hinckley
Grant Thornton Annual Audit Plan 2019/20	To set out the audit work that Grant Thornton proposes to undertake for the audit of the financial statements and the value for money (VFM) conclusion 2019/20.	Paul Jacklin Paul Dossett (Grant Thornton)
Maintaining High Ethical Standards at the City Council	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority.	Tasnim Shawkat (Monitoring Officer)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 2 performance results against the 2019/20 business plans.	Gerald Almaroth (Finance) Mo Rahman/ Damian Highwood (Performance)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes (Internal Audit)
Internal Audit Plan 2020/21	To review and comment on the draft audit plan for 2020/21	David Hughes (Internal Audit)

Managed Services Update	To receive an update on the arrangements with Hampshire County Council.	Dave Hodgkinson (Assistant City Treasurer) Jeremy Beresford (LCF Manager)
CityWest Homes Performance	To receive a report from the Council's Housing Directorate and CWH on CWH operational performance following the transition to a new operating model and the procurement of new repairs and maintenance services.	Barbara Brownlee/ Jonathan Cowie (CWH)
Work Programme 2019/20	The Committee is invited to review its work programme for the 2019/20 municipal year.	Andrew Palmer

30 April 2020

Agenda Item	Reasons & objective for item	Lead Officer
Draft Annual Statement of Accounts and Outturn 2019/20	To review the draft 2019-20 Annual Statement of Accounts and outturn.	Gerald Almeroth (Finance)
Draft Audit Findings Report 2019/20	To review the reports from the Council's external auditors on the key findings arising from their audit of the councils 2019-20 financial statements (Council and Pension Fund)	Paul Dossett Paul Jacklin (Grant Thornton)
Finance & Performance Business Plan Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 3 performance results against the 2019/20 business plans	Gerald Almeroth (Finance) Mo Rahman/ Damian Highwood (Performance)

APPENDIX 2

AUDIT AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

CONSTITUTION

4 Members of the Council, 3 Majority Party Members and 1 Minority Party Member, but shall not include a Cabinet Member.

TERMS OF REFERENCE

Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.

2. To consider reports, at regular intervals, which summarise:

   - the performance of the Council's internal audit and anti fraud service provider/s
   - audits and investigations undertaken and key findings
   - progress with implementation of agreed recommendations

3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

4. To consider specific reports as agreed with the external auditor.

5. To comment on the scope and depth of external audit work and to ensure it gives value for money.

6. To liaise with the Independent Auditor Panel (once established) over the appointment of the Council's external auditor.

7. To comment on the proposed work plans of internal and external audit.

Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.

10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on 'Raising Concerns at Work', the Council's complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.

12. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.

13. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

14. To consider the Council's compliance with its own and other published standards and controls.

15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services and the Chief Finance Officer.

Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.

19. To receive the quarterly performance monitoring report and refer any issues which in the Committee's view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.

20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and

21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.

22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.

23. To maintain an overview of overall contract performance on behalf of the Council.

24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.

25. To review and scrutinise the Council's value for money to Council tax payers.

26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.

28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council.

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APPENDIX 3

COMMITTEE ACTION TRACKER
ACTIONS: 5 February 2019

ACTION	OUTCOME	LEAD OFFICER
FINANCE PERIOD 8 MONITORING REPORT		
The Committee noted the distinction between funding from the City Council and third parties, and requested that future reports include a breakdown on the sources of funding for major projects such as Hanover Square and Jermyn Street.	This will be reflected in future reports.	David Hodgkinson - Assistant City Treasurer
QUARTER 2 PERFORMANCE REPORT		
1. That an analysis be provided on drainage conditions and defects in Westminster; and on targets for outcomes and jobs completed.	This information was circulated on 7 March	Kevin Goad - Director of City Highways
2. That a breakdown be provided by age group of the total participants in sport, leisure and wellbeing activities provided by the City Council. acknowledged the request for action.	This information was circulated on 7 March	Richard Barker - Director of Community Services
3. That details of budget deficits being developed by schools be included in future performance reports from Q3, together with details of any mitigation.	This information was circulated on 7 March	John O'Sullivan - Head of Children's Business Intelligence & Strategy
4. That more detail be provided on why the levels for sundry debtors since Q3 are still significantly higher than the ideal target of 5%; together with more detail on how this is managed and migrated to ideal levels.	This information was circulated on 7 March	Martin Hinkley - Assistant Director: Revenues & Benefits
5. That details be given of the total number of Homes of Multiple Occupation in Westminster; together with a breakdown by Ward and confirmation whether new properties were being assessed or discovered.	This information was circulated on 7 March	Twila Grower – CMC Business & Performance Manager
6. That a briefing be given on the City Council's contractual agreements when Westminster's statutory housing duty is discharged into the private rented sector, in view of Westminster paying a big initial fee to landlords where, which is then reduced in subsequent years.	This information was circulated on 7 March	Ian Clarke – Performance Manager
7. That an update be provided on the review of the Amey contracts.	This information was circulated on 7 March	Ian Clarke – Performance Manager

8. That an update be provided on Public Health grant reductions, together with the nature of the risks and possible consequences.	This information was circulated on 7 March	Gary Hamilton – Head of Programme Management, Adult Social Care
9. That more detail be provided on the Thrive Tribe service provider and its role in supporting the Integrated Healthy Lifestyle Service.	This information was circulated on 7 March	Gary Hamilton – Head of Programme Management, Adult Social Care
10. That the following items be added to the Committee Work Programme for future monitoring: • To monitor and report back on the performance of CityWest Homes 6 months after the transition to an in-house service, and in the year-end performance report and again in the Q2 2020 report. • To monitor and report back on the performance of the Police Basic Command Unit for Westminster 6 months after implementation, and in the year-end performance report and again in the Q2 2020 report.	 Initial response circulated on 7 March This will be reflected in future reports. Initial response circulated on 7 March This will be reflected in future reports.	 Mo Rahman and Damian Highwood – Evaluation & Performance Twila Grower - CMC Business & Performance Manager
HOUSING DIRECTORATE PERFORMANCE UPDATE		
1. That future reports include details of repair performance in numbers, as well as percentages rather than percentages.	This will be reflected in future reports.	Tom McGregor - Interim Managing Director CWH
2. That details be provided of the number of properties in estates, compared to the number of properties in non-estate locations.	Response sent.	Tom McGregor - Interim Managing Director CWH
3. That the Committee receive an update on progress in implementing the 'Clean and Clear' policy for balconies.	Response sent.	Tom McGregor - Interim Managing Director CWH
4. That a further update be given on the performance of the Housing Directorate.	Added to the work programme.	Tom McGregor - Interim Managing Director CWH
HAMPSHIRE COUNTY COUNCIL PARTNERSHIP		
That a letter be sent to the Leader of the City Council and Chief Executive, commending the work that had been done by the City Treasurer's Department and the LCF team.	Letter sent 11h February.	Andrew Palmer – Senior Committee & Governance Officer
PROCUREMENT UPDATE		
That a further report be submitted in six months, which provides a further review of progress in the new structure and work programme, and which considers key performance indicators for the new operating model.	Added to the Work Programme for 19 September.	Kevin Goad - Director, City Highways

INTERNAL AUDIT PLAN 2019/20		
1. That the annual report include comparative details of timelines and days expended in Corporate Anti-Fraud Service activity, together with the outcome, to establish whether the figures were similar to those anticipated.	Added to the Work Programme for 10 July.	Andrew Hyatt – Shared Services Head of Fraud
2. That a briefing be provided of whether there had been any evidence of weakness to fraud, or of fraud occurring, in relation to only 47% of Westminster's current contracts being on the City Council's Procurement Register.	Briefing to be provided.	Moira Mackie – Senior Internal Audit Manager
3. That a proactive review of weakness to fraud also be applied to the transition of CityWest Homes, before the processes around the management of housing become fixed.	Added to the Work Programme for 10 July.	Moira Mackie – Senior Internal Audit Manager