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City of Westminster

Committee Agenda

Title:	**Audit and Performance Committee**
Meeting Date:	**Thursday 23rd February, 2023**
Time:	**6.30 pm**
Venue:	**18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Aziz Toki (Chair) Paul Fisher Jessica Toale Alan Mendoza

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 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

If you require any further information, please contact the Committee Officer, Jack Robinson-Young, Cabinet and Committee Coordinator.

Email: jrrobinson@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)

Stuart Love
Chief Executive
15 February 2023

CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Tuesday 29th November, 2022**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Aziz Toki (Chair), Tony Devenish, James Small-Edwards, and Jessica Toale.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Nick Byrom (Strategic Performance Manager), Nicky Crouch (Director of Public Protection and Licensing), Mathew Dawson (Strategic Investment Manager), Zoe Evans (Complaints and Customer Manager), Martin Hinckley (Director of Revenues and Benefits), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Debbie Jackson (Executive Director for Growth Planning and Housing), Amy Jones (Director of Environment), Jeffrey Lake (Deputy Director Public Health), Andrea Luker (Head of Housing Innovation and Improvement), Moira Mackie (Head of Internal Audit), Phil Robson (Head of Operations), Tony Roy (Head of Supplier Relationship Management), Visva Sathasivam (Bi-Borough Director of Social Care), Annabel Saunders (Director of Operations and Programmes), Rikin Tailor (Head of Corporate Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Warman (Director of Commercial Partnerships), Claire Weeks (Head of Operational People Services) and Clare O'Keefe (Temporary Joint Lead Policy and Scrutiny Advisor).

1 MEMBERSHIP

1.1 The Committee noted that Councillor Paul Fisher sent his apologies for this meeting.

1.2 The Committee noted that Councillor James Small-Edwards was attending as substitute for Councillor Paul Fisher.

2 DECLARATIONS OF INTEREST

2.1 Councillor Jessica Toale declared that in respect of Item 4, she is listed as a formal signatory on the Modern Slavery Statement as the Council's Single Point of Contact for Modern Slavery.

2.2 Councillor Tony Devenish declared that in respect of Item 5 and Item 6 he is a consultant to one division of Bouygues but doesn't work for Bouygues Facilities Management which is referred to in the papers.

3 MINUTES

3.1 The Committee approved the minutes of its meeting on 31 October 2022.

3.2 **RESOLVED:**

That the minutes of the meeting held on 31 October 2022 be signed by the Chair as a correct record of proceedings subject to the following amendments:

1. That Item 1 reflect that apologies from Councillor Tony Devenish were received by the Chair.
2. That Item 6, 6.3, notes the correct date of 29 November 2022.

4 GENERAL PROCUREMENT UPDATE

4.1 The Committee received an overview of the General Procurement Update report from Sarah Warman (Director of Commercial Partnerships). The Committee understood that the Council spends £550 million each year on third party contracts and the report captures how these services are procured and managed to ensure maximum value for Westminster, residents and partners, as well as influencing and creating positive action.

4.2 The Committee noted that a supplier engagement event on 14 November was held in partnership with the City of London, the Metropolitan Police and Minority Supplier Development UK to support minority-led business in the UK and encourage more diverse and smaller businesses in the Council's supply chain. The Committee was informed that 70 suppliers attended the event and feedback was positive.

4.3 The Committee discussed the role of contracts to help deliver the Fairer Westminster and Responsible Procurement and Commissioning Strategies. The Committee understood that there will be significant changes to ensure that the commitments the Council makes translate into the commissioning of services and that suppliers share these commitments, like the commitment to modern slavery for instance. The Committee was advised that contracts are monitored.

4.4 The Committee held a detailed discussion on ethical procurement and how this works in practice. The Committee was advised that officers across teams in the Council are working together to ensure that procurement is as robust as possible whilst also safeguarding against unintended consequences, such as barriers which prevent businesses from bidding on contracts.

4.5 The Committee raised concern regarding the £550 million spend on third party contracts not being allocated to local, Westminster-based, smaller organisations. The Committee understood that strong engagement was being undertaken with businesses and officers are aware of the importance of making the process as simple as possible.. The Committee was also pleased to learn that officers are cleansing available data to understand the current situation with the aim of having a more local and diversified supply chain, working towards a transparent process and setting the expectation in larger contracts about local supply chains. Whilst ensuring there is a level playing field for bids, the Council is providing opportunities for local businesses and actively seeking local businesses to bid. The Committee requested to be sent a summary of the Council's Procurement Code guidelines which sets the process out.

4.6 The Committee was advised that whilst ethical procurement is driving the wider agenda forward, there are no current plans to include living hours contracts for contractors. The Committee also noted that the early stages of developing the insourcing framework are progressing well with a number of actions being developed in tandem. Furthermore, the Committee was advised that the Adult Social Care team are investigating signing up to the Ethical Care Charter; the team hope to complete Stage One in January and then sign up to the whole charter.

4.7 **RESOLVED**

1. That the Committee noted the report.
2. That the Committee receive a one-page summary of the Council's Procurement Code.

5 CONTRACT AND SUPPLIER PERFORMANCE REPORT

5.1 The Committee received an overview of the Contract and Supplier Performance Report from Sarah Warman (Director of Commercial Partnerships). The Committee noted that the report sets out a retrospective view of the annual contract and supplier performance.

5.2 The Committee was advised that there is collaboration between Council teams and other stakeholders concerning risk management of key suppliers. There is a risk management forum which is updated monthly to oversee risk and give early warning signs of financial distress. The Committee understood that this forum is used as a proactive tool.

5.3 **RESOLVED**

1. That the Committee noted the report.

6 QUARTERLY PERFORMANCE REPORT

6.1 The Committee heard a summary of the Quarterly Performance Report from Nick Byrom (Strategic Performance Manager). The Committee noted that the Cost-of-Living Crisis has been predicted to last into 2024 and, to mitigate the effects, the Council is carefully considering financial plans which meet policy objectives whilst also supporting residents. In addition to the Government's welfare responsibility, the Council has a Cost-of-Living strategy which is being built on to ensure that the most vulnerable in Westminster are being looked after. The Committee was pleased to note that the Council is investigating ways to help staff who are feeling direct or secondary pressure from the Cost-of-Living Crisis; this includes reviewing staff benefits and working pan-London to engage with other local authorities to ensure financial wellbeing of staff.

6.2 The Committee was advised that the Special Educational Needs and Disabilities transport provider has worked with the Council a number of years where a strong working relationship developed and a contracted programme established which was co-designed with parents and carers. Officers continue to monitor delivery and gain systematic feedback as part of the contract monitoring.

6.3 The Committee noted that the Key Performance Indicator (KPI) guidance is shared with officers to capture the risk, and guide scoring on the matrix which looks at impact and likelihood. The Committee understood that the fluvial water issue tends to appear in distinct pockets of the City and there’s been significant investment over the last four years to ensure the surface water drainage assets are in the best condition they can be. The Committee also understood that high inflation is affecting the construction industry and costs are flagged as a risk despite the Council undertaking scenario planning, phasing programmes, liaising with contractors, tactically buying materials and listening to expert advice to mitigate the effects of estimates rising before entering into fixed price contracts.

6.4 The Committee noted with concern the trend of primary school vacancies. The Committee was advised that officers are working with a number of schools who are reporting falling school rolls; a number of these have deficit recovery plans in place and officers are examining local demographics, looking to strengthen communications and geographical delivery of targeted offers. The Committee also noted that the childcare provision has been under review due to increased homeworking, with officers keen to attract not only children within the boroughs but also out of borough. The Committee will receive census data of this.

6.5 The Committee was given clarification on the affordable housing targets and advised that there are a number of schemes close to completion, and whilst the metric provided focuses only on completion, different metrics are being considered. The Committee understood that the KPI regarding number of people doing physical activity is in line with a number of areas in the service provision; numbers dipped during the pandemic and the period of recovery is still ongoing. The Committee will have more information on this in the next report due to the Annual City Survey results.

6.6 The Committee recognised the tragedy of Awaab Ishak, the two-year-old who died as a result of mould in a social housing flat and noted that mould is an issue the Council is aware of and has systems in place to deal with. The Committee welcomed the knowledge that the Council is aware of its responsibilities and will do more in terms of ensuring communications with residents is adequate and that services can be accessed. The Committee understood that intelligence is used from the repairs team where trend data informs the planned maintenance programme and officers are looking to identify a long-term solution. The Committee also questioned the access to fibre broadband KPI provided and officers will come back to the Committee with more information.

6.7 **RESOLVED**

1. That the Committee noted the performance updates at Quarter Two.
2. That the Committee will receive census data regarding falling school rolls.
3. That the Committee will receive information regarding the fibre broadband KPI.

7 CORPORATE COMPLAINTS REPORT

7.1 The Committee was introduced to the Corporate Complaints Report by Zoe Evans (Complaints and Customer Manager). The Committee expressed concern that only 62% of Stage One responses are meeting their 10-day target. Andrea Luker (Head of Housing Innovation and Improvement) advised the Committee that there is an increased volume in housing management complaints which is unlikely to decrease; this is a national trend and the Council is seeing an increased focus on housing generally. The Committee emphasised that complaints themselves are not necessarily negative, but it is important that complaints are captured, and lessons learned from them. The Committee requested that statistics of the last three years be given so the Committee has a view of the progress which has been made.

7.2 The Committee noted that officers are taking a more personal approach to responses, where solutions are more considered and agreeable to residents. This change is in progress but is taking time. The Committee was pleased to note that the quality of the investigations is improving but that the management of expectations, in terms of targets, are also considered.

7.3 **RESOLVED**

1. That the Committee reviewed and noted the information about complaints set out in the Annual Complaint Review 2021/22.
2. That the Committee reviewed the Local Government and Social Care Ombudsman Annual Letter/Review.
3. That the Committee will receive statistics covering the last three years.

8 Q2 FINANCE MONITOR

8.1 The Committee received a summary of the Quarter Two Finance Monitor from Rikin Tailor (Head of Corporate Finance). The Committee noted the Council's Revenue finance position and the variance which has increased since Quarter One, primarily due to inflationary pressures. The Committee also noted the Housing Revenue Account and Capital positions.

8.2 The Committee understood that services are taking actions to mitigate the difficulties from increased inflation by challenging suppliers on their increased costs and requesting evidence of the increases. The Committee noted with concern that the amount of recoverable Temporary Accommodation rent remains frozen as per the Autumn Statement given by the Chancellor.

8.3 The Committee held a detailed discussion on services that are provided to the Council. The Committee noted that contract negotiations mitigate potential issues and the Council needs to ensure good, sustainable, value is being delivered.

8.4 The Committee acknowledged that the Council has a level of reserves which reflect the risks in the budget and allows the Council to weather difficult periods. The Committee understood that managing high inflation when income hasn't also risen will be difficult in the medium to long term but that there have been positive discussions with central Government about these pressures. The Committee also noted that interest earnings are not directly comparable to inflation costs.

8.5 **RESOLVED**

1. That the Committee noted the current monitoring and forecast position at Quarter Two for 2022/23.

9 TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW

9.1 The Committee heard a summary of the Treasury Management Strategy Mid-Year Review report from Phil Triggs (Tri-Borough Director of Treasury and Pensions). The Committee noted that in the current year 2022/23 and in 2023/24, officers are confident that the Council can use internal reserves to fund capital expenditure; this short-term strategy has been advised by the treasury consultants as well. The Committee was advised that the Council is in a relatively healthy position in terms of positive cash flow and would look to catch the market's cycle on its way down in terms of interest rates and lock into some new fixed interest loans.

9.2 The Committee was informed that the Tri-Borough team is working with London Borough of Bexley in the provision of treasury and pensions services. The Committee was advised that this type of arrangement is not likely to increase from the four London boroughs at the moment.

9.3 The Committee held a discussion on decreased local authority investing and was advised that the two main local authority consultancies had contrary views on utilising internal cash as means of temporary funding, or borrowing via the undertaking new long-term PWLB loans. It is understood that if a council has healthy internal cash reserves, these can be used on a temporary basis until interest rates are lower in the future.

9.4 **RESOLVED**

1. That the Committee noted the annual treasury strategy mid-year review 2022/23.

10 INTERNAL AUDIT PROGRESS REPORT

10.1 The Committee heard a brief summary of the Internal Audit Progress Report from Moira Mackie (Head of Internal Audit). The Committee was informed of the four different audit assurances and advised that when the audit was undertaken on the Children's Placements team, there was already an acknowledgement that improvement needed to be made.

10.2 The Committee was given a verbal overview of the Children's Placements audit and misalignment of data; the Committee understood that the issue of overpayment will be mitigated with the new case management system which will be in place in April 2023. The Committee noted that the service had undertaken a forensic piece of work and, in terms of lessons learned, having two separate systems which don't talk to each other is a risk.

10.3 The Committee noted that, as the Section 151 Officer, Gerald Almeroth (Executive Director Finance and Resources), is overall responsible for the audit function. The audit function is a tri-borough arrangement with the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea which David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance) manages.

10.4 The Committee understood that the number of audits undertaken within a given timeframe can differ as not all reviews have the same scope. Whilst there is a cycle of work, audit is also reactive. The Committee was advised that the audit process, in the post-pandemic world, is hybrid. There are a lot of meetings which are able to be held remotely but it is still useful to have conversations in person and review processes face to face. The Committee noted that the four, current, draft audit reports will be brought to the Audit and Performance Committee meeting in February 2023.

10.5 **RESOLVED**

1. That the Committee considered and commented on the results of the internal audit work carried out during the period.

11 REVIEW OF THE INTERNAL AUDIT CHARTER

11.1 The Committee was introduced to the Review of the Internal Audit Charter report by Moira Mackie (Head of Internal Audit). The Committee was advised that the Internal Audit Charter outlines how the internal audit service is provided in line with the Public Sector Internal Audit Standards (PSIAS). The Committee understood that reviewing the Charter ensures that it is current and allows for any corrections and amendments. The Committee also recognised the benefit of having more transparency in the detail of the service provided.

11.2 The Committee was pleased to note that the review of the effectiveness of the Audit and Performance Committee would be undertaken with Members to ensure that the Committee is as effective as possible. The Committee acknowledged that this might involve some informal workshops to identify areas of improvement. The Committee was informed that the recruitment exercise for an independent Member of the Committee is underway, with interviews to take place soon; Members will be informed of progress and the Chair will go to the shortlisted interviews.

11.3 **RESOLVED**

1. That the Committee approved the Internal Audit Charter and Strategy.
2. That the Committee noted the commencement of a review of the effectiveness of the Committee in line with the recent guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Audit Committees and that a report will be provided on the outcome of the review at a future meeting.

12 MID-YEAR COUNTER FRAUD REPORT

12.1 The Committee was provided with an overview of the Mid-Year Counter Fraud Report by Andy Hyatt (Tri-Borough Head of Fraud). The Committee noted that the half-year report includes counter-fraud activity which has been undertaken. The Committee's attention was drawn to the London National Fraud Initiative (NFI) Fraud Hub where, over the next 12-18 months, more analytics and data sets will be used to identify outliers which may suggest fraud and provide significant benefit.

12.2 The Committee was advised that having 207 live investigations is reasonable in terms of the number of officers. The Committee understood that around 120 are active investigations with others waiting progression with legal services, for instance. The Committee noted that the figures of live investigations are at a good, and expected, level. The figures for the last two years had been inflated due to special exercises which were undertaken.

12.3 The Committee held a detailed discussion on the London NFI Fraud Hub and was provided with historic context around the proposal. The London NFI Fraud Hub uses the same system as the NFI, a public sector data matching exercise where all local authorities provide around ten different data sets every two years which is matched for anomalies. However, the NFI is localised for London and information is collated on a much more regular basis. The Committee noted that this helps prevent fraud at the gates and gives opportunity to prevent fraud as it is almost real time data and allows local authorities to be proactive to avoid potential fraud.

12.4 **RESOLVED**

1. That the Committee noted the contents of the report.

13 REVIEW OF ANTI-FRAUD POLICIES

13.1 The Committee was introduced to the Review of Anti-Fraud Policies report by Moira Mackie (Head of Internal Audit) on behalf of Andy Hyatt due to technical difficulties experienced at City Hall during the meeting.

13.2 The Committee noted that Council staff sign the Conflicts of Interest document and all Band 5 staff and above have to sign this document when joining the Council as it is considered to be part of their contract of employment. The Committee was advised that anti-fraud policies are part of the induction package to all new staff and communicated to existing staff via the Council's internal channels, similar to Human Resource policies.

13.3 **RESOLVED**

1. That the Committee approved the revised anti-fraud and corruption policies.

14 WORK PROGRAMME

14.1 The Committee reviewed the work programme and recognised that the agenda for this meeting was perhaps too lengthy. The work programme should be examined to prevent too many items being on the next committee agenda.

15 ANY OTHER BUSINESS

15.1 The Committee requested that the meeting in February 2023 should include an item on staffing, including structure, vacancies, turnover, sickness, agency and pay gaps for instance. It was agreed that this would be investigated.

15.2 **RESOLVED**

1. That an item of staffing will be investigated.

The meeting ended at 20:16.

CHAIR: ______________________ **DATE** ___________________

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City of Westminster

Audit and Performance Committee Report

Meeting:	**Audit and Performance Committee**
Date:	**Thursday 23rd February 2023**
Classification:	**General Release**
Title:	**Quarterly Performance Report – Quarter 3** (Period: 1st October to 31st December 2022)
Wards Affected:	**All**
Key Decision:	**No**
Financial Summary:	**Not applicable**
Report of:	**Pedro Wrobel, Executive Director for Innovation and Change**

1. Executive Summary

This performance report summarises the Council's performance and progress at the end of Quarter Three 2022/23. It presents the latest cumulative results available for each Key Performance Indicator (KPI) where possible.

Please note the availability of results for some Key Performance Indicators (KPIs) vary and may not align to the quarterly performance reporting cycle. In these cases, the latest position available is reported – this primarily affects Public Health KPIs – several of which are only available a quarter in arrears.

The report covers:

- **Headline achievements from around the council** – prioritised so that Committee see information on the highest impact initiatives.
- **Insight highlights** – updates that provide additional insight to Committee where longer narrative is required.
- **Pressures and risks** – focused and prioritised so that Committee see detail on the most significant issues or potential threats identified from horizon-scanning and what the impact could be. The section also contains prioritised operational risks, so that Committee see detail on the most significant items. The risk register will be available to Committee at any time should Members require access.
- **Key Performance Indicators (KPIs) by Directorate** - metrics that are important to monitor to ensure the council is providing effective services and value for money. The KPIs included in the report are reviewed annually with directorates and the Executive Leadership team.

2. Recommendations

- Committee to note the performance updates at Quarter 3.
- Committee to indicate any areas where they require more information or clarification.

3. Headline Achievements

This section highlights the council's headline achievements for Quarter Three. These will be achievements by exception, drawn from delivery against key initiatives, and projects and programmes.

Health, Care and Wellbeing

- ✓ **Continuation and Expansion of Churchill Gardens Community Health Worker.** NHS support for the sustainability and expansion of the Community Health Worker Programme has been secured. This follows a successful evaluation of the Churchill Gardens Community Health Worker pilot that demonstrated clear early impacts of the programme on uptake of NHS health checks, vaccination, and screening programmes as well as a reduction in GP consultations. The programme has received national attention and its development is a significant milestone towards the transformation of primary care support of individuals, households, and communities.

- ✓ **Delivered 800 Christmas Hampers to residents.** Each year we support the Sir Simon Milton Foundation Charity in delivery of hampers to Adult Social Care clients and Care Homes. This year, 31 council staff were involved in the deliveries in addition to resident volunteers. City Inspectors facilitated the delivery of a large number of hampers. The outcomes of this piece of work include isolated residents feeling connected, supported, and cheered; staff gaining experience of direct involvement with residents and developing empathy and insight into the challenges faced by some of our residents.

- ✓ **Winter in the City**. Over the last month we promoted both the Cost of Living in general with a goal of directing people to the Cost-of-Living Support Hub, alongside health and environmental streams. With the first real cold snap of the year, there was a major push of our Winter in the City program through digital and hardcopy means. Additional work has been done to prepare future content such as debt-free fortnight (centred around the GLA debt-free bus) and a focus on practical advice from the CAB.

- ✓ **Severe weather emergency protocol (SWEP):** SWEP is the emergency response for rough sleepers activated by the GLA when temperatures fall below 0°C and was activated on the 7th – 19th December. SOS outreach teams work diligently with clients as part of the In for Good Principles to explore move on options and prevent a return to the street. Over the period SWEP was offered to 208 rough sleepers, 141 of which accepted the emergency bed provision. 68% of those who accepted the emergency bed provision were able to move on to a more stable and longer term offer at the end of SWEP.

Children and Families

- ✓ **Universal Free School Lunches in our Primary schools.** In December, Cabinet agreed to provide free school lunches to all children in maintained primary schools in response to the Cost-of-Living Crisis. Universal free school lunches are currently funded by the DfE for children in reception through to Year 2 (Key Stage 1). To ensure that no children go hungry in our primary schools, Cabinet have pledged £2.7 million over the next 18 months to fund universal free school lunches for children in Year 3 to Year 6. The introduction of this scheme, which began at the start of this school term, will save families up to £550 per child per year, supporting those who need it the most.

- ✓ **Negotiated Maintained Nursery School funding.** The Early Years Service (EYS) has successfully challenged the DfE's proposed changes to Maintained Nursery School funding that would reduce our funding by £342,941 (or 25% of current levels) in 2023-24. Due to representation made by our EYS, DfE announced in December that the funding reduction will be introduced incrementally over a period of three years. The phased reduction in funding is £217k less than originally proposed, and a further £108k for 2024-

25. Although this still signifies a reduction in funding, this action will reduce the impact on our maintained nursery schools and allow time for them to adjust to the new funding.

- ✓ **Holiday Activity, Food and Partnership Funding**
  Over the Christmas holidays, The Holiday Activity and Food (HAF) programme supported 1,410 vulnerable children (almost 550 more than Christmas 2021) to access a range of different activities with meals provided. Activities over the holidays included arts and crafts, theatre trips, dance classes with professional dancers, and TV production classes. Given that DfE do not fund a holiday food and activity offer during half terms a partnership has been formed with Grosvenor Estates agreed to match fund our funding to deliver vital HAF programmes over the October 2022 and February 2023 half term.

Community Safety and Enforcement

- ✓ **Gambling Policy.** The Council Gambling policy to protect vulnerable residents and visitors from gambling harm was adopted on 12th December. We developed a local area profile that included a unique vulnerability index for gambling-related harm. This sets out the vulnerability of residents and is publicly available via an interactive map. We utilised this evidence base to develop an extremely detailed policy to raise the bar on our expectations of operators to address gambling risks. This evidence and policy will help increase standards and we continue to lead the raising of the national standard for policy and driving forward our understanding of vulnerability to protect those most at risk.

- ✓ **Successful award of 4 Parking-related contracts -** The City Council has let contracts for the Parking service related to “Business Processing”, “People and Resources”, “CCTV”, and for “Relocations and Abandoned Vehicles”. The new contracts, which complement the already awarded “Parking Technology” contract, will enable us to continue to lead in the industry and to find greater efficiencies. New systems will support innovative ways of working and better information for users while retaining the staff committed to providing excellent services to our residents and road-users.

Environment

- ✓ **Electric Vehicle installations** - with over 1,800 charge points now installed we have exceeded our target of 1,500 Electric Vehicle (EV) charge points in 2022. We continue with our commitment to reduce harmful emissions from traffic on the highway to fulfil our carbon neutrality targets. We have increased the number of charge points to ensure residents have the confidence to make the transition to EVs, noting the high demand on on-street parking. More installs and further works are planned to upgrade older charge points and to introduce more higher-powered points in 2023.

- ✓ **Sustainability City Charter –** Working with Westminster Property Association we launched the Sustainability City Charter on the 15th of November. It provides a business-led collaborative framework for decarbonising buildings and driving sustainability as well as offering guidance around climate action. We are providing eligible businesses access to funding for energy audits and a digital monitoring platform. The Charter is open to any organisation with a stake in a non-residential building in the city, whether through owning, leasing, managing or occupying. Over 50 organisations have expressed interest and we are working with businesses to drive-up levels of participation.

- ✓ **Waste Action Squad Launch -** Street cleanliness and tackling fly tipping in residential areas is a priority and the Waste Action Squad brings together key WCC services to focus on engaging with communities for a dedicated week in key wards, working with residents to find solutions to entrenched issues. The team have contacted over 700 people on our streets since October. We have worked with Veolia to deep cleanse 50 dumping hotspots and carried out 209 waste interventions. Local action plans have been created for each ward. We are working with our communications team to raise the profile of clean streets and the impact of dumped waste, with a low-cost campaign that has generated 5,000 video views, 800 visitors to the webpage and 1,900 social media engagements. The team will be continuing the programme and to develop this model.

Business and Economy

- ✓ **Responsible Procurement & Commissioning Strategy.** The Council's Responsible Procurement & Commissioning (RPC) Strategy was endorsed by Cabinet on 12th December. It maps how we can leverage the opportunity that our spend brings, to drive ethical and sustainable practices and derive benefits for local communities. Implementation of the Strategy has already begun, with comms ready to launch, supplier requirements integrated into our eProcurement system and modern slavery action plan tasks underway. A toolkit to facilitate delivery of the strategy is being developed, alongside training packs for the procurement team and stakeholders across the Council.

- ✓ **Revenues and Benefits.** We have successfully processed the £150 Council Tax Energy Rebates. The mandatory and discretionary schemes closed on 30 November 2022. 42,542 residents have either been paid by Bacs or had the £150 Council Tax Rebate credited to their Council Tax account under the mandatory element of the scheme and 14,204 residents have either had the £150 Council Tax Rebate credited to their Council Tax account or been sent a cheque under the discretionary element of the scheme.

- ✓ **Start-up to Scale-Up Programme success.** The programme provided 6 months of support by Scaling Up Coaches to help Start Ups to successfully accelerate growth and in turn help create high-quality, sustainable, well paid-jobs and social and economic contribution to our economy. 52 companies were supported via a pilot in 2021 and 4 cohorts in 2022 that came to an end during Quarter 3. 86% of companies completed the full programme versus 72% completion rate of provision delivered by comparator LEPs.

Housing and Built Environment

- ✓ **City Plan.** We launched a partial review of the City Plan in October 2022 on proposed changes to adopted policies. A key aim is to deliver more affordable housing, particularly for social rent. The Affordable Housing Policy is being revised to achieve greater contributions and proportion of social provision housing compared to other affordable tenures from developers. The review introduces a new 'retrofit first' policy requiring developers to consider the retention, refurbishment/retrofitting of buildings before proposing demolition. Following the in-principle support for these amendments, the council is now progressing the review to the next stage.

- ✓ **Affordable Housing.** The Church Street Resident ballot closed in December 2022. 144 (73.1%) voted 'yes', and 53 (26.9%) voted 'no', with a response rate of 56% (197/352). This provides a mandate and makes potential GLA grant funding available to help with the delivery of Site A. Proposals to revise the tenure mix on Church Street and Ebury Bridge were endorsed by the Cabinet Member. As a result, an additional 158 social rent homes will be delivered across Ebury Bridge and Church Street Site A. Construction on Adpar, Queens Park Court and Torridon House has commenced. These schemes will provide 64 new social rent homes, with 20 of these being Supported Housing.

- ✓ **Launch of Strand/Aldwych.** The Leader launched Strand/Aldwych in December 2022. It was well supported by local stakeholders and creates over 7000m^2 new open space. We have removed a polluting 4-lane gyratory and introduced two-way traffic flow around Aldwych with no displacement, better safety, improved junctions, significant additional green infrastructure and a management model to support a programme of activity, bringing content from the cultural, educational and creative institutions in the area.

- ✓ **Westminster Landlords Forum** – The Private Sector Housing team hosted approximately 50 landlords and property agents in City Hall on 16th November. The forum involved presentations concerning key issues in the private rented sector, and important information regarding landlords' legal responsibilities. Discussions covered new proposals for the new Decent Homes Standard, fire safety advice provided by London Fire Brigade, an update on property licensing and electrical safety legal requirements in rented properties. This forum is scheduled to be held twice yearly.

Public Affairs and Communication

- ✓ **Living Wage accreditation renewed by the Living Wage Foundation.** We have successfully renewed our position as an accredited organisation with the Living Wage Foundation. Our commitment to the Living Wage remains a core element of our approach to procurement within Westminster City Council. This has been clearly demonstrated by our recent reporting figures, where 100% of (in scope and over £100k) Gate 3 papers presented to the Commercial Gateway Review Board (CGRB) between the period of October 2021 and September 2022 included Living Wage commitments.

- ✓ **Westminster Adult Education Service (WAES) achieves Matrix Standard**. Following an external verification visit in December 2022, WAES gained full accreditation for Information, Advice and Guidance Services that it provides to current and potential learners. Matrix accreditation is the recognised standard for organisations that deliver information, advice and/or guidance either as their sole purpose or as part of their wider service and education offer.

- ✓ **Tech Lions 2.0 (Digital Apprentices).** We have partnered with Multiverse to recruit for the next round of our Tech Lions apprentices. The campaign was set out to bring new talent into the organisation and offered apprentices an opportunity to develop a grounding in a range of business functions and industries and set the foundation for a successful career while working towards a Level 3 qualification. This latest cohort is the largest and the most diverse we have ever hired.

4. Insight highlights

This section highlights new areas of insight for this quarter – areas of Council performance that have been examined in further detail.

2022 City Survey

Every year since 2002 we have commissioned an independent research company to conduct a door-to-door survey with residents across Westminster. The purpose of the survey is to measure resident satisfaction, understand service use, and identify local issues, concerns and priorities. In 2022 we interviewed 2,436 residents (aged 16+) between late September and early November. The sample is designed to be representative of our diverse resident demographic, whilst face-to-face interviews ensure we capture the views of digitally excluded residents.

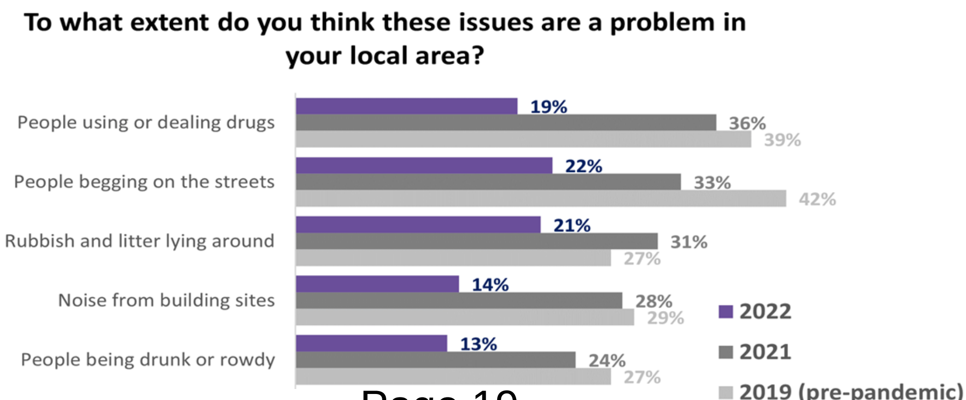
The table below shows the perception of our key services over the last six years. Satisfaction across all services surveyed is up on the previous year.

	2017	2018	2019	2020	2021	2022
The way the council is running the city	86%	88%	88%	86%	86%	94%
Refuse collection	87%	93%	89%	86%	86%	94%
Street sweeping	84%	91%	90%	86%	88%	93%
Street lighting	87%	90%	91%	89%	91%	95%
Road Maintenance	83%	86%	87%	79%	88%	93%
Pavement maintenance	81%	84%	88%	80%	90%	94%

Promising Trends:

- Overall resident satisfaction with how the council is running the city has increased significantly and is much higher than the LGA national average.
- Satisfaction with all core council services has increased and is now higher than pre-pandemic levels.
- The number of residents who feel involved in decision-making has greatly improved. Most notably, residents from Vincent Square have gone from feeling the least involved in 2021 to feel the most involved in 2022.
- Overall concern about community issues has significantly decreased relative to 2021 and are much lower than pre-pandemic levels. The majority of residents continue to feel safe in the area where they live.

Resident concerns:
Each year we ask residents to tell us what their top concerns in their communities are. The top five concerns are presented in the table below. All top 5 concerns improved from the previous year.



Areas for further analysis:

The Strategy and Intelligence are running a range of ongoing analyses to identify demographic and geographic differences in all these trends, which will help to better inform decision-making and more effectively target initiatives. The new areas that present potential for further work include.

- The proportion of residents who feel they are financially comfortable has decreased, particularly in Harrow Road. The proportion of residents who are 'not sure' about their financial situation has also increased 4-fold, suggesting greater feelings of economic uncertainty.
- Fewer residents from Abbey Road felt they were involved in decision-making – a complete U-turn from 2021, when they were ranked the highest
- There is a decrease in the proportion of residents who recycle more and have taken steps to have a more environmentally friendly diet.

Housing - Mould and damp

The Secretary of State wrote to all Local Authorities in England seeking action and assurance around tackling mould and damp in social and private rented housing. The council has accordingly assessed the conditions in its own housing stock. Mould and damp reporting in the social housing properties we manage has increased by 82 cases on average per month since November 2022 – an increase of 72% following the tragic death of Awaab Ishak in social housing that contained mould.

Most cases escalated to us are not Category 1 risks (that could cause the most serious harm) and are difficult to diagnose prior to home visits. The main issues that cause mould and damp to take hold in homes include a reduction of heating homes (current high charges) poor ventilation and poor insulation. Outside of the properties we manage, our Private Sector Housing team receive in the region of 1,500 complaints each year with approximately 10-15% of these concerning dampness and mould growth.

In terms of the response, we have specialist ventilation systems and air quality sensors installations underway - 68 Specialist Ventilation units installed since Nov 2022 with more planned for 2023. We are also recruiting an additional Mould and Damp (M&D) surveyor and support officers for 12 months to support the increase in cases and reduce wait time for home visits to 48 hours. We have also bolstered supply-side capacity with dedicated Mould and Damp contactors recruited to discharge approximately 30 homes a week.

We are making it easier for residents to report problems and we have introduced an interactive online reporting form for residents to detail the issues and upload live images to improve triage and prioritisation of cases. We ensure our officers attend all GP and NHS referrals immediately. Customer Relationship Management dedicated call handlers are triaging and identifying Category 1 hazards to prioritise attendance in the homes.

In terms of impact of our work, we have seen verified mould and damp cases requiring remedial works trending downwards since January last year (60 cases for January 2022 down to 33 in December 2022). Our current waiting times for Mould and Damp works (once escalated and surveyed) have been reduced to 4 calendar days.

5. PRESSURES AND RISKS

This section presents the top pressures and risks facing the council and the City at Quarter Three. The first part of the section focusses on contextual challenges as identified by council Directorates or through analysis of our operating environment. The second part of the section presents the current top risks as reported by Directorates and recorded on the council's Corporate Risk Register.

Financial pressures

Westminster has a forecast overspend for 2022/23 of c£3m and a budget gap from 2024/25 to 2026/27 of £57m. These pressures are due to a combination of macro and microeconomic factors. Namely, high inflation, uncertainty with the level of government funding and increased service demands. To mitigate this pressure, Westminster has a 4-year Medium Term Financial Plan, 15-year capital programme and 30-year HRA Business Plan. Services put forward savings and spending plans as part of this which aligns with the Fairer Westminster Strategy. These plans are reviewed and scrutinised by senior officers and members (both Cabinet and other committees). The Council also regularly monitors the in-year budget and reports quarterly to Audit and Performance Committee. This allows a regular and consistent review of the Council's financial position, both in the short and medium term to mitigate any risks. Further information on the financial details of the council can be read in the Quarter 3 Finance Monitor – included within the Committee agenda pack.

Increasing complexity and pressures in Children's Social Care

Throughout our Children's Social Care services, we are seeing rising complexity of casework and external pressures on the service. In addition to the 44% rise in Child Protection (CP) plans compared to Quarter 3 last year, we have seen a rise in complex nature of cases at CP Conferences, and a rise in unborn children who are subject to CP investigations or CP plans. Under our Universal Offer in Family Hubs, we are holding a lot of complex cases where families are not receiving services elsewhere due to wait times. Whilst we have a skilled and committed workforce, the increased complexity of work is very time consuming.

Currently, caseloads are such that workers can work intensively with families, however this is threatened by increase in complexity, rising caseloads and recruitment pressures. Significant delays in care proceedings concluding within family courts puts pressure on services to hold and manage risk (with some proceedings far exceeding the 26-week target). This incurs delays in permanency, prolongs instability for children and families, and creates added placement costs. It will also reduce the number of children for whom we can achieve permanency.

We are seeing a rise in children and young people coming into care with complexities and links to Serious Youth Violence, which puts serious pressure on placements at a time where there is a national shortage and placement costs are high. We have a skilled placements team who are engaged early on and work hard to negotiate costs on placements, however this is a national pressure where we have restricted influence. We work with London Commissioning Alliance with other London boroughs to collectively address placement sufficiency and cost.

Proposed amalgamation of two primary schools

Due to a 17% reduction in the birth rate in London, primary school rolls continue to fall. The surplus primary school capacity across the borough is 25.7%. Two Church of England primary schools, St Stephen's and St Mary Magdalene's (located in the Westbourne ward which has a capacity of 28%) are currently consulting on amalgamating on the St Mary

Magdalene's site with effect from September 2023. The council is advising and supporting both schools during this 4-week governor-led consultation.

Strep A and Scarlet Fever

Since November 2022, the UKHSA have notified us of 9 outbreaks of group A strep in schools and nurseries in Westminster. The latest data from the UKHSA continues to show Scarlet Fever and Group A Strep (GAS) infections remain high. There has been a drop in the number of cases notified over the Christmas and New Year Holidays, but this may rise now children are mixing again in school. The picture in Westminster for 2022 is that there have been 32 notifications of scarlet fever and 4 notification of invasive group A streptococcal disease (iGAS) in both adults and children. We have had no notifications of deaths.

The Gordon Hospital.

The Gordon Hospital had a 59-bed capacity and provided in-patient psychiatric care for Westminster residents. Central and North-West London (CNWL) NHS Foundation Trust took the decision to close the hospital at the start of the pandemic in early 2020. The implications continue to be significant. The lack of inpatient specialist mental health facility in the borough has meant Westminster residents in need of specialist support are having to go out of the borough for this intervention. Stakeholder meetings are taking place with participation from Senior Leaders at the Council, to understand the full impact of the closure across the whole system. Meetings have begun with NHS leaders to discuss the impact of the closure and will continue in the coming months.

Cost of Living.

The rising cost of living continues to present a significant challenge to living standards, and whilst inflation is forecasted to ease over the next year, it has reached its highest level in 41 years, government support is also being scaled back and rising interest rates will feed through into higher mortgage costs. Around 32,000 households in Westminster are particularly exposed because they are low-income workers or in receipt of benefits (WCC Economic Analysis, 2022). The council allocated £10m on a variety of activities to support households through these crises including proposals (including Winter in the City) totalling £1m of additional support for this financial year 2022-23, and £1m for next financial year 2023-24.

In terms of our response to communities, over December our Winter in the City programme provided a range of activities to help our residents through the costly Christmas period. Activities included:

- Localised Winter in the City Maps were created internally and distributed to housing estates, parks and libraries.
- Generic posters pointing to the Cost-of-Living support hub were sent to GP surgeries, leisure centres, community centres and libraries.
- Digital Winter in the City assets was created and distributed for library screens.
- Winter in the city maps was translated into the 5 Fairer Westminster languages.
- Cost of Living and Winter in the City featured in every issue of My Westminster
- Announcement of free school meals across WCC channels and across various press.
- Social Media platforms were used to point to Cost-of-Living Support Hubs, signpost mental health services, and support residents using food banks.

Other direct support will also be enabled via our Revenues and Benefits service. The team are to roll out three support schemes to eligible residents which are:

- **Alternative Fuel Payment Scheme** – This scheme is to support residents who use fuels other than gas (i.e oil/biomass) that missed out on the Energy Price Guarantee.

- **Energy Bill Support Scheme Alternative Funding** – This scheme is to support residents that missed out on the Energy Bill Support Scheme (£400) as they don't have a direct relationship with their energy supplier.

- **Council Tax Support Fund 2023/24 –** We are required to provide £25 Council Tax allowance to residents who are in receipt of Council Tax Support but do not receive the full 100% allowance. We are proposing to increase the reduction applied to £150 but this is subject to Cabinet Member approval.

TOP RISKS

This section highlights the council-wide risks identified by Directorates currently scoring 12 or above on the council's Risk Register. Risks are scored from a minimum of 1 to a maximum of 25 for the most serious risks. The section is divided into two parts; 1) New risks – risks of 12 or above that have been identified over this quarter and 2) Significant risks scoring 12 and above that have previously been reported to Committee and are being monitored corporately.

1) New risks reported this quarter

Financial pressures relating to SEN provision. There is cumulative deficit in the High Needs Block which is not part of the Council's revenue but part of the Dedicated Schools Grant. In the current financial year, we're forecasting an underspend but have not been able to address the deficit.	**Score** 12
Impact	The Department for Education have yet to give any clear picture about how they intend for cumulative deficits to be addressed. We are one of 55 Authorities with similar scale deficits. There are 20 Authorities with much greater than the 55 Local Authorities.
Mitigation	A £1m bid was submitted as part of DfE's Delivering Better Value programme, to invest in SEN services, particularly in relation to autism spectrum disorder (ASD), speech and language, to help manage future demand for Education, Health and Care Plans (EHCPs). If successful, funding will be released in April 2023.

Emissions trajectory modelling / mapping of future savings. Due to limited ability to map projected savings from climate activity on to the net zero trajectory. There is also lack of quantitative information from projects on timescale an amount of emissions savings to be delivered.	**Score** 12
Impact	Inability to properly track and monitor the impact of the actions the council is taking. This can then impact our ability to properly forecast our emissions and make the required strategic decisions on the action to take. This also risks reputational damage if we cannot accurately report on our progress in a timely fashion.
Mitigation	Working group has been set up with Strategy & Intelligence team and Corporate-Programme-Management Office to see how council can improve the data available in relation to the 2040 target. This includes contacting BEIS & Anthesis about how emissions data is collected, the sources used and how national emissions is assigned at a local level. Obtaining data quicker and at a more granular level will help the team improve our ability to forecast and assess the impact of the actions being taken.

2) Significant risks previously reported to Committee

Construction industry pressures in housing/development schemes				**Current Score** 20
Previous scores	**Q3 2021/22**	**Q4 2021/22**	**Q1 2022/23**	**Q2 2022/23**
	20	20	20	20
Impact	Considerable pressures on the construction industry continues in the light of Brexit, COVID19 and the conflict in Ukraine. Construction inflation is already running much higher than in other sectors and recent oil price increases will put further pressure on the industry.			
Mitigation	We are experiencing continued pressure on pricing, programmes and scheme viability positions and therefore overall pressures on the Council's business plan projections will remain a key focus. Contractors are less willing to fix prices and unwilling to hold any commercial position for long which challenges our governance and approval process and timescales. The combined pressures are directly affecting schemes not yet in contract, such as the Infills Programme, Balmoral and Church Street. Prices are in flux and many contractors and suppliers will only fix quotes for a short period.			

Health protection Incidents including infectious disease outbreaks e.g., pandemic flu, legionella outbreaks and extreme weather				**Current Score** 16
Previous scores	**Q3 2021/22**	**Q4 2021/22**	**Q1 2022/23**	**Q2 2022/23**
	N/A	**N/A**	**N/A**	**16**
	Previously there was a specific COVID-19 risk prior to Q2 22/23.			
Impact	Risk of mortality or adverse health implications for residents as well as economic, social and political disruption.			
Mitigation	Our Local Outbreak Management and wider business continuity and emergency plans are refreshed. These plans aligned with UK Health Security Agency and regional health protection. The health protection / immunisations campaigns conducted in response to seasonal and emerging threats. Our team developed a Living with Covid Plan framework, taking a Pan London approach to supporting sexual health services respond to MonkeyPox, as well as refreshing our pandemic flu plan. All plans will be refreshed periodically and in response to emerging threats.			

Flooding. Impact on the City from fluvial or surface water flooding.				**Current Score** 16
Previous scores	**Q3 2021/22**	**Q4 2021/22**	**Q1 2022/23**	**Q2 2022/23**
	16	**16**	**16**	**16**
Impact	There can be damages to council buildings and structures, transport disruption and cold temperatures. This can lead to risks to vulnerable people, slip and trip hazards, access denial and possible power outages and severe infrastructure disruptions (IT, Telephony, Electricity, Water).			
Mitigation	The Council continues to follow the GLA's London Strategic Flood Framework and Environment Agency Guidance, the Serpentine Reservoir Inundation Plan, and it also has its own Westminster Plan for Major Emergencies, WCC Staff 10 Point Plan for Business Continuity, and test exercises. The Thames Barrier is also a major existing control against flood events. The risk of localised flooding is broadly unchanged but the council has invested in drain and gully sensors to provide real time intelligence on water levels.			

Building Regulations - Part B & Draft Building Safety Bill Building Regulations - Part B has been re-written following an independent review of the building regulations and fire safety following Grenfell. The Building Safety Act 2022 (BSA) is now in force with significant demands on the Local Authority Building Control Team.				**Current Score** 12
Previous scores	**Q3 2021/22**	**Q4 2021/22**	**Q1 2022/23**	**Q2 2022/23**
	15	**15**	**15**	**12**
Impact	The buildings covered by the BSA (in-scope buildings) have been extended to cover many more of the properties within Westminster. The BSA sets requirements for the competence and resource of the local Building Control team. The surveyors will need to be licenced with the Building Safety Regulator (BSR) similarly to doctors. There is a significant risk that staff may not meet the licencing requirements and therefore not be licenced to operate and perform the Council's statutory functions. There is a significant shortage of staffing in the market and recruitment of more junior staff to be upskilled will be required. The proposed Career Development Framework (CDF) needs to be established and recruitment authorised.			
Mitigation	Four surveyors (incl 1 agency) have passed new Local Authority Building Control (LABC) (the national representative association) competency exams. Currently developing two Senior surveyors who may be able to fill principal posts. WCC has signed up to the LABC Quality Management System. We are also looking to recruit, one Fire Engineer post, one Quality and Regulations Manager and two Principal Surveyors.			

The current threat level of a terrorist attack. The threat to the United Kingdom from terrorism is currently 'Substantial'. This means that a terrorist 'attack is 'likely'. The level is set by the Joint Terrorism Analysis Centre.		**Score** 16
Impact	This is significant impact such as Injury/Loss of Life, Financial impact, Community tensions and Legal/Reputational damage if the council is seen to be at fault.	
Mitigation	Work ongoing across three strands of CONTEST (the government's Counter Terrorism Strategy) to seek to reduce the likelihood, vulnerability and impact of a terrorist attack in Westminster.	

Key Performance Indicator results by Directorate

These are KPIs that have been selected by directorates to help us track how well the council is delivering on its core and statutory services.

RAG Status			Trend		
	(red)	KPIs that are off track to meet/ failed to meet target		Better	KPIs that have shown positive movement/ rate of change compared to last quarter
	(amber)	KPIs that are at risk of missing target levels		Same	KPIs that have shown static movement/ rate of change compared to last quarter
	(green)	KPIs that are on track to meet/ met target		Worse	KPIs that have shown negative movement/ rate of change compared to last quarter
	(grey)	N/A – No target		N/A	KPIs that do not lend themselves to comparison

Note: targets that are yearend rather than quarterly are marked with an asterisk*

ADULT SOCIAL CARE

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of adult social care service users receiving an annual assessment or review of their care needs	39.40% (1650/2722)	95%*	**59.5%**	**Same as Q2**	Amber
Service Commentary/ Mitigating Action: The number of service users with long-term care has increased by over 200 impacting staff capacity. There is an action plan in place to ensure that resources are reallocated across the service to prioritise this activity and delivery is being closely monitored. We are confident the target will be met by Q4.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
2	% of carers (caring for an adult) who have received an assessment or review of their needs	47.7% (465/974)	92%*	**65.9%**	**Same as Q2**	Green
3	No. of new permanent admissions to residential and nursing care of people aged 65 years and over (by yearend)	53	122*	**84**	**Same as Q2**	Green
4	% of people in receipt of reablement packages that maximises independent living and reduces or eliminates need for an ongoing care package	77.30% (440/569)	80%	**78.6%**	**Better than Q2**	Green

PUBLIC HEALTH

** Public Health – Please note that Public Health indicators have delayed reporting cycles.*

	KPI Description	Q1 22/23	Target 22/23	Q2 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of children who received a 2-2.5 year development review from health visitors	47%	70%	**62%**	**Better than Q1**	Amber
Service Commentary/ Mitigating Action: The service is looking at increasing the number of venues that the checks can be held at and a pilot of group checks has been in progress since the Autumn. This is currently being evaluated. The service is working closely with Early Years settings through local forums, such as the Private, Voluntary and Independent early Years (PVI) Forum to raise awareness of the importance of the checks with settings who regularly liaise with parents.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
2	% of opiate drug users that left drug treatment successfully who do not re-present to treatment within 6 months	7.87%	8.5%	**8.8%**	**Better than Q1**	Green
3	Total no. of smokers (per annum) successfully completing 4 week quits after approaching NHS stop smoking services help you quit	265	1000* (250 per Qtr)	**627 YTD (362 Q2)**	**Better than Q1**	Green
KPIs THAT DO NOT HAVE A TARGET LEVEL						
4	No. of sexual health screens completed.	10,484	N/A	**10,480**	**N/A**	Grey

CHILDREN'S SERVICES

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS						
1	% of primary school vacancies (surplus places) across Westminster	23.40%	10%	**25.70%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Due to a 17% reduction in the birth rate in London, primary school rolls continue to fall. Review of options for further amalgamation of primary schools is underway, with St Stephen's and St Mary Magdalene's currently consulting on amalgamating with effect from September 2023. Demographic analysis of families in the City post Census data release is continuing in S&I and analysis will be shared with Children's Services shortly.						
2	% of children achieving Good Level of Development at the end of the early years foundation stage	65.9%	70.6%	**65.9%**	**Same as Q2**	
Service Commentary/ Mitigating Action: We continue to work closely with EYFS leads across all schools. We delivery training courses, offer direct support to reception teachers and facilitate EYFS teacher network meetings focussing on high quality practice. We also continue to offer support to all early years settings with a particular focus on school readiness.						
3	% uptake of free early education funded placements for 3 and 4 olds	47%	85%	**47%**	**Same as Q2**	
Service Commentary/ Mitigating Action: Appear to substantially underperform compared to the London and England averages. 2021 census shows 45% fewer 3 and 4 years olds in the city which would take performance to over 80% if census population figures were used.						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
4	% of care leavers (aged 17-24) in education, employment or training (EET)	76.2%	80%	**73.50%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: We have an extensive support offer and continue to work closely with other Services and partners to create more opportunities for young care leavers. Westminster continues to have a very high percentage of care leavers in EET; well above the nation average of 55% and the London average of 63%. Data released in Q3 shows that Westminster has the highest percentage of 19-21 year old care leavers in EET across all London Boroughs.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
5	% of Looked After Children placed within 20 miles from where they used to live in Westminster	82.4%	85%	**80%**	**Same as Q2** (Small cohort)	
6	% of referrals to children's social care that are within 12 months of an earlier referral (re-referrals)	15.20%	15%	**16.5%**	**Worse than Q2**	
7	% of appointments to register births available within 5 days of enquiry	89.7%	95%	**89.6%**	**Same as Q2**	
8	% of care leavers (aged 17-24) placed in accommodation suitable for their needs (for children not homeless or in prison)	97.10%	94%	**93.5%**	**Worse than Q2**	
9	% of Looked After Children in care for more than 2.5 years and of those, have been in the same placement for at least 2 years	63%	75%	**72.7%**	**Better than Q2**	
10	No. of young people that were known to the Youth Offending Team and were continuing to re-offend	25	22	**23**	**Better than Q2**	
11	% increase in real and virtual visits to libraries	17.50%	2%	**3.3%**	**N/A**	
12	% of Education and Health Care Plans completed within 20 weeks	100%	90%	**100%**	**Same as Q2**	
13	% of schools rated by Ofsted as good or outstanding	95% (54/57)	98%	**95%**	**Same as Q2**	
KPIs THAT DO NOT HAVE A TARGET LEVEL						
14	% of children on free school meals	36%	N/A	**36.5%**	**N/A**	
15	% of children re-registered on a protection plan within 2 years	0%	N/A	**0%**	**N/A**	

ENVIRONMENT AND CITY MANAGEMENT

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	Number of HMOs improved	46	200	**93**	**Better than Q2**	
Service Commentary/ Mitigating Action: This KPI has increased significantly since Q2 mainly due to the work in checking compliance with licensing conditions which commenced in Q1. This figure is projected to increase, though is unlikely to reach target figure set. HMOs recorded as improved following re-inspection, or the provision of robust evidence by property owners of improvements made. In addition, licences have been issued with less substantial improvements attached as conditions, with a presumption that licence holders will have addressed these. In 2022/23, 810 licences have been issued with 547 of these including conditions requiring improvements**.**						
2	No. of Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety	107	375	**191**	**Better than Q2**	
Service Commentary/ Mitigating Action: Recent months have shown a significant increase in this number as enforcement work has ramped up. The service is actively checking on the completion of licensing conditions, which will include removal of some Cat 1 hazards. Joint work has also increased with outside partner agencies which has raised awareness of services, resulting in increased reporting of non-compliance, particularly in the area of licensing. The service is currently running with vacancies, pending a re-organisation, which will impact on service outputs. Alongside removal of Category 1 hazards, officers interventions have also resulted in removal of 158 less severe Category 2 hazards. Enforcement action has also been taken where non-compliance has occurred, in line with our enforcement policies.						
3	% of all high-risk food premises inspected (rated category A-B)	100%	100%	**89%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Due to an anomaly in the IT system, some due inspections were not brought forward. In addition, food hygiene inspections were paused in advance of the busy Festive period to reduce the burden on businesses. All overdue inspections are now being prioritised.						
4	Household waste recycling rate (%)	24%	25%	**22%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Will understand the impact of the food waste rollout once complete.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
5	% of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision	80%	80%	**90%**	**Better than Q2**	
6	% of licensed premises that are safe and well managed following a single inspection	90%	90%	**93%**	**Better than Q2**	
7	% of streets in Westminster that pass the street score survey for litter	95%	95%	**95%**	**Same as Q2**	
8	% of urgent lighting defects returned to service within agreed service levels	99%	98%	**98%**	**Same as Q2**	
9	No. of vulnerable residents supported to continue living in their homes	260	500*	**721**	**Better than Q2**	
10	% of missed bin collections per 100,000	4%	3%	**4%**	**Same as Q2**	
11	% of cycle lane asset condition assessments completed as scheduled.	50%	98%*	**50%**	**Same as Q2**	
12	% of carriageway and footway defects repaired or made safe within target timescales	94%	98%	**100%**	**Better than Q2**	
13	Number of Cycle Hangers installed from April 2022 baseline	16%	90%	**50%**	**Better than Q2**	
14	% of women accessing specialist domestic abuse services who report a reduction in abuse	97%	75%	**100%**	**Better than Q2**	

FINANCE AND RESOURCES

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of Stage 2 complaint responses despatched within 20 working days	43%	75%	**39%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: The Corporate Complaints team has responded to 80% of stage 2 complaints in target, the housing management service (HMS) 26% of their stage 2 complaints in target. The poor performance of the HMS continues to impact overall performance and failure to meet the target. There will be increased liaison meetings between the Housing Complaints team and the frontline teams to improve speed of query resolution. Going forward the Housing Complaints manager will also be attending weekly repairs meetings to highlight outstanding Stage 2 complaints.						
2	Out of Hours Contact Centre % Calls abandoned <10%	7.4%	<10%	**11%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: There were several incidents that impacted the OOH team during December, particularly a burst water main which affected properties in 6 postcodes. Additional bank holidays and block issues such as no heating and no hot water increased call volumes substantially.						
3	Carbon savings achieved from portfolio of companies receiving pension fund investments compared to the 2018/19 baseline	65%	75%	**69%**	**Same than Q2**	
Service Commentary/ Mitigating Action: Reduction rates are improving towards the desired target.						
4	% of premises with access to full fibre broadband in Westminster	63.7%	80%	**63.7%**	**Same than Q2**	
Service Commentary/ Mitigating Action: Following the release of the latest data set some questions were raised by the Greater London Authority with Ofcom around premises counts. Ofcom are currently looking into this, and an updated report is expected within the next couple of weeks. Accurate figures for this KPI can be updated once this is received. For now the Q2 22/23 figure has been used until the update comes through.						
5	% of contracts (over £100k) with Responsible Procurement commitments (e.g. to reduction to carbon footprint	74%	90%	**70%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Contracts with Responsible Procurement commitments have remained relatively high with some fluctuation month on month (in particular October 2022). This has been due to several specific factors which include confirming the responsible procurement commitments after being endorsed at CGRB/before the contract is awarded, meetings taking place after the contract award to agree specific RP commitments and RP not being in the original contract but would be included in the next tender. We will continue to work with procurement leads to ensure that responsible procurement is considered and included as business as usual within tenders that is within our control.						
6	% of contract awards (over £100k) to Small Enterprises or Voluntary and community social enterprises	39%	25%	**23%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: This is the first year this data has been collected so fluctuations in percentage are expected. Work is ongoing to help tenders be accessible and attractive to the voluntary sector and small business.						
7	Housing Revenue Account (HRA) Rent arrears	97.2%	98.50%	**97.26%**	**Same than Q2**	
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
8	% of unpaid sundry debt (raised by invoice on IBC) over 30+ days	8%	16%	**13.5%**	**Worse than Q2**	
9	% of invoice payments made to creditors within 30 days	98.2%	95%	**98.55%**	**Better than Q2**	
10	Time taken to process benefit claims and benefit changes of circumstance (days)	11	9	**13**	**Worse than Q2**	
11	Corporate Contact Centre % Calls abandoned <10%	9.1%	<10%	**4.5%**	**Better than Q2**	
12	% of Business Rates Collected (National Non Domestic Rates)	56.2%	95%*	**80.27%**	**Better than Q2**	
13	% of council Tax Collected	57.4%	93%*	**79.6%**	**Better than Q2**	
14	% of High Value Suppliers rated at Good or Satisfactory by contract managers	96%	90%	**100%**	**Same than Q2**	
15	% increase in total income generated from the council's investment portfolio per annum	6.4%	2%	**25%**	**Better than Q2**	

GROWTH, PLANNING AND HOUSING

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS						
1	Average % of zero carbon emissions target for major planning permissions that is met by on site measures (new measure)	56.5% (47.8% YTD)	60%	**48.4%**	**Better than Q2**	
Service Commentary/ Mitigating Action: Expected that minimum performance for this KPI of 49% will be achieved by year end. Recruitment of specialist officer in Q2 22/23 to lead on negotiation of operational carbon emissions from new development will deliver progressive improvement to schemes currently under negotiation and during 23/24.						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
2	No. of residents securing jobs through the Westminster Employment Service (WES)	104	320*	**161**	**Same as Q2**	
Service Commentary/ Mitigating Action: The team delivered a job fair at the MCC in November with 47 employers attending, generating 76 new registrations from residents for support, interview and job starts for attendees. Other significant recruitment activity, included supporting 22 residents into apprenticeships at the Council, will be included in the Q4 reporting. In previous years, a significant number of hospitality roles have been generated for residents directly by the team. Activity now forms part of the Westminster Works programme delivered for the Council by BIDS and a Social Enterprise; Step Ahead. This project started in October and figures for Westminster job starts will be included for Q4.						
3	No. of social housing units delivered	74	189*	**93**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Likely to end below annual target due to some schemes now due to complete in early 2023/24.						
4	% of residents satisfied with anti-social behaviour case handling (on housing estates) by the council	66%	65%	**64%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: Relatively small survey where satisfaction tends to fluctuate. Actual figure is 64.4%, so very close to target.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
5	% of 'major' planning applications determined within 13 weeks i.e. larger scale development	93.3%	70%	**85.7%**	**Same as Q2**	
6	% of 'non-major' planning applications determined within 8 weeks	76.5%	75%	**76.5%**	**Same as Q2**	
7	No. of businesses receiving meaningful business support	1,816	2,250*	**2401**	**Same as Q2**	
8	Businesses actively engaged and/ or contributing financially or in kind (or amount of contributions (£) from business to support our communities, residents and young people	107 (YTD)	180*	**179**	**Same as Q2**	
9	Westminster residents supported into work focused training and skills opportunities	146	300*	**236**	**Same as Q2**	
10	% of Westminster residents supported into jobs through WES who are sustained in employment for a minimum of 6 months	44%	45%	**42.7%**	**Same as Q2**	
11	% planning appeals determined in favour of the council (Excluding telephone boxes)	70%	65%	**70%**	**Same as Q2**	
12	No. of cases of homelessness prevented (Defined as outcomes from a combination of Housing Solutions and Shelter work)	294	545*	**449**	**Same as Q2**	
13	% of calls answered by the Housing Customer Services Centre within 30 seconds	72%	70%	**72%**	**Same as Q2**	
14	% of tenants' satisfied with housing repairs service	78%	75%	**77%**	**Same as Q2**	

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
15	Voids brought back to use with improved energy efficiency	49	80*	**72**	**Same as Q2**	
16	No. of affordable Housing units delivered	354	493*	**354**	**Same as Q2**	
KPIs THAT DO NOT HAVE A TARGET LEVEL						
17	Of the residents securing employment through WES, the number of residents securing employment at or above London Living Wage.	43	TBC	**77**	**Better than Q2**	

INNOVATION AND CHANGE

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	FOIs responded to in line with statutory deadlines (targets based on ICO guidance of 90% answered within 20 working days)	84%	90%	**77%**	**Worse than Q2**	
Service Commentary/ Mitigating Action: This period includes the Christmas and New Year period which always sees a drop in FOI performance as it is peak-holiday time with staff across the council away who may otherwise assist in answering requests.						
2	Subject Access Request responded to in line with statutory deadlines (targets based on ICO guidance of 90% answered within 1 month)	63%	90%	**71%**	**Better than Q2**	
Service Commentary/ Mitigating Action: The central information management team have spent time focusing on improving SAR performance which dipped at the start of this past quarter but was up to 90% for December alone. A plan is being put together to drive up awareness of responsibilities and consequently compliance across the council.						
3	Committee agendas published at least 5 working days in advance of the meeting	84%	100%	**97.6%**	**Better than Q2**	
Service Commentary/ Mitigating Action: This is not 100% as one agenda was published late during this period. It was a Health and Wellbeing Board agenda which is managed jointly with RBKC and this meeting was administered by RBKC not WCC. Measures are being investigated to ensure Westminster meets its statutory obligations regardless of which council administers the meeting, this includes publishing a template agenda even if papers from another organisation are outstanding.						
4	Total participation in play, physical activity, leisure and/or sport facilities and activities	1.9m (44%)	4.6m	**2.88m (63%)**	**Better than Q2**	
Service Commentary/ Mitigating Action. Participation levels have improved this quarter but it is likely that future targets will need to be revised as activity levels have not returned to pre-covid levels.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
5	No. of parks and open spaces awarded with green flag status	29	28	**29**	**Same as Q2**	
6	No. of physical activity providers that have been awarded the Active Westminster mark	40	54	**54**	**Better than Q2**	
7	No. of visits to outdoor learning services	12,910 (56%)	23,000	**17,803 (77%)**	**Worse than Q2**	
8	No. of Westminster Connects volunteers (and total hours) to help their communities **(note full data for Q3 not yet available)**	277 (934 hours)	1,500 (5,000 hours)	**762 (3,651 hours YTD)**	**Better than Q1**	
KPIs THAT DO NOT HAVE A TARGET LEVEL						
9	% of residents who feel informed about plans for their local area	59%	N/A	**71%**	**Better than 2022**	
10	% of residents who feel informed about Council services and benefits	60%	N/A	**76%**	**Better than 2022**	
11	% of residents who agree the Council involves them in decisions it makes about their local area	49%	N/A	**70%**	**Better than 2022**	

PEOPLE SERVICES

	KPI Description	Q2 22/23	Target 22/23	Q3 22/23	Trend	RAG
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of BAME employees in senior leadership roles (band 5 and above)	26%	30%	**28%**	**Better than Q2**	
Service Commentary/ Mitigating Action: Global Majority senior leader representation has increased over the past quarter and the general trend has been upward over the past few years. It has increased from 10% less than 4 years ago (Q4 18/19) to 28% now.						
2	% of staff turnover is managed at appropriate benchmark levels (excluding redundancies)	14%	11%	**13%**	**Better than Q2**	
Service Commentary/ Mitigating Action: Staff turnover has reduced over the last quarter. Although the trend has been generally upwards over the past 2 years, this isn't unusual due to the post-pandemic recovery. Staff turnover is at around the same level it was immediately pre-pandemic.						
3	% of women in senior leadership roles (band 5 and above)	48%	50%	**48%**	**Same as Q2**	
Service Commentary/ Mitigating Action: There has been an increase in the representation of Females at the senior level this year and a gradual increase since 19/20 when it was 41% compared to 48% now.						
4	Westminster Way index (%) - measuring the impact of the changes we are making as part of our people strategy.	N/A	69%	**68%**	**Better than Q2**	
Service Commentary/ Mitigating Action: We have only seen a small increase in this score, but this is in contrast to many Local Authorities who have seen decreases in similar scores.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
5	% of workforce that are Temporary Agency Contractors	8%	8%	**8%**	**Same as Q2**	
6	Staff Survey: % of staff who think it is safe to speak up	N/A	58%	**58%**	**Better than Q2**	

5. Financial Implications

N/A

6. Legal Implications

N/A

7. Carbon Impact

N/A

8. Equalities Impact

N/A

9. Consultation

N/A

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

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City of Westminster	Audit and Performance Committee Report
Date:	23 February 2023
Classification:	General Release
Title:	Maintaining High Ethical Standards at the City Council
Wards Affected:	All
Financial Summary:	N/A
Report of:	Parveen Akhtar Director of Law and Governance Monitoring Officer for Westminster City Council Bi-borough Legal Services
Author:	Joyce Golder Principal Lawyer, Bi-Borough Legal Services Email: joyce.golder@rbkc.gov.uk

1. Executive Summary

1.1 This is an annual report which is the report of the Council's Monitoring Officer in consultation with the Council's Chief Finance Officer. The previous report was received by the Committee on 22 February 2022.

1.2 This report is submitted to the Audit and Performance Committee in accordance with its Terms of Reference, which state that the Committee is:

"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 Director of Law and the Chief Finance Officer".

1.3 The Council's Monitoring Officer is a statutory appointment under the provisions of Section 5 of the Local Government and Housing Act 1989. One of the roles of the Monitoring Officer is to promote good governance and ensure the highest standards of ethical behaviour are maintained through the effective discharge of their statutory duties.

1.4 'Ethical governance' lies at the very heart of the way in which an organisation is run, its values, how its business is transacted and how its decisions are taken.

1.5 In January 2019 the Committee on Standards in Public Life published a report following its review of ethical standards in local government. The covering letter to the report by the Chair stated that local government impacts the lives of citizens every day providing essential services to those it serves. Its decisions directly affect the quality of lives of local people. High standards of conduct in local government are needed to demonstrate that those decisions are taken in the public interest and to maintain public confidence.

1.6 At the Council we recognise that ethical governance is not simply a matter for the 'decision-makers at the top' but is applicable to all those who work for or in conjunction with the organisation – our elected Members, our staff and our contractors are all expected to adhere to the highest standards of conduct and behaviours. In this context this report will detail how we maintain ethical governance in each case.

1.7 In compiling this report the Monitoring Officer relies on information provided by or on behalf of Directors and officers of a number of services across the Council. The areas covered in this year's report are as follows:

- Shared Audit, Fraud, Risk and Insurance Service;
- Ethical governance complaints monitoring;
- Ethical governance at Member level;
- Ethical governance in relation to staff and service areas;
- Ethical governance in relation to the Council's contractors and procurement.

2. Recommendations

2.1 That the Committee notes the 2021 to 2022 Annual Report and actions taken to maintain high standards of ethical governance throughout the Council.

2.2 That the Committee suggest any areas of ethical governance which have not been addressed in this report, for inclusion in the next annual report for 2022 to 2023 which will be presented to the Committee in February 2024.

3. Shared Audit, Fraud, Risk and Insurance Service

3.1 The Shared Audit, Fraud, Risk and Insurance Service reviews policies, procedures and governance arrangements across the Council's services and promotes a culture of zero tolerance in respect of fraud, corruption and mismanagement. Fraud awareness training is available to service areas where a need has been identified and a fraud intranet page informs staff of emerging fraud risks, encourages fraud reporting and maintains awareness (Fraud page).

How Ethical Governance Complaints are dealt with

3.2 The Council's Anti-Fraud & Corruption Strategy 2020-23 sets out the Council's overall policy on fraud and corruption and states that if fraud, corruption or any misconduct directed against the Council is suspected, this should be reported immediately. The Council's strategy aligns to the national strategy published by the Local Government Association (LGA).

3.3 The Officers' Code of Conduct reinforces the requirement for all staff to be vigilant and describes how they should raise any concerns they may have. Further guidance is also provided in the Council's Whistleblowing at Work Policy and the Fraud Response Plan.

3.4 Support from members of the public is also important in combating fraud and corruption, and facilities are provided to enable them to report their concerns, including an electronic "Report a Fraud' facility on the internet and a more traditional Fraud Hotline. The majority of referrals via these channels provide information regarding unlawful subletting, the abuse of residents' or disabled parking badges. Fraud referrals in respect of welfare benefits are redirected to the Department for Work and Pensions.

3.5 The Council's Fraud Response Plan provides guidance on the action to be taken when a fraud or corruption complaint is received, and details action to be taken to ensure the Council can;

- Minimise and recover losses
- Establish and secure evidence necessary for criminal and disciplinary action
- Take disciplinary action against those involved
- Review the reasons for the incident and ensure that actions are implemented to strengthen procedures and prevent recurrence.

3.6 Any suspicion of fraud will be treated seriously and will be investigated in accordance with the Council's procedures and the relevant legislation including the Fraud Act 2006.

4. Ethical Governance Complaint Monitoring

4.1 As part of the arrangements in place for maintaining high ethical standards throughout the Authority, on 15 March 2007 the Standards Committee endorsed a definition of what constitutes an ethical governance complaint so that Departments can identify and refer any ethical governance complaints to the appropriate persons, and consistently record such complaints.

4.2 The definition of an ethical governance complaint as endorsed by the Standards Committee is as follows:

"An alleged breach of the high standards of ethical conduct set out in the codes of conduct for Officers and Members"

4.3 As the Shared Corporate Anti-Fraud Service investigate allegations of fraud, bribery and corruption, it is not appropriate for such ethical governance complaint issues to be investigated under the Council's normal complaints procedure. However, if such a complaint is raised under the complaints procedure, the complainant will be advised that the matter will be referred to the Shared Corporate Anti-Fraud Service to take the appropriate action.

4.4 The Corporate Complaints Team is a distinct service to that of the Shared Corporate Anti-Fraud Service and is based within the Revenues & Benefits Department. The team has overall responsibility for the management and development of the Corporate Complaints policy and for the compilation of the Annual Complaints Review. There is a separate report already presented to the Audit and Performance Committee in relation to Annual Complaints for 2021/22. This report does not identify any ethical governance complaints.

5. Ethical governance at Member level

The Council's Standards Committee

5.1 The Council's Standards Committee usually meets three times a year. In 2022, the Standards Committee met on, 7 April 2022, 15 September 2022 and 5 December 2022.

5.2 The Committee undertook various pieces of work during the year including reviewing the Council's Member/Officer Protocol. Of particular focus in the review of the Protocol was the need to adhere to and live by the Nolan Principles (the Seven Principles of Public Life).

5.3 The intention of the review was to support good working relationships between Members and Officers as they work together and helped describe their different but complementary roles within the Council. A strong, constructive, and trusting relationship between Members and Officers is essential to the effective and efficient working of the Council and the work undertaken to review and amend the Protocol was aimed at strengthening the guidance on relationships between Officers and Members.

5.4 Briefing sessions are now planned for all the Council's Senior Leadership Team as well as with Members with the update of the Council's Member/Officer Protocol.

5.5 In addition, the Committee produced its Biennial Standards Report which emphasised the importance the Council placed on the profile of ethical standards across the organisation and afforded the opportunity to highlight key achievements and areas of good practice whilst identifying any requirements for improvement.

5.6 The annual question and answer session with the Leader of the Council was also held where the Committee was invited to ask questions on a range of topics relating to ethical standards.

5.7 The Council has three Independent Persons. They attend and contribute at meetings of the Standards Committee.

Member Complaints

5.8 In the calendar year 2022 the Monitoring Officer considered three complaints put forward against Councillors alleging a breach of the Members' Code of Conduct. The Monitoring Officer, or her deputies, considered each of the complaints and the evidence provided. On two occasions it was felt that the complaint did not warrant formal investigation and more information has been requested from the complainant with regards to the third complaint.

5.9 Ethical standards are included in the Members' Development Training Programme. All Councillors attended the Code of Conduct Training held during May and June 2022. In June 2022 a note on good decision making was circulated to all Members and follow-up sessions took place with the Monitoring Officer.

Establishment of a Statutory Officer Group

5.10 In August 2022 a Statutory Officer Group was established. The Group consists of the Council's Chief Executive (Head of Paid Service), the s151 Chief Finance Officer and the Monitoring Officer (the 3 Principal Statutory Officers).

5.11 The Statutory Officer Group will continue to meet regularly throughout the year. The group is intended to ensure the effective discharge of the Council's business and functions. The key objective is to make an effective contribution to embedding a collaborative, high trust, high performance Council culture, one which celebrates equality and diversity, and which serves as an exemplar of good governance and the highest standards of conduct amongst officers and members.

5.12 The Principal Statutory Officers are committed to continuous learning and improvement based on best practice from other authorities and guidance from sector leaders.

Summary of further steps taken to strengthen Ethical Governance at the Council

5.13 Below is just a brief summary of a number of further measures being taken to strengthen Ethical Governance across the Council:-

(i) A review of the Council's Constitution was initiated in April 2022. Phase 1 of the review has involved updating the Constitution under the Monitoring Officer's delegation. The review is now entering phase two where recommendations will be made to the General Purposes Committee on reforms to Full Council Standing Orders and other areas.

(ii) A more rigorous approach to governance has been adopted which is driving improvements

(iii) There are plans in place to further increase collaboration between the Legal and governance teams to assure the quality of member-level decision making.

(iv) Regular reviews of the register of members interests and the register of gifts and hospitality have been scheduled. This is considered best practice and intended to identify and address any issues early.

6. Ethical Governance in relation to staff and service areas

6.1 The public is entitled to expect the highest standards of conduct from all Westminster City Council employees.

6.2 The law, the Council's Constitution, Code of Governance, Terms and Conditions of Employment, policies and procedures all provide guidance and structure on the manner in which Council employees should carry out their duties. The main provisions are summarised in the Council's Code of Conduct for employees. The Employee Code of Conduct details source documents such as HR Policies where more comprehensive information can be found.

6.3 Breaches of the Code of Conduct (sharepoint.com) may result in action under the Council's Disciplinary Code. The Code is published on the Council's intranet and forms part of corporate induction for all new starters

People Services

Details of Staff Disciplinary Cases and Whistleblowing / Grievance issues

6.4 Details of staff disciplinary cases, grievance cases and whistleblowing issues throughout the authority, excluding schools, categorised by issue, are set out below. Details of all cases are monitored by People Services who review these and flag up any issues arising. The level of disciplinary cases detailed below are regarded as normal in an organisation the size of Westminster City Council.

6.5 An overall three-year trend:

	2019 - 2020		**2020 - 2021**		**2021 - 2022**		**Trend**
	Closed	**Open**	**Closed**	**Open**	**Closed**	**Open**	
Disciplinary	16	16	9	10	22	30	Increase
Staff employed	2461		2541		2702		

6.6 The Council concluded twenty-two disciplinary cases in total in the 2021/2022 financial year (this includes five cases which were brought forward from 2020/2021).

6.7 There were thirteen cases opened in 2021/2022 that remained open going forward to the new financial year. Eleven of which has now concluded.

6.8 There has been a notable increase in the number of disciplinary cases in comparison to 2020/2021. We consider the spike in cases is a result of coming out of lockdown, as other organisations are seeing similar increases, however we are not complacent and ensure that any trends or themes are managed appropriately.

6.9 The outcome of those disciplinary matters closed in 2021/22 were:

Outcome	No Case to answer	Formal Written Warning	Final Written Warning	Dismissal	Resigned	Left by mutual agreement
Closed Cases	10	3	4	0	4	1

6.10 For the cases opened in 2021/2022 there have been 5 cases which would fall under the remit of ethical conduct. This equates to less than 20% of all of the disciplinary cases and it is not felt that there is a concern of poor ethical behaviour across the Council. The right safeguards are in place to ensure that our employees maintain and uphold good ethical behaviour. In regard to the wider disciplinary cases, the issues included: allegations of gross negligence, gross misconduct, taking absence without authorisation, a breach of professional standards and behaviour which could lead to a breakdown in trust and confidence and bullying and harassment.

6.11 The disciplinary cases have occurred across a number of services in the Council. Despite the increase in the number of cases there is no evidence that there are systemic weaknesses or problems of unethical conduct in the Council or in any particular department.

6.12 In 2021/2022 there were 3 whistleblowing complaints raised. The cases were logged and dealt with via our external whistleblowing hotline, Safecall. All of the 3 cases were raised anonymously with 2 complaints being made from external parties and one internal. Two of the cases were raised in relation to unethical conduct in awarding contracts, both cases were investigated by our internal audit team and were not substantiated. The 3rd case related to bullying and harassment behaviour from an officer which was investigated and partially upheld.

6.13 There were 23 individual grievance cases opened within the stated period and 7 brought forward from the previous year, 22 cases in total were closed and 8 remained open going forward to the next financial year. Out of the remaining cases, all 8 cases have now concluded.

6.14 The outcome of those cases closed in 2021/2022 were;

Outcome	Not Upheld	Upheld	Partially Upheld	Dealt with Informally	Withdrawn
Closed Cases	14	2	3	0	3

6.15 The general themes to the grievances do not highlight any concerns of unethical conduct.

6.16 A majority of these cases were not upheld however there were management learnings highlighted and implemented, which supports our managers to have a growth mindset. We continually monitor this important matter in our annual staff survey so that any area of concern can be highlighted to senior officers.

6.17 The below table shows the response for Respect and Dignity (inappropriate behaviour at work, bullying and harassment). The 'Yes' response has increased by 2%. This year we included the 'Prefer not to say' option. It was removed last year, which we have reversed. The fact that 78% have said no, which is the worst score for the past 6 years, is a concern that will require a deep dive into teams with specific issues.

During the past 12 months have you personally experienced inappropriate behaviour at work? *(The following questions are about inappropriate behaviour at work, such as discrimination and/or bullying and harassment)*	2018	2019	2020	2021	2022	Trend
Yes	9%	12%	9%	11%	13%	**+2%**
No	81%	80%	81%	-	78%	**-3%**
Prefer not to say	10%	8%	9%	-	9%	-

Staff Declarations of Interest and Receipt of Gifts and Hospitality

6.18 The Council requires all employees to disclose any interests which may conflict with their public duty by completing a Declarations of Interests Form. The form is accessible from the Council's intranet, The Wire. The Council also requires all employees in specified designated posts[1] to complete a Declarations of Interests Form on taking up the post and on any change in personal circumstances.

6.19 Executive Leadership Team (ELT) members or their nominated officer will use the information on Declaration of Interests Forms to compile and maintain a register of pecuniary and personal interests for their area of responsibility. Each ELT member will review their register and consider whether any steps need to be taken to avoid conflict when relevant employees complete and resubmit forms. The register is not available for public inspection and there is no statutory requirement to make them available. However, subject to any exemptions which may apply, information contained within the register may be disclosed in accordance with the Freedom of Information Act 2000.

6.21 Every endeavour is made to keep the registers up to date but the onus is on employees to ensure that their registration details are accurate and up to date. Information will be maintained and held on the register during the employees' employment and for six years thereafter. In addition to completion of the declaration of interests' form, employees must also declare any interests at meetings as appropriate. Failure to disclose such interests may lead to disciplinary action under the council's policies.

Staff Receipt of Gifts and Hospitality

6.22 The Council also provides managers and employees with guidance as to when they can legitimately receive or give gifts and hospitality during the course of their duties. Without exception all gifts and hospitality given and received, whether accepted or declined, must be entered in the designated corporate register immediately after the offer is made. Given that the Council is a public body it is essential that all such items are recorded in an easily accessible and efficient way. To this end, an online Gifts and Hospitality Register has been implemented and been used since 19 December 2006. The corporate Gifts and Hospitality Register is maintained and reviewed by the designated monitoring officer on a regular basis. This is currently the Head of Internal Audit.

6.23 In July 2021 the Council launched a new Gifts and Hospitality Policy to ensure clarity of what could be and should not be accepted by employees, and to allow for full transparency. The key principles of the new Gifts and Hospitality Policy are:

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[1] **Designated Posts**

- all posts at Band 5 or above level or their non-Reward equivalent
- any post referred to on a Directorate / Unit Scheme of Delegation for contract purposes; and
- any other post as determined by the EMT member or their nominated officer where the post holder has a significant involvement in contract matters or other work which requires a high level of transparent probity.

- Employees may not accept any fee or reward whatsoever other than their proper contractual pay and benefits.
- Employees cannot accept or give gifts, unless in accordance with the limited exceptions set out in the policy, such as small token value gifts (i.e. pens, diaries etc).
- Hospitality which needs to be recorded, both accepted or declined, is defined as drinks, meals, events, entertainment, overnight accommodation and travel with an estimated value of £25 or more.
- It may be appropriate in very limited circumstances to accept offers to modestly priced ticketed events but only if they are taking place within the City of Westminster and if acceptance would not be viewed as an attempt to influence that employee's part in a council decision making process.
- We have removed managerial sign-off and shifted the ultimate responsibility onto the individual being offered the gifts and/or hospitality.
- If employees have any doubts as to whether it would be appropriate to accept Gifts and Hospitality, then they should not accept it.
- We have committed to publishing the Gifts and Hospitality register entries on our external website twice yearly for transparency.

A copy of the new policy can be found here

7. Ethical Governance guidance and safeguards in relation to the Council's contractors and procurement

7.1 The Council's Standing Orders and the Procurement Code set out the requirements which must be followed in respect of all procurement and contract management activity. The Code states that the Council expects all officers involved in procurement activity to ensure they are aware of and comply with all legislation, corporate strategies and policy; to take the necessary action to formally disclose situations of potential, perceived or actual conflict of interest; to behave with the highest levels of probity and integrity, making specific reference to the Bribery Act 2010 and the Council's Code of Conduct.

7.2 The Code informs officers of the appropriate governance and procurement assurance processes to be followed, as well as the approvals that must be obtained to ensure good business practices are applied and risks are minimised.

7.3 Procurement Services support officers with best practice advice, guidance through the stages of the procurement and contract management lifecycle and will lead on all procurement activity valued at £100,000 or more.

7.4 The potential that the £500million annual Council spend on third party contracts represents was recognised by the Procurement and Commercial Service as a significant lever to drive positive action on increasingly important issues such as tackling the climate emergency and ensuring labour rights in our supply chain. The team therefore developed a Responsible Procurement and Commissioning (RPC) Strategy as a framework through which to deliver City for All and wider sustainable development goals, whilst delivering maximum value for Westminster and its residents and partners.

7.5. Since March 2021, the team has been working with colleagues across the Council to develop the RPC Strategy, which was approved by Cabinet in February 2022.

7.6 The RPC Strategy was based on four themes, which include areas of local impact and social value, as well as wider aspects related to sustainable development and responsible business. These themes include Environmental Sustainability, Community and Business Partnerships, 'Build Back Better' and Inclusive, High-Quality Work. The latter theme includes ensuring appropriate pay and conditions of our supply chain workforce, professional development opportunities, a diverse workplace that is representative of its community, legal and fair employment practices and combatting modern slavery and labour rights abuses.

7.7 The Procurement and Commercial Service has also worked alongside the Bi-borough Modern Slavery Coordinator to develop the City of Westminster's first Modern Slavery Statement during 2022. This Statement provides a description of the actions the Council has taken to date to implement due diligence procedures to mitigate risks of modern slavery and exploitation in our supply chains and future actions planned with both existing and new suppliers. This work is being supported by the Bi-borough Modern Slavery and Exploitation Group and is underpinned by the Bi-borough Modern Slavery Strategy.

7.8 Since May 2022, Procurement have worked closely with Members to update the Responsible Procurement and Commissioning Strategy and ensure closer alignment to Fairer Westminster, and the new strategy and associated documents including the Modern Slavery Statement were approved by Cabinet in December 2022 and will be launched in Spring 2023.

8. Conclusion

8.1 This report provides the Committee with an overview of the arrangements that are already in place across the Council and further measures due to take place in order to maintain the high standards of ethical governance the Council requires and expects.

8.2 As detailed in this report, action has been taken to ensure the Council is fully compliant with relevant legislation relating to ethical governance and to ensure Officers' and Members' responsibilities in this context are communicated accordingly.

8.3 Appropriate systems are in place to facilitate the reporting of ethical governance complaints and defined mechanisms and procedures exist to ensure any such complaints are dealt with in the correct way.

8.4 The Council's Monitoring Officer welcomes any recommendations the Committee may have on whether the Committee feels this report provides them with the information they require or whether any other particular areas should be covered or could be expanded on which are not.

If you have any queries about this Report or wish to inspect any of the Background Papers (here provided below again as links), please contact:
Joyce Golder

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BACKGROUND PAPERS:

Fraud page
Council's Anti-Fraud & Corruption Strategy 2020-23

Whistleblowing at Work Policy
Fraud Response Plan
Code of Conduct (sharepoint.com)

Declarations of Interests Form

Gifts and Hospitality Policy

City of Westminster **Committee Report**

Meeting:	Audit and Performance Committee
Date:	23 February 2023
Classification:	General Release
Title:	Internal Audit Progress Report 2022/23 (to January 2023)
Wards Affected:	All
Policy Context	Internal audit provides assurance to the Council that it has robust systems and controls in place to support the ambitions contained within the Fairer Westminster Strategy.
Cabinet Member:	Councillor David Boothroyd, Finance and Council Reform
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

1.1 This report summarises the status of the work included in the 2022/23 Internal Audit Plan as at the end of January 2023. Four audits have been finalised with a further twelve at draft report stage. Although no overall opinion is given at this time on the adequacy and effectiveness of the Council's governance, risk management and controls, the Committee can be assured that sufficient internal audit work is planned to ensure an appropriate assurance opinion can be provided by the end of the financial year.

1.2 **Appendix 1** shows the finalised audits as at the end of January 2023 and the status of the remaining planned audits.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

3. Reasons for Decision

The work undertaken by the Internal Audit Service is reported to the Committee during the financial year to enable the Committee to consider the progress made against the Internal Audit Plan and the outcomes of the completed audits which are considered as part of the Annual Assurance Opinion provided by the Shared Services Director for Audit, Fraud, Risk and Insurance.

4. Background, including Policy Context

4.1 The Committee are provided with updates on progress against the Annual Audit Plan and on any limited or no assurance audits issued in the period.

4.2 The Audit Plan for 2022/23 was reviewed by the Committee in February 2022. To ensure that the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9-month' plan. This approach allows for the first three months to be identified in detail with the remaining nine months being more flexible to suit the needs of the Council at the time. The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan is reported to the Committee on a quarterly basis and any significant changes in the coverage of the Plan will be highlighted.

4.3 Four assurance levels are used and when an audit is completed, an assurance opinion is provided. A description of each of the assurance levels is summarised below:

Assurance Level	Description
Substantial Assurance:	There is a sound system of internal control designed to achieve their objectives and the control processes tested are being consistently applied.
Satisfactory Assurance:	While there is generally a sound system of internal control, there are weaknesses which put some of the objectives at risk; and/or there is evidence that the level of non-compliance with some of the control processes may put some of the objectives at risk.
Limited Assurance:	Weaknesses in the system of internal control are such as to put the objectives at risk; and/or the level of non-compliance puts the objectives at risk.
Nil Assurance:	Control processes are generally weak, leaving the processes/systems open to significant error or abuse; and/or Significant non-compliance with basic control processes/systems open to error or abuse.

5. Internal Audit Outcomes (October 2022 to January 2023)

5.1 Since the last report to the Committee, four audits have been completed:

Audit	Assurance	RAG
Burdett Coutts Primary School*	Satisfactory	Green
St Mary's Bryanston Square*	Satisfactory	Green
Westminster Cathedral School Closure Review*	Satisfactory	Green
Lift Maintenance (2021/22)*	Satisfactory	Green

*Further information on these audits is contained in **Appendix 2.**

5.2 Twelve audits have been issued as draft reports and are due to be finalised shortly.

Follow up

5.3 Six follow-up reviews were undertaken in the period which confirmed that 61% of recommendations made had been fully implemented, with the implementation of the remaining recommendations in progress:

Audit	Recs Made*	Implemented*	In Progress*	Not yet actioned*
Management of Community Halls	7 (1H, 4M, 2L)	2 (1H, 1L)	5 (4M, 1L)	0
Food Safety - 2	6 (1H, 5M)	2 (M)	4 (1H, 3M)	0
St Gabriel's Primary School	3 (1M, 2L)	3 (1M, 2L)	0	0
Procurement & Pre-paid Cards	1 (M)	1 (M)	0	0
St Vincent's Primary School	5 (1M, 4L)	5 (1M, 4L)	0	0
Children's Services: Direct Payments	1 (M)	1 (M)	0	0
Totals	**23**	**14 (61%)**	**9 (39%)**	**0**
Total High Priority	2	1	1	0
Total Medium Priority	13	6	7	0
Total Low Priority	8	7	1	0
Totals	**23**	**14**	**9**	**0**

*Recommendations categorised as High(H), Medium(M) or Low (L) priority

5.4 Follow up work is undertaken when the majority of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as "in progress". Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.

Other Outcomes

5.5 In October 2018, following a trial at Southwark Crown Court, a former interim officer at the Council was found guilty of fraud by abuse of position and concealing criminal property, and was sentenced to 7 years in prison. Although the offences were committed in 2010, the transactions were not identified as suspicious until 2013 when Internal Audit referred the case to the Police for further investigation.

5.6 Following the criminal trial, in November 2020, a Confiscation Order was agreed between the prosecution and defence. The benefit of the crime was identified as just over £1m and the amount available to pay, taking into account the value of available assets, was identified to be just over £379k.

5.7 In December 2022, the Council received £371,714 from HM Courts and Tribunal Service Confiscation Unit, in respect of compensation for their losses.

6. Financial Implications

There are no financial implications from this report.

7. Legal Implications

There are no legal implications from this report.

8. Carbon Impact

The decision will have no carbon impact.

9. Equalities Impact

There are no equalities implications from this report.

9. Consultation

The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's Executive Leadership Team and officers within the Council and supports the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

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

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or

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APPENDICES

Appendix 1 **Completed Audits and Status of Planned Audits**

Appendix 2 **Additional Information on Assurance Audits**

BACKGROUND PAPERS:

Internal Audit Reports

Appendix 1

Completed Audits:

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Med. Priority Recs	No of Low Priority Recs	Reported to Committee
Adult Social Care & Public Health	Contain Outbreak Management Fund Compliance	Jun-22	n/a	0	0	0	Nov-22
Children's Services	Children's Placements: Operational & Financial Procedures (2021/22)	Jun-22	Limited	3	1	2	Nov-22
Schools	St Edward's Primary (2021/22)	Jul-22	Satisfactory	1	1	2	Nov-22
Schools	Burdett Coutts Primary (2021/22)	Jan-23	Satisfactory	0	0	2	Feb-23
Schools	St Mary's Bryanston Square	Jan-23	Satisfactory	0	6	3	Feb-23
Schools	Westminster Cathedral School	Jan-23	Satisfactory	0	5	5	Feb-23
Growth, Planning & Housing	Protect & Vaccine Grant Compliance	Jun-22	Advisory	0	0	0	Nov-22
Growth, Planning & Housing	Additional Restrictions Grant (ARG)	Sep-22	Satisfactory	0	4	4	Nov-22
Growth, Planning & Housing	Lift Maintenance (2021/22)	Nov-22	Satisfactory	0	2	1	Feb-23

Definitions of Recommendations:

Priority	Description
High (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

<u>Status of Planned Audits</u>:

Plan Area	Draft Report Issued	In Progress/ Due to Start	Remove from Plan
Cross-cutting			• Business Continuity – Defer to 2023/24 to allow systems compliance to be embedded. • Review of Constitution – being undertaken by Director of Law • Scheme of Delegated Authority – review after Constitution updated • Register of Officers' Interests – defer to 2023/24 • Politically Restricted Posts – HR project underway no audit required
Adult Social Care		• Continuing Healthcare (Q2) • Homecare (Q3) • Contract Management (Q3-4)	• Discharge to Assess (D2A) – high level of scrutiny, audit not required • Market Management – defer to 2023/24
Children's Services		• Supporting People Claims (on-going) • Implementation of New Case Management System (on-going) • Registrar Service	• Libraries Asset Management – audit not required
Schools	**2021/22:** • St Augustine's Federated Schools – Secondary (Jun-22) **2022/23:** • All Souls Primary (Jul-22) • St Mary Magdalene (Oct-22) • Queens Park Primary (Decc-22) • QEII Jubilee and College Park (Advisory) (Dec-22) • St Joseph's RC Primary (Dec-22) • St Barnabas Primary (Jan-23) • St Mary of the Angels Primary (Feb-23)	• Our Lady of Dolours (Q3) • Portman Early Childhood Centre (Q3) • St Clement Danes Primary (Q3) • Dorothy Gardner Nursery (Q4) • Mary Paterson Nursery (Q4) • Tachbrook Nursery (Q4) • Our Lady of Dolours (Q3) • Portman Early Childhood Centre (Q3) • St Clement Danes Primary (Q3) • St George's Hanover Sq Primary (Q3) • St Peter's Primary (Q4)	

Plan Area	Draft Report Issued	In Progress/ Due to Start	Remove from Plan
Finance & Resources	• Accounts Receivable (Jan-23) • IT Audit Needs Assessment (ANA) (Jan-23) • NNDR (Feb-23)	• Finance Compliance Testing (on-going) • Corporate Property • Follow up on Governance for wholly owned companies • Pension Investments • Council Tax • Housing Benefits	• Commercial Partnerships to include in 2023/24 plan.
People Services		• Payroll Compliance Testing (on-going) • Pensions Admin (ongoing)	
Growth, Planning & Housing		**2021/22:** • Housing H&S - Electrical Safety (delayed start) **2022/23:** • Procurement of Temporary Accommodation – TBC • Leaseholders (Major Works) - TBC • Housing Repairs - TBC	• Recharges: HRA – consider in future year • Building Control defer to future year
Environment & City Management	**2021/22:** • Contract Management & Contract Extensions	**2022/23:** • Markets and Street Trading - TBC • Coroners & Mortuary Assurances - TBC • Environmental Health & Safety - TBC	• Contracts: eg Arboriculture & Grounds Maintenance, Parking (recently re-procured), defer to future year.
Innovation & Change		• Risk Management • Effectiveness of the Audit Committee (Q4) • S106/CIL Advisory (Q4)	• Climate Emergency review 2023/24 • Projects/ Programmes (evaluation) - defer to 2023/24 • Equalities – likely deferral to 2023/24 or future year

Additional Information on Assurance Audits

(main report paragraph 5.1)

1. Schools (Satisfactory Assurance)

1.1 Audits of the Council's schools are carried out using an established probity audit programme, usually on a five-year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control and has been fully reviewed to facilitate effective remote auditing where required. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice and the purpose of the audit is to help schools establish and maintain robust financial systems.

1.2 In the reporting period, three final reports in respect of school audits have been issued as follows:

- Burdett Coutts Primary School (Satisfactory assurance and 2 recommendations made, both low priority). It was noted that the full scope of the audit programme could not be covered during this audit, and a further review may need to be undertaken in 2023/24.
- St Mary's Bryanston Square (Satisfactory assurance, 6 medium and 3 low priority recommendations made).
- Westminster Cathedral School (Satisfactory assurance, 5 medium and 5 low priority recommendations made). This audit did not cover the full audit programme as it was focused on the adequacy of arrangements put in place to ensure that the merger with St Vincent de Paul School, were appropriately managed.

2. Growth Planning & Housing Department: Lift Maintenance Audit (Satisfactory Assurance)

2.1 The Council has a 10-year contract, which started in 2017, that covers all of the 361 lifts in the housing stock. The contract covers servicing as well as call outs for lift breakdowns and repairs including labour and materials. The call out facility is available 24 hours a day, 7 days a week, 52 weeks a year, including Bank holidays, for the release of people trapped in a lift and attending breakdowns. The number of times that a maintenance engineer attends a lift depends on the type of lift and the amount of use it gets. The Lifts Team is responsible for monitoring the lift maintenance contract and ensuring that the lift installations, compliance, inspections and quality assurance are undertaken properly.

The audit confirmed that the service has:

- comprehensive procedures.
- A detailed scope of service specification relating to the lift Maintenance including Planned Preventative Maintenance.
- Regular monthly meetings with the contractor to discuss any updates or concerns and performance. Theses meeting are minuted detailing action points and due dates.
- On a daily basis the service is informed by the contractor as to which of their Engineer's and assistants are on call outs, and which are on service duties.

Additional Information on Assurance Audits

(main report paragraph 5.1)

The controls in most areas were in place and operating effectively; with two recommendations made in the following areas:

- ensure the status of qualification for each of the engineers working on the contract and confirm that all the Assistants have a minimum training level of EPR202N Basic Lift Safety. The list of Engineers and Assistants should be updated each time a new person is deployed on the contract and should be reviewed every 6 months.

- The response times (from time order is placed to job/repair being completed) has been set at 2 hours for KPI purposes. At the time of the audit, this was being reported as between 38 and 39%. It was recommended that the contractor be given a fixed period to improve performance in this area and if improvement wasn't made, additional action should be taken, such as issuing an Improvement Notice. It was noted that there is a shortfall of qualified Lift Maintenance Engineers and it was further recommended that the Contracts Manager undertakes some comparison with other Councils to establish if their KPI on response times is comparable and appropriate.

The recommendations were accepted and were due to be actioned by the end of the financial year.

City of Westminster

Committee Report

Meeting:	Audit and Performance Committee
Date:	23 February 2023
Classification:	General Release
Title:	Internal Audit Plan 2023/24
Wards Affected:	All
Policy Context:	Internal audit provides assurance to the Council that it has robust systems and controls in place to support the ambitions contained within the Fairer Westminster Strategy.
Cabinet Member:	Councillor David Boothroyd, Finance and Council Reform
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

1.1 The Strategic Audit Plan (Appendix 1) identifies significant, persistent risks that the Council faces and the business areas to be covered by internal audit over a five-year period. The Strategic Audit Plan supports the annual planning process and ensures that the internal audit continues to provide assurance over the breadth of the Council's operations.

1.2 The draft Annual Audit Plan, the Plan, (Appendix 2) is prepared following consultation with Directors and Heads of Service and takes into account the Council's corporate and departmental risks and priorities.

1.3 To ensure that the Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9-month' Plan. This approach allows for the first three months to be identified in detail with the remaining 9 months being more flexible to suit the needs of the Council at the time. The Plan will be reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan will be reported to the Committee on a quarterly basis.

2. Recommendations

2.1 The Committee review the Strategic Audit Plan, as set out in Appendix 1, and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a 5-year plan.

2.2 The Committee review the early draft of the Annual Audit Plan, as set out in Appendix 2, and comment on the audit work due to be undertaken in the first quarter of 2023/24 and identify any specific audits to be considered during the coming year.

3. Reasons for Decision

The Strategic and Annual Audit Plans are compiled by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance, taking account of the Council's risk framework and following discussions with stakeholders, including senior managers. The Annual Audit Plan is subject to review by the Council's Executive Leadership Team and is reported to the Audit and Performance Committee for noting and comment.

4. Background, including Policy Context

4.1 The Council's Internal Audit Service is managed by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house team or by the external contractors to the service, in accordance with the Internal Audit Charter. Internal Audit is required to provide the S151 Officer, the Executive Leadership Team and the Audit and Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The Audit and Performance Committee are provided with updates at each meeting on the progress and outcomes from the internal audit work completed in the period.

4.2 A primary role of internal audit is to provide assurance that the Council has robust systems of governance and control in place to achieve its priorities and meet its statutory responsibilities. The Council's internal and external environment continues to evolve and the way in which the Internal Audit Service is delivered must change to keep pace with this. The traditional audit approach of planning a full year of audits in advance has become unsuitable as the original plan fails to keep pace with the organisation's needs.

4.3 As a result, since 2020/21, we have implemented the following changes to the way in which we deliver the Internal Audit Service:

- A Strategic Audit Plan has been developed, which documents the significant, persistent risks that the Council faces and outlining, in broad terms, themes to be covered over a 5-year period. This helps to ensure that internal audit does not become a purely reactive function. The Strategic Audit Plan is attached as **Appendix 1.**

- We work with a '3 plus 9' Annual Audit Plan, planning out the next 3 months in detail, taking into account key risks and priorities, whilst keeping the remaining 9 months more flexible. The Plan will then be revisited each quarter to confirm the following quarter's work and will include sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.
- The option of focused coverage or less formal reporting is available where the traditional approach would not provide assurance as quickly as needed.
- We seek to increase attendance on 'working groups' where real time input to projects and initiatives would be useful.

4.4 The draft '3 plus 9' Internal Audit Plan for 2023/24 is attached as **Appendix 2** to this report. It should be noted that this Plan is an early draft, intended to focus on the work planned in the first quarter of 2023/24 and some changes may be required, once all of the planning meetings have been held.

5. Financial Implications

There are no financial implications arising from this report.

6. Legal Implications

6.1 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:

a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives.
b) Ensures that the financial and operational management of the authority is effective, and
c) Includes effective arrangements for the management of risk.

6.2 Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into consideration public sector internal auditing standards or guidance.

6.3 There are no legal implications arising from this report.

7. Carbon Impact

The decision will have no carbon impact.

8. Equalities Impact

There are no equalities implications from this report.

9. Consultation

The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's Executive Leadership Team and officers within the Council and supports the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

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

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APPENDICES

Appendix 1 **Strategic Audit Plan**

Appendix 2 **Draft Annual Audit Plan**

BACKGROUND PAPERS

Appendix 1

Strategic Internal Audit Plan (2021-2026)

The Strategic Audit Plan sets out the medium-term direction of the Internal Audit Service. This 5-year plan outlines the priorities of the service and how Internal Audit can continue to provide an adequate level of assurance whilst taking into account resource limitations and the changing risk landscape.

The Strategic Audit Plan is supported by the Audit Charter, which sets out the roles and responsibilities of Internal Audit, and the Annual Audit Plan, which outlines the internal audit work which will be undertaken each year.

All local authorities have faced significant financial reductions in recent years, an increasing demand for its services and a reduction in the resources available to them which has, in turn, impacted on the control environment. In addition, local authorities are taking more risks as they explore innovative solutions in order to bridge funding gaps and transform the organisation. It is important that the Internal Audit Service continues to evolve to ensure that it remains an effective assurance provider.

The Strategic Audit Plan has been prepared to document significant, persistent risks that the Council faces and outlines, in broad terms, themes to be covered. The intention of the 5-year period of this plan is to ensure that, in becoming more agile, internal audit does not become a purely reactive function and continues to provide assurance over the entire breadth of the Council's operations. The Strategic Audit Plan will be aligned where possible to the Council's ambitions contained within the Fairer Westminster Strategy.

Area of Review	Significant Persistent Risks	Five-year Approach
Corporate Resources Back office and support functions including Finance, HR, business continuity, risk management, health and safety and procurement	• Internal and external fraud • Poor Financial management • Risks to staff safety and welfare • Value for money not achieved in commissioning, procurement and contract management • Council funds not invested effectively • Staff do not have the skills, resources or support to discharge their roles effectively • Council unable to cope with business disruption or emergencies.	At least one full audit of each key financial system (excluding Hants assurance areas) and ongoing testing of key controls every year. Cyclical Coverage of Revenues and Benefits over a three-year period. At least one audit of each key HR Function. Work on other functions, themes or departments based on conversations with management, assessment of risk and other sources of assurance Annual coverage of management of individual procurements and contracts based on review of forward plans, perceived risk, significance and discussions with management.

Area of Review	Significant Persistent Risks	Five-year Approach
Governance, Partnerships and Transformation Council governance functions, key strategic partnerships, commercial ventures and transformation programmes and projects.	• Governance failures, bringing the Council into disrepute or leading to the aims and objectives of the Council not being achieved. • Programmes and projects are not managed effectively within the required budget and timescales, delivering all expected benefits. • Ill-advised strategic partnerships or ventures entered into or poor governance arrangements lead to objectives not being achieved. • Information requests (such as SARs and FOIs) are not responded to promptly and appropriately. • Statutory functions such as Electoral Services are not discharged effectively • Commercial property portfolio is not managed effectively.	At least one full audit of SARS, FOIs, Members Enquiries and Complaints Annual coverage of Health and Safety based on discussions with management and understanding of risk areas At least one audit of Gifts, Hospitality and Declarations of Interest Annual audits of specific areas of governance based on discussions with management and understanding of risk. Coverage of each significant Partnership, Joint Venture, Council Owned Company or Commercial Venture. Annual Coverage of Risk Management at either a corporate, thematic or departmental level.
Information Management & Technology Management of data, compliance with the Data Protection Act /GDPR. Information technology including cyber security, asset management and disaster recovery.	• Loss of information, data breaches or inappropriate disclosure. • Loss of access/information due to systems failure or cyber attack. • Breach of access controls.	Periodic IT audit needs assessment and frequent discussions with management to understand risk areas.
Housing Housing Services provided to Council Tenants, Leaseholders and those at risk of homelessness.	• Properties are either acquired or disposed of that are not in line with the Council's strategy or value for money is not achieved. • Rent payments are not recovered promptly and completely • Council housing is acquired through fraud or is used inappropriately • Housing stock is not	At least one full audit of key Housing functions such as Rents, Homelessness, Housing Allocations, Temporary Accommodation, Tenancy Management, Leaseholder Services More frequent coverage of both responsive repairs and planned repairs and maintenance Annual coverage of building

Area of Review	Significant Persistent Risks	Five-year Approach
	maintained in a satisfactory condition leading to health and safety hazards and increased reactive maintenance. • Risks to the health and safety of residents are not identified and addressed promptly. • Leaseholders and not consulted and correctly charged for any works affecting their property. • Homeless and those at risk of becoming homeless in the borough do not receive the support they require.	Health and Safety compliance.
Children Services Provision of services for children and families including looked after children, family support, school, SEND and amenity services including Registrars and Libraries.	• Failure in service continuity, safeguarding arrangements, financial management and governance. • Increased demands for services with reduced funding. • Statutory functions such as Registrars are not discharged effectively.	On-going in-year assurance on funding claims for Supporting People. Cyclical full review of specific areas such as placements, direct payments, looked after children based on discussions with management and understanding of risk Each school reviewed at least once (with more frequent review where required). At least one audit of the Registrars Service. At least one audit of the Libraries Service.
Adult Social Care Services provided to adults including day care, home care, direct payments and reablement.	• Increased demands for services with reduced funding. • Lack of suitable provision. • Weak supplier financial resilience.	Cyclical review of specific areas such as direct payments, home care, day centres, client affairs, charges and debt management, partnership agreements based on discussions with management and understanding of risk.
Public Health Services provided to support the public health of the community including the response to the Covid-19 and other pandemics.	• Access to appropriate affordable resources to support improvement to public health priorities. • Changing public health priorities and capacity for delivery (as exemplified by Covid-19 pandemic).	At least one procurement and one contract monitoring review across 2 to 3-year period. Targeted reviews in specific areas based on discussions with management and understanding of risk.

Area of Review	Significant Persistent Risks	Five-year Approach
Environment, Infrastructure and Community Services Management of highways infrastructure and services provided for residents, businesses and visitors. Includes Planning & building control, parking, highways, public realm, environmental health, trading standards, community safety, sustainability, climate change impact, leisure, culture and amenity services.	• Statutory and regulatory functions not discharged effectively. • Weak supplier resilience / lack of provision. • Poor value for money/ ineffective service delivery/ failure to deliver outcomes for the community. • Injury to health /wellbeing to the community, businesses and visitors.	At least one procurement and one contract monitoring review across 2 to 3-year period. Cyclical review across the service areas based on discussions with management and understanding of risk.

Corporate Risks (NB to be reviewed, currently based on risks identified in Performance report to Committee Nov 2022)

The risks that could impact on the sustainability and delivery of the Council's statutory and non-statutory services and operations are considered to be of strategic significance. At the time of drafting the Annual Audit Plan, the Council wide risks identified by Directorates scoring 12 or above on the Council's Risk Register were:

Number	Risk	Risk Score*
1	Construction Industry Pressures continue in the light of Brexit, COVID19 and the conflict in Ukraine. Construction inflation is already running much higher than in other sectors and recent oil price and inflation increases will put further pressure on the industry.	20
2	Health Protection Incidents, including infectious disease outbreaks, causes wide-spread impact on and disruption to health and care service.	16
3	Impact of surface water flooding in the City causes damage to buildings and other structures.	16
4	Building Regulations Part B and Building Safety Act.	12
5	Reduced development sector activity and reduced development viability.	12
6	Financial Pressures and increased demand in Adult Social Care Overall increase in the complexity of care needs and increase in referrals for ASC Services.	12

*Risks are scored from a minimum of 1 to a maximum of 25 for the most serious risks.

Appendix 2

Draft Annual Internal Audit Plan – 2023/24

1. Background

The Annual Internal Audit Plan (the Plan) for 2023/24 is presented in two parts: the first 3 months of the year, where we have identified a number of audits to be undertaken; and the remaining 9 months where planning is more flexible.

Where possible the Plan is aligned to the Council's corporate risks, however it should be noted that the Council's corporate risks and priorities may change during the year, and the Plan will be updated as appropriate.

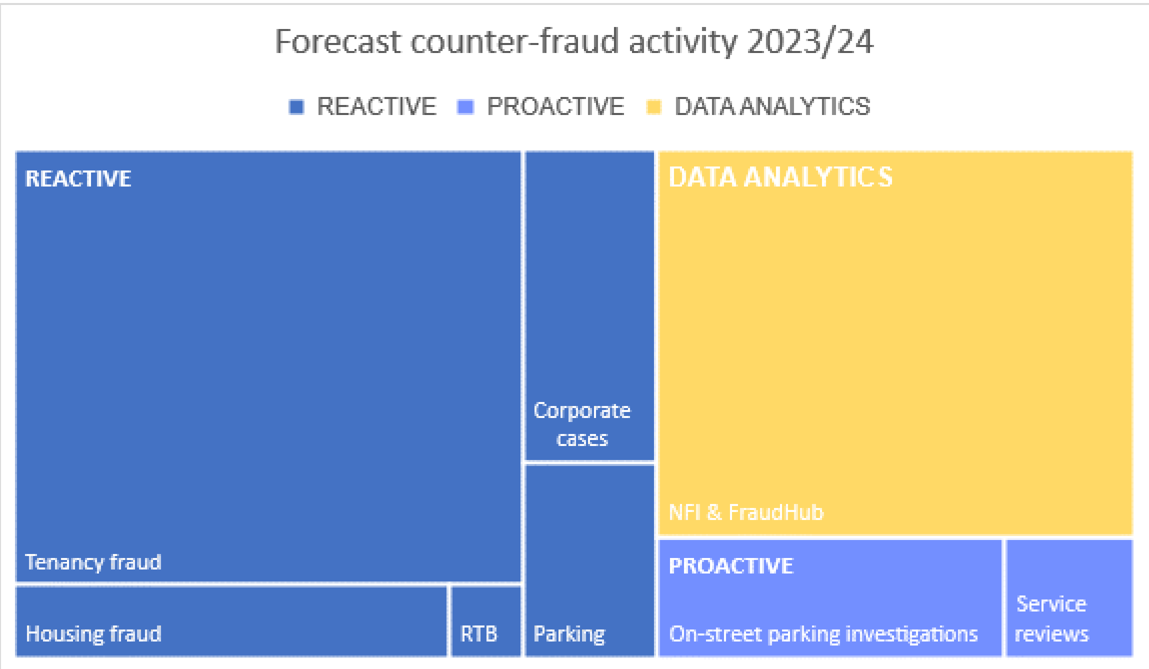
The Plan will be provided to the Council's Executive Management Teams and the Audit and Performance Committee at the start of the financial year and will then be presented every quarter. The delivery of the Plan helps to create a culture of accountability, ensures that risk management process are embedded and contributes to the Council's governance framework.

In addition, areas of fraud risk are evaluated by the Corporate Anti-Fraud Service (CAFS) and this information will be used to inform and focus some of the audit work planned, as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

2. Corporate Anti-Fruad Service (CAFS) 2023/34

The work undertaken by CAFS complements the work of Internal Audit and provides additional assurance to the Council that fraud risks are being managed effectively. Reactive and proactive work is planned, with an anticipated increase in data analytics due to the biennial National Fraud Initiative data matching exercise and the London Counter FraudHub, which the Council joined at the end of 2022.

The table below reflects the forecast activity for 2023/24.



3. Draft Annual Internal Audit Plan – Quarter 1 2023/24

Department	Review	Potential Coverage	Corporate Risk*	Priority (H/M/L)
Cross-Cutting	Governance & Risk Management -	1 or 2 reviews (not yet confirmed)		various
Cross-Cutting	Schemes of Authorisation	Compliance with delegated authority		M
Adult Social Care	Day Care Provision	To be discussed with the service	6	M
Adult Social Care	Home Help	Dependent on coverage in 2022/23	6	
Children's Services	Libraries & Archives	To be discussed with the service		M
Children's Services	Supporting Families	On-going claims review (every quarter)	n/a	M
Children's Services - Schools	Schools	Cyclical review: Financial control and governance review.	n/a	M
Finance & Resources – Digital & Innovation	IT review (also in Q2-Q4)	Scope(s) not yet confirmed.		H
Finance & Resources – Commercial Partnerships	Procurement/ Contract Management	To be discussed with the service		H
Finance & Resources – Commercial Partnerships	Sustainable Procurement Strategy	To be discussed with the service		M
People Services	Pensions Administration	Ongoing review of processes		H
Growth, Planning & Housing	Housing Repairs	Dependent on coverage in 2022/23		H
Growth, Planning & Housing	Housing Rents	Cyclical review due		H
Growth, Planning & Housing	Health & Safety – Cyclical Review (also in Q2-Q4)	Asbestos, Water Hygiene & Fire Safety are due		H

*The Council's Corporate Risks are those detailed at the end of Appendix 1 which may be updated during the year

4. Draft Annual Internal Audit Plan – Quarters 2 to 4 2023/24

Department	Review	Potential Coverage	Corporate Risk*	Priority (H/M/L)
Cross-Cutting	Governance & Risk Management	1 or 2 reviews (not yet confirmed), may include: • Business Continuity • Delegated authority • Declarations of Interest • Transparency Data • Gifts & Hospitality		Various
Cross-Cutting	Finance, Payroll and HR Compliance Testing	Transaction testing to confirm compliance with agreed processes and controls	n/a	H
Adult Social Care	Market Management (bfwd 2022/23)	To be discussed with the service	6	H
Adult Social Care	Direct Payments	Cyclical review due	6	H
Adult Social Care	Public Health Commissioning	Contract management	2	M
Children's Services	Case Management	Compliance following implementation of new system		H
Children's Services	Supporting Families	On-going claims review (every quarter)	n/a	M
Children's Services	Schools	Financial control and governance review.	n/a	M
Environment & City Management	Contract Management	• Arboriculture, Grounds Maintenance • Parking (various)		H
Environment & City Management & Innovation & Change	Climate Emergency - governance	To be discussed with the service		H
Environment & City Management	Markets & Street Trading (bfwd 2022/23)	Q2-Q3 To be discussed with the service		H
Environment & City Management	Environmental Health & Safety (bfwd 2022/23)	Q2-Q3 To be discussed with the service		H
Finance & Resources – Digital & Innovation	IT review	Scope(s) not yet confirmed.		H
Finance & Resources – Commercial Partnerships	Procurement/ Contract Management	To be discussed with the service		H
Finance & Resources	Council Tax	Cyclical review		M
Finance & Resources	NNDR	Cyclical review		M
Finance & Resources	Housing Benefit	Cyclical review		M
Growth, Planning & Housing	Building Control	To be discussed with the service		H
Growth, Planning & Housing	Health & Safety – Cyclical Review	Asbestos, Water Hygiene & Fire Safety are due		H

Department	Review	Potential Coverage	Corporate Risk*	Priority (H/M/L)
People Services	Pensions Administration	Ongoing review of processes		H
People Services	Recruitment & Retention	To be discussed with the service		M
Innovation & Change	TBC Projects & Programmes (see 22/23 audit on Risk Management first)	To be discussed with the service		H
Innovation & Change	Leisure Services - contract	To be discussed with the service post contract signing		H
Innovation & Change	Equalities	To be discussed with the service		H

*The Council's Corporate Risks are those detailed at the end of Appendix 1 which may be updated during the year.

City of Westminster

Audit and Performance Committee

Decision Maker:	**Audit and Performance Committee**
Date:	**23 February 2023**
Classification:	**General Release**
Title:	**2022/23 Quarter 3 Financial Monitor**
Wards Affected:	**ALL**
Key Decision:	**No**
Financial Summary:	**The report summarises the Council's 2022/23 Quarter 3 financial position**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1 This monitoring report presents the Council's summarised 2022/23 Q3 financial position as at 31 December 2022 together with the forecast for the remainder of the year. The forecast has been based on activity trends and analysis to date.

Revenue Summary

1.2 The forecast revenue outturn at the end of Q3 is a projected overspend of £3.043m (1.7% of net budget) compared to the reported projected overspend of £5.762m at Q2. This is a favourable movement of £2.719m.

1.3 The summary of the key movements since Q2 are shown in the Table 1:

Table 1. Quarterly movement – Financial Year 2022/23

Heading	Financial Movement £m	Narrative
Interest Earnings	(5.500)	In December 2022 the base rate increased from 3% to 3.5% so average investment performance improved from Q2 to Q3. As inflation remains high, the Bank of England is expected to increase the rate further by the end of the financial year.
Commercial Waste Income	(0.500)	Commercial waste income has seen a favourable movement of £0.5m from Q2 and is forecast to receive £3m over budget. Year to date income is £2.400m (24%) over budget, and 36% higher than 2021/22. This is due to increased footfall following the end of Covid restrictions and an improvement beyond that originally expected.
Parking Income	(0.282)	Net improvement in income of £0.525m offset additional enforcement costs of £0.243m
Inflation	1.000	Further inflationary pressures above the original budget set when inflation was lower. An £827k variance arises from the agreement of the national pay award agreed recently. The remaining £200k arises from contract inflation
Planning Income	0.550	Major applications are down by nearly 50% on pre-pandemic levels, with total applications 60% below pre-pandemic levels.
Temporary Accommodation	1.000	Rising rents mainly caused by a significant contraction of supply and increases in rental rate due to increased reliance on corporate hotels.
Small Cell Contract Income	0.412	Although factored in as a risk in Q2, the pressure has now been incorporated within the projections. The realised figure was higher than the identified risk in Q2.
Other	0.601	Other movements within services
Total Forecast	**(2.719)**	

Capital Summary

1.4 The Q3 Capital Programme forecast position is £35.591m gross expenditure underspend and £18.281m net variance. It should be noted that budgets were reprofiled at Q2 and have been approved by Cabinet. Further details are included in section 14 of this report.

Inflation

1.5 Inflation in December 2022 rose to 10.5% which was an increase on the reported September 2022 inflation rate of 10.1%. At Q2 pay and contract inflation pressures were reported at £9.820m, this has increased to £10.862m in Q3. This increase is predominately due to additional contract inflation requests from suppliers and finalisation of the pay award. Details on inflation is explored further at Section 4.

Savings

1.6 Savings achieved year to date are now reported as £5.387m which is an increase of £1.046m from Q2; with 79% of savings either on target to be achieved in year or achieved.

2. **Recommendations to Audit and Performance Committee**

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at Q3 for 2022/23.

3. **Revenue Budget Overview**

3.1 In March 2022 Full Council approved the 2022/23 budget which included £16.671m of savings and £5.789m of investment and pressures. As at Q3 of the 2022/23 financial year the General Fund revenue position is reporting a forecast overspend of £3.043m against a budget of £184.862m.

3.2 Table 2 summarises the Q3 General Fund position.

Table 2 - Revenue Finance Position and Forecast – Q3 Financial Year 2022/23 (£m)

Executive Directorate	2022/23 Budget £m	2022/23 Forecast £m	2022/23 Variance £m	Risks Identified £m	Opportunities Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adults Social Care	50.570	50.470	(0.100)	-	-	(0.100)
Public Health	(1.141)	(1.141)	-	-	-	-
Growth, Planning and Housing	19.614	29.790	10.176	0.100	(0.450)	9.826
Finance and Resources	29.028	9.274	(19.754)	0.070	(0.400)	(20.084)
Environment and City Management	(3.827)	(3.612)	0.215	0.300	(0.600)	(0.085)
Children's Services	38.261	40.219	1.959	0.462	-	2.420
Innovation and Change	17.355	17.081	(0.274)	0.302	-	0.028
Other Corporate Directorates	4.032	3.992	(0.040)	-	-	(0.040)
Corporate Items (including inflation)	30.971	41.833	10.862	-	-	10.862
NET CONTROLLABLE BUDGET	**184.863**	**187.906**	**3.043**	**1.234**	**(1.450)**	**2.827**

3.2 The table below summarises the movement by Executive Directorate from Q2 on the General Fund position.

Table 3 – General Fund Revenue Movement by Executive Directorate – Q2 to Q3 Financial Year 2022/23 (£m)

Executive Directorate	Q2 2022/23 Variance £m	Q3 2022/23 Variance £m	Movement £m
Adult Social Care	(0.100)	(0.100)	-
Public Health	-	-	-
Growth, Planning & Housing	9.116	10.176	1.060
Finance and Resources	(15.365)	(19.754)	(4.389)
Environment and City Management	0.797	0.215	(0.582)
Children's Services	1.809	1.959	0.150
Innovation and Change	(0.315)	(0.274)	0.041
Other Corporate Directorates	-	(0.040)	(0.040)
Corporate Items (including inflation)	9.820	10.862	1.042
NET CONTROLLABLE BUDGET	**5.762**	**3.043**	**2.719**

4. Inflation

4.1 Inflation continues to remain a significant economic challenge in 2022/23, with the CPI rate reported at 10.5% in December 2022. CPI inflation at Q2 is now nearly double the 5.4% level at the point of setting the budget. The sharp rise in inflation presents the biggest financial risk to the Council's budget.

4.2 The budget approved at the beginning of the year to cover pay and contract inflation was £9.307m when inflation was 5.4%. Since then, the actual cost to the General Fund has been £20.169m. This has led to an overspend of £10.862m. These costs are reported in Corporate Items in Table 2 of this report.

- **Pay:** The Council budgeted for 2% for 2022/23. The 22/23 pay award has now been approved and staff will receive a flat rate pay increase of £2,355 which represents average pay increase of 5%. The pay increase ranges from an average 9% increase for those in Bands 1 and 2 to 1.5% for those in Bands 6 and 7. This award will add a further £4m pressure onto salary budgets. (£0.827m more than estimated at Q2).

- **Non-pay:** While some contracts inflationary increases have been negotiated down, there are still pressures across all services that need to be reflected across all service budgets.

4.3 Set out in the table below are the forecast impacts of inflation by directorate against the budget set aside, as at the end of Q3 a £10.862m overspend is forecast against the corporate budget that will need to be met within directorate budgets.

Table 4 - Impact of Inflation Increases in 2022/23 on Executive Directorates (£'m)

Directorate	Forecast Impact of Pay Award Inflation £'m	Forecast Impact of Contract Inflation £'m	Total Inflation Pressure £'m
Adults Social Care	0.818	2.666	3.484
Children's Services	1.571	0.638	2.209
Environment and City Management	1.193	5.370	6.563
Finance and Resources	2.503	2.319	4.822
Growth, Planning and Housing	0.953	1.701	2.654
Innovation and Change	0.241	0.000	0.254
Other Corporate Directorates	0.183	0.000	0.183
Total Forecast	**7.464**	**12.706**	**20.169**
Forecast at Q2	**6.627**	**12.500**	**19.127**
Change since Q2	**0.837**	**0.206**	**1.043**

5. Medium Term Financial Plan Monitoring – Savings

5.1 In March 2022 Full Council approved the 2022/23 budget which included £16.671m of savings.

5.2 Details of progress against approved savings are outlined in the commentary for each directorate in the table below. Where savings are not on track, the directorates continue to consider mitigations to bring the budget back on target for this year.

5.3 Of the total savings targets Innovation and change have reported a slight over achievement against their targets. Of the savings 79% are either achieved or on target.

Table 5 - Approved Savings Progress (£m)

Executive Directorate	Saving Achieved £m	Part Achieved/ On Track £m	Part or Completely Reprofiled £m	Part or Completely Unachievable £m	Total £m
Adult Social Care	0.210	2.400	-	-	2.610
Children's Services	-	1.133	-	0.800	1.933
Environment and City Management	2.950	1.740	0.158	1.000	5.848
Finance and Resources	0.575	1.100	0.400	-	2.075
Growth, Planning and Housing	1.040	1.370	-	1.100	3.510
Innovation and Change	0.612	-	-	-	0.612
Total	**5.387**	**7.743**	**0.558**	**2.900**	**16.588**

Revenue Summary

6. Adult Social Care (ASC) — Underspend £0.100m

6.1 ASC is continuing to forecast an underspend of £0.1m at Q3. Despite the challenging environment the directorate continues to work continues to maintain a stable budget outturn. Against the net budget of £50.5m the underspend reported equates to 0.2%. The forecast previously reported a financial risk of £2.0m, however, for this year, this has been mitigated by additional funding from the Department of Health, and Social Care (DHSC).

6.2 ASC is expected to receive £3.0m in one-off funding for this financial year, however, all of this will offset previously projected discharge cost pressures, £2.0m, and the remaining £1.0m will allow further spending to support the hospital discharge process and alleviate pressures being experienced in acute settings over the winter period.

6.3 National ASC reforms have now been postponed from October 2023 until October 2025. Government guidelines on how the reforms will develop remain unknown at this stage. The directorate is awaiting guidance as currently the only reporting due in February to be submitted to DHSC is on Fair Cost of Care (FCoC).

Public Health — £nil variance forecast

6.4 Public Health is forecasting a break-even position. The department has made a commitment to invest in cross-council initiatives and public health interventions which address health inequalities in the local population. This programme will target key vulnerable groups to offer increased resilience and support with mental health and wellbeing.

6.5 The expenditure commitments are captured within the forecast outturn position. Of the commitments projected, £1.682m is linked to cross-council initiatives that were agreed last year to address the impact of Covid-19 on residents and will demonstrate alignment with Fairer Westminster. In addition, several community-based projects are committed £1.386m and further projects are being scoped linked to other priorities such as protect from harm, good mental health, best start for children and promoting physical health.

7. Growth, Planning & Housing (GPH) — Overspend £10.176m

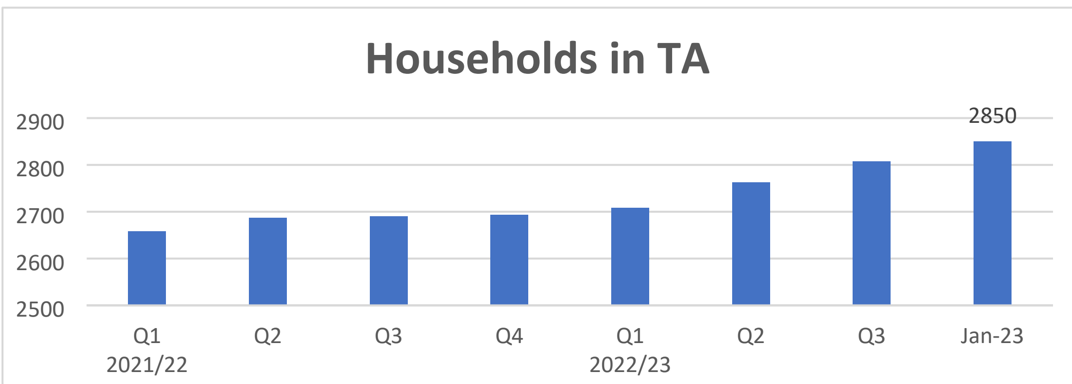
7.1 An overspend of £10.176m is forecast at Q3 against a budget of £19.614m. The overspend is a result of the on-going pressures on Temporary Accommodation (TA), combined with a projected shortfall on budgeted Planning Income of £3.850m.

Temporary Accommodation (TA)

7.2 The position for GF Housing highlights the cost pressures faced by the Council in retaining its supply of TA. The £6.816m overspend includes an assumption that £4.880m of Homeless Prevention Grant can be used to offset expenditure (as was the case in 2021/22). The Council continues to see an increase in the demand pressures placed on the service with household numbers increasing in 2022/23. Cost pressures are also impacting Private Rented Sector (PRS) provision, where lease renewals have resulted in an increase in the costs paid to landlords. Furthermore, a trend of PRS units being withdrawn by landlords is resulting in a greater reliance on commercial hotels than has historically been the case.

Demand

7.3 Demand pressures on TA have been managed at a broadly consistent level over the last couple of financial years, with households in TA tending to fluctuate between 2,650 and 2,750. However, this year there has been a significant increase in that demand. The following chart shows how the number of households in TA has risen quarter on quarter during this financial year and are now at their highest level of almost 2,850. This increased demand pressure is reflected in the increased cost projections this quarter:



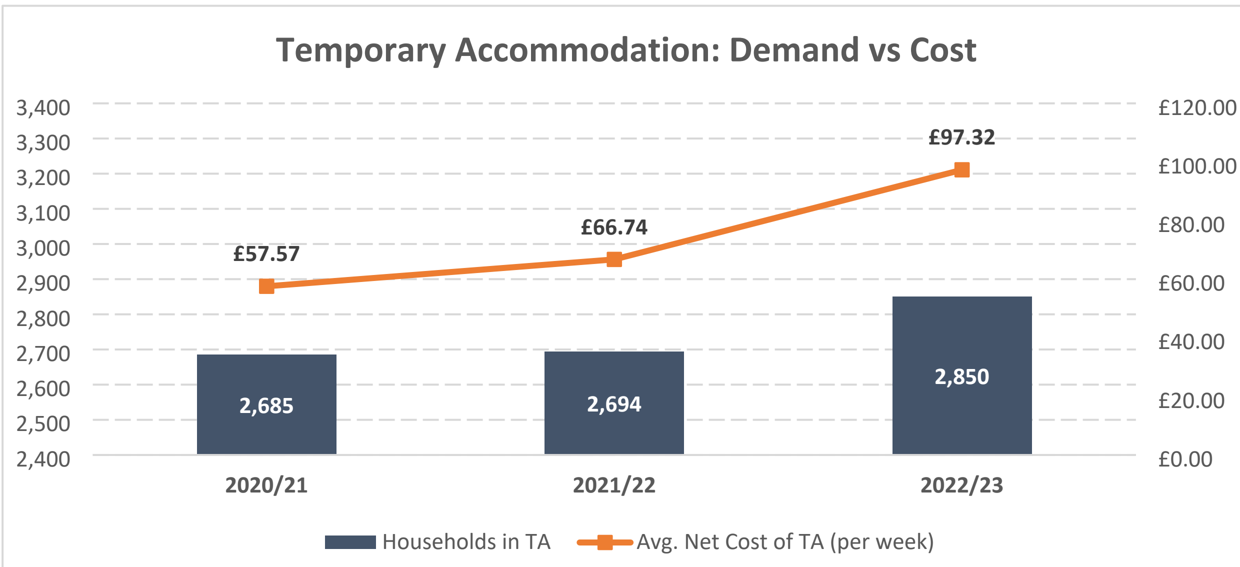
Cost

7.4 Compounding the demand pressures, are significant increase in costs of Private Rented Sector (PRS) units. This is due to the renegotiation of leases on a large number (over 1,000) of our units. The cost pressure linked to this is approximately £1.8m in the current financial year, although the full year impact, which will be felt in 2023/24, is £2.6m. These renewals will, however, secure prices for the next three years.

High-cost provision

7.5 A further issue faced by the Council, is a significant increase in the number of PRS landlords withdrawing their property from the market. In November and December 2022 there was a total of 84 properties returned to landlords compared to a total of 60 in the same period in 2021. This trend is increasing the reliance on far more expensive hotel accommodation. This is by far the most expensive method of accommodation provision. It is only used as a last resort, but with reducing alternative supply, the Council is increasingly reliant on this route. Overall cost projections for nightly paid accommodation, including corporate hotels, has increased by more than £2.6m since 2021/22.

7.6 The net cost of TA has been steadily rising over the last 2-3 financial years. However, the Council has largely been able to mitigate these cost increases using residual grant (particularly during the pandemic). However, the balance of surplus grant from prior years is heavily depleted and projected to be fully exhausted at the end of 2022/23. This means that the pressure on TA spend will need to be carefully considered as part of the 2023/24 budget setting process given that the increases in the cost of supply are unlikely to ease.



7.7 One method of mitigating some of the pressures facing the Council on TA is to acquire units of its own for use as TA. This year's capital strategy budget proposals include an enhanced allocation of funding to deliver an increased number of units of TA. This programme would potentially deliver a further 270 units of TA. Council-owned units help to mitigate against some of the pressures currently faced both in terms of diminishing supply and increasing lease costs. However, it should be noted that even with this enhanced programme, the Council remains heavily reliant on PRS in meeting its obligations to house homeless households.

Planning

7.8 Planning income remains significantly lower than budget (forecasting a £3.850m adverse variance at Q3), which has remained the case since Covid. The position is primarily driven by a continued reduction in the number of "major applications" which carry significant fees. Major applications activity to Q2 is 59% lower than the same period in 2019/20 (pre-pandemic year).

7.9 The table below shows a comparison of activity levels for planning and pre-planning applications:

Table 6 - Activity Levels for Planning and Pre-planning Applications

	2019/20	2021/22	Change	2019/20 Q3	2022/23 Q3	Change
Major	67	37	-45%	58	24	-59%
Minor	2,735	3,082	13%	2,121	2,256	6%
Other	7,067	4,916	-30%	5,466	3,647	-33%
Pre Apps	1,272	843	-34%	971	637	-34%

8. **Finance and Resources** **Underspend £19.754m**

8.1 At Q3, Finance and Resources is reporting a favourable variance of £19.754m against the budget of £29.028m.

Treasury and Pensions

8.2 Treasury and Pensions is showing an overall favourable position of £22.327m, with the majority of that coming from additional treasury investment income earnings of £20.461m.

8.3 Cash levels grew to an average of £1,200m in Q3 compared with Q2's average balance of £900m. The Bank of England base rate has risen on two occasions since Q2, from 2.25% to 3% in November and then again to 3.50% in December. Given that many of the Council's Treasury deals are current at these higher rates, most of the forecast investment return is now known. However, there is a prudent estimate for money market funds and new deposits of at least 3.5% and 4.0% respectively.

8.4 Two further base rate rises are expected in the first half of 2023, peaking at 4.5%. The Bank's success at tackling CPI inflation will depend on the possible need for further rate increases beyond 4.5%, given that there is a time lag between a rate rise and its impact on CPI inflation levels.

Revenues and Benefits

8.5 This service is reporting a variance to budget of £0.400m due to staff resource pressures and increased postage costs from the need to increase capacity for paying grants and reliefs for government support schemes.

Digital and Innovation

8.6 This service is reporting £0.412m under recovery which relates to a £1.500m income budget associated to Small Cell contract renegotiation, this was provided for as a risk in Q2 and is now realised. The amount is being reprofiled over the contract life so will still be recovered.

Finance

8.7 This service is reporting £0.245m overspend, related to forecast bank charges budget pressure (£0.071m) for which a savings target of £0.100m was applied in 2022/23, and some agency costs while vacant posts are advertised permanently.

Corporate Property

8.8 This service is reporting an overall favourable variance of £2.7m, partly a realisation of opportunities reported at Q2. Additional investment income of £1.2m is forecast, driven primarily by property acquisitions. There is also a £1.2m underspend (partially one-off) arising from the conclusion of ongoing negotiations on the FM contract. Negotiations to reduce the backdated rent payable review increase for City Hall have also created a one-off saving of £0.7m.
These underspends have however been partially offset by a £0.4m overspend on rent as the saving from moving Adults Services staff from NHS properties will not be achievable this financial year.

9. Environment and City Management Overspend £0.215m

9.1 ECM reports an overspend at Q3 of £0.215m against the budget of (£3.827m), comprising offsetting variances within individual services as below.

Parking

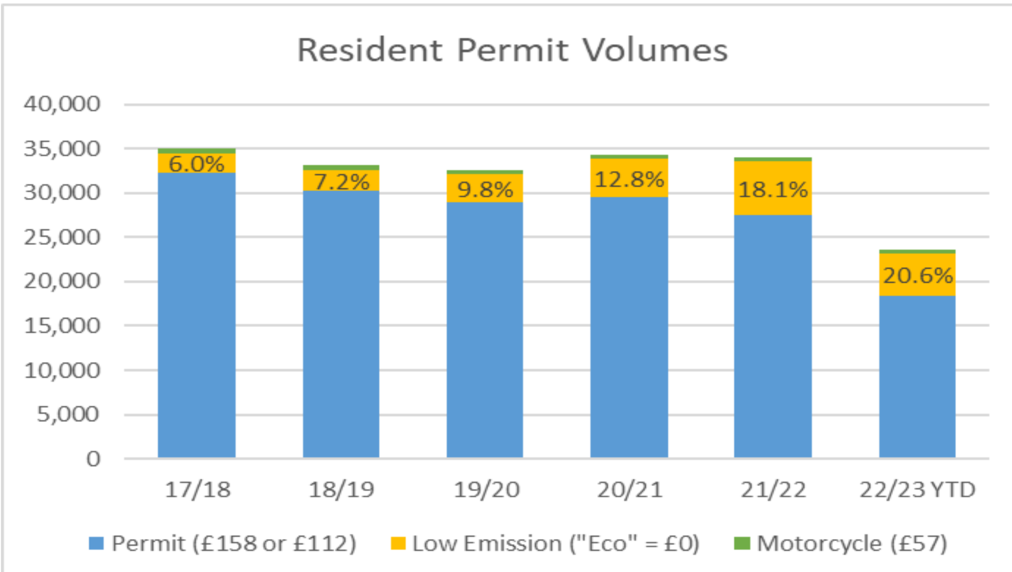
9.2 At the end of Q3 parking is forecasting an adverse variance of £1.653m, an improved position from Q2 of £0.282m.

9.3 Parking's primary income streams are forecast to have a shortfall of £0.825m at Q3, albeit a favourable movement of £0.5m from Q2. PCN income is forecast to increase by £1.0m following the continuation of the additional targeted on-street enforcement.

9.4 Offsetting this, Paid-for-Parking shows a net adverse movement of £0.250m from Q2. Year to date income is 7.2% behind budget compared to 6.6% at Q2, however this will be in part offset by the increase to fees & charges scheduled for February and March which it is estimated will generate £0.250m this financial year.

9.5 Other adverse movements are a newly emerging shortfall of £0.150m in Suspensions which also shows a year-to-date deficit; £0.025m reduction in Paid for Parking Motorcycle income, and a further adverse movement of £0.075m to the Resident Permit income forecast, to £0.525m overall, reflecting the continued increase in the ratio of “Eco” permits which are issued for free.

Table 9 - Residents Permit Volumes



Highways Infrastructure & Public Realm

9.6 Activity in Roads Management continues to exceed budget and previous years, at 8.1% higher than 2021/22 and 22.9% higher than pre-pandemic levels. Activity in Q3 itself however has levelled out, so the forecast remains unchanged from Q2 and an opportunity of £0.06m is maintained.

9.7 The approved increases to fees & charges for Roads Management have been implemented in January, and the forecast shows a favourable movement of £0.08m in respect of the additional income this financial year.

Public Protection and Licensing (PP&L)

9.8 As at Q3, there has been no movement in terms of forecast outturn from Q2, reporting a £1.751m overspend due to delayed delivery of service redesign savings. The proposed budget for next year is recommending removal of the large majority of these savings proposals.

Waste and Cleansing

9.9 Overall, Waste and Cleansing is forecasting to underspend by £2.58m underspend, which is £0.05m favourable movement from Q2.

9.10 Commercial waste income is forecast receive an additional £3.0m more than budgeted, a favourable movement of £0.5m from Q2. Year to date income is £2.4m (24%) over budget, and 36% higher than 2021/22. This increase is due to higher footfall into Westminster since covid restrictions were lifted in addition to growth with both new and existing customers. Bag sales are nearing 2019/20 volumes and containers income also on an upward trend.

9.11 Waste collection and street cleansing is forecasting an overspend of £0.83m, this is an increase of £0.45m from Q2 and is offset against the additional commercial waste income. The change in forecast results from a decision to lease rather than buy two electric street cleansing vehicles; a delay to the strategic review of street cleansing provision; and indirect costs associated with the Queen's funeral.

9.12 Unchanged from Q2 reporting are a forecast underspend of £0.5m in waste disposal due to high levels of recyclables rebate, and smaller offsetting variances of £0.04m in respect of public conveniences and £0.05m employee cost to resource ongoing projects.

10. Children's Services Overspend £1.959m

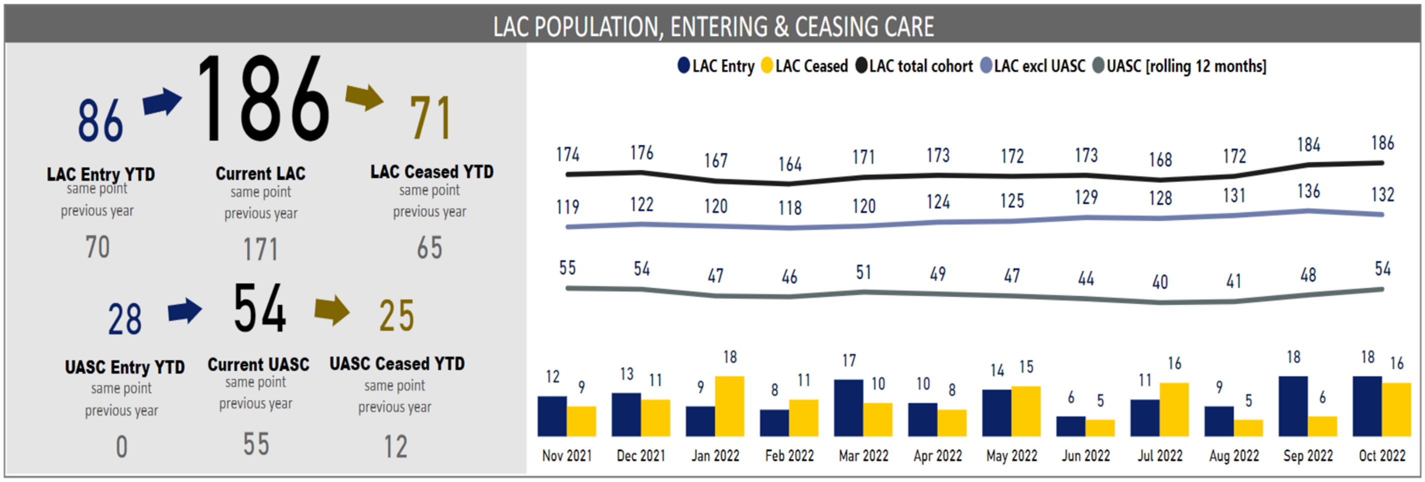
10.1 Children's Services is reporting a forecast overspend of £1.959m at Q3. This represents an adverse movement of £0.150m when compared to Q2, due mainly to changes in Family Services as set out below.

Family Services

10.2 Family Services is forecast to overspend by £0.249m at Q3. The position has deteriorated from Q2 by £0.163m as the increasing cost of supporting families with no recourse to public funds continues to cause pressures.

Numbers of Looked After Children (non-UASC) increased by 15, to 186 in December 2022, when compared to the same period last year. This presents the risk of further pressures on placement budgets.

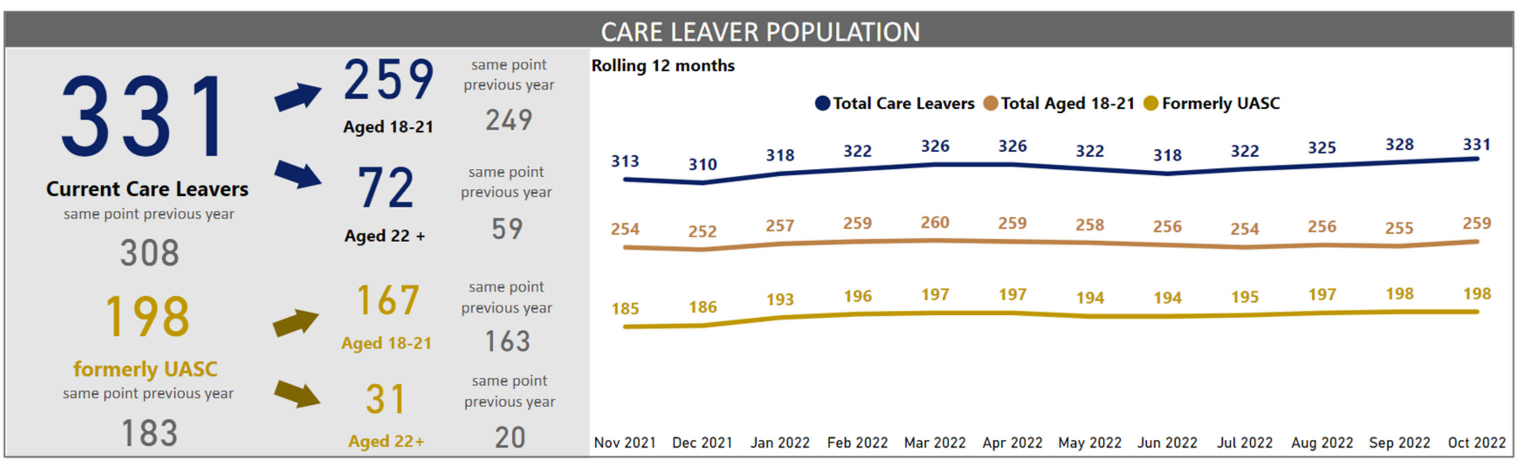
Table 7 – LAC Numbers



10.3 Pressures are further exacerbated by the rate at which UASC are ageing into the Care Leaver population – with Former UASC numbers increasing by 15 over the last 12 months to 198 in December 2022, when compared to the same period last financial year.

10.4 Funding from the Home Office for former UASC care leavers is insufficient to cover their costs, with the average weekly cost being £644 and the funding rate at £270. The Council's General Fund budgets cover the majority of the difference with a forecast variance of £0.057m, but a growth in the numbers represents a financial risk.

Table 8 – Care Leavers Movement



Education

10.5 Education is forecast to overspend by £1.458m at Q3. The change since Q2 is an improvement of £0.013m, with the pressures on Short Breaks and SEN Transport continuing.

11. Innovation and Change Underspend £0.274m

11.1 Innovation and Change is reporting a favourable variance of £0.274m against a budget of £17.355m. This is the result of the following:

- £0.076m underspend in Executive Director and Business Support due to part year vacancies being held;
- £0.165m underspend in Corporate PMO due to part year vacancies being held; £0.118m underspend in Governance and Councillor Liaison on allowances and part year vacancies and secondments not being backfilled;
- £0.150m overspend relating to leisure contracts offset by increased income in cemeteries; and
- £0.065m underspend in Communications due to part year vacancies being held.

Sports, Leisure and Active Communities

11.2 A net overspend of £0.260m is now forecast in respect of the Leisure Contract current Deed of Variation, resulting from increased energy and other cost pressures faced by the provider.

11.3 Cemeteries income forecasts to over-recover by £0.2m, primarily due to higher activity levels.

12. Other Corporate Directorates Underspend £0.04m

12.1 Other Corporate Services are reporting a favourable variance to budget of £0.04m within People Services linked to an underspend on part year vacancies and secondments.

13. Housing Revenue Account £nil variance forecast

13.1 The Housing Revenue Account (HRA) is projecting a balanced outturn at Q3. This is despite some significant challenges in relation to the cost of Repairs and Maintenance (£4.46m) that have been mitigated with favourable variances elsewhere in the HRA.

13.2 The key elements of the Q3 forecast position are summarised below:

Repairs costs (Repairs & Planned Maintenance) **Overspend £4.46m**

13.3 The major adverse variance in the HRA at Q3 is on the cost of repairs. Job volumes continue to remain at a similar level to the numbers completed in 2021/22, but the average job cost is reflecting a sharp increase. About a quarter of this relates to known contract inflation of 5.4% (which is covered by the HRA inflation contingency). However, jobs that are necessarily quoted outside of the agreed schedules of rates are experiencing much higher inflation (due to the cost of labour and materials).

Communal utilities (Repairs & Planned Maintenance) **Overspend £1.51m**

13.4 Inflation on the cost of electricity has been much higher than anticipated in the HRA business plan. The cost of communal electricity is now double the budget that was allocated at the beginning of the year. This reflects the risk flagged at Q2 that is now included in the outturn projection.

Regeneration voids (Regeneration) **Overspend £0.220m**

13.5 Properties that are held empty across the HRA to enable regeneration activity incur costs for the duration of the void period. The biggest cost is council tax. The volume of voids forecast for 2022/23 is currently running higher than the budgeted allowance, although many of these units are shortly due for demolition which should make this a one-off cost pressure.

HRA staff spend (all service areas) **Underspend £1.575m**

13.6 For much of the first half of 2022/23, recruitment was underway to staff the new housing structure that was finalised towards the end of 2021/22. Over this 6-month period, vacancies contributed to a 12% underspend. A much lower variance has occurred over the second half of the year, and further recruitment activity over the final quarter is anticipated to bring the number of vacancies down to standard operating levels for a service of this size. The level of agency cover has also significantly reduced with interim staff accounting for less than 2% of the 451 strong establishment.

Service charge income (Neighbourhoods) **Underspend £1.402m**

13.7 Service charges are billed on an estimated basis at the beginning of the financial year. An adjustment is then made mid-way through the year to reflect actual costs within the calculations. The mid-year adjustments are expected to result in more service charge income than the previous estimates. Given that service charges are managed on a cost-recovery basis, this reflects the general upwards trend on costs across all services being delivered within the HRA (particularly items such as communal electricity).

Corporate items (Corporate Items) **Underspend £4.378m**

13.8 The HRA inflation contingency is held under Corporate Items. An allowance of £1.265m was set aside to cover 2022/23 repairs inflation (with the remainder of the contingency covering the 2022/23 pay award). A £2m adjustment to the depreciation estimate for 2022/23 has also been reflected here (to reflect the calculations completed at the 2021/22 year-end). This has also been included as an on-going MTFP saving for the HRA and will help to offset the growth in repairs costs on a more permanent basis. Finally, the HRA now has a £nil borrowing requirement on its capital programme for 2022/23 (due to the expectation of additional grant to support capital expenditure). This has generated a saving on interest costs of £1.607m.

14. Council Tax and Business Rates collection

14.1 At the end of Q3 the Council Tax collection rate is 79.6% which is 0.89% high than the same month last year, this is an improvement on the Q2 deficit of 0.5% as shown in the table below.

14.2 The Business Rate collection rate continues to improve post-Covid, for December 2022 it was 80.3% which is 6% higher than the same month last year.

15. Capital Budget 2022/23

15.1 The table below summarises the Council's budget and forecast position on the 2022/23 capital programme, which reflects a projected £35.591m gross expenditure variance and £18.281m net variance. It should be noted that budgets were reprofiled at Q2 and have been approved by Cabinet.

Table 12 – Capital budget and forecast position 2022/23

ELT Directorate	2022/23 Expenditure Budget £m	2022/23 Income Budget £m	2022/23 Net Budget £m	2022/23 Expenditure Forecast £m	2022/23 Income Forecast £m	2022/23 Net Forecast £m	2022/23 Expenditure Variance £m	2022/23 Income Variance £m	2022/23 Net Variance £m
Adults Services	5.460	(0.860)	4.600	4.430	(0.030)	4.400	(1.030)	0.830	(0.200)
Children's Services	10.333	(10.281)	0.052	8.194	7.278	15.472	(2.139)	17.559	15.420
Growth, Planning and Housing	100.087	(26.885)	73.202	96.256	(32.215)	64.041	(3.831)	(5.330)	(9.161)
Environment and City Management	79.116	(18.950)	60.166	55.431	(15.677)	39.754	(23.685)	3.273	(20.412)
Finance and Resources	55.737	(5.127)	50.610	46.637	(4.169)	42.468	(9.100)	0.958	(8.142)
Westminster Builds	14.700	0.000	14.700	19.613	0.000	19.613	4.913	0.000	4.913
Innovation and Change	1.570	(0.020)	1.550	0.851	0.000	0.851	(0.791)	0.020	(0.699)
Net Controllable Budget	**267.003**	**(62.123)**	**204.880**	**231.412**	**(44.813)**	**186.599**	**(35.591)**	**17.310**	**(18.281)**

15.2 The table below shows that 16 projects contribute to most of the expenditure variance. By way of comparison there are over 250 projects in the 2022/23 capital programme, with just 7% of the projects causing 70% of the expenditure variance.

Table 13 – Key Capital Schemes 2022/23

Project	2022/23 Forecast Variance to Budget £m	Comments
Waste Fleet	(17.063)	There have been delays with securing a lease agreement- this has resulted in a delay on site infrastructure works. Therefore, the supplier will now retain the vehicles until next financial year when the site is able to hold and charge the vehicles.
Carbon Management Programme	(3.174)	Preparation for 2023/24 grant bids has been the predominant focus in this area, resulting in delayed work (reprofiled to 2023/24) on Council funded programmes.
Improvements Investment Properties	(1.730)	Two main projects have impacted this variance; Huguenot House refurbishment, and Orange Street, as the scope of works has caused delays, as more work needs to be done than first anticipated.
Placeshaping Schemes	(1.268)	The majority of this relates to the Harrow Road Placeshaping scheme (£0.975m) due to the delay of canal repair works and a revision of salary costs. There are also smaller underspends on Soho Public Realm Improvements (£0.165m), Paddington North Bank (£0.085m) and Victoria Place Plan (£0.060m) due to scheme delays or pauses as future delivery plans continue to be worked through.
Lisson Grove Programme - Acquisitions	(1.200)	The updated forecast is based on the revised number of units expected to complete by 31st March. The original forecast assumed the completion of three acquisitions in Gayhurst House, two of which are now expected to happen in 2023/24.
Public Realm Improvement Services	(1.097)	The variance to budget is made up of several smaller schemes such as Abel & Cleland and Wellington hotel. These schemes will be starting in early 2023/24 rather than originally intended - this is due to the project funders request. Therefore, some schemes within this category will be slipped into 2023/24.

Project	2022/23 Forecast Variance to Budget £m	Comments
Planned Preventative Maintenance- Lighting	(1.072)	Delays on the structural critical columns work resulting from long delays with getting materials due to overseas supply issues. Also, several street-works notices have been declined due to other utilities working in the road along with some issues found on site as existing columns are on bespoke foundations delaying activity on some roads.
Hanover Square	(1.000)	The scheme is now at almost at completion stage and as a result unused risk and contingency budget can be declared as an underspend.
Royal Albert Hall HVM	(0.966)	The scheme is now at almost at completion stage and as a result unused risk and contingency budget can be declared as an underspend.
Queensway Streetscape	(0.950)	The scheme is now at almost at completion stage and as a result unused risk and contingency budget can be declared as an underspend.
Waterloo and Golden Jubilee Bridge	(0.800)	Delays on ability to starts work on Waterloo Bridge Streetscape as TfL negotiations continue. Work is now expected to fully commence from March onwards. As a result, only a small amount expenditure will be incurred during 2022/23, instead the majority will fall in FY 2023/24 onwards.
St Marylebone Bridge Special School	(0.749)	£27.094m is being reprofiled into 2022/23 from 2024/25. Purchases of properties in Vauxhall Bridge Road and the head lease in Berwick Street were completed in Q1 which requires the acquisitions budget to be brought forward.
School Development Capital Projects	(0.600)	Some projects have been delayed due to a combination of delays in the tender process. It is anticipated that works will now begin in early April 2023.
Project	**2022/23 Forecast Variance to Budget £m**	**Comments**

Strand Aldwych	0.635	Contractor costs to complete benches in the meanwhile space has been accelerated from 23/24. £0.104m of the total forecasted spend relates to Strand Curation and will be funded from S106.
Parking Projects	1.316	Parking contracts have been successfully awarded and a timescale for implementation is now clearer. There is opportunity to begin implementation earlier than had been anticipated, leading to reprofiling of expenditure into 2022/23 from 2023/24.
Westminster Builds (WB)	4.913	The following financing requirements were not included in the Q2 forecast leading to a higher investment requirement from the company: - A deferred land payment to the Limited Liability partnership for £2.026m - Capitalised interest on the Luton Street Loan of £0.893m - A loan to WB for the acquisition of homes at West End Gate for £2.130m which has been brought forward from 2023/24. -Offset by a small underspend of £0.068m on the Parsons North acquisition loan
Total	**(24.805)**	

16. Housing Revenue Account

16.1 The HRA capital budget and forecast position is summarised in the table below:

Table 14 – HRA Capital Budget and Forecast

HRA Capital Programme	2022/23 Budget (£m)	2022/23 Forecast (£m)	2022/23 Variance (£m)
Planned Maintenance	49.985	48.508	(1.477)
Regeneration and Development	126.689	105.8753	(20.814)
Other Projects	17.103	14.103	(3.000)
Total	**193.777**	**168.486**	**(25.291)**

16.2 The HRA is forecasting an outturn capital position for the year that is below the in-year budget (resulting in an expenditure variance of £25.291m overall). The 2022/23 budget is the Q2 revised budget.

16.3 In addition, the HRA is now projecting a £nil borrowing requirement for 2022/23 versus the £50.261m expectation that was built into the previous version of the HRA Business Plan.

16.4 The HRA is forecasting an in-year underspend on its capital expenditure of £25.291m. This is due to elements of the programme being reprofiled into future years due to match contractors' work schedules and resource plans (which reflect delays to project completion dates for some schemes). The Planned Maintenance element of the programme is projecting an outturn that is c.20% higher than 2021/22 (which reflects a continuing increase in delivery capacity post-pandemic). Some of the key variances on individual projects are set out in the tables below.

Table 15 – Key variances within HRA Planned Maintenance:

Project	2022/23 Variance to Budget (£m)	Comments
Fire Precaution Works	(1.279)	This variance reflects delays to the programme that have been driven by a need for further resident consultation on several key schemes (namely Torridon and the front door replacement programme).
Major Works	(0.505)	The forecast reflects revised delivery projections from service providers that have experienced minor delays across the £18m programme over the winter period.
Voids	(0.434)	There is an increase in the number of voids in 2022/23 (357 vs 297 in 2021/22), which includes 28 voids previously earmarked for disposal that are now being brought back into operation. These voids are generally in worse condition and only 60% are now projected to be completed before the end of 2022/23 due to the extent of the works required (hence a slight reduction in the forecast since Q2). They are also more expensive (some costing up to £39k) which has increased the average cost per void by 8% versus 2021/22.
Minor Works	0.892	This reflects an improved profile in terms of the rate of kitchen and bathroom replacements in-year.
Other Minor Variances	(0.151)	Some schemes are progressing faster than projected (including Climate Works) but minor slippage has been identified on other programmes (including Lifts).
Total	**(1.477)**	

Table 16 – Key variances within HRA regeneration and development:

Project	2022/23 Variance to Budget (£m)	Comments
Ebury Acquisitions	1.011	Acquisition volumes are driven by resident interaction. Additional acquisitions are expected in 2022/23.
Ebury	(20.239)	Delay to the main works contractor procuring key packages including pre-cast façade, metalwork, building maintenance units, mechanical, electrical, plumbing and lifts.
Ashbridge	1.049	Additional claims due to issues encountered during construction programme has led to increased costs in-year
Lisson Arches	(2.977)	Dispute with the main contractor has led to a delay of works in the current financial year.
Infills	(1.240)	Some of the infills schemes are now on hold and programme has been re-focused to prioritise schemes in construction or ready to start on site with all approvals in place.
Other Minor Variances	1.582	
Total	**(20.814)**	

17. Subsidiaries Overview

17.1 This report provides a financial overview of the wholly owned Westminster Builds, Westminster Community Homes (WCH) and Westminster Communications (WestCo) up to November 2022/23.

Westminster Builds

Table 17 – Westminster Builds P&L Summary 2022/23

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	0.314	0.352	(0.038)	0.684	0.715
Total Expenditure	(0.262)	(0.202)	(0.060)	(0.404)	(0.344)
Operating Surplus/(Deficit)	**0.052**	**0.150**	**(0.098)**	**0.280**	**0.371**
Net Interest	(0.313)	(0.313)	-	(0.793)	(0.689)
Profit/(Loss) Before Tax	**(0.261)**	**(0.163)**	**(0.098)**	**(0.515)**	**(0.318)**

17.2 The variance in the operating deficit of £0.098k is due to:

- £38k lower than forecasted income due to delays in attaining full occupancy of units at Jubilee, Parsons North and West End Gate.
- £60k higher than forecasted expenditure due to higher legal costs and unbudgeted business plan model costs (£86k). This is offset by lower housing related expenditure due to full occupancy delays (£26k).

Westminster Community Homes

17.3 The net operating favourable variance of £0.138m is mainly due to:

- £0.134m lower than budgeted expenditure is primarily due to the favourable variance of £0.181m for refurbishment expenditure and £0.038 adverse variance for the tenants in arrears.

Table 18 – Westminster Community Homes P&L Summary 2022/23

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	2.926	2922	0.004	4.301	4.301
Total Expenditure	(1.739)	(1.873)	0.134	(2.793)	(2.793)
Operating Surplus/(Deficit)	**1.187**	**1.049**	**0.138**	**1.508**	**1.508**
Net Interest	(0.240)	(0.257)	0.017	(0.360)	(0.385)
Gain on Sale of Assets	0.333	-	0.333	0.045	(0.273)
Amortisation & Depreciation	(0.843)	(0.949)	0.106	(1.300)	(1.424)
Profit/(Loss) Before Tax	**0.437**	**(0.157)**	**594**	**(0.107)**	**(0.574)**

Westco

17.4 The operating deficit of £0.169m is mainly due to a slowing down of active projects, where the type of work required from clients has changed post-pandemic. Westco have now actioned a restructure and series of redundancies to change the scope of their business in response to changes in their business environment. These changes should see Westco return to a profitable position in 2023/24.

Table 19 – Westco P&L Summary 2022/23

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	2.040	2.533	(0.493)	3.061	3.800
Total Expenditure	(2.209)	(2.338)	0.129	(3.292)	(3.580)
Operating Surplus/(Deficit)	(0.169)	0.195	(0.364)	(0.112)	0.292
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	**(0.169)**	**0.195**	**(0.364)**	**(0.231)**	**0.292**

18. Financial Implications

18.1 The financial implications are set out the main body of the report.

19. Legal Implications

19.1 There are no legal implications arising from this report.

20. Carbon Implications

20.1 There are no carbon implications arising from this report.

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

Jake Bacchus (jbacchus@westminster.gov.uk)

Appendix 1 – Schools Forecast

1.1 The Bi-Borough Schools' Finance team provides support to 39 maintained schools and nurseries (excluding Westminster Cathedral) in the borough of Westminster.

1.2 Schools in Westminster face a number of challenges, particularly, primary schools with falling rolls. The 2022/23 headcount for schools in the borough reduced by 241 pupils; primary school numbers fell by 212 (to 8,828) and secondary schools numbers fell by 30 (to 9,050). This is expected to fall further by over 400 pupils by 2023/24.

Dedicated Schools Grant

1.3 Westminster City Council receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure.

1.4 Westminster's Schools funding has increased by 5.7% per pupil for 2022/23, including the schools supplementary grant funding.

1.5 The DSG reserve deficit is £1.167m as at 31 March 2022. This is a decrease in reserve of £3.554m from the £2.387m surplus as at 31st March 2021, due to a net in year overspend mainly attributable to the significant and increased spend pressures in the High Needs Block (which relates to children with Special Educational Needs and Disabilities), as well as school restructures.

1.6 Contrastingly, the forecast for 2022/23 is a £2.212m underspend. This will eliminate the DSG cumulative deficit of £1.167m at the end of 2021/22 and result in a surplus balance of £1.045m by the end of 2022/23.

Schools with Deficit Balances

1.7 There were eleven schools (including one maintained nursery) that ended 2021/22 in deficit. This compares with thirteen schools at the end of 2020/21.

1.8 Currently, there are ten schools forecasting deficits in table 20. These schools are all RAG rated as red to highlight the urgent need for a sustainable position to be maintained in order to return to a balanced budget position. Collectively, these schools had an aggregate deficit of £1.541m at 31 March 2022.

1.9 St Vincent de Paul had a deficit at the end of 2021/22 however is now forecasting to fully recover their deficit this financial year.

Table 20 – Schools requiring licensed deficit recovery plans

School Name	Licensed Recovery Plan
Portman	Yes
All Souls' CE Primary School	Yes
Burdett Coutts CE Primary School	Yes
Soho Parish CE Primary School	Yes
St George's Hanover Square	Yes
St Luke's CE Primary School	Yes
St Mary Of The Angels Catholic School	Yes
St Saviour's CE Primary School	Yes
St Stephen's CE Primary School	No
St Vincent De Paul Catholic School	Yes
Westminster Cathedral Catholic School	N/A (amalgamation)

1.10 Of the eleven schools, nine have licensed deficit recovery plans in place and one is being pursued. The remaining school, Westminster Cathedral, has amalgamated with St Vincent de Paul from September 2022 and their deficit will not be recovered. As this deficit is chargeable to the Council and not the DSG, a provision of £270k was made in the 2021/22 accounts for this liability; the latest forecast is predicting a deficit of £278k and should be finalised soon.

Schools at Risks – risk rating and reserves balances

1.11 Schools RAG rated red have no reserves or a deficit balance and require a deficit recovery plan. Schools with amber RAG ratings are at risk of future financial difficulty due to their reserves having reduced by prior or in year deficits to the extent that a further reduction of similar magnitude would result in a deficit balance within 2 years and so need to take action to reverse the trend.

1.12 These schools have also been offered support with financial management, ranging from cross-departmental training delivered to staff and governors (involving School Standards and Finance colleagues) to assistance with producing recovery plans and budget monitoring and requests received vary according to the school's needs.

1.13 Green RAG rated schools have enough reserves to cover a future in year deficit equal in value to a current year deficit, should this occur.

1.14 Table 21 shows a summary of the RAG rating and school balances for both 2021/22 outturn and 2022/23 forecast

Table 21 – RAG Ratings and Balances Summary

RAG Rating	2021/22 Outturn	2021/22 Balance (surplus) / deficit	2022/23 Forecast	2022/23 Forecast Balance (surplus) / deficit
Red	11	1,697	10	1,911
Amber	6	(605)	11	(213)
Green	23	(5,177)	19	(4,691)
Total	**40**	**(4,085)**	**40**	**(2,993)**

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City of Westminster

Audit and Performance Committee Report

Date:	23 February 2023
Classification:	General Release
Title:	2021/22 Annual Accounts
Wards Affected:	All
City for All Summary	The accounts detail the Council's financial performance for 2021/22. Included in audited accounts is the Narrative Report and Annual Governance Statement.
Financial Summary:	This report presents the audited Statement of Accounts and Pension Fund report for the Council for the financial year ended 31 March 2022 and the external auditor's reports
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1 The Audit and Performance Committee reviewed the draft statement of accounts at its meeting on 21 July 2022. Since then, the Council's external auditors Grant Thornton have undertaken their audit of both the Council's accounts and Pension Fund. Grant Thornton took a progress report to Audit and Performance Committee on 31 October 2022 and can now report their final opinion and Audit Findings Report (AFR) to the Committee.

1.2 The Council had a public inspection period of the accounts from 14 July to 24 August 2022. There were no objections raised during this inspection period.

1.3 The Audit Findings Report sets out the changes made to the accounts since the draft set of accounts were published in July 2022. Where relevant, the AFR also notes where the changes were presented to previously to Committee in October 2022.

1.4 The changes to both sets of accounts are outlined as follows:

- Appendix 1 – main accounts: C: Audit Adjustments
- Appendix 2 – pension fund: A: Audit Adjustments

2. Recommendations

2.1 That Audit and Performance Committee notes the unmodified (i.e., unqualified) opinion of both the Council's accounts and pension fund report.

2.2 That Audit and Performance Committee considers the findings outlined in Grant Thornton's Audit Findings Reports (AFR) of both the Council's Statement of Accounts and Pension Fund report (Appendices 1 and 2, respectively).

2.3 That Audit and Performance Committee approves the revised 2021/22 Statement of Accounts for the Council and the Pension Fund report.

2.4 That Audit and Performance Committee delegates any residual matters relating to the audit of the accounts and Pension Fund report to the Section 151 Officer.

3. Background

3.1 The Accounts and Audit (Amendment) Regulations 2021 state that the draft accounts must be published by 31 July 2022, with Council's accounts sign-off by external audit by 30 November 2022.

3.2 Westminster City Council has a record of meeting these audit deadlines with an unqualified opinion. However, for the first time, the Council has encountered delays to finalising its audit opinion, which have been due to events outside its control.

3.3 As previously reported to Members, there was the long-standing national issue with accounting for Infrastructure Assets. The government issued a statutory override to temporarily deal with the valuation problem, which was legally ratified on 25 December 2022. By the end of November 2022 audit deadline, only 12% of English local authorities had received an audit opinion on their 2021/22 accounts, while more than 160 bodies are still awaiting audit opinions for both 2020/21 and 2021/22.

3.4 Other well documented issues have been a combination of the FRC requirement for increasing substantive testing in audits, and workforce capacity issues at the audit firms and in local authority finance teams.

3.5 The statements are submitted here with “unmodified” opinions, which is the first stage of the certification process. The term unmodified is the equivalent of unqualified and can be read as a set of accounts that are a true and fair assessment of the Council’s finances. The next steps after this will be for Grant Thornton to finalise the following:

- Value for Money (VfM) assessment
- Whole of Government Accounts (WGA)

3.6 Grant Thornton will report their findings of the Value for Money (VfM) assessment within 3 months of the accounts sign-off. The WGA group instructions were issued later than planned by the National Audit Office (NAO), so this work is now anticipated to be completed in March/April 2023. As there were no objections on this year’s accounts, the certification can be issued once the VfM and WGA assurance is given.

3.7 The draft accounts and outturn position for 2021/22 were presented to the Committee on 22 July 2022. The audit process is intended to ensure that there are no material misstatements in the accounts and the audit is directed towards forming and expressing an opinion about the financial statements that they provide a true and fair view. Testing undertaken across the across all aspects of the accounts has increased significantly this year. A progress report on the substantive items was presented to this Committee on 31 October 2022. Grant Thornton confirms in its AFR that the changes reported in October have been made to the final accounts. These items were:

- changes to the business rates appeals provision in the collection fund (Page 166 of Appendix 3: Audited Statement of Accounts)
- changes to accounting treatment of the pension upfront payment (Page 118 of Appendix 3: Audited Statement of Accounts)
- accounting changes to Financial Instruments note (Pages 89-92 of Appendix 3: Audited Statement of Accounts).

3.8 The audited accounts provide further assurance of the Council’s strong financial position and that its resources provide resilience against the uncertainty of the post-pandemic financial landscape and gives some medium-term protection against any changes in core funding arising from future local government settlements. Reclassification of earmarked reserves fall under s151 officer delegated responsibilities and reflect the Council’s resource requirements to fund the capital programme and manage risk.

Main Accounts (AFR Appendix 1)

3.9 During the audit process some adjustments have been made to the statement of accounts and these are outlined in the Audit Findings Report (AFR) Appendix 1: C Audit Adjustments. These adjustments have had no impact on the bottom line and only impact the supporting disclosure notes. The key findings are:

- the accounting changes that have impacted the "bottom line" are the changes made in respect of business rates appeals and the pension upfront payment (as noted in paragraph 3.7). These were both reported to the Committee in October 2022

- The total appeals provision was separated into short-term and long-term provision. This recognises the short-term part of the appeals provision that is expected to be utilised within the next twelve months

- A £2.495m adjustment to Asset Held for Sale value and an equivalent revaluation adjustment was required to reflect the sales value of a development to include affordable housing as well as private sales. This is an accounting adjustment with no "bottom line" impact to the Council's General Fund

- infrastructure assets - following the statutory override in late December, the audit work undertaken has found that the Council's accounting approach for these assets is reasonable and the disclosures in the accounts are not materially misstated

- recommendations arising from the audit of the 2020/21 accounts have all been addressed. These are outlined in Appendices B and C of the accounts AFR.

3.10 Appendix 1: A of the AFR (page 30), has noted some minor action points to consider in next year's audit. This action plan is reduced from prior years.

Pension Fund report (AFR Appendix 2)

3.11 The Pension Fund's Annual Statement of Accounts for 2021/22 were prepared and ready to be submitted to the Council's external auditors for external audit on 13 May 2022.

3.12 The Pension Fund AFR is outlined in Appendix 2: Audit Findings Report (Pensions) 2021/22. As part of the 2021/22 audit process, the external auditors undertook additional testing to gain assurance that the Pension Fund accounts reflected a true and fair view of the financial transactions of the Fund during the year. This included additional work surrounding the investment balances, pensions administration data migration and the transition to a new actuary. The audit opinion at page 28 is unqualified, reflecting the high standard of reporting within the Pension Fund.

3.13 Within Appendix 2: A, the Action Plan (page 20) sets out some recommendations for the Pension Fund. However, these are considered to have minimal effect on the financial statements. Management has submitted responses to these recommendations, as shown within the AFR, and will implement changes where appropriate. The Pension Fund Audit Report also includes audit amendments noted in Appendix 2: B, Audit Adjustments (page 23). Given these amounts were well below the materiality threshold, no changes were made to the Pension Fund Statement of Accounts.

4. Objections

4.1 The auditors have not received any objections in relation to the 2021/22 statement of accounts.

5. Conclusion

5.1 Grant Thornton are expecting to issue unqualified opinions on both the main accounts and pension fund, subject to completion of final review points noted in both AFRs.

5.2 Final certification will be given once the Value for Money assessment and Whole of Government Accounts are audited. The accounts themselves can be formally approved at the 23 February 2023 Audit and Performance Committee.

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

Jake Bacchus jbacchus@westminster.gov.uk

BACKGROUND PAPERS:

Appendix 1: Audit Findings Report (Council) 2021/22

Appendix 2: Audit Findings Report (Pensions) 2021/22

Appendix 3: Audited Statement of Accounts 2021/22

Appendix 4: Audited Pension Fund report 2021/22

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Grant Thornton

The Audit Findings for Westminster City Council

Year ended 31 March 2022

Westminster City Council

15 February 2023

Contents

Your key Grant Thornton team members are:

Page 108

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and with the Audit and Performance Committee. This report was prepared as at 15 February and is subject to the conclusion of the outstanding work, set out in this report. We will only conclude and issue our audit opinion, on conclusion of the audit.

Name : Joanne Brown
For Grant Thornton UK LLP
Date : 15 February 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Westminster City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our initial audit findings were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in matters since then. The value of audit adjustments have been finalised and processed in the final version of the Statement of Accounts.

Our audit work was completed on site and remotely during June 2022 to February 2023. Our findings are summarised on pages 6 to 24. We have identified two adjustments to the financial statements that have resulted in a £2.5m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- complete the documentation of our audit testing;
- completion of our subsequent events work;
- final senior management and quality reviews;
- receipt of management representation letters; and
- review of the final sets of financial statements, Annual Governance Statement and Narrative Reports.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion subject to the outstanding list will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	Our VFM work is substantially complete. We expect to issue our Auditor's Annual Report following the completion of the financial statements audit. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment procedures regarding the Council's arrangements to secure value for money have not identified any risks of significant weaknesses in arrangements. We are considering in further detail the Council's procurement arrangements, for capital projects, particularly where procurement was £100,000 or below, following on from an internal review of the controls and governance in this area.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report in May 2023, and our work on the Council's Whole of Government Accounts (WGA) return which will likely take place in March/April 2023.

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1. Headlines

Significant Matters	
Increased complexity in local government financial reporting	The size and technical complexity of local government accounts in their current form, and the scale of regulatory and audit requirement in respect of those accounts, are significantly greater than they were even 6-7 years ago. In addition, Council finance teams are leaner than they have been historically, in part in response to austerity over the past decade, and capacity is severely constrained, whilst the workload and expectations of finance teams and those preparing accounts is significantly greater than it used to be. In essence, as much as twice the work is needed from finance teams which now have fewer people involved. Capacity is therefore a significant factor affecting many Councils, particularly those as large and complex as Westminster City Council. The regulatory landscape has increased professional scepticism and challenge, particularly in areas of significant estimate and where complex judgements may be required. We appreciate the additional level of audit procedures, areas of challenge and detail of review required add significant pressure to the finance function which faces a number of other competing pressures. We also note that nationally there are pressures within the Local audit market which reflects these challenges. In a recent Public Accounts Committee report it was noted the concerns about the timeliness of Local Government reporting, in the context of the Whole of Government Accounts in 2019/20 not being fully published until 26 months after the year end. Through effective partnership working with the finance team, we have made some good progress in the delivery of the audit within the context of the above.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and the Performance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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Audit approach

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- An evaluation of the Group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that there were material balances within other entities within the group, on which audit procedures would need to be completed.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We are nearing the completion of our audit of your financial statements and, subject to outstanding matters on page 4 being resolved, we anticipate issuing an unqualified audit opinion on the financial statements.

The proposed audit opinion is set out in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our audit plan presented to the Audit and Performance Committee on 27th June 2022, during the course of the audit both your finance team and our audit team faced audit challenges again this year. We have increased the level of evidence required to support the financial statements in order to provide greater audit assurance.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table to the right our determination of materiality for Westminster City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	15,200,000	15,000,000	Materiality has been based on 1.5% of Gross Operating Expenditure.
Performance materiality	9,890,000	9,750,000	Changed due to a decrease in expenditure in the current year accounts. Prior year unadjusted misstatements also impacted our assessment.
Trivial matters	760,000	750,000	Based on 5% of materiality.
Materiality for senior officer remuneration	20,000	20,000	We design our procedures to detect errors at a lower level of precision in specific accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk of material misstatement.	During 2021/22 the Council processed over 264,000 journals. In response to the risk highlighted in the Audit Plan, we have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our work is complete in this area subject to any further issues or requirements being identified as part of our review process. We can confirm that the outcome of our testing to date, has not identified any issues or instances where journals have been inappropriately processed. Additional detail on the work performed on the most significant estimates and judgements is included on the following pages of this report.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land and Buildings and Council Dwellings (Rolling Revaluation) The Council revalue its land and buildings and Council Dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings and council dwellings, particularly revaluations and impairments, as a significant risk of material misstatement.	In response to the risk highlighted in the Audit Plan, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the group's asset register. Our work is complete in this area subject to any further issues or requirements being identified as part of our review process. We have in our work identified assets being incorrectly classified in the Group accounts, however this is simply a disclosure issue and not material to the financial statements.
Valuation of Investment Property The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£463 million) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2022. We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk of material misstatement.	In response to the risk highlighted in the Audit Plan, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the group's asset register. Our work is complete in this area subject to any further issues or requirements being identified as part of our review process. No significant issues have been identified in our work. However increased attention across the sector in this area has lead us to undertake a more detailed review in a number of areas which has increased the level of time spent on this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

In response to the risk highlighted in the Audit Plan, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
- assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- Looked to obtain assurances from the auditor of the City of Westminster Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.

Our initial findings in this area were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in this matter since then. The upfront payment results in a difference of £102m between the net pension liability and the pension reserve which is being amortised over 13 years. Further details are set out in Appendix C.

Our work is complete in this area subject to any further issues or requirements being identified as part of our review process. We have identified some disclosure misstatements in the notes. On top of this we have also identified an issue relating to the councils upfront payment and the way this has been treated through the various elements of Balance Sheet, CIES, Reserves and Cash Flow Statement, which the Council's has adjusted in its final financial statements.
No other issues have been identified.

2. Financial Statements – Key findings arising from the group audit

Work performed	Commentary
Westminster Community Homes Limited	The land and building assets of Westminster Community Homes are valued by Sanderson Weatherall alongside the Council's dwellings, using the same approach. We have considered this alongside our work on council dwellings, with no concerns noted. We have confirmed that the deferred grant has been treated in line with the requirements of the Code of Practice.
Westminster Housing Investments Limited	No issues have been noted in the treatment of the loan from the Council to Westminster Housing Investments Limited.
Other procedures	Our review and reperformance of the Council's consolidation calculations identified that both the group's gross income and gross expenditure were overstated by £31m due to an error in the consolidation (net impact £nil), which the Council has adjusted in its final financial statements. We have also identified that the Group MIRS and Group Cash Flow Statement have not been prepared in compliance with the requirements of the Code, although the impact is immaterial. Analytical procedures at a group level have not identified any areas of concern.

2. Financial Statements – Additional Areas of focus in 2021/22 – Other Risk Areas

The significant risks identified in our Audit Plan in March remain unchanged. Here we are noting other key areas of focus in this year's audit.

Issue	Commentary
Collection Fund Income- Business Rates	Business Rate income is an area of increased audit focus in particularly for Westminster City Council, due to the £1.547 billion of income of Business Rate income within the Collection Fund. This has lead to increased audit focus on this area with us undertaking a more detailed substantive analytical procedure, review of reliefs and Income within the Collection Fund. Our initial findings in this area were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in this matter since then. Changes to this provision between short-term and long-term elements have been identified during the course of the audit which the Council has adjusted in its final financial statements.
NNDR Appeals Provision	The Council's Business Rates Appeal Provision is on an absolute and relative terms one of the largest in the country at £339m in the draft accounts, of which 30% is WCC's share - £101.8m. The Appeals Provision reflects a provision against businesses that have launched the Appeals process with the VOA and the potential refunds the Council would have to pay out if they were successful. Due to the size of this provision, this has been a key focus of regulatory attention and we have expanded our procedures on this area, due to it being a key estimate in the financial statements. In undertaking our work we have undertaken the following procedures: • Reviewed Management's expert Analyse Local. • Challenged management on the key assumptions used in the Appeals Provision. • Performed a sensitivity analysis and reviewed other industry benchmarks to determine the provisions reasonableness. • Reviewed the accuracy of the data sent to Analyse Local and LG Futures. Our initial findings in this area were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in this matter since then. Changes to this provision between short-term and long-term elements have been identified during the course of the audit which the Council has adjusted in its final financial statements.
Pension Upfront Payment	The council made additional prefunding payments in year, totalling £80m, to reduce the future Penson Liability. In the prior year a similar payment was made totalling £23m. These payments were recorded as expenditure in the CIES instead of Pension Liability. In terms of the accounting of this within the Balance Sheet and CIES we do not deem the treatment appropriate and there are a number of technical statutory accounting adjustments the CIPFA Code requires through the Reserves. In respect of this we identified inconsistencies in the way the Council had treated this balance which has lead to material adjustments in this area. The Council has adjusted this in its final financial statements. Our initial findings in this area were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in this matter since then.

2. Financial Statements – Additional Areas of focus in 2021/22 – Other Risk Areas Continued

Issue	Commentary
Financial Instruments	During the 2021/22 financial year the Council has increased the long term Loans provided to its subsidiaries. As part of our audit review it was identified that these should be disclosed as part of the financial instruments note as is required by IFRS9. This has lead to a correction of £78.8m for 2021/22 and restatement of the prior year figures amounting to £33.2m within this note. Our initial findings in this area were reported to the Audit and Performance Committee in October 2022. There have been no substantial changes in this matter since then.
Infrastructure Assets	Infrastructure assets contain a variety of assets including highway assets, drainage assets, pavements and lighting. The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Westminster City Council had material infrastructure assets, at both a gross and net book value basis. There have been issues raised nationally about accounting for infrastructure assets which has delayed all audits across the sector. A Statutory Instrument was laid before Parliament in December 2022 to resolve these issues. The Code includes a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets from 2021/22 up to and including 2024/25. We have considered the reasonableness of the depreciation charge to infrastructure assets and obtained assurance that the useful economic lives applied to infrastructure assets is reasonable. We have also obtained assurance that the infrastructure asset disclosures in the financial statements are not materially misstated.
Leases	Leases are classed 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 at the end of the lease term. All other leases are classified as operating leases. We have carried out testing of the treatment of leases. The accounting treatment and disclosures in the accounts comply with the requirements of IAS 8 par 31.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment

Land and Building valuations (GF & HRA)
 	
Draft: £690m
 	
Final: £690m
	The Council has engaged Sanderson Weatherall to complete the valuation of these properties. Each year, approximately 20% of assets are subject to a full, formal valuation process on a five yearly cyclical basis. The other 80% are subject to a formal desktop valuation to ensure that the values are updated in line with market movements. There are therefore no properties that are not valued at the 31 March each year.
	
	Other land and buildings revalued in 2021/22 comprised £186m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in 2021/22 (£194m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end.
	
	The total year end valuation of other land and buildings was £690m, a net increase of £14m from 2020/21 (£676m). Management and their valuer have taken into account available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings.
		We have:
		• Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used.
		• Confirmed that there have been no changes to the valuation method this year.
		• Considered the source of the inherent risk associated with the accounting estimate.
		• Analysed the method, data and assumptions used by management to derive the accounting estimate, and validated the sources of the information used by management. In particular, we have:
		  • reperformed a sample of valuation calculations; and
		  • tested the inputs into a sample of valuations to source documentation, with no issues noted.
		• Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular, our own expectation of the valuation of the assets subject to a desktop valuation was £7.2m lower than that provided by the valuer. After having challenged this, we are satisfied that the difference is not an indication of error.
		• Considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment.
		• Confirmed that disclosure of the estimate in the financial statements is considered adequate.
			We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwelling valuations Draft: £1,562m Final: £1,562m	The Council owns 12,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. In the draft financial statements, the year end valuation of Council dwellings was £1,562m, a net increase of £13m from 2020/21 (£1,549m). The Council's valuer completed a full, formal review and valuation of the dwellings portfolio at 1 April 2018, with a valuation at 31 March 2022 completed based on a desktop review and market indices. Management and their valuer have considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's dwellings.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate, noting some minor differences in, and omissions from, the valuation approach when compared to the prior year. This differences were immaterial to the financial statements. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular we have considered the indices that the valuer has used in performing the valuation and have noted that the actual indices for February and March 2022 were different to those assumed by the valuer in performing the valuation (extrapolated based on data from earlier in the year). Our own estimate of the value differed to the valuation by circa £22m, but after having challenged this we are satisfied that the difference is largely due to the valuer using more specific indices and is not an indication of error. The valuer has reperformed their calculation based on the most recent data available and have confirmed that, in their view, the potential difference in value would be a £5.4m reduction, which is immaterial to the financial statements. They are happy that their initial valuation remains appropriate, and we do not consider this to be unusual. • Confirmed that disclosure of the estimate in the financial statements is considered adequate.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations Draft: £463m Final: £463m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. The year end valuation of the Council's investment property was £463m, a net decrease of £4m from 2020/21 (£467m). Management and their valuer have taken into account available market data at 31 March 2022.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Confirmed that there have been no changes to the valuation method this year. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate, and validated the sources of the information used by management. At the time of writing this report, this detailed testing is ongoing, but no issues have been identified to date. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular we have considered movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert, and focussed our detailed testing on those assets where the movement in valuation was outside of our expectations. • Confirmed that disclosure of the estimate in the financial statements is considered adequate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability Draft: £503.3m Final: £503.3m	The Council's net pension liability at 31 March 2022 is £503.3m (PY £704.9m) relating to the Westminster City Council Pension Fund and London Pension Fund Authority Local Government Pension Schemes. The Council uses Hymans Robertson and Barnet Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £120.9m net actuarial gain during 2021/22.	See below	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Audit Comments:

- We have assessed the actuaries, Hymens Robertson, to be competent, capable and objective.
- We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.7% - 2.75%	✓
Pension increase rate	3.2%	3.15% – 3.30%	✓
Salary growth	4.2% (CPI: 3.05% to 3.45%)	0.5% to 2.5% above CPI	✓
Life expectancy – Males currently aged 45 / 65	22.9 / 21.4	21.4 – 24.3 20.1 - 22.7	✓
Life expectancy – Females currently aged 45 / 65	26.1 / 24.1	24.8 -26.7 22.9 – 24.9	✓

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2021/22 valuation method.
- We have confirmed that the Council's share of the pension scheme assets is in line with expectations.

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	The government has provided a range of new financial support packages to the Council and all local authorities throughout the Covid-19 pandemic, including funding to support the cost of services, and amounts to be paid out to support local businesses. The Council has needed to consider the nature and terms of each of the various Covid-19 measures in order to determine the appropriate accounting treatment, including whether there was income or expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year. The main considerations made by management in forming their assessment were: • Where funding is to be transferred to third parties, whether the Council was acting as a principal or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet • Whether there were any conditions outstanding at year-end, and therefore whether the grant should be recognised as income or a receipt in advance • Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or taxation and non-specific grant income within the CIES.	Our work on the Council's grant income has identified one adjustment to the Council's accounts where income and expenditure were included in the financial statements that should have been excluded as the Council was acting as agent in the arrangement. The net impact of these adjustments is £nil. No other issues were noted. In particular: • We are satisfied that management have effectively evaluated whether the Council is acting as the principal or agent for each relevant scheme, which has determined whether any income is recognised. • Schemes for which the Council has recognised income include the Business Rates Relief s31 Grant (£361m), Covid-19 Local Authority Support Grant (£20.0m), Covid-19 Income Loss Compensation (£28.0m), and other, smaller grants (£15.7m). We are satisfied from review that this treatment is consistent with the nature and terms of the relevant schemes. • We have evaluated the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this treatment was appropriate. • We have considered management's assessment, for grants received, of whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate. • Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provision for business rates appeals Draft: £102m Final: £102m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around un-lodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities and previous years. • The Council have also engaged LG Futures to provide a second opinion on the level of provision required. • The disclosure of the estimate in the financial statements was found to be adequate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Minimum Revenue Provision Draft: £18m Final: £18m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The MRP charge for 2021/22 was £18.3m, a net increase of £0.2m from 2020/21.	• We are satisfied that the Council's policy on MRP complies with the methodologies permitted in the statutory guidance. • We are satisfied that the MRP has been calculated in line with the Council's policy and statutory guidance. • The Council's policy on MRP was discussed with, and approved by, full council as part of the Treasury Strategy. • We are satisfied that the level of increase in the MRP charge is reasonable in the context of the Council's Capital Financing Requirement and financing.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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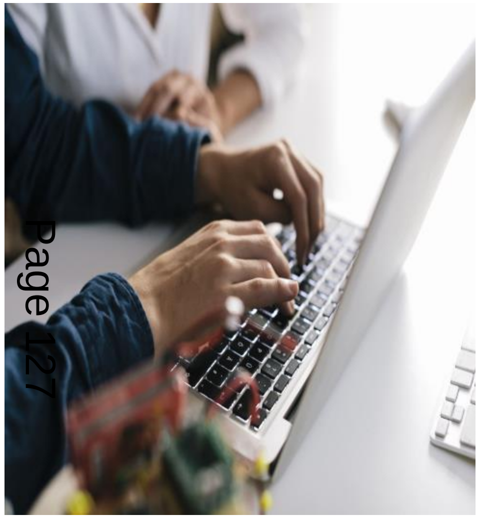
Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, except mentioned in other parts of this document.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the group, the wording of which is included in Appendix F.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and investment counterparties. This permission was granted and the requests were sent. The majority of these requests were returned with positive confirmation. Where responses were not received we have undertaken alternative procedures to obtain the assurance that we require over these balances. We requested management to send letter to the Principle Solicitor for the Council during the year. Responses was received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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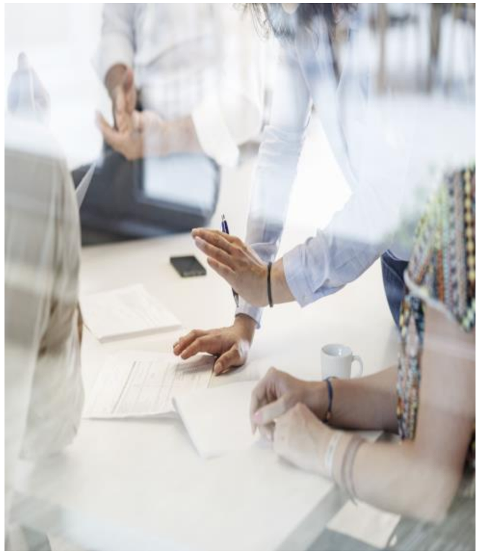
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect, as detailed in Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have nothing to report on these matters.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet complete as group instructions were issued later than planned by the NAO. We anticipate completing this work in March/April 2023.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Westminster City Council in the audit report, as detailed in Appendix E, due to the following work being incomplete: • required procedures on the Council's WGA return.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

As part of our work, we consider whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks.

Nothing has arisen through our VFM work that would impact on our planned audit opinion. Subject to the conclusion on the Council’s internal review of procurement controls, for capital projects, under £0.1 million, referred to in the executive summary.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified/ which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total scale fee for the audit of £147,004 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit	36,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £36,500 in comparison to the total scale fee for the audit of £147,004 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling of Housing Capital Receipts	5,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £147,004 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
GLA Compliance Checklist	60,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £60,000 in comparison to the total fee for the audit of £147,004 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Asset registers PPE additions are captured by the Group and the Council and are then journalled into the FAR. The Council and subsidiaries operate on a separate ledger and are bought together as part of a consolidation exercise. From our review we identified a weakness in this process as there was no consideration of removing intercompany transactions from PPE additions.	We recommend that the Council performs a review to identify and remove intercompany PPE additions **Management response** With the number of intercompany sales between group entities increasing the Council will review this process and look to set up quarterly Group Asset Management meetings to document material intercompany transactions. This will ensure material transactions are captured in the related parties disclosure and removed on consolidation of the group entities.
Low	Journals access We noted that there are more than 800 unique user ids through which transactions has been posted in the General Ledger. This number of users increases the chances of mis-statement and error in the accounts. Management should limit the number of people having access to the general ledger.	We recommend that management should limit the number of people having access to the general ledger. **Management response** The 800 unique user ids includes officers that can approve service orders and goods receipt. This access is needed for day-to-day service work and conforms with the standard operating model of the Council's finance system. Management therefore considers this a reasonable number. The number of unique users that can post journals is 114 which aligns with the size of the Finance department and is also considered reasonable access to the general ledger. This risk is therefore considered to be low.

The Council will also need to ensure that, in the future, it has arrangements in place to maintain the evidence to support the treatment of leases under IFRS 16 and to support the treatment of infrastructure assets once the current statutory override expires.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Westminster City Council's 2020/21 financial statements, which resulted in 2 recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Provision for doubtful debts/credit loss impairments	The Council reviewed its provision estimate at the year end.
✓	External audit planning enquiries	Responses were collated from across the Council and follow on queries were discussed with Grant Thornton.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Dr Net pension liability		101,931	
Cr Pension prepayment		(101,931)	
Pension prepayment – accounting treatment			
Dr CIES – other operating income	2,495		
Cr Assets held for sale		(2,495)	
Assets held for sale – revaluation adjustment			
Overall impact	£2,495	(£2,495)	£-

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail	Adjusted?
Prior year disclosures	The following items have been restated: • the opening and closing asset ceiling adjustment (£3.2m) was presented under obligations in the prior year accounts; • the financial instrument note did not previously include financial instrument balances related to group balances (£78.8m); and • the capital financing requirement for 2020/21 has been adjusted to reflect changes to the apportionment of the Luxborough site (£5.8m) and capital loan repayments (£9.9m). These have now been amended in the comparative of 21/22 accounts.	✓
Various	A number of other changes have been made to disclose notes to improve accuracy, clarity and user understanding.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Performance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Dr Cash		773		Timing difference, and not material
Cr CIES – HB expenditure	(773)			
Housing benefit expenditure – difference between accounts and final claim				
Overall impact	(£773)	£773	£-	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our testing of the Council's property revaluations identified an error in the treatment of the revaluations in the financial statements.				Immaterial to the financial statements
Correcting this would have the following impact:				
Dr Gains/losses taken to the revaluation reserve	(2,825)		(2,825)	
Cr Gains/losses taken to the CIES		2,825		
Our testing of historic S106 grants received in advance has identified historic balances which the Council has yet been unable to provide full supporting agreements and evidence for. If these balances were removed from the financial statements, the impact would be as follows:			nil	Immaterial to the financial statements
Dr Grants received in advance		2,496		
Cr Creditors		(2,496)		

Continued on next page

C. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our sample testing of S106 grants received in advance also identified variances between the amount recorded in the accounts and the supporting information. We have calculated the total projected misstatement to be an overstatement of the balance of £1,996k.			nil	Immaterial to the financial statements
Dr Grants received in advance		1,996		
Cr Creditors		(1,996)		
Our sample testing of expenditure items paid in the period after the end of the financial year has identified three errors whereby expenditure has been recorded in the 2021/22 financial year, rather than 2020/21. We have calculated the total projected misstatement, which would indicate the following correction:				Immaterial to the financial statements
Dr Expenditure	467		467	
Cr Creditors		(467)		
Note: The extrapolated error is (£' 000) 4,404 however the factual error is only (£' 000) 467				
Our testing of grant income has identified that the Council has accounted for income from Test and Trace grants as principal, where we consider that the Council was an agent in the transaction. Correcting this would remove both income and expenditure from the financial statements:			nil	Immaterial to the financial statements
Dr Income	1,050			
Cr Expenditure	(1,050)			
Our testing of PPE disposals identified an accrual in HRA capital receipts relating to a lease. We have been unable to corroborate the treatment of this transaction as management have not provided us with sufficient information or sufficient detail on the accounting treatment of the transaction. On this basis, we do not have assurance that the accounting treatment is correct. If it were incorrect then the impact would be as follows:				Immaterial to the financial statements
Dr Gain on disposals	6,700		6,700	
Cr Debtors		(6,700)		

Continued on next page

C. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our testing of Collection Fund debtors has identified a difference of £1.6m between the amounts recognised in relation to Business Rates and supporting information, due to an historic difference in the returns made to the GLA. As the Council cannot support this debtor, our view is that this balance should be written out as follows:				Immaterial to the financial statements
Dr Income	1,600		1,600	
Cr Debtors		(1,600)		
Work performed on the Agency Transactions disclosure note has identified that the Council has incorrectly included elements of income and expenditure relating to arrangements where it is acting as agent in the CIES. This should not be the case, and the transactions required to correct this are as follows:			nil	Immaterial to the financial statements
Dr Income	1,299			
Cr Expenditure	(1,299)			
Overall impact	£5,942	(£7,458)	£4,342	

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D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees *	Proposed fee	Final fee
Council Audit	213,004	tbc
Total audit fees (excluding VAT)	£213,004	£tbc

Non-audit fees for other services **	Proposed fee	Final fee
Audit Related Services e.g. Grant Claims	111,500	tbc
Other	-	Tbc
Total non-audit fees (excluding VAT)	**£111,500**	**£tbc**

* Our final audit fee will include variations for work performed on pension upfront payment, infrastructure, leases, collection fund and prior period adjustments.

** Details of these services are set out on page 28.

The fees reconcile to the financial statements, as follows:

- Proposed external audit fee 2021/22 (£147,000)
- External audit fee relating to prior years (£58,000)
- Other (£8,000)

E. Audit opinion

Our audit opinion is included below. We anticipate we will provide the group with an unmodified audit report subject to the conclusion of outstanding work as highlighted in this report

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Independent auditor's report to the members of Westminster City Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Westminster City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Account, Housing Revenue Account Statement Movement in Reserves Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director – Finance and Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director – Finance and Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

E. Audit opinion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director – Finance and Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director – Finance and Resources with respect to going concern are described in the 'Statement of Responsibilities for the Statement of Accounts and Those Charged with Governance for the financial statements' section of this report.

Other information
The Executive Director – Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

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Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

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

We have nothing to report in respect of the above matters

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

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director – Finance and Resources. The Executive Director – Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director – Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Audit opinion

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, the Local Government Act 1972,the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit Panel, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Panel, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
  - accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet

E. Audit opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director – Finance and Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings including council dwellings, and the valuation of the defined benefit pensions asset valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of land and buildings, including council dwellings and investment property, and the valuation of the net defined pensions asset.
- Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

E. Audit opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Westminster City Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Signature:

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

F. Management Letter of Representation

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Westminster City Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Westminster City Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Valuation of property plant and equipment (including investment properties and surplus assets), Pension liability, Provisions and Provision for Bad Debts. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Management Letter of Representation

v. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

vi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

vii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

vii. We have updated our going concern assessment. We continue to believe that the Group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

i. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

F. Management Letter of Representation

v. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

vi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

vii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

viii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

ix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks, up to the date the statement of accounts are approved, that are not disclosed within the AGS.

Narrative Report

i. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Performance Committee at its meeting on [DATE].

Yours faithfully

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of the Council

Grant Thornton

grantthornton.co.uk

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The Audit Findings Report for the City of Westminster Pension Fund

Year ended 31 March 2022

23 February 2023

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Westminster City Council Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed on remotely during July 2022 to February 2023. This was longer than initially planned due to additional work arising from the change in Pensions Administration System during the course of the year, and challenges with obtaining the evidence for some longstanding pensioners during our work on Benefits Payable.

Our findings are summarised on pages 4 to 17. To date, we have not identified any adjustments to the Pension Fund's reported financial position, albeit we have identified several unadjusted misstatements, totalling **£5.3m**, which management have agreed to not amend as they are immaterial to the Accounts. We have also identified a number of minor disclosure points, which are documented within Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A, relating to the calculation of investment income, access to pensioner records, and the assessment of the control environment at the outsourced provider. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (refer to Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management's representation letter (refer to Appendix F); and
- receipt and review of the final Pension Fund Annual Report
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including within the main Council Accounts, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with Management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 2 August 2022, to reflect a new significant risk, which was identified relating to the change in your Pensions Administration System as part of the move of this function from Surrey County Council to Hampshire County Council. We also communicated a change in our approach to the testing of Investments within the same Audit Plan Addendum. No other changes have been identified to our approach.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unmodified audit opinion following the Audit and Performance Committee meeting on 23 February 2023, as detailed in Appendix E. These outstanding items include:

- receipt of management's representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised our materiality calculations to take account of the increase in the Pension Fund's Net Assets in year.

We detail in the table below our determination of materiality for the City of Westminster Pension Fund.

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	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	18,700,000	Our Headline Materiality is based on the Net Assets of the Fund. Due to the considerable increase in the value from the prior year, we have revised this figure upwards ahead of the Final Accounts Audit.
Performance materiality	14,025,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	935,000	Triviality is based on a percentage of the overall materiality.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	During the audit, we have undertaken the following work: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. No issues have been identified from the testing in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the City of Westminster Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the City of Westminster Pension Fund.	Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at the City of Westminster Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: The nature of the Pension Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. Revenue contributions are made by direct bank transfers from admitted / scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. Transfers into the pension scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds. During the audit, we have undertaken the following work: • reviewed and tested the Fund's revenue recognition policies • performed testing on the Fund's material revenue streams From the testing performed, we identified that Investment Income for two of the Funds held with the London Collective Investment Vehicle (London CIV) had not been accounted for on an accruals basis, which results in a potential understatement of income of **£762k**. This is because management have included balances from January to December 2021, as opposed to the 12 months relating to the financial year, as they have taken a view any differences will be immaterial to the Accounts. We also identified that the Fund had recorded a **£893k** interest equalisation balance paid to Man Group as negative Investment Income instead of a Management Expense. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. As these balances are immaterial to the Accounts, the Fund has not adjusted for this, and they have been included as unadjusted misstatements later in the Report. No other issues were identified from the work performed in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The valuation of Level 3 Investments is incorrect The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (**£106.6 million**) and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2022.	During the audit, we have undertaken the following work: • gained an understanding of the Pension Fund's process for valuing Level 3 investments and evaluated the design of the associated controls; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • Independently requested year-end confirmations from investment managers; • undertaken consideration of the competence, expertise and objectivity of any management experts used; • reviewed the qualifications the Level 3 Fund Managers used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and • tested the valuations by obtaining and reviewing audited accounts at the latest date for individual investments as at 31 March 2022 and comparing to the figures to those included in the draft Accounts for any variances. During the testing performed, we identified variances totalling **£6.378 million** between the value of the Level 3 Investments included within the Accounts and the year end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations taking into account more up to date information relating to the value as at 31 March 2022 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report. No other issues were identified from the work performed in this area.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Transfer of Member Data between Systems – new Significant Risk In November 2020, the Pension Fund took the decision to transfer its Member Administration from its former provider, Surrey County Council, to a new provider, Hampshire County Council. Hampshire CC already provide services to the Pension Fund, such as its General Ledger under the Tri-Borough Arrangements. This system transfer, which took place in November 2021, saw the Pension Fund move from Altair to Oracle UPM, requires the transfer of all member records held on the outgoing system, which are key to the calculation of a number of pension tasks, such as the pensions due to members upon retirement. Thus there is a risk that if the data transfer does not facilitate a complete and accurate transfer of data, that members could be paid incorrect balances, or could be given an incorrect status on the new system.	In respect of this area, we have performed the following work: • Reviewed the processes and controls which have been put in place by the Pension Fund to ensure the effective transfer of data between the two systems; • Reviewed any work undertaken by Internal Audit during the course of the transfer; • Reviewed the terms of engagement that have been agreed between the Pension Fund and Hampshire CC in respect of these services; • Considered whether there is a controls report in place to cover the services provided by Hampshire CC to the Pension Fund, and if not, what impact this will have on our detailed testing mentioned below. • Engaged our IT Specialists to undertake testing on the completeness of the data transfer between the two systems; • Undertaken sample testing of records from both systems to ensure they have been correctly reflected on the new System/tie back to the old System correctly	Whilst we have been able to obtain sufficient assurance over the transfer of the data, there is a gap in assurance over the operation of the controls within the Pensions Administration function during the year. This is due to Hampshire County Council not commissioning an internal control report which can then be relied on by both the Council and us as external auditors. We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Change in Actuary by the Council – not a Significant Risk Upon review of the draft financial statements, we identified that the Council had effected a change in Actuary during the course of the year, moving from Barnett Waddingham to Hymans Robertson. This wasn't a change that we were made aware of during our planning procedures, hence why this wasn't mentioned in our initial Audit Plan. The Council's Actuary provides an important service to the Council and Pension Fund, providing an accurate picture on an annual basis of the value of the Council's Pension Fund Liability, which is supported by the Triennial Valuations where a full review of the Pension Fund's position is obtained. A change in Actuary will require data to be made available to the new Actuary, albeit the Actuary will be able to obtain this directly from the Pension Fund as opposed to from the former Actuary. As a result, we are satisfied that this doesn't generate a Significant Risk, but does provide an additional area of focus for our work.	In respect of this area, we have performed the following work: • evaluated management's process for ensure complete and accurate is transferred to the new Actuary; • engaged with the new Actuary to understand the processes they have undertaken ahead of the transfer and during the transfer to ensure they have all of the required information to produce the 2021-22 reports; • discussed the assumptions made by the Actuary when preparing the roll-forward 2021-22 Reports included within the Council and Pension Fund Accounts; • Confirmed the completeness and accuracy of the IAS26 Disclosures included within the Council and Pension Fund Accounts.	From the work performed in this area, we have obtained sufficient assurance over the impact of the change in Actuary on the Pension Fund Accounts. We have spoken to Hymans Robertson and they have obtained appropriate assurance over the data at this stage. A full review of the data is currently taking place as part of the Triennial Valuation Exercise, which will be performed as at 31 March 2022. Going forward, the Council should seek to engage with Hampshire CC to ensure adequate assurance can be provided over the outsourced Administration function, both for the Council and for the purposes of our external audit. We have raised a recommendation for management in respect of this area, which has been documented within Appendix A.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Valuation of Level 2 Investments – not a Significant Risk Since the planning stage, we have identified a required change in our audit approach from that we were proposing to take. Normally, a significant element of our assurance over the valuation of the Level 2 Investments included within the Accounts would come from a triangulation exercise between the values included within the Accounts, and those provided independently by the relevant Fund Managers and the Custodian. Following discussions held with the Fund's Custodian, we have confirmed that the Custodian does not independently value any of the Fund's Investments, and that they just take the valuations provided to them by the Fund Managers, which means we do not have sufficient assurance from this exercise. Thus we will need to undertake alternative procedures to gain sufficient assurance over this area.	We have undertaken the following work in respect of this risk: • undertaken alternative procedures over the Level 2 Investments included within the Accounts, which included testing of prices back to external sources, comparison of unit holdings between the Fund Manager and Custodian, and sample testing of purchases and sales which have taken place during the course of the year. • also considered the classification of investments as Level 2 (and Level 3 as well) to confirm whether this is correct, or whether they should be held at a different level. This is important as it then drives the level of work that we need to do in respect of each investment, as in particular as Level 3 Investments are a significant risk then this generates further work than if they remained at Level 2.	Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts., following the completion of the work documented in this area. During our pricing testing, we identified a £2.047m variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement in Appendix C.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Records for Existing Pensioners The Pension Fund should ensure that sufficient records are held relating to the pension entitlement and calculations of existing pensioners to be able to support these calculations from an audit perspective, and to enable the Fund to deal with any challenges or queries they may receive from the pensioners ourselves.	During our testing of the Benefits Payable balance included within the Accounts, the Fund has encountered difficulties in providing with sufficient evidence to validate elements of the calculation of the pensions currently in payment. Whilst we have been able to obtain sufficient assurance that the balance in the Accounts is not materially misstated, the Fund should ensure that adequate information is in place to support the pensions currently in payment. We are currently finalising our work in this area to confirm the potential impact of this issue on the Accounts.	Ensure adequate records are held to support all pensions which are currently in payment to enable any queries/challenges to be dealt with in a timely manner. We have raised a recommendation for management in respect of this area, which has been documented within Appendix A. We will provide an update on the outstanding testing at the Audit and Performance Committee.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 investments - £106.6 million	The Pension Fund has investments in Infrastructure and Affordable Housing Funds that in total are valued on the Net Asset Statement as at 31 March 2022 at **£106.4 million**. These investments are not traded on an open exchange/market and the valuation of these investments is highly subjective due to a lack of observable inputs. In order to determine the values, management rely on the valuation provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2021, with the valuation then rolled forward to March 2022, considering any cash movements which have taken place in the intervening period. The Fund has invested in a new Affordable Housing Fund in 2021-22 with Man Group, which had a value of **£29.5 million** as at 31 March 2022.	Based on the work performed, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts. During the testing performed, we identified variances totalling **£6.378 million** between the value of the Level 3 Investments included within the Accounts and the year end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations taking into account more up to date information relating to the value as at 31 March 2022 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report.	● Grey

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,735,846m	The Pension Fund have investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2022 at **£1,735,846 million**. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments will be based on the value of these underlying investments at 31 March 2022, or the closest trade date to year end. The valuation of these investments has increased by **£51.4 million** from their value at 31 March 2021 (**£1,684,456 million**).	Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts. During our pricing testing, we also identified a **£2.047m** variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement in Appendix C.	● Light Purple

Assessment

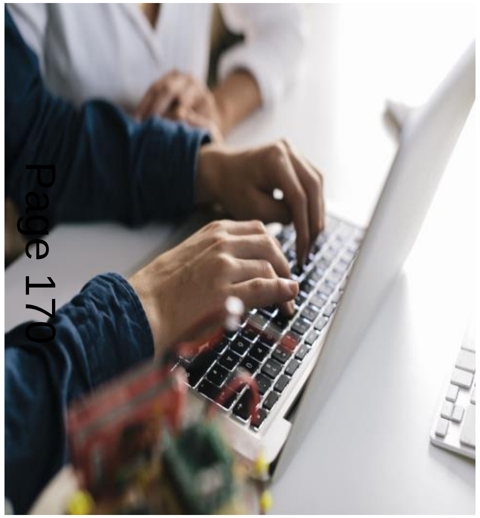
- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended to this Report.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all of the Pension Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We requested management to send letters to those solicitors who worked with the Pension Fund during the year. All responses have been received and no issues have been identified.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	The Fund produced a good set of Accounts and working papers in line with the agreed timeframes, and responded promptly to the queries raised during the course of the audit despite the challenges of remote working. The small number of amendments identified in this Report reflect the quality of the draft Accounts prepared by management.
Disclosures	Some minor inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix D.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report was not required to be published until 1 December 2022. Whilst this Report has now been produced, we have yet to complete our audit procedures in this area. We are planning to complete this work imminently and are proposing to issue this separate opinion at this same time as issuing our opinion on the Accounts.

2. Financial Statements - other communication requirements

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Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services have been identified:

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 procedures for other bodies admitted to the Pension Fund.	8,000	Self-Interest (because this is a recurring fee)	Fee is recurring but not significant compared to the audit of the financial statements, and is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing of controls undertaken as part of the audit. The main self interest threat would arise if we reported weaknesses to the Pension Fund TCWG that they then put pressure on GT not to report to other auditors that are seeking to rely on the GT response for request for information. The safeguard to this would be to have a safeguarding partner review the AFR and request for information to confirm all matters where communicated. However we do not anticipate this to be an issue for our work at the Pension Fund.

Appendices

A. Action plan – Audit of Financial Statements

We have identified three recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Incorrect Treatment of Investment Income During our testing of the Fund's Investment Income, we identified that the income received from two Funds held with the London CIV had not been accounted for an accruals basis, as is required by the CIPFA Code of Practice. This has the effect of potentially understating the income in the Accounts by **£762k**. This is because management have included balances from January to December 2021, as opposed to the 12 months relating to the financial year, as they have taken a view any differences will be immaterial to the Accounts. We also identified that the Fund had recorded a **£893k** balance paid to Man Group as negative Investment Income instead of a Management Expense, which again reduces the Income balance shown in the Accounts. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. The Fund should ensure all items in the Accounts are recorded on an accruals basis, where appropriate, to provide an accurate assessment of the Fund's performance.	Ensure all balances in the Accounts, where required by the Code, are recorded on an accruals basis to provide an accurate picture of the Fund's position at year end, as well as ensuring compliance with the CIPFA Code of Practice. **Management response** Management acknowledges that investment income is not accounted for on a full accruals basis. However, a full year's worth of income is always included within the Accounts, based on actuals for the period from January to December. Actual figures are not available in time for the production of the final accounts. Therefore it is suggested that the use of actuals for January to December is far more meaningful and the difference of an immaterial nature. The CIPFA Example Accounts 2020-21 guidance states the following with regard to distributions from pooled funds: "Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset." WCC Pension Fund investments are all pooled and all distributions are recorded within the accounts on the date they are issued.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We have identified three recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Retention of Pensioners Records During our testing of the Benefits Payable balance included within the Accounts, the Fund has encountered difficulties in providing with sufficient evidence to validate elements of the calculation of the pensions currently in payment. Whilst we have been able to obtain sufficient assurance that the balance in the Accounts is not materially misstated, the Fund should ensure that adequate information is in place to support the pensions currently in payment.	Ensure adequate records are held to support all pensions which are currently in payment to enable any queries/challenges to be dealt with in a timely manner. **Management response** During the financial year the WCC Pension Fund transitioned administration services from Surrey County Council to Hampshire Pension Services. The Pension Fund employed a Pensions Project Manager to oversee this transition and ensure a smooth transfer of membership data and pension payroll. All membership records were transitioned to Hampshire Pensions Services and are stored within a database as files attached to the members record. Given the differences in process between Surrey County Council and Hampshire, the types of evidence provided and the format of that evidence may differ. However, the Pension Fund is confident that adequate membership records are held for pension scheme members should a query arise.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We have identified three recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Assurance over Outsourced Administration Function As mentioned elsewhere within the Report, the Fund transferred its Pensions Administration function during the course of the year, with a move taking place from Surrey County Council to Hampshire County Council. Whilst we have been able to obtain sufficient assurance over the transfer of the data, there is a gap in assurance over the operation of the controls within the Pensions Administration function during the course of the year. This is due to Hampshire County Council not commissioning an internal control report which can then be relied on by both the Council and us as external auditors.	Engage with Hampshire CC to ensure adequate assurance can be provided over the outsourced Administration function, both for the Council and for the purposes of our external audit. **Management response** Management acknowledges that Hampshire Pension Services does not currently provide an equivalent to an Internal Controls Report. However Hampshire are looking to implement this for the new financial year.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements and disclosure amendments

No adjusted misstatements or disclosure amendments have been identified from the work performed on the 2021-22 Accounts, and thus there is nothing further to document here.

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Pricing Variance on Level 2 Investments During our pricing testing, we identified a **£2.047m** variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference, and has arisen as a result of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement.	Dr Change in Market Value 2,047	Cr Investment Assets 2,047	A decrease in Net Assets of £2,047	This difference is due to movements between the transaction date and year end, and thus is not representative of the value at 31 March 2022.
Overall impact	(2,047)	(2,047)	(2,047)	

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variances on Level 3 Investments During our testing of Level 3 Investments we identified three variances between the figures in the Accounts and the Year End Confirmations. These variances totalled **£6,378,365** and given their size, the Fund had taken a decision not to amend. These variances have arisen due to additional information being available post year end around the value of these Funds which was not available at the date of accounts preparation. (These again would increase the Net Assets held by the Fund).	Cr Change in Market Value 6,378	Dr Investment Assets 6,378	An increase in Net Assets of £6,378	These movements are immaterial to the Accounts.
Overall impact	6,378	6,378	6,378	

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Incomplete Investment Income During our testing of Investment Income, we identified the Fund had included income from the LCIV Global Alpha Growth Fund for the period January 2021 to December 2021, when an element of this should have been included in the PY Accounts. Upon investigating the error further, we identified one further error relating to the incorrect treatment of Investment Income, which effectively means the Income in this year's Accounts is potentially understated by **£762,000.** This however would be offset by a reduction in the Change in Market Value, and hence would have nil impact on the P&L or Balance Sheet	Dr Change in Market Value 762 Cr Investment Income 762	Nil impact on the Net Assets Statement	Nil impact on the total Net Assets	These movements are immaterial to the Accounts.
Overall impact	0	0	0	

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Incomplete Investment Income We also identified an issue where a balance paid to Man Group of **£893k** has been recorded as negative Investment Income, instead of being shown as a Management Expense. Whilst the CIPFA Code is silent on how to account for this balance, our view is it should be shown as an expense, rather than reducing income, which is the decision management have taken. Again this has no impact on the overall value of the Fund, but would affect the presentation of the balances on the face of the Fund Account.	Dr Management Expenses 893 Cr Investment Income 893	Nil impact on the Net Assets Statement	Nil impact on the total Net Assets	These movements are immaterial to the Accounts.
Overall impact	0	0	0	
Total impact of all Unadjusted Misstatements (from previous pages)	4,331	4,331	4,331	

C. Fees

We confirm below our final fees charged for the audit and provision of non audit services.

These fees agree to Note 22 in the revised Accounts – changes were made from the first draft to ensure consistency with these figures.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	33,000	TBC
Total audit fees (excluding VAT)	£33,000	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Provision of IAS19 Assurances to Admitted and Scheduled Bodies	8,000	TBC
Total non-audit fees (excluding VAT)	8,000	TBC

In respect of the costs of providing IAS19 Assurances to the Admitted and Scheduled Bodies which have written to us as Auditors of the Pension Fund, we have taken a similar pricing structure to previous years, with a charge of £5,000 for the required controls testing, and a fee of £1,000 per response.

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the **Pension Fund** is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report.**

Independent auditor's report to the members of Westminster City Council on the pension fund financial statements of the City of Westminster Pension Fund

Opinion

We have audited the financial statements of the City of Westminster Pension Fund (the 'Pension Fund') administered by Westminster City Council (the 'Council') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities,

• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Finance and Resources's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Council in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Executive Director of Finance and Resources with respect to going concern are described in the 'Responsibilities of the Council, the Executive Director of Finance and Resources and Those Charged with Governance

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the **Pension Fund** is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report.**

for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Council, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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 this Council, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Finance and Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the **Pension Fund** is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report.**

the services provided by the Pension Fund will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

• We enquired of senior officers and the Audit and Performance Committee, concerning the Council's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Audit and Performance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director of Finance and Resources has in place to prevent and detect fraud;

- journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments; and

D. Audit opinion – Pension Fund Accounts

Our audit opinion on the **Pension Fund** is included below.

We anticipate we will provide the Pension Fund with an **unmodified audit report.**

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.

• Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government pensions sector

- understanding of the legal and regulatory requirements specific to the Pension Fund including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Council's control environment, including the policies and procedures implemented by the Council to ensure compliance with the requirements of the financial reporting framework.

Use of our report

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

[Signature]

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

xx February 2023

E. Management Letter of Representation – Pension Fund

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

xx February 2023

Dear Sirs

City of Westminster Pension Fund

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of the City of Westminster Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Level 3 Investments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Fund has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

E. Management Letter of Representation – Pension Fund

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xiv. We have communicated to you all deficiencies in internal control of which management is aware.

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

E. Management Letter of Representation – Pension Fund

Approval

The approval of this letter of representation was minuted by the Fund's Audit and Performance Committee at its meeting on 23 February 2023

Yours faithfully

Name…………………………….

Position…………………………..

Date……………………………..

Name…………………………….

Position…………………………..

Date……………………………..

Signed on behalf of the Fund

Grant Thornton

grantthornton.co.uk

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Annual Accounts

Westminster City Council • 2021/22


Another red bus going green for LONDON
SN61 CXZ

Contents

The Statement of Accounts for Westminster City Council for the year ended 31 March 2022 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 2021/22 ("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.

Member Preface and Annual Governance Statement 2021/22

Member Preface

Member Preface

Introduction to the 2021/22 statement of accounts by the Cabinet Member for Finance and Council Reform – Councillor David Boothroyd

Since the financial year covered by this statement of accounts, a full council election has for the first time brought about a change of political control, and the cabinet is now formed by a different political party which is committed to a very different approach to build a fairer Westminster. We thank our cabinet predecessors for their work, but the council leadership now has a new vision.

The Council was still suffering the effects of the COVID-19 pandemic, and budgets were under pressure primarily from a reduction in commercial income. The new administration is to seek access to funding from the Mayor of London and has made building new council and lower rent homes the council's top policy priority, and also to use Right to Buy Back scheme to find good quality temporary housing close to or in the City.

The accounts also record expenditure from earmarked reserves on the Marble Arch Mound, which has proved an expensive lesson in how not to support the vital West End shopping and cultural district. The new administration is committed to learn from the waste of money on the mound and to review the Oxford Street District project as we seek a way forward which meets the needs of businesses and residents.

While our predecessors set out a series of savings targets, the incoming administration will seek to find wasteful spending in underexamined areas of council spending and will resolutely campaign for new fair sources of revenue, as well as ways to use existing funds for new purposes that put residents first.

Cabinet Member for Finance and Council Reform – Councillor David Boothroyd

Annual Governance Statement 2021/22

INTRODUCTION

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

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

The Council's Audit and Performance Committee reviews governance arrangements, risk registers and quarterly performance reports. Their role is to recommend improvements or interventions if expected performance is not being achieved, or if gaps in current governance arrangements have been identified.

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

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
- All Council decisions are supported by detailed officer reports

Risk management

- Risk registers identify operational and strategic risks
- Key risks are considered by the Executive Leadership Team (ELT) every quarter
- Monitors financial outcomes, governance of group companies and key partnership arrangements

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

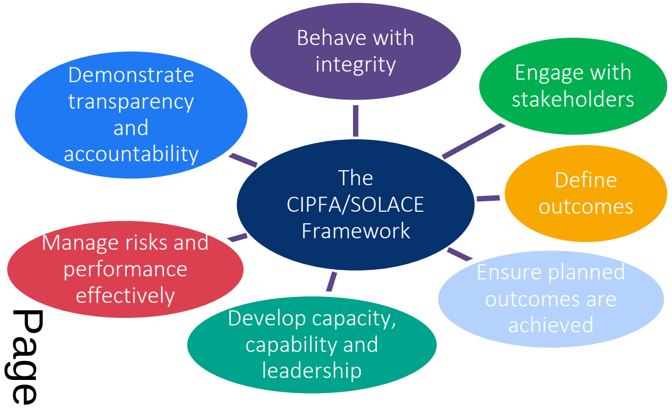
Executive Leadership Team (ELT)

ELT are responsible for the overall management of the Council

- Head of Paid Service is the Chief Executive who is responsible for all Council staff and for leading 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

Annual Governance Statement (continued)

The Council has arrangements in place to meet all relevant requirements of the CIPFA/Solace Framework. The 7 “core principles” underpinning the Framework are set out below together with a summary of new or enhanced arrangements introduced in 2021/22.



This table sets out in more detail how the Council is meeting these seven requirements in practice.

PRINCIPLE 1 Behaving with integrity, and respecting 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 Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures, a Procurement Code and Financial Regulations. The Monitoring Officer has responsibility for the operation of these documents, which are contained in the Council’s constitution. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.
PRINCIPLE 2 Ensuring open 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. The Council also holds regular public engagement events to allow residents to meet and discuss local issues with Cabinet Members and senior officers, and it collects resident feedback on proposed service or policy changes through consultations. The Communities department now seeks to widen participation to be better able to be accessed by all our communities. The Council’s priorities align with the organisational objectives to include Communities within our decision-making processes and a full range of engagement methods will be co-created with communities to improve this.
PRINCIPLE 3 Defining outcomes in terms of sustainable economic, social and environmental benefits.	The strategic vision for Westminster focuses on transitioning to a net zero carbon city, supporting people of all ages to live well, building affordable housing, create high-quality public spaces, and ensuring Westminster’s economy thrives and that residents benefit from it. The council uses key metrics and other functions within the council such as quarterly performance and risk management, corporate project management, and budget monitoring to report and monitor progress against achieving these.
PRINCIPLE 4 Determining the intervention necessary to achieve intended outcomes	A quarterly performance report tracks the performance of priority Council activities and services through a suite of corporately agreed key performance indicators. This view of performance is also considered taking account of risks, achievements and issues. The report also highlights remedial actions being taken where slippage or under-performance does occur. Senior Management and Members (via Scrutiny Committees and the Audit and Performance Committee), ensure the Council remains focused on achieving its agreed objectives and priorities. Regular reporting also goes to the Innovation and Change Board which is made up of ELT members. This provides an update on how the Council are progressing against our strategic indicators and outcomes. The Council has recently published its Fairer Westminster delivery plan outlining its priorities under the new administration.

PRINCIPLE 5 Developing capacity, including the capability of leadership and individuals within the Council	The Council develops and empowers our employees to deliver the best possible outcomes for our residents and communities. The Council achieves this through its people strategy The Westminster Way (TWW), which focuses on the culture that we all aspire to and has three pillars: Personal development – "Everyone has talent"; Value our people and diversity – "Everyone is valued"; and The Westminster Way of working – "Everyone is a leader". Key programmes and frameworks include the Personal Development framework which prioritises coaching and development conversations for all staff; the Senior Leaders and Emerging Leaders Programmes, which support our talent and help them take their next step. Alongside this are our Westminster Way Hub, Career Development portal (Career Zone) and Learning & Development offer (Learning Zone) which provides various workshops, online learning and support tools to enable employees to take a lead in their roles and in leading others.
PRINCIPLE 6 Managing risks and performance through strong internal control and financial management	Corporate risk registers are updated quarterly by all directorates, with significant risks reviewed by senior management and members. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary, with target deadlines agreed with action owners. A quarterly performance report tracks the performance of priority Council activities and services through a suite of corporately agreed key performance indicators. This view of performance is also considered taking account of risks, achievements and issues. The report also highlights remedial actions being taken where slippage or under-performance does occur. The Council has a strong track record in financial management, delivering services within budget and producing annual accounts within statutory deadlines.
PRINCIPLE 7 Implementing good practices in transparency, reporting and audit to deliver effective accountability	The Council are committed to becoming an inclusive employer and therefore inclusion and diversity is the Executive Leadership Team's top priority. The Council values our people and diversity and as such continues to be accountable and transparent, regularly publishing ethnicity and gender pay gaps. It will continue to analyse the data, identify issues and take action where necessary to address pay gaps and, continue to initiate culture-change programs, talent and learning opportunities particularly focused on ensuring that we have diversity across all levels. The Council has appointed a Diversity and Inclusion Strategic partner to help address and close pay gaps. 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. Papers, minutes of meetings, key decisions, registers of interests, gifts and hospitality, expenditure over £500 and contracts awarded over £5,000 are published on the Council's website.

REVIEW OF EFFECTIVENESS

ELT is responsible for putting in place adequate governance arrangements and effective systems of internal control. The Council uses several ways to review assess the effectiveness of governance arrangements, as set out below:

Inspections and assessments

Ofsted have not carried out any inspections in 2021/22. Children's Services across the Council were given a clean sweep of outstanding ratings by Ofsted in 2020/21.

Assurances from Internal and External Audit

The annual report and opinion of the Head of Internal Audit for 2021/22 states that the Council's internal control environment and systems of internal control in the areas audited were adequate except for the following areas :

Issues Identified for 2021/22	Planned Action
Food Safety Service The service had insufficient resources to deliver the expected service levels resulting in a backlog of work, which was further exacerbated by the challenges arising from the Covid-19 pandemic.	Good progress has been made to address the recommendations made however, the service has faced a challenge in terms of the high volume of service requests received and a decrease in standards seen in food premises which has led to a number of closures and enforcement actions. This has impacted addressing the existing work backlog. The service is working towards ensuring it is performing to an acceptable level and the implementation of recommendations made will be re-reviewed in October 2022. It should be noted that there are regular 'temperature checks' undertaken by the Food Standards Authority (FSA) and there is ongoing dialogue with the FSA about the service plan to ensure that required inspections are completed.

The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The most recent Audit Letter, issued in October 2021, confirmed that they had been able to give an unqualified audit opinion in respect of the Council's 2020/21 Statement of Accounts, subject to some recommendations which are detailed in the 2020/21 audit findings report. An unqualified opinion in respect of value for money was issued in 2022.

Compliance with the Financial Management Code

The self-assessment review against the CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. All local authorities are required to demonstrate full compliance against the 6 principles within the Code by 31 March 2022. It is the opinion of the CFO that the Council is financially resilient and delivers value for money. However, in striving for financial management excellence, the Council has developed a set of actions for improvement.

Self-assessment and review of key performance indicators

The Council's Finance team works with Internal Audit to confirm that expected governance arrangements have been in place throughout the year. Management Assurance Statements, signed by senior officers, also confirm that Codes of Conduct, Financial Regulations and other corporate processes have operated as expected.

The Council uses several key outcome indicators to confirm the adequacy of governance arrangements:

Key performance indicators	Outcomes 2021/22
Formal reports by s151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer investigations	There have been no Monitoring Officer or Standards Committee investigations during the year
Proven frauds carried out by councillors or members of staff	One fraud act offence has been identified in 2021/22. Full details will be reported to the Audit & Performance Committee in the Anti-fraud annual report in July 2022
Objections received from local electors	None in 2021/22
Local Government Ombudsman referrals upheld in line with the London average	85% (23 out of 27) of referrals upheld (exceeding the average for similar organisations of 71).
Internal audit reports	Three limited assurance audits had been issued in the year: Food Safety; Children's Services – Direct Payments; and Sayers Croft Outdoor Activity Centre. Implementation of the recommendations made in respect of all 3 of these audits have been followed up. Most of the actions required in respect of the Children's Services Direct Payments and Sayers Croft Outdoor Activity Centre had been addressed before the end of the financial year. Further action is required in respect of the Food Safety Service which will require additional follow up later in 2022/23
Group activities	No governance issues to address in 2021/22. Financial information provided by Group companies has been subject to regular review and both officers and elected members have attended company Board meetings throughout the year. In 2021/22 a shareholder committee was introduced to further improve governance oversight across all of Westminster' subsidiaries. Details of the Committee's Terms of Reference can be found here: Shareholder Committee Terms of Reference

KEY GOVERNANCE ISSUES

Last year's Annual Governance Report highlighted three key areas for improvement. The table below sets out action taken to address these issues during 2021/22:

Issues Identified in Prior Years	Performance in 2021/22
Further improvements required in respect of Adult Social Care finances, including improvements to controls and clarity on roles and responsibilities.	Three areas have been reviewed in the last two years where recommendations have been made to improve controls in respect of Adult Social Care, including Client Affairs (2019/20), Financial Assessments (2020/21 – advisory) and Direct Payments (2020/21). Further follow up and liaison with the service areas has been undertaken in 2021/22 and evidence provided to demonstrate the effective implementation of the recommendations previously made.
Housing complaints are not fully integrated with corporate systems and reporting.	The service has undergone changes in structure, roles and responsibilities since the original audit was undertaken which should now be embedded. A further review of the complaints process is being considered for inclusion in the 2022/23 audit plan to review the changes in process.
Improvements required within the Council's processes for managing Cyber Security.	All of the actions have been implemented to address the weaknesses identified. Cyber security will remain an area that will be regularly reviewed.
Improvements required in respect of the governance and accounting for income generated from the Council's commercial property portfolio.	Action has been taken to address the improvements and the Department is working closely with the Managing Agents as they implement a new property management system. Another audit is scheduled to be undertaken in the 2022/23 financial year.

Covid-19

The Council has continued working closely with central government and the health service to support businesses and residents across the City as follows:

- Supporting residents – the Council has continued working proactively with partners to support vulnerable residents
- Volunteering opportunities – an interactive map on the Council website provides details of local organisations that are assisting residents through COVID-19, the kinds of support they offer, and how to get in touch
- Hybrid Council meetings have been taking place to maintain open and transparent decision making. During 2021/22, the regulations changed to continue to allow hybrid meetings but decision-making must be by members in physical attendance at their Committee.
- COVID-19 pages on the Council website are updated daily and provide further information see https://www.westminster.gov.uk/coronavirus
- The Council's Internal Audit service has worked with the Council to ensure that awareness of fraud risk and appropriate systems of governance and internal controls have been maintained despite the changes in processes necessary to provide local people and businesses with rapid and effective support. Internal Audit assurance that Covid-19 funding provided by the Government has been used for the purpose intended, continued into 2021/22 in respect of Income Compensation Claims, Protect and Vaccinate and Rough Sleepers. Some of this work will continue into 2022/23.

Annual Governance Statement (continued)

Other key strategic risks for 2021/22 have been identified as follows:

Issues Identified for 2021/22 (from risk register)	Planned Response
The impact of macroeconomic impacts on Council services and communities across Westminster	The Medium-Term Planning process is in place as a mitigating action to ensure the Council balances its budget and identifies savings that can be made.
A significant incident occurring in Westminster (e.g. weather event, fire, terror attack, etc.)	Plans are in place to safeguard business continuity and respond to major incidents. Learning outcomes from previous major incidents are used to inform future plans.
Providing affordable and social housing remains a key issue despite a number of successful initiatives to date	Under the new administration, the Council has accelerated its review of all its developments to maximise social housing and lower rental intermediate homes. These changes will be considered in both the Westminster Builds business plan and the Housing Revenue Account business plan during 2022/23.

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 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 Adam Hug
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

WESTMINSTER CITY COUNCIL OVERVIEW AND EXTERNAL ENVIRONMENT

1. THE CITY OF WESTMINSTER

As the home to the Monarchy, Government, almost 11,000 listed buildings and the West End, Westminster is politically, culturally and economically significant on a regional, national and international scale. The Covid-19 pandemic has had a profound impact on Westminster over the last two years. Because of its destination status, Westminster's daily population can grow significantly with an influx of workers and tourists. Footfall in the City reduced significantly during the various national lockdowns. Since easing the lockdown restrictions activity has gradually been increasing but not quite to pre-covid levels. Whilst the transient population does bring considerable economic benefits, it also places a strain on the city's infrastructure, natural environment and resources. Westminster is also home to over a quarter of a million people, rich in culture and diversity and living in distinctive and well-known neighbourhoods, which also provide important social and economic functions for their local areas.

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Westminster is seen as an affluent place, but it also faces significant challenges: responding to a highly mobile population, tackling wealth and other inequalities, managing increasing demand for services.

During the course of 2021/22, Westminster also found itself in the spotlight with its decision to build a temporary structure in Marble Arch to encourage visitors back into the City. The Council were scrutinised on their use of public money on this project which was then subject to an internal review, which was reported to members.

2. MEDIUM TERM FINANCAL PLANNING

Following a relatively strong bounce back in the economy following lockdown restrictions the UK economy is now facing its highest rates of inflation in over 40 years. This has created significant uncertainty in public finances and in turn the Council's medium- to long-term finances. Due to the Council's exposure to economic cycles, it has sought to hold a general fund reserve to ensure the Council is financially resilient in a recession. The call on general fund balances over the last two years has been fairly low, helped by additional government funding because of the pandemic. Moving forward, the Council is in a sound financial position to draw upon its general fund reserve in 2022/23 if required.

The Council has reviewed its Medium Term Financial Plan (MTFP) this year in recognition of the Council's strategic objectives. The consequences of the pandemic has meant that the Council has had to focus on its ways of working and has put forward a number of initiatives which take a departmentally cross-cutting approach. The changing environment, including inflation and the cost of living crisis will require the Council to continually review the services it provides, its delivery models and the outcomes they achieve going forward. This will also require the Council to review the structural position of its base budget to ensure ongoing finance resilience.

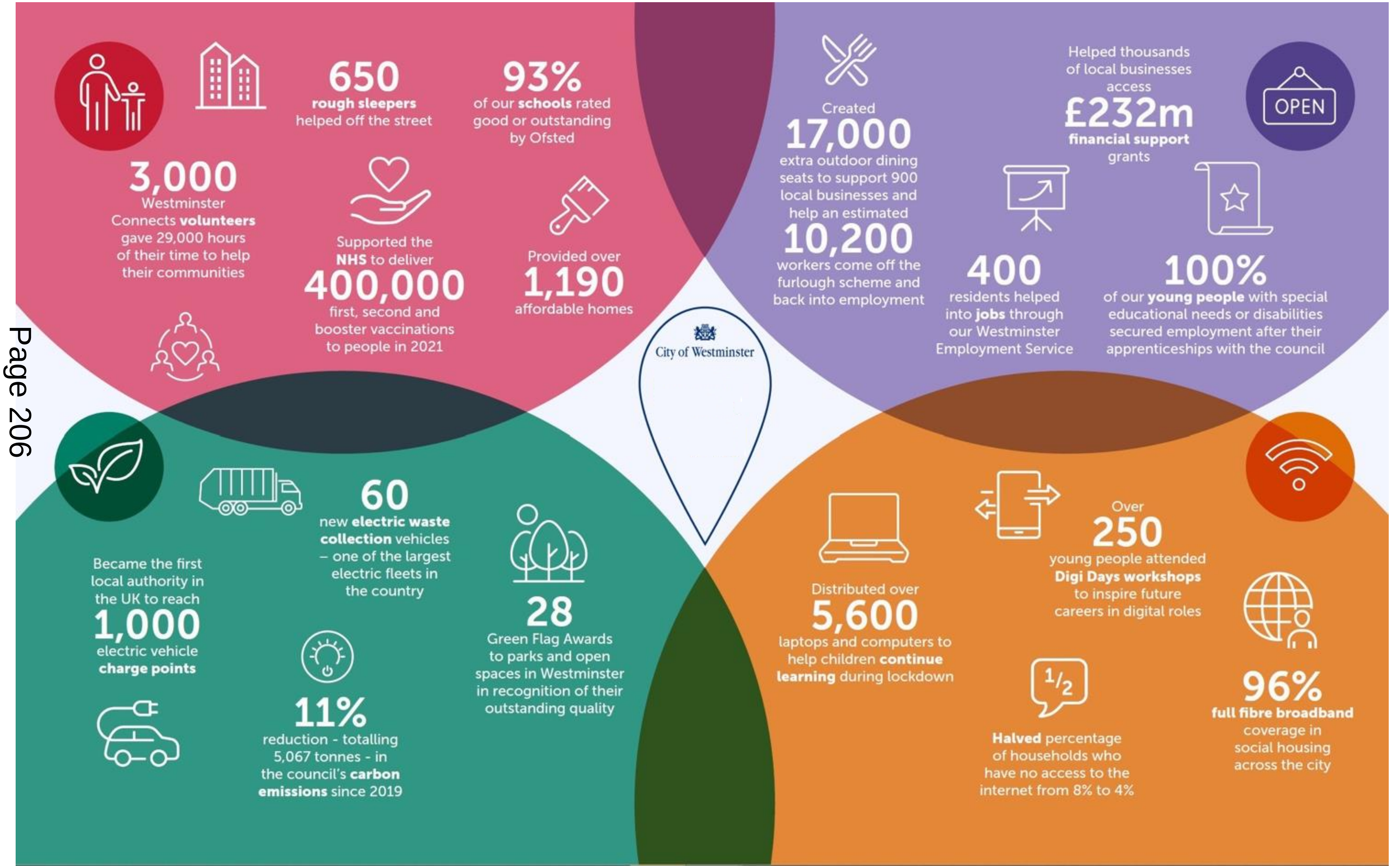
The coronavirus pandemic has had a profound impact on all aspects of life in Westminster. Through 2021/22 the Council continued to adopt a pro-active, evidence-led approach to how it prioritises its resources and ensures that it responds to the emerging needs of residents and businesses. This included responding to international situations such as the Afghan and Ukrainian refugee crisis.

3. OTHER LOCAL GOVERNMENT FUNDING ISSUES

The Secretary of State for the Department of Levelling Up, Housing and Communities has announced that councils will receive a two year settlement from April 2023 and the Fair Funding Review will be completed by the end of 2022.

Consultations and further details are yet to emerge. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

A further issue for Westminster is the impact of the census and the reported reduction in the population of Westminster. The Council is working with London Councils and other London Boroughs on the "Lost Londoners" campaign to highlight the disparities between the census (which was carried out during lockdown) and other population data. However, there is a risk that Westminster's funding from Government could reduce on the basis of a lower population.


650
rough sleepers helped off the street
93%
of our schools rated good or outstanding by Ofsted
3,000
Westminster Connects volunteers gave 29,000 hours of their time to help their communities
Supported the NHS to deliver
400,000
first, second and booster vaccinations to people in 2021
Provided over
1,190
affordable homes
Created
17,000
extra outdoor dining seats to support 900 local businesses and help an estimated
10,200
workers come off the furlough scheme and back into employment
Helped thousands of local businesses access
£232m
financial support grants
OPEN
400
residents helped into jobs through our Westminster Employment Service
100%
of our young people with special educational needs or disabilities secured employment after their apprenticeships with the council
City of Westminster
60
new electric waste collection vehicles – one of the largest electric fleets in the country
Became the first local authority in the UK to reach
1,000
electric vehicle charge points
28
Green Flag Awards to parks and open spaces in Westminster in recognition of their outstanding quality
11%
reduction - totalling 5,067 tonnes - in the council's carbon emissions since 2019
Over
250
young people attended Digi Days workshops to inspire future careers in digital roles
Distributed over
5,600
laptops and computers to help children continue learning during lockdown
1/2
Halved percentage of households who have no access to the internet from 8% to 4%
96%
full fibre broadband coverage in social housing across the city

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4. THE STRATEGIC VISION FOR WESTMINSTER

Focuses on transitioning to a net zero carbon city, supporting people of all ages to live well, building affordable housing, creating high-quality public spaces, and ensuring Westminster's economy thrives and that residents benefit from it. The council's programme of work helps realise our vision:

- Westminster will be the UK city known for leading the way in tackling climate change and improving air quality. Our children will inherit not just a better, healthier living environment but also a working model of how a global city can successfully take on the environmental challenges facing the next generation. Our city will maintain the highest standards in street cleanliness and excellent open spaces that our communities can remain proud of. Westminster will be welcoming to businesses and visitors from across the globe.
- Westminster will be a city which builds the homes it needs to remain a welcoming, vibrant place for people from every background, at every income level and at every age. An environment where economic growth works to its optimum, creating job opportunities and improving living standards. We will open doors to new experiences and life chances for our vibrant communities through excellent education and employment prospects. Everyone will have an equal opportunity to succeed and be healthy no matter what their background. People will be able to retire with dignity and pride in Westminster and residents who need care will be supported within their own community.
- Westminster will be one of the best connected and most technologically advanced cities in the world. We will harness new technologies to make us the easiest council in the UK to do business with. Our ambition is to create a best-in-class website which will be easier to interact with than your bank, taxi service or favourite shopping platform, and be the first choice for residents, businesses and visitors to do business with us. We will ensure that internet connection speeds and access across Westminster are unrivalled by any other major city, making sure that technology works for the benefit of those who live, work and visit this complex urban environment. Being a smart city provides unique opportunities to enhance our communities' experiences and capabilities, achieving a better and more joined-up council that will deliver better services more efficiently.

WESTMINSTER CITY COUNCIL GOVERNANCE

Westminster City Council is a broad and complex organisation. Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Executive Leadership Team (ELT).

5. POLITICAL STRUCTURE IN 2021/22

The Council was made up of 60 councillors for 20 wards in 2021/22. The political make-up of the Council was:

- Conservative Party – 41 councillors
- Labour Party – 19 councillors

The Council operates under a Leader/Cabinet model. The Leader of the Council over 2021/22 was Cllr Rachael Robathan and she was supported by a Deputy Leader, Cllr Tim Mitchell – who also held the portfolio for Adult Social Care and Public Health.

The local elections took place on 5th May 2022 and resulted in a change of political control from Conversative to Labour. The number of wards reduced from 20 to 18 and therefore the number of councillors have also reduced - to 54. The political make-up of the Council is now:

- Labour Party – 31
- Conservative Party – 23

The new Leader is Cllr Adam Hug supported by two Deputy Leaders Cllr Tim Roca and Cllr Aicha Less who are also portfolio holders for Young People, Learning & Leisure and for Communities & Public Protection respectively. They are supported by a further six portfolio holders.

The Council has a statutory duty to set a balanced budget and this underwent scrutiny via the Budget and Performance Task Group in January 2022. Thereafter the Council's Medium-Term Financial Plan, Capital Strategy, HRA Business Plan and Treasury Management Strategy were all approved by Full Council in March 2022.

6. CHIEF OFFICER STRUCTURE

Councillors are supported by the Executive Leadership Team (ELT), which is headed by the Council's Chief Executive, Stuart Love. ELT is responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including the Chief Executive, ELT is made up of eight members, including the Bi-Borough Executive Director for Adults and Bi-Borough Executive Director for Children's. These officers carry out their statutory roles for both Westminster and the Royal Borough of Kensington and Chelsea.

Gerald Almeroth
Executive Director – Finance and Resources
Section 151 Officer

Westminster City Council

FINANCIAL PERFORMANCE

7. 2021/22 FINANCIAL PLANNING

A net budget of £183m for 2021/22 was approved by Cabinet and Full Council in February and March 2021, respectively. This included £22.4m of savings through a combination of financing, commercial, transformation and efficiency activities. Councillors also agreed a 0.5% increase in Council Tax and 3% increase for the Adult Social Care Precept. The 2021/22 outturn position is a £2.04m overspend. This is reflective of continued impact of the pandemic on the Council's finances, especially in the early part of the year and includes continued government support in the first quarter for losses in Sales, Fees and Charges.

The Council has had a strong financial management process in place with monthly monitoring reports presented to ELT and Cabinet members and published quarterly through the Audit and Performance Committee.

PENSION LIABILITIES £561M

The Council had net future pension liabilities of £561m at 31 March 2022 (£705m as at 31 March 2021) on an IAS19 basis. The Westminster City Council Pension Fund is revalued every three years by an independent actuary to set future contribution rates. The most recent actuarial revaluation, as at 31 March 2019, assessed the Pension Fund's funding level at 100%. When the Pension Fund is in deficit, it generates an interest cost which would not occur if it were fully funded. The Council no longer has a deficit after making upfront payments of £80m during 2021/22.

The Council's assets increased by £107m in year from £1,216m to £1,323m with liabilities decreasing from £1,921m to £1,884m. As at 31 March 2022, the overall deficit on an IAS19 basis has decreased by £144m. The future value of pension liabilities is determined by the discount rate, which is based on the yield on investment grade corporate bonds. During the year, rate rises on index linked GILTS has led to an increase in the discount rate, which in turn reduces the future value of liabilities

HOUSING REVENUE ACCOUNT

The Council owns approximately 12,000 homes generating rental income of over £75m in the year (£74m in 2020/21). 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 £2.3bn in the next 30 years to increase and improve its social housing stock. This includes 1,400 new social homes and £1.5bn on maintenance of the existing stock.

PROVISIONS AND CONTINGENCIES

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

The council currently holds £339m of provision for repayment in the future of which £333m relates to the 2017 Rateable Value list and £6m for the 2010/2005 Rateable Value list.

8. MEDIUM TERM FINANCIAL PLAN: 2022/23 TO 2024/25

The Council has a three-year Medium-Term Financial Plan (MTFP) for 2022/23 onwards. The Covid-19 pandemic has led to a continued review of the Council's MTFP as new pressures emerge from reduced activity in the City, reducing fees and charges. The Council has moved towards a bottom-up approach to saving proposals with directorate savings and cross directorate saving proposals included as part of the budget approved by Full Council in March 2022. The MTFP position as reported to Council is summarised below:

An update on the Council's MTFP, will be provided to Cabinet during the year. A new four-year medium-term plan for 2023/24 to 2026/27 will be submitted to Cabinet and Full Council for approval in February/March 2023.

Changes Since July 2021	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Gap - July 2021	**10.933**	**20.066**	**20.284**	**51.283**
New Savings	(7.282)	(2.150)	(3.485)	(12.917)
Other Changes	(3.651)	(3.612)	(1.134)	(8.397)
New Gap - March 2022	**0.000**	**14.304**	**15.665**	**29.969**

9. CAPITAL STRATEGY

The Council's corporate strategy drives an ambitious five-year capital investment programme totalling £2.8bn, including:

- Housing delivery schemes which will enable the Council to achieve its target to deliver 1,850 new affordable homes
- Commenced construction on schemes to be delivered by the Council's subsidiary housing company, Westminster Builds
- 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 educational 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 following table shows a summary of 2021/22 capital expenditure:

Directorate	2021/22 Expenditure Budget £m	2021/22 Income Budget £m	2021/22 Net Budget £m	2021/22 Outturn Expenditure £m	2021/22 Outturn Income £m	2021/22 Net Outturn £m	2021/22 Expenditure Variance £m	2021/22 Income Variance £m	2021/22 Net Variance £m
Adults	0.568	(0.468)	0.100	0.101	(0.101)	0.000	(0.467)	0.367	(0.100)
Children's	18.417	(14.814)	3.603	10.757	(9.249)	1.508	(7.660)	5.565	(2.095)
Growth, Planning and Housing	74.733	(22.859)	51.874	60.416	(12.745)	47.671	(14.317)	10.114	(4.203)
Environment and City Management	75.918	(31.613)	44.305	48.963	(23.763)	25.200	(26.955)	7.850	(19.105)
Finance and Resources	42.958	(14.677)	28.281	21.895	(12.486)	9.409	(21.063)	2.191	(18.872)
Westminster Builds	58.596	0.000	58.596	45.116	0.000	45.116	(13.480)	0.000	(13.480)
Total	**271.190**	**(84.431)**	**186.759**	**187.248**	**(58.344)**	**128.904**	**(83.942)**	**26.087**	**(57.855)**

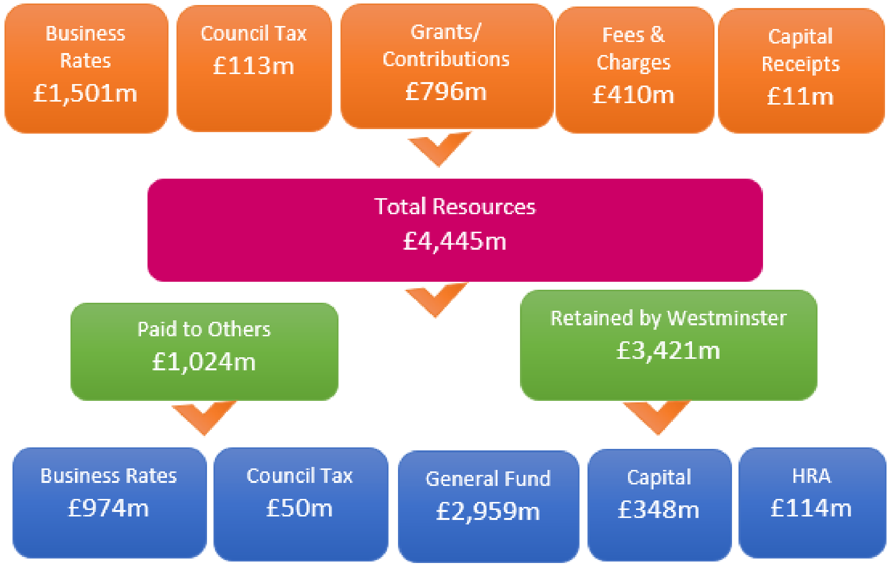
10. CASHFLOW & ASSETS

Westminster City Council manages cashflows and assets in excess of £11 billion by:

- Collecting over £1.601bn of Business Rates, the largest amount in the country. The Council keeps only 4-5% of this.
- Collecting £113m Council Tax.
- Managing a £3.477bn portfolio of PPE and Investment property.
- Accounting for £1.346bn per annum of fees, charges, rents, and grant funding which are used to help deliver services and keep council tax down.

CAPITAL CASHFLOWS

REVENUE CASHFLOWS



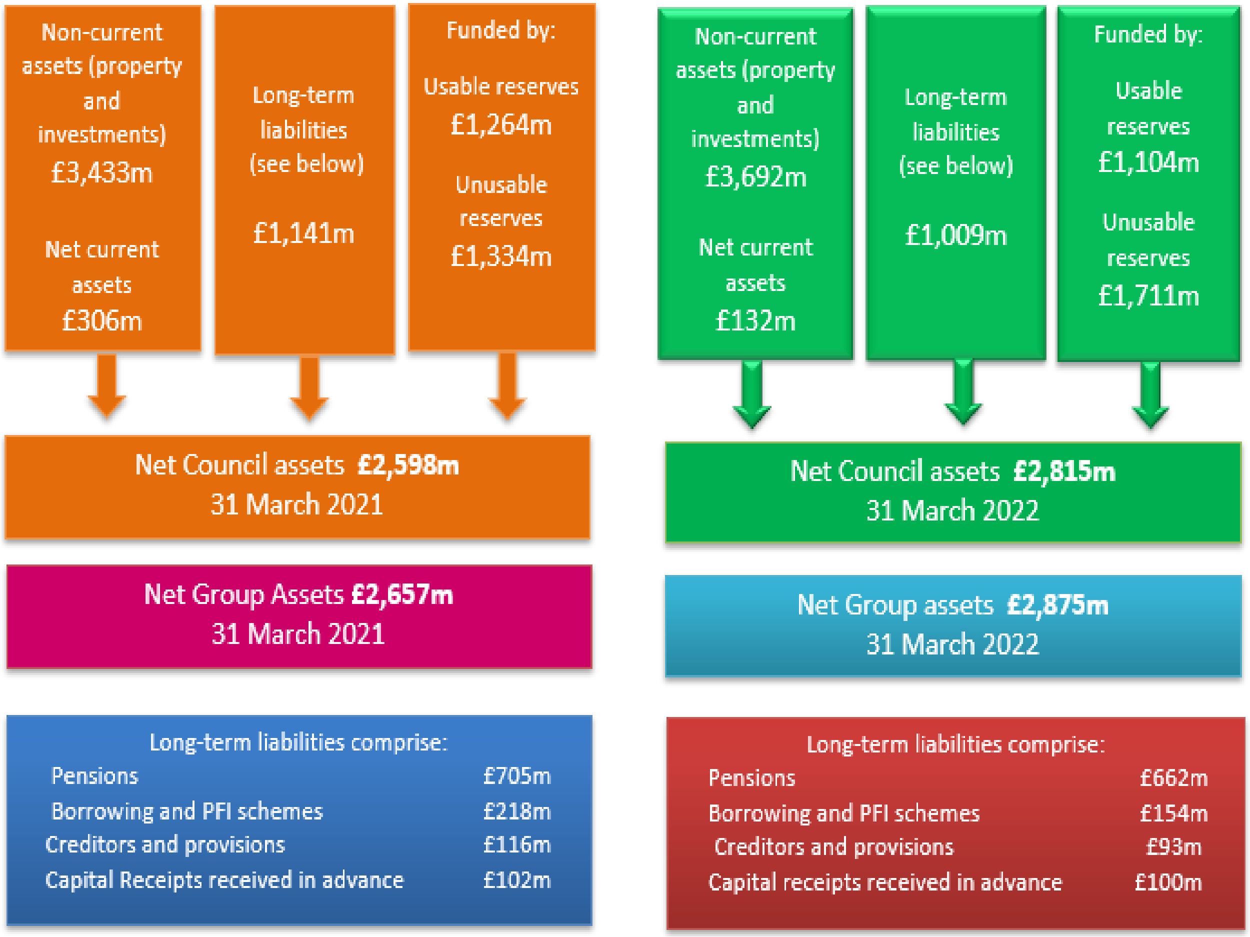
11. GROUP FINANCIAL PERFORMANCE

NET ASSETS £2,8154M (£2,598M AT 31 MARCH 2021)

The council has maintained a strong year -end balance sheet. Sufficient funding is in place to repay both long and short term liabilities as these fall due.

GROUP ACCOUNTS £2,875M (£2,598M AT 31 MARCH 2021)

Group accounts provide an overview of organisations subject to council control. In 2021/22 these were:
• Westminster Community Homes Limited – a housing development vehicle.
• Westco Trading Limited -offers Council Services to public sector clients.
• Westminster Housing Investments Group – delivery of affordable housing.
• Paddington Recreation Ground Charity – maintains the park as open space in perpetuity.



NON-FINANCIAL PERFORMANCE

12. ACHIEVEMENTS

Westminster City Council is committed to making a real difference to people's lives. In 2021/22 we:

Economy

- One of the first local authorities across the country to complete the rollout of the first round of business grants – £99.5m to nearly 5,700 businesses, £20m over the original Government allocation.
- Supported 19,500 businesses through Retail Rates relief or Small Business Rates relief.
- Conducted over 300 one-to-one appointments with businesses, which resulted in more than £2m of alternative support identified and awarded to them.
- Led on a new licensing scheme and issued nearly 900 licences to allow businesses to provide outdoor hospitality and continue trading throughout the year.
- Undertook over 25,000 visits to ensure our businesses operate in a COVID-19 secure way to keep our communities safe.
- Created 64 high quality, London Living Wage Kickstart jobs for 16–24 year old residents in receipt of Universal Credit.
- Launched Westminster Wheels with Groundwork London and Cycle Confident, which will have supported 11 trainees into employment.
- Supported 16 people formerly sleeping rough into employment with charity partners, our Rough Sleeping and Housing teams and Westminster Employment Service.
- Supported over 1,000 residents in the last two years into work placements, paid work and apprenticeships by requiring our contractors to create employment opportunities.

Environment

- Produced a 20-year Freight, Services and Deliveries Strategy and Action Plan to help us meet our carbon reduction and road safety targets.
- Completed ground-breaking low carbon roadworks on King Street, exclusively using electric vehicles, cargo bikes, tools, welfare and recycled equipment, which cut the project's carbon emissions by an estimated 75%.
- Diverted over 345 tonnes of food waste from incineration with our award-winning food waste recycling collection trial.
- Added 7.5 miles of new cycle lanes to support safe, active and sustainable travel around the city.
- Introduced pay-as-you-go electricity at Tachbrook Street Market to enable traders to power their cooking using electricity rather than gas.
- Implemented 11 'School Streets', closing roads during school start and end times, to reduce car use and make streets safer for our children.
- Completed the roll out of the city-wide 20mph speed limit as part of our commitment to making our streets safer, healthier and cleaner for everyone.

Communities

- Rapidly created Westminster Connects, both a digital platform and a weekly network of up to 300 volunteers dedicated to supporting people shielding.
- Directly distributed our Winter COVID-19 grants totalling £750,000 to 6,706 children in receipt of free school meals, over 1,600 low-income households, 250 care leavers and 13 families with no recourse to public funds.
- Rolled out a programme of on-site and digital activities for our young people through our libraries, City Lions, schools, and flagship thematic events such as Westminster Enterprise Week.
- Worked with local authorities and charities to help over 830 people off the streets into hotels and other accommodation.
- Opened our state-of-the-art and energy efficient care home, Beachcroft House, where 65 residents have settled in and are enjoying its facilities.
- Invested another £500,000 in youth services (totalling £1m over two years), which includes funding for five youth hubs and 17 youth projects.
- Supported 615 vulnerable residents, since April 2020, to continue living in their homes by providing bathrooms suitable for their needs, ensuring heating if a boiler breaks down, and providing a Handyperson service.
- Since April 2018, we have renovated nearly 1,350 vacant social housing properties to a dementia-friendly standard to enable future occupants living with dementia to stay in their homes.

Smart City & Digital

- Distributed – with support from our partners – over 4,000 laptops to children previously without access to a personal computer to minimise disruption to their learning and development.
- Brought virtual concerts and performances to our care home residents with Constella Opera Ballet, so that they could continue enjoying music and culture.
- Launched a brand-new website, designed using residents' input to make it easy for all residents to navigate and access the information they need.

- Won an 'Excellence in Local Government' award for our partnership approach with University College London and King's College London to harness the latest innovation and research to address our long-standing challenges.
- Introduced our 'Crowdfund Westminster' platform to empower local residents and organisations to crowdfund the financial support needed for local activities. The Council has pledged £58,000, and five campaigns have already hit their funding TARGETS.

13. PEOPLE STRATEGY

Westminster employs approximately 2,500 staff in full-time and part-time positions.

Westminster sees the development of its employees, a culture of lifelong learning and continuous improvement as integral to providing quality services. In support of this the Council has made significant investments towards the learning and development of its people across the council through initiatives like the Senior Leaders Programme and Emerging Leaders Programme and various service specific training modules. The Council's People Strategy is based on three key pillars:

- Everyone has talent
- Everyone is valued
- Everyone is a leader

The People Strategy forms the foundation of the Council's professional development of its staff.

14. 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 2022. 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 2021/22, 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 "usable", 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 **Annual Governance Statement**

- The statement sets out the governance structures of the Council and its key internal controls.

The **Group Accounts**

- The statements of the single entity accounts combined with the assets and liabilities of companies and similar entities, which the Council either controls or significantly influences.

The **Supplementary Financial Statements** are:

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

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

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

Independent Auditor's Report

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

OPINION

This will be updated on completion of the external audit.

Independent Auditor's Report – Pension Fund

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

OPINION

This will be updated on completion of the external audit.

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 judgements 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 Aziz Toki
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.

2020/21 (*Restated)				2021/22		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
104,924	(41,158)	63,766	Finance and Resources	106,804	(33,413)	73,391
8,763	(3,446)	5,317	Innovation and Change	19,019	(7,714)	11,305
157,449	(88,221)	69,228	Adults' Services	149,279	(88,560)	60,719
183,630	(125,820)	57,810	Children's Services	188,942	(130,082)	58,860
176,671	(99,522)	77,149	Environment and City Management	187,806	(138,455)	49,351
419,602	(382,833)	36,769	Growth, Planning and Housing	413,940	(371,651)	42,289
1,051,039	**(741,000)**	**310,039**	**Cost of services**	**1,065,790**	**(769,875)**	**295,915**

Comprehensive Income and Expenditure Statement (continued)

2020/21 (restated)				Note	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
-	-	(33,167)	Other operating expenditure	Note 5	-	-	(13,432)
-	-	24,568	Financing and investment income and expenditure	Note 6	-	-	(4,205)
-	-	(289,280)	Taxation and non-specific grant Income	Note 7	-	-	(308,470)
-	-	**12,160**	**(Surplus)/Deficit on Provision of Services**		-	-	**(30,192)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	(5,456)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	(65,914)
-	-	70,502	Remeasurement of the net defined benefit liability	Note 31	-	-	(120,914)
		65,046	**Other Comprehensive Income and Expenditure**		**-**	**-**	**(186,828)**
-	-	**77,206**	**Comprehensive Income and Expenditure (Surplus)/Deficit**		**-**	**-**	**(217,020)**

Note 8 The Expenditure and Funding Analysis demonstrates in further detail how the Council has used available funding for the year in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices.

Movement in Reserves Statement

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

2020/21 (*restated)					Revenue Reserves			Capital Reserves		Total Usable Reserves	Total Unusable Reserves [2]	Total Council Reserves
	General Fund Balance	**Earmarked GF Reserves[1]**	**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**
Balance at 31 March 2020	(63,312)	(301,066)	(1,748)	(366,126)	(17,365)	-	(17,365)	(95,854)	(351,961)	(831,306)	(1,843,980)	(2,675,286)
Movement in reserves during 2020/21				-								
(Surplus)/Deficit on provision of services (accounting basis)	35,446	-	-	35,446	(23,286)	-	(23,286)	-	-	12,160	-	12,160
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-		65,046	65,046
Total Comprehensive Income and Expenditure	35,446	-	-	35,446	(23,286)	-	(23,286)			12,160	65,046	77,206
Adjustments between accounting basis and funding basis under regulations	(524,334)	-	-	(524,334)	23,077	-	23,077	(2,099)	58,123	(455,233)	445,233	-
Net (increase)/decrease before Transfers to Earmarked Reserves	(488,888)	-	-	(488,888)	(209)	-	(209)	(2,099)	58,123	(433,073)	510,279	77,206
Transfers (to)/from Earmarked Reserves	492,768	(489,760)	(1,199)	1,809	(1,808)	-	(1,808)	-	-	-	-	-
(Increase)/Decrease In Year	3,880	(489,760)	(1,199)	(487,079)	(2,018)	-	(2,018)	(2,099)	58,123	(433,073)	510,279	77,206
Balance at 31 March 2021	**(59,432)**	**(790,826)**	**(2,947)**	**(853,205)**	**(19,383)**	**-**	**(19,383)**	**(97,953)**	**(293,838)**	**(1,264,379)**	**(1,333,701)**	**(2,598,080)**

[1]For more information on Earmarked Reserves, please refer to Note 17 – Transfers to and from Earmarked Reserves.
[2]For further detail, please refer to Note 16 – Unusable Reserves (Note that the DSG deficit is £1.167m as at 31st March 2022)

Movement in Reserves (continued)

2021/22				Revenue Reserves					Capital Reserves	Total Usable Reserves	Total Unusable Reserves[5]	Total Council Reserves
	General Fund Balance[3]	Earmarked GF Reserves[3,4]	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
Balance at 31 March 2021	(59,432)	(790,826)	(2,947)	(853,205)	(19,382)	-	(19,382)	(97,953)	(293,838)	(1,264,381)	(1,333,702)	(2,598,083)
Movement in reserves during 2021/22				-								
(Surplus)/Deficit on provision of services (accounting basis)	(20,277)	-	-	(20,277)	(9,914)	-	(9,914)	-	-	(30,191)		(30,191)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(186,828)	(186,828)
Total Comprehensive Income and Expenditure	(20,277)	-	-	(20,277)	(9,914)	-	(9,914)	-	-	(30,191)	(186,828)	(217,019)
Adjustments between accounting basis and funding basis under regulations	143,106	-	-	143,106	9,915	-	9,915	17,336	19,806	190,163	(190,162)	1
Net (increase)/decrease before Transfers to Earmarked Reserves	122,829	-	-	122,829	1	-	1	17,336	19,806	159,972	(376,990)	(217,018)
Transfers (to)/from Earmarked Reserves	(120,785)	121,680	(895)	-	-	-	-	-	-	-	-	-
(Increase)/Decrease In Year	2,043	121,680	(895)	122,829	1	-	1	17,336	19,806	159,972	(376,990)	(217,018)
Balance at 31 March 2022	**(57,389)**	**(669,146)**	**(3,842)**	**(730,376)**	**(19,381)**	-	**(19,381)**	**(80,617)**	**(274,032)**	**(1,104,409)**	**(1,710,692)**	**(2,815,101)**

[3] For further detail, please refer to Note 41 – Prior Period Adjustment.
[4] For more information on Earmarked Reserves, please refer to Note 17 – Transfers to and from Earmarked Reserves.
[5] The DSG reserve deficit is £1.167m as at 31st March 2022.For further detail, please refer to Note 16 – Unusable Reserves.

Balance Sheet

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

31 March 2021 (*restated)		Note	31 March 2022
£'000			**£'000**
	ASSETS		
	Non-current		
2,781,226	Property, plant and equipment	Note 18c	3,014,314
44,578	Heritage assets	Note 19	44,578
467,386	Investment property	Note 20	462,801
2,861	Intangible assets		4,997
47,261	Long-term investments	Note 21a	33,320
89,957	Long-term debtors	Note 27	132,034
3,433,269	**Total long-term assets**		**3,692,044**
	Current		
237,853	Short-term investments	Note 21a	383,429
130	Inventories		137
560,869	Short-term debtors	Note 27	398,933
80,402	Cash and other cash equivalents	Note 22	64,998
2,202	Assets held for sale	Note 40	19,086
881,456	**Current assets**		**866,583**

Balance Sheet (continued)

Certification by the Chief Financial Officer

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year then ended.

Gerald Almeroth

Executive Director – Finance and Resources

Section 151 Officer

31 March 2021 (restated)		Note	31 March 2022
£'000			£'000
	LIABILITIES		
(7,128)	Short-term borrowing	Note 21a	(62,229)
(556,886)	Short-term creditors	Note 28	(580,393)
(971)	Short-term provisions	Note 29	(42,868)
(10,643)	Revenue receipts in advance	Note 13	(49,358)
(575,628)	**Total current liabilities**		**(734,848)**
	Long term		
(7,317)	Long-term creditors	Note 28	(1,269)
(108,988)	Long-term provisions	Note 29	(91,920)
(200,696)	Long-term borrowing	Note 21a	(237,616)
(722,126)	Other long-term liabilities	Note 30	(577,597)
(101,890)	Capital receipts in advance	Note 13	(100,274)
(1,141,017)	**Long-term liabilities**		**(1,008,676)**
2,598,080	**Net assets**		**2,815,103**
(1,264,378)	Total Usable Reserves	Note 15	(1,104,409)
(1,333,702)	Total Unusable Reserves	Note 16	(1,710,694)
(2,598,080)	**Total Reserves**		**(2,815,103)**

Cash Flow Statement

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

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

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

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

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

2020/21		Note	2021/22
£'000			**£'000**
12,160	Net (surplus)/deficit on the provision of services		(30,192)
(201,332)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	Note 32	(124,067)
122,059	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	Note 32	157,549
(67,113)	**Net Cash Flows from Operating Activities**		**3,290**
(233,787)	**Net Cash Flows from Investing Activities**	Note 33	**261,689**
256,020	**Net Cash Flows from Financing Activities**	Note 34	**(249,575)**
(44,880)	**Net (increase)/decrease in cash and cash equivalents**		**15,404**
35,522	Cash and cash equivalents at the beginning of the reporting period		80,402
80,402	**Cash and cash equivalents at the end of the reporting period**		**64,998**

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Notes to the Accounts

Note 1 Accounting Policies

GENERAL PRINCIPLES

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2021/22, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS)
- the Service Reporting Code of Practice 2021/22 (SeRCoP)

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	Measurement Basis in the Balance Sheet
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 31)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Statement of Accounts has been adjusted to reflect events after 31 March 2022 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.
- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

ASSET RECLASSIFICATION

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

In certain cases, a property might be used for a combination of investment and operational purposes. In these instances, the Council will split the valuation of the property between PPE and Investment and reflect this in the accounts.

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.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

Legislation permits 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 Capital Financing disclosure at Note 24.

ROUNDING

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

Note 1 Accounting Policies (continued)

SCHOOLS

Local authority-maintained schools are considered to be under the control of the Council. Consequently, the income, expenditure, assets and liabilities of maintained schools are accounted for in the single entity accounts of the Council. The schools fall into the following categories:

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

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

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.

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 (HMRC). 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 and will be adopted in 22/23:

- IFRS 1 First-time adoption will be amended in relation to foreign operations. The council does not have foreign operations so will not be impacted.
- IAS 37 Onerous contracts will be amended to clarify the intention but will not have a material impact.
- IAS 41 Agriculture will be amended but does not impact an urban local authority
- IAS 16 Property, Plant and Equipment will be altered to require sales proceeds to be recognised as income before one of these assets are in use rather than deducted from cost. As rent received while schemes are in development is already recognised as income rather than a cost reduction, this change is unlikely to have a significant impact.

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 situations that are otherwise uncertain. Estimates are made using 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Items	Uncertainties	Consequences if actual results differ from assumptions
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 2022 for approximately 20% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indexes and inputs that must be used to applying valuations, which are updated monthly. 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 £75m. 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 operational assets subject to potential revaluation is £746 million.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This includes lease profile, tenant covenant, rent status and location. 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. At the current time, it is not possible to accurately predict the longevity and severity of the economic uncertainty. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However, where observable data has changed in the weeks following 31 March 2022 asset values have been reviewed and adjusted accordingly.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If investment property value were to reduce by 10%, this would lead to a £46m reduction. This would impact the Council's CIES Surplus/Deficit.

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

Items	Uncertainties	Consequences if actual results differ from assumptions
Valuation of HRA Dwellings	The HRA residential portfolio is valued based on a beacon methodology, with EUV-SH (social housing) factor applied. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.	A reduction in the estimate value of HRA dwellings would be revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £167m. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.
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 Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to be applied. Please note during the 2021/22 financial year the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson. Therefore, the next valuation, as at 31 March 2022, will be undertaken by Hymans Robertson.	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 real discount rate will increase the net pension liability by £34m; A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £29m; An increase of one year in longevity will increase the net pension liability by £75m.
Business Rates	The Council makes an allowance in its collection fund for a reduction in rateable value for businesses that follow the Check, Challenge and Appeal process for their business rates liability. Westminster did experience very high levels of appeals against the 2010 revaluation of business hereditaments when average rateable values rose by 62% across the City. Most of the appeals have been resolved with a residual number outstanding with the Valuation Office Agency. In addition, the 2017 revaluation saw average rateable values rise by 17%. At the same time the check, challenge, appeal process was introduced. The Collection Fund currently holds over £400m appeals provision to counter the potential impact of successful appeals in future years.	The Council's overall financial losses are protected by the government with any variance to the Council's assumptions being offset by the safety net payment entitlement which will be distributed as determined by central government. The Council would lose no more than c£7m in retained business rates income when in safety net.

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 debt	As at 31 March 2022, the Council had an outstanding balance of short-term debtors totalling £491m. Against this debtors' balance, there is an impairment allowance of £112m. 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. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	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 historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. 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 31 March 2022 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 £0.62m on the EUV-SH of £62m

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 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 interests in Westminster Community Homes Ltd and Westminster Housing Investments Ltd are material to the Council's overall financial position and therefore have been consolidated within the Council's group accounts.
- 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:
    - Recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rests with the Council; and
    - 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.
- The Council normally collects approximately net £2.4bn in business rates. However, following the pandemic and supports announced by government we expect to collect only £2.0bn this year. We are monitoring our bad debt provision closely. 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, especially now that many businesses will be challenging their RV rates due to the current crises. 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. The council also uses consultants to assist in preparing the required appeals provision and determine a prudent level of provision.

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 2021/22 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.

2020/21		2021/22
£'000		**£'000**
2,516	Levies	2,578
2,397	Payments to the Government Housing Capital Receipts Pool	4,204
(38,070)	(Gains)/losses on the disposal of non-current assets	(20,012)
(11)	Other income	(202)
(33,168)	**Total**	**(13,432)**

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.

2020/21		2021/22
£'000		**£'000**
9,289	Interest payable and similar charges	8,536
14,111	Net interest on the net defined benefit liability (asset)	13,720
(6,475)	Interest receivable and similar income	(5,792)
1,099	Net (gains)/losses on financial assets at fair value through profit and loss	(1,353)
6,544	Income and expenditure in relation to investment properties and changes in their fair value	(19,316)
24,568	**Total**	**(4,205)**

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.

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2020/21		2021/22
£'000		**£'000**
(60,520)	Council Tax Income	(61,885)
(172,886)	Non-Domestic Rates income*	279,113
444,355	WCC share of NNDR Collection fund deficit/(surplus)*	(130,733)
(449,636)	Non-ringfenced government grants*	(282,960)
(50,593)	Capital grants and contributions	(112,005)
(289,280)	**Total**	**(308,470)**

* The large NNDR debit is mainly due to the increase in our share of deficit to £333m arising from loss of business rate income following Covid-19. This is offset by an increase in non-ringfenced government grants, specifically section 31 grant, to compensate for this loss

Note 8 Expenditure and Funding Analysis

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

Table A

		2020/21 (restated) for further detail please refer to Note 41				2021/22
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis (see Table D)**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis (see Table D)**	**Net Expenditure in the CIES**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
(23,831)	(87,597)	63,766	Finance and Resources	(2,215)	(75,606)	73,391
21,071	15,754	5,317	Innovation and Change	11,267	(38)	11,305
60,349	(8,878)	69,227	Adult Services	59,799	(920)	60,719
54,788	(3,022)	57,810	Children's Services	54,148	(4,712)	58,860
47,149	(30,001)	77,149	Environment & City Management	17,055	(32,296)	49,351
31,946	(4,823)	36,769	Growth, GF-Housing and Planning	34,665	(7,624)	42,289
191,472	**(118,567)**	**310,038**	**Net Cost of Services**	**174,719**	**(121,196)**	**295,915**

Note 8 Expenditure and Funding Analysis (continued)

Table B

		2020/21 (restated)				**2021/22**
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**
(23,435)	9,732	(33,167)	Other Operating Income and Expenditure	5,033	18,465	(13,432)
41,845	17,277	24,568	Financing and Investment Income and Expenditure	8,807	13,012	(4,206)
(698,976)	(409,696)	(289,280)	Taxation and Non-Specific Grant Income and Expenditure	(65,732)	242,738	(308,470)
(489,094)	**(501,255)**	**12,159**	**Surplus or Deficit on the Provision of Services**	**122,827**	**153,019**	**(30,192)**

Note 8 Expenditure and Funding Analysis (continued)

Table C

2020/21 (restated)				2021/22		
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**
(63,312)	3,880	(59,432)	General Fund Balance. For further detail, please refer to Note 41 – Prior Period Adjustment	(59,432)	2,044	(57,388)
(17,365)	(2,017)	(19,382)	Housing Revenue Account Balance	(19,382)	1	(19,381)
(80,677)	1,863	(78,814)	Sub-Total General Fund and Housing Revenue Account Balance	(78,814)	2,045	(76,769)
(301,066)	(489,760)	(790,826)	General Fund Earmarked Reserves. For further detail, please refer to Note 41 – Prior Period Adjustment	(790,826)	121,680	(669,146)
(1,748)	(1,199)	(2,947)	Schools Reserves	(2,947)	(895)	(3,842)
(302,814)	(490,959)	(793,773)	Sub-Total Earmarked and Schools Reserves	(793,773)	120,785	(672,988)
(383,491)	(489,096)	(872,587)	Total Reserves	(872,587)	122,830	(749,757)

Note 8 Expenditure and Funding Analysis (continued)

Table D

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

2020/21					2021/22			
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**
(55,284)	(9,651)	37	(64,897)	Finance and Resources	(19,804)	(54,779)	(1,023)	(75,606)
15,754	-	-	15,754	Innovation and Change	(38)	-	-	(38)
(8,878)	-	-	(8,878)	Adults' Services	(920)	-	-	(920)
(3,022)	-	-	(3,022)	Children's Services	(3,545)	-	(1,167)	(4,712)
(30,001)	-	-	(30,002)	Environment and City Management	(32,296)	-	-	(32,296)
(4,722)	-	(101)	(4,823)	Growth, GF-Housing and Planning	(7,551)	-	(73)	(7,624)
(86,153)	**(9,651)**	**(64)**	**(95,868)**	**Net Cost of Services**	**(64,154)**	**(54,779)**	**(2,263)**	**(121,196)**
9,732	-	-	9,732	Other Operating Income and Expenditure	18,465	-	-	18,465
18,297	-	(1,020)	17,277	Financing and Investment Income and Expenditure	11,556	-	1,457	13,013
34,659	-	(444,355)	(409,697)	Taxation and Non-Specific Grant Income and Expenditure	112,005	-	130,733	242,738
(23,466)	**(9,651)**	**(445,439)**	**(478,556)**	**Difference Between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**77,873**	**(54,779)**	**129,925**	**153,019**

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 which is charged to the Comprehensive Income and Expenditure Statement.

Benefits paid during employment
Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in 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 below:

2020/21 (Restated)		2021/22
£'000		£'000
260,518	Employee Benefits Expenses	199,878
1,197,961	Other Service Expenses	818,665
23,400	Interest Payments	8,536
2,397	Payments to Housing Capital Receipts Pool	4,204
	Repayment of prior year Collection fund deficit	202,785
2,516	Precepts and Levies	2,578
77,515	Depreciation, Amortisation and Impairments	84,083
1,564,307	Total Expenditure	1,320,729
(909,403)	Government Grants and Contributions	(795,703)
(364,794)	Fees, Charges and Other Service Income	(410,670)
(233,406)	Income from Council Tax, Non-Domestic Rates, District Rate Income	(116,290)
(38,070)	Gains on the Disposal of Assets	(22,467)
(6,474)	Interest and Investment Income	(5,792)
(1,552,147)	Total Income	(1,350,922)
12,160	**Surplus on the Provision of Services**	**(30,193)**

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The Council's Fees, Charges and Other Service Income is analysed by type in the table below:

2020/21	Fees, Charges and Other Service Income	2021/22
£'000		£'000
(159,812)	Rent	(162,531)
(67,163)	Parking Income	(94,758)
(5,010)	Planning Application Fees	(4,920)
(6,034)	Schools Income	(6,775)
(7,684)	Commercial Waste	(13,164)
(8,644)	Road Management	(10,632)
(110,447)	Other Income	(117,889)
(364,794)	**Total Income**	**(410,669)**

Benefits paid during employment
Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

Note 9 Section 75

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.

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Gross expenditure incurred by the Council under the section 75 agreement was £9.834m in 2021/22 (£8.657m in 2020/21). Gross income received was £9.834m in 2021/22 (£8.657m in 2020/21). The reduction between the two financial years is due to changes in the scope of the Better Care Fund programme.

		2020/21				2021/22
WCC	CCGs	Total	s.75	WCC	CCGs	Total
£000s	£000s	£000s		£000s	£000s	£000s
-	3,747	3,747	Better Care Fund Lead Commissioning	-	4,007	4,007
-	4,910	4,910	Non – Better Care Fund	-	5,827	5,827
-	**8,657**	**8,657**	**Total**	**-**	**9,834**	**9,834**

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

Note 10a Senior Officers’ Remuneration

Remuneration disclosures for Senior Officers whose salary is £150,000 or more per year/statutory post/reports directly to Head of Paid Service (HoPS).

2020/21	Salary, Fees and Allowances*	Private Health Insurance / Benefits in Kind	Pension Contributions	Election Expenses	Expenses	Compensation for Loss of Office	Total
	£	£	£	£	£	£	£
Chief Executive - S Love	217,545	-	53,516	-	-	-	271,061
Executive Director of Finance Resources - G Almeroth	173,859	-	56,247	-	502	-	230,608
Executive Director Growth, Planning and Housing - Ex	19,909	-	(4,995)	-	-	-	14,914
Executive Director Growth, Planning and Housing - D Jackson	116,687	-	29,083	-	-	-	145,770
Bi Borough Executive Director of Adults Social Care & Public Health - B Flaherty	182,319	2,795	45,538	-	-	-	230,652
Executive Director of City Management & Communities - Ex	87,188	1,008	21,695	-	-	-	109,891
Executive Director of Environment & City Management - R Mistry	85,452	-	21,021	-	-	-	106,473
Bi-Borough Executive Director of Children's Services - S. Newman	156,156	-	38,414	-	-	-	194,570
Executive Director of Policy, Performance and Communications - Ex	13,727	106	3,403	-	-	101,455	118,691
Interim Executive Director of Innovation & Change - Ex	106,218	-	-	-	-	-	106,218
Executive Director of Innovation & Change - P Wrobel	56,279	-	13,902	-	-	-	70,181
Her Majesty's Coroner - Inner West London - F Wilcox	166,898	-	41,757	-	-	-	208,655
Bi-Borough Interim Director of Public Health - Ex	118,944	-	-	-	-	-	118,944
Bi-Borough Interim Director of Public Health - R Styles	201,427	-	-	-	-	-	201,427
Bi-Borough Director of Public Health	58,120	447	16,615	-	-	-	75,182
Director of Law - T Shawkat	137,307	3,076	34,534	67	-	-	174,984
Director of People Services - L. Witham	157,750	2,647	39,457	-	-	-	199,854
Total	**2,055,785**	**10,079**	**410,187**	**67**	**502**	**101,455**	**2,578,075**

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

2021/22	Notes	Salary, Fees and Allowances*	Private Health Insurance / Benefits in Kind	Pension Contributions	Election Expenses	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive – S Love		219,552	-	54,010	3,400	-	-	276,962
Executive Director of Finance Resources – G Almeroth		176,901	-	43,518	3,400	-	-	223,819
Executive Director Growth, Planning and Housing – D Jackson		167,601	-	41,230	-	-	-	208,831
Bi Borough Executive Director of Adults Social Care & Public Health – B Flaherty	A	178,901	2,515	44,628	-	-	-	226,044
Executive Director of Environment & City Management – R Mistry		158,889	-	39,087	-	-	-	197,976
Bi-Borough Executive Director of Children's Services – S. Newman	B	167,601	-	41,230	-	-	-	208,831
Executive Director of Innovation & Change – P Wrobel		167,601	1,829	41,795	-	270	-	211,495
Her Majesty's Coroner – Inner West London – F Wilcox	C	169,323	4,456	42,258	-	-	-	216,037
Director of Public Health	D	139,710	2,379	35,046	-	141	-	177,276
Director of Law – T Shawkat	E	80,096	1,630	20,104	3,400	-	-	105,230
Director of People Services – L. Witham		155,246	2,379	38,776	-	-	-	196,401
Total		**1,781,421**	**15,188**	**441,682**	**10,200**	**411**	**-**	**2,248,902**

* Salary, Fees and Allowances include elements such as market forces supplement, honorarium.

A) The Bi-Borough Executive Director of Adult Social Care & Public Health 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.

B) 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.

C) 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-2019 population per Borough is 28.0% Westminster, 21.5% Merton, 16.3% RBKC and 34.2% Wandsworth

D) 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 and Westminster City Council. The share was 44% RBKC, 56% WCC.

E) The post holder ceased on 01 November 2021. However, the post was covered by LeVerne Parker and Hazel Best within Legal Team for the interim period, until a new Director was appointed in April 2022.

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:

No of Employees 2020-21		No of Employees 2021-22
233	£50,000 - £54,999	232
189	£55,000 - £59,999	168
104	£60,000 - £64,999	147
63	£65,000 - £69,999	79
40	£70,000 - £74,999	36
34	£75,000 - £79,999	32
24	£80,000 - £84,999	35
24	£85,000 - £89,999	24
14	£90,000 - £94,999	17
14	£95,000 - £99,999	16
6	£100,000 - £104,999	9
4	£105,000 - £109,999	6
7	£110,000 - £114,999	5
4	£115,000 - £119,999	6
1	£120,000 - £124,999	2
1	£125,000 - £129,999	4
2	£130,000 - £134,999	0
1	£135,000 - £139,999	1
4	£140,000 - £144,999	2
1	£145,000 - £149,999	4
770	**Total**	**825**

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:

2020/21					2021/22			
(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
18	-	18	114	£0 - £20,000	46	-	46	413
7	-	7	214	£20,001 - £40,000	11	-	11	267
1	-	1	51	£40,001 - £60,000	2	-	2	104
-	-	-	-	£60,001 - £80,000	2	-	2	153
-	-	-	-	£80,001 - £100,000	1	-	1	89
1	-	1	101	£100,001 - £150,000	-	-	-	-
-	-	-	-	£150,001 - £200,000	-	-	-	-
-	-	-	-	£300,001 - £350,000	-	-	-	-
27	**-**	**27**	**480**	**Total**	**62**	**-**	**62**	**1026**

The Council terminated the contracts of 62 employees in 2021/22. Of the total payment of £1.026m, there were no enhancements of retirement benefits.

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.

Note 10e Members' Allowances

The Council paid allowances to its members of £0.975m in 2021/22 (£0.988m in 2020/21).

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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 to non-audit services provided by the Council's external auditors:

2020/21		2021/22
£'000		**£'000**
143	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	147
-	Fees payable in respect of other services provided by external auditors during the year relating to 18/19 Audit	58
36	Fees payable to external auditors for the certification of grant claims and returns for the year	29
8	Fees payable in respect of Teacher's Pension audit	8
5	Fees payable in respect of audit of pooling of capital receipts	5
192	**Total**	**247**

Note 12 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

Details of the Schools Budget funded by DSG receivable for 2021/22 are as follows:

	Central Expenditure	Individual Schools Budget	Total 2021/22	Total 2020/21
	£'000	£'000	£'000	£'000
Final DSG before Academy Recoupment	-	-	168,499	160,678
Academy figure recouped	-	-	(79,323)	(74,044)
Total DSG after Academy recoupment	**-**	**-**	**89,176**	**86,634**
	-	-		
Plus: Brought forward	-	-	2,386	2,382
Less: Carry forward projected	-	-	(2,386)	(2,382)
Agreed initial budgeted distribution	**27,484**	**61,692**	**89,176**	**86,634**
	-	-		
In year adjustments - EY 2020/21 Post-Year Adjustment (3/4 Year-Olds)	-	(130)	(130)	-
In year adjustments - EY 2020/21 Post-Year Adjustment (2 Year-Olds)	-	4	4	-
In year adjustments - EY 2020/21 Post-Year Adjustment (MNS)	-	(54)	(54)	-
In year adjustments - EY 2019/20 redistribution	-	(231)	(231)	-
Final budgeted distribution	**27,484**	61,281	88,765	86,634
	-	-		
Less Actual central expenditure	(30,111)	-	(30,111)	(25,025)
Less Actual ISB deployed to schools	-	(62,207)	(62,207)	(61,605)
(Drawdown from)/Contribution to DSG Reserve	-	-		
Estimated Carry Forward to 2022/23	(2,627)	**(926)**	(3,553)	4
Total	-	-	(1,167)	2,386

Note 13 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met. The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

2020/21	Credited to Taxation and Non-Specific Grant Income	2021/22
£'000	**Non-Ringfenced Government Grants (Revenue)**	**£'000**
(361,845)	Section 31 Grant & Safety Net Payments*	(227,285)
(30,119)	Revenue Support Grant	(30,285)
(20,010)	Covid 19 Grant	(10,432)
(6,237)	New Homes Bonus	(6,429)
(3,417)	Collection Allowance – Business Rates and Business Rates Supplement	(3,498)
(28,008)	Local government income compensation scheme for lost sales, fees and charges	(2,420)
-	Lower Tier Grant	(1,577)
-	Local council tax support schemes grant	(1,034)
(449,636)	**Sub-Total**	(282,960)

Note 13 Grant Income (continued)

2020/21	Credited to Services	2021/22
£'000		**£'000**
(183,606)	Housing Benefits Subsidy	(174,683)
(86,635)	Dedicated Schools Grant	(88,765)
(31,593)	Public Health Grant	(32,413)
(17,130)	Improved Better Care Funding Programme	(17,130)
(17,738)	Better Care Funding - Clinical Commissioning Group element	(13,460)
(9,155)	Social Care Support Grant	(13,003)
(9,140)	Homelessness Grants	(12,173)
(7,635)	Education and Skills Funding Agency Grant	(8,258)
(5,561)	Unaccompanied Asylum Seeking Children (UASC) Grant	(4,803)
(3,832)	Pupil Premium Grant	(3,289)
-	Winter Pressures Grant	(1,518)
(1,466)	Discretionary Housing Payments Grant	(1,224)
(1,312)	Housing Benefit Subsidy Administration Grant	(1,240)
(1,455)	Cross River Partnership	(1,030)
(840)	DWP Grants	(632)
(2,571)	S106 Contributions	(344)
(2,485)	DFE Teachers Pay Grant & Teachers' Pensions Employment Contributions Grant	(275)
(11,118)	Other Government Grants*	(10,709)
(189)	Other Non-Government grants and contributions	(43)
(393,461)	**Sub-Total**	**(384,992)**

* Other Government Grants in 2021/22 consist of smaller grants, none of which individually are over £1m.

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Note 13 Grant Income (continued)

2020/21	Credited to Services – Covid Related	2021/22
£'000		£'000
(2,703)	Homelessness	(3,960)
(4,129)	Contain Outbreak Management Fund (COMF)	(3,911)
(912)	Next Steps Accommodation Programme	(809)
(2,891)	LA Test and Trace Service Support Grant	-
(5,078)	Other Government Grants	(7,064)
(15,713)	**Sub-Total**	**(15,744)**
(858,810)	**Total**	**(683,696)**

2020/21	Covid Related (Agency)	2021/22
£'000		£'000
(100,878)	Business Support Grants (Covid-19)	-
(65,565)	Closed Business Lockdown Grant	-
(32,783)	Local Restrictions Support Grant (Addendum)	-
(3,905)	Local Authority Discretionary Grants Fund	-
(7,548)	Additional Restrictions Grant	(11,314)
(30,515)	Local Restrictions Support Grants (Closed) Addendum	-
(1,288)	ASC Infection Control	(3,701)
-	Restart Grant	(73,434)
(3,805)	Business Grant Schemes Assurance	-
(3,820)	Local Restrictions Support Grants (Open)	-
(14,029)	Round 2 LRSG (Closed Addendum)	-
(44)	Other Government Grants	-
-	Household Support Fund	(1,952)
-	Omicron Hospitality and Leisure Grant	(14,124)
(264,180)	**Total**	**(104,525)**

Note 13 Grant Income (continued)

2020/21	Capital Grants and Contributions	2021/22
£'000		
(7,497)	S106 Contributions - Affordable Housing Fund General Fund	(44,867)
(20,141)	Community Infrastructure Levy	(28,222)
-	Public Sector Decarbonisation Scheme (BEIS) Grant	(11,511)
(5,878)	S278 Contributions	(10,690)
(1,847)	DfE Grants	(4,041)
(8,640)	GLA Contributions	(3,904)
(2,958)	Transport for London Grants	(1,779)
(1,189)	Disabled Facilities Grant	(1,270)
(1,234)	Utilities Company contribution to Planned Maintenance	-
(1,209)	Other Capital Grants & Contributions	(5,720)
(50,593)	**Total**	**(112,004)**

Note 13 Grant Income (continued)

2020/21	Capital Grants Receipts in Advance (Non-Current)	2021/22
£'000		**£'000**
(78,683)	S106 / S278 Contributions	(84,639)
(2,065)	GLA Regeneration Grant	(3,645)
-	St Marylebone Bridge Special School (SMBSS)	(2,954)
(342)	Basic Need Grant	(2,552)
(12,999)	Department for Business, Energy and Industrial Strategy	(1,316)
(1,125)	London Business Rates Pool Strategic Investment	(1,060)
-	High Needs	(1,040)
-	Disabled Facilities Grant	(861)
(1,290)	Special Provision Capital Fund (DfE)	(444)
(2,252)	Affordable Housing Fund	-
(3,127)	Other Government Grants	(1,763)
(7)	Other Grants and Contributions	-
(101,890)	**Total**	**(100,274)**

2020/21	Revenue Grants and Contributions Receipts in Advance (Current)	2021/22
£'000		**£'000**
-	CARF Grant	(26,614)
-	Metro Wireless Grant	(9,633)
(4,468)	Housing Benefit Subsidy	(2,710)
-	Afgan Grant	(2,617)
(2,180)	Contain Outbreak Management Fund (Covid)	(861)
(3,409)	Other Government Grants	(3,637)
(586)	Other Non Government Grants and Contributions	(3,286)
(10,643)	**Total**	**(49,358)**

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Note 14 Agency Services

2020/21	2020/21		2021/22	2021/22
£'000	**£'000**		**£'000**	**£'000**
		Transport for London		
(61)		Contributions	(367)	
68		Expenditure	373	
	7	(Surplus)/ Deficit		7
		Inner West London Coroner's District		
(1,239)		Contributions	(1,238)	
1,704		Expenditure	1,711	
	465	(Surplus)/ Deficit		473
		Collection of Mayoral CIL		
(8,698)		Contributions	(12,899)	
	(348)	Proportion retained by WCC		(516)
	124	**Net Surplus**		**(36)**

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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. In 2021/22 £0.373m of works were approved for funding via TFL portal.

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 £1.711m of expenditure was incurred by the Coroners Service towards which contributions were received or accrued totalling £1.238m from the other three local authorities this year. The balance of £0.473m is Westminster's contribution to the service.

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 - £80 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 2021/22, Mayoral CIL contributions of £12.899m is forecast to be received, the balance of £0.516m is retained by Westminster to cover administrative costs.

4.2. Notes Supporting the Movement in Reserves Statement

Note 15 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:

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	Minimum revenue provision (MRP) to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Investment Properties	Movements in fair value	Minimum revenue provision (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 2021/22	Minimum revenue provision (MRP) to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2021/22 or were received in 2021/22 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2022) Capital Adjustment Account (other amounts)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2021/22 Losses on soft loans granted in 2021/22 and interest receivable in 2021/22 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 2021/22	Financial Instruments Adjustment Account
Pooled Investments	Movements in the fair value of pooled investment funds	Historical cost gains/losses for money market fund investments disposed of in 2021/22	Pooled Investment Funds Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities (see Note 31)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2021/22	Pensions Reserve
Council Tax	Accrued income from 2021/22 bills	Demand on the Collection Fund for 2021/22 plus share of estimated surplus for 2020/21	Collection Fund Adjustment Account
Business Rates	Accrued income from 2021/22 bills	Budgeted income receivable from the Collection Fund for 2021/22 plus share of estimated surplus for 2020/21	Collection Fund Adjustment Account
Dedicated Schools Grant	Expenditure incurred in 2021/22 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount receivable for 2021/22	Dedicated Schools Grant Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2022	No charge	Accumulated Absences Adjustment Account

Note 15 Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

2020/21	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	(1,070)	49	-	-	-	1,021	Financial Instruments Adjustment Account / Financial Instruments Revaluation Reserve
· Pensions costs	(32,351)	-	-	-	-	32,351	Pensions Reserve
· Council tax	(444,355)	-	-	-	-	444,355	Collection Fund Adjustment Account
· Holiday pay	37	(101)	-	-	-	64	Accumulated Absences Account
· Capital expenditure	(41,879)	15,036	(63,919)	(24,608)	(18,492)	133,862	Capital Adjustment Account
Capital and Revenue Financing							
Resources set aside for capital financing	(1,732)	-	60,796	24,608	76,615	(160,288)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,396)	1,224	1,171	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	(588)	6,868	(147)	-	-	(6,132)	Deferred Capital Receipts
Total adjustments	**(524,334)**	**23,077**	**(2,099)**	**-**	**58,123**	**445,233**	

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

Note 15 Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

2021/22	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	1,380	77	-	-	-	(1,457)	Financial Instruments Adjustment Account
· Pensions costs	(54,779)	-	-	-	-	54,779	Pensions Reserve
· Collection Fund	130,733	-	-	-	-	(130,733)	Collection Fund Adjustment Account
· Holiday pay	(1,022)	(73)	-	-	-	1,095	Accumulated Absences Account
· Capital expenditure	24,045	7,298	(45,382)	(25,842)	(61,388)	101,268	Capital Adjustment Account
· DSG Deficit	(1,167)	-	-	-	-	1,167	DSG Reserve
Capital and Revenue Financing	-	-	-	-	-	-	
Resources set aside for capital financing	43,917	6,700	58,626	25,842	81,194	(216,278)	Capital Adjustment Account
Use of capital receipts for revenue purposes	-	(4,250)	4,250	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	-	163	(158)	-	-	(5)	Deferred Capital Receipts
Total adjustments	**143,106**	**9,915**	**17,336**	**-**	**19,806**	**(190,162)**	

*Details of movements in unusable reserves are in Note 16.

Note 16 Unusable Reserves

			Adjustments between Accounting and Funding Basis			
Unusable Reserves	**Opening Balance 1 April 2020**	**Other Comprehensive Income and Expenditure 2020/21**	**Adjustments to Revenue Resources**	**Capital and Revenue Financing**	**Other Movements**	**Closing Balance 31 March 2021**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revaluation Reserve	(499,673)	(5,456)	-	-	14,688	(490,441)
Financial Instruments Revaluation Reserve	2,517	-	-	-	-	2,517
Financial Instruments Adjustment Account	763	-	1,021	-	-	1,784
Pensions Reserve	624,790	70,502	32,351	-	-	727,643
Collection Fund Adjustment Account	(24,360)	-	444,355	-	-	419,995
Accumulated Absences Account	1,851	-	64	-	-	1,915
Capital Adjustment Account	(1,947,156)	-	133,862	(160,288)	(14,688)	(1,988,270)
Deferred Capital Receipts	(2,712)	-	-	(6,132)	-	(8,844)
Total	**(1,843,980)**	**65,046**	**611,653**	**(166,420)**	**-**	**(1,333,701)**

Note 16 Unusable Reserves (continued)

Unusable Reserves	Opening Balance 1 April 2021	Other Comprehensive Income and Expenditure 2021/22	Adjustments between Accounting and Funding Basis: Adjustments to Revenue Resources	Adjustments between Accounting and Funding Basis: Capital and Revenue Financing	Other Movements	Closing Balance 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(490,441)	(65,914)	-	-	9,246	(547,109)
Financial Instruments Adjustment Account	2,517	-	-	-	-	2,517
Financial Instruments Revaluation Reserve	1,784	-	(1,457)	-	-	327
Pensions Reserve	704,943	(120,914)	54,779	-	-	638,808
Collection Fund Adjustment Account	442,695	-	(130,733)	-	-	311,962
Accumulated Absences Account	1,914	-	1,095	-	-	3,009
Capital Adjustment Account	(1,988,270)		101,268	(216,278)	(9,246)	(2,112,526)
Deferred Capital Receipts	(8,844)	-	-	(5)	-	(8,849)
Dedicated Schools Grant Reserve*	-	-	1,167	-	-	1,167
Total	**(1,333,702)**	**(186,828)**	**26,119**	**(216,283)**	**-**	**(1,710,694)**

*The DSG reserve deficit is £1.167m as at 31st March 2022. This is a decrease of £3.556m from the £2.386m surplus as at 31st March 2021 due to a net in year overspend due to the significant and increased spend pressures in the High Needs Block, which relates to children with Special Educational Needs and Disabilities (SEND), as well as school restructures. The Council's Deficit Management Plan is currently being prepared.

The DSG deficit has been disclosed as a statutory unusable reserve in note 16. The Council has not sought permission from the Secretary of State for Education to fund the deficit from general resources. The accumulated DSG deficit will be carried forward and recovered from future years DSG settlements, rather than from wider General Fund reserves.

Note 17 Transfer to/from Earmarked 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.

Earmarked Reserves	31 March 2021	Reclassification	Transfers Out	Transfers In	31 March 2022
	£'000	£'000	£'000	£'000	£'000
Adults Services Reserve	(12,946)	12,552	-	(3,606)	(4,000)
Business Rates Risk Reserve 1	(82,948)	-	-	(14,235)	(97,182)
Capital Financing Reserve 2	(71,232)	-	7,559	(61,654)	(102,626)
Children's Reserves	(3,742)	-	930	(272)	(3,084)
Climate Change Reserve	(4,820)	-	533	-	(4,287)
Contract Risk Reserve	(11,179)	(3,552)	-	-	(14,731)
Economy/Inflation Reserve	(14,554)	-	2,013	-	(12,541)
Dedicated Schools Grant	(2,565)	-	2,568	(3)	-
Digital and Innovation Reserve 3	(11,873)	-	1,626	-	(10,247)
Economy and Enterprise Reserve 4	(1,117)	-	316	-	(801)
Housing Benefits Reserve	(1,000)	-	-	-	(1,000)
Infrastructure reserve	(18,604)	-	-	-	(18,604)
Insurance Reserve	(11,927)	-	-	(1,359)	(13,286)
Invest to Save Reserve	(26,983)	-	1,467	-	(25,516)
Learning Skills Council Reserve	(2,518)	-	-	(414)	(2,932)

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Note 17 Transfer to/from Earmarked Reserves (continued)

Earmarked Reserves	31 March 2021	Reclassification	Transfers Out	Transfers In	31 March 2022
My Westminster	(4,782)	-	398	-	(4,384)
Pension Deficit Equalisation Reserve	(9,000)	(3,000)	-	-	(12,000)
Property Reserve	(7,828)	(4,000)	-	-	(11,828)
Public Health Reserve	(5,749)	-	1,074	-	(4,675)
Redundancy and Reorganisation	(5,000)	(2,000)	159	-	(6,842)
Statues Reserves	(706)	-	-	-	(706)
Temporary Accommodation Reserve	(11,278)	-	-	-	(11,278)
Other	(24,125)	-	3,244	(6,468)	(27,350)
Total General Fund Reserves	(346,477)		21,887	(88,010)	(389,901)
Business Rates Deficit Section 31 5	(444,349)		165,103		(279,246)
HRA Earmarked Reserves	-	-	-	-	-
Total Reserves	**(790,826)**	**-**	**186,990**	**(88,010)**	**(669,146)**

1 Business Rates Equalisation Reserve, Business Rates Net Contribution to the pool, timing difference, Economic recession not covered by safety net, recognising s31 grants in future years due to timing difference and smoothing out business rates timing difference have now been regrouped as Business Rates Risk Reserve

2 MRP Equalisation Reserve has been re-grouped/named as Capital Financing Reserve. Due to a Prior Period Adjustment the opening Balance of this reserve has now been restated. For further information on this, please refer to Note 41 - Prior Period Adjustment: Pension Liability

3 Smart City Reserve has been re-grouped/named as Digital and Innovation Reserve

4 Covid 19 Reserve and been re-grouped/named as Economy/Inflation Reserve.

5 Business Rates Deficit Section S31 reserve includes £370m S31 grant received (including income compensation paid by government for large loss in business rates income); £57m surplus received in 20/21 but relating to prior years; and £16m safety net payment to bring the council back to its baseline budget. The reserve will be used to mitigate business rates shortfalls in future years. In 2021/22, £165m was used to mitigate business rate shortfalls.

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. CCGs were replaced with Integrated Care Systems in 2022.

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

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

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

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

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

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

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

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

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

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

The **Children's Services Reserve** supports 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.

The **Corporate Risk Reserve** is to protect the Council against the risk of external factors such as economic shocks and other potential national issues or crises.

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

At 31 March 2022, 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 amounting to £1m or more are as follows and equivalent figures have been provided for 31 March 2021:

31 March 2021 (Restated)		31 March 2022
£'000		**£'000**
16,660	Axis - Southern area maintenance.	50,000
60,000	United Living - Northern area maintenance.	50,000
30,299	FM Conway - Various Public Realm Schemes.	36,324
19,800	Oakray - Citywide electrical services.	16,500
14,532	Precision Lifts - Citywide lift maintenance.	12,110
11,700	GEM - Citywide mechanical services.	9,750
6,000	Effectable - Citywide property adaptations.	4,000
-	Vital Energi - Citywide carbon management programme.	3,131
158,991	**Non-housing capital commitment total**	**181,815**
3,928	Multiple suppliers – Ebury*	111,673
2,465	Wilmott Dixon construction Ltd - 300 Harrow road.	38,285
34,381	Geoffrey Osbourne Ltd - Ashbridge, Ashmill & Cosway Street.	17,428
18,494	United Living Ltd - Lisson Arches.	8,654
-	Wates Construction Ltd - Luxborough.	7,673
10,502	Phillip Pank Partnership - West End Gate.	-
5,429	Geoffrey Osbourne Ltd - Parsons North.	-
1,766	Neilcott Contruction Ltd - Lanark Road.	-
76,956	**Housing capital commitment total.**	**183,713**
235,955	Total	**365,528**

*Ebury Main contract started on site September 2021

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 with the remainder indexed where possible. Sanderson Weatherall undertook valuations on behalf of the Council in 2021/22 for operational property and investment property. HRA stock was valued at 31 March 2022. Heritage assets were valued on an insurance basis in 2019/20.

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Investment Property	Heritage Assets	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at Historic Cost and at depreciated historic cost	-	-	27,808	-	-	23,155	527,991	30,211	609,165
Different Valuations are applied to different asset classes.									
31st March 2022	1,667,069	94,924	569,734	462,801	-	-	-	-	2,794,528
31st March 2021	-	3,968	25,967	-	-	-	-	-	29,935
31st March 2020	-	-	15,333	-	44,578	-	-	-	59,911
31st March 2019	-	1,049	6,453	-	-	-	-	-	7,502
31st March 2018	-	-	3,594	-	-	-	-	-	3,594
Total Cost or Valuation	**1,667,069**	**99,941**	**648,889**	**462,801**	**44,578**	**23,155**	**527,991**	**30,211**	**3,504,635**

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 Chartered Surveyors (RICS).

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

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.

Where an asset is material and has major components whose cost is significant to the total

Note 18c Property, Plant and Equipment (continued)

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.

Infrastructure Assets

Infrastructure assets are measured on a depreciated historical cost basis. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

Note 18c Property, Plant and Equipment – Closing Balances

	31st March 2021	31st March 2022
	£'000	**£'000**
Infrastructure Assets	295,723	328,883
Other PPE Assets	2,485,503	2,685,431
Total PPE Assets	**2,781,226**	**3,014,314**

Note 18c Infrastructure Assets – Movement of Balances

	2020/21	2021/22
	£'000	**£'000**
At 1 April	265,239	295,723
Additions	60,503	66,933
Depreciation	(30,202)	(33,773)
Impairments	-	-
Disposals and Decommissioning	-	-
Other Movements	183	-
At 31st March	**295,723**	**328,883**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil.

Note 18c Other Property, Plant and Equipment – Movement of Balances in 2020/21

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction **	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation								
At 1 April 2020	1,549,344	118,957	557,064	40,520	25,101	152,803	2,443,789	14,745
Prior Year Adjustment*	-	-	-	(24,565)	-	-	(24,565)	-
At 1 April 2020 Restated	1,549,344	118,957	557,064	15,955	25,101	152,803	2,419,224	14,745
Additions	64,754	79	25,899	1,372	2,283	83,620	178,007	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(45,531)	(1,298)	18,843	-	-	-	(27,986)	72
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,528)	(744)	(15,199)	-	-	-	(31,471)	-
Derecognition – Disposals	(3,536)	(8,661)	(5,393)	-	-	(7,902)	(25,492)	(8)
Derecognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from assets held for sale	-	-	-	-	-	(11,351)	(11,351)	-
Other movement in Cost or Valuation	12,533	(10,871)	15,908	650	307	(18,869)	(342)	
At 31 March 2021	**1,562,036**	**97,462**	**597,122**	**17,977**	**27,691**	**198,301**	**2,500,589**	**14,809**

*The council has derecognised IT Equipment with a £0 net book value but a £24.565m gross book value. This change does not affect the balance sheet. This prior year adjustment better reflects the timings of these assets ceasing to be used by the council.

**Of the £198.301m balance of AUC Assets at 31 March 2022, £184.527m represents HRA assets under construction and £13.773m represents GF assets under construction.

Note 18c Other Property, Plant and Equipment – Movement of Balances in 2020/21 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1 April 2020	-	(1)	(1)	(30,886)	-	(716)	(31,604)	(5,138)
Prior Year Adjustment*	-	-	-	24,565	-	-	24,565	-
At 1 April 2020 Restated	-	(1)	(1)	(6,321)	-	(716)	(7,039)	(5,138)
Depreciation Charge	(17,364)	(2,774)	(23,129)	(3,718)	-	-	(46,985)	-
Depreciation written out to the Revaluation Reserve	17,364	2,370	13,708	-	-	-	33,442	-
Accumulated Impairment written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	118	2,734	-	-	-	2,852	-
Derecognition - Disposals	-	157	1,408	-	-	716	2,281	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairments	-	(26)	389	-	-	-	363	
At 31 March 2021	-	(156)	(4,891)	(10,039)	-	-	(15,086)	(5,138)
Net Book Value:								
At 31 March 2021	1,562,036	97,306	592,231	7,938	27,691	198,301	2,485,503	9,671
At 31 March 2020	**1,549,344**	**118,956**	**557,063**	**9,634**	**25,101**	**152,087**	**2,412,185**	**9,607**

*The council has derecognised IT Equipment with a £0 net book value but a £24.565m gross book value. This change does not affect the balance sheet. This prior year adjustment better reflects the timings of these assets ceasing to be used by the council.

Note 18c Other Property, Plant and Equipment – Movement of Balances in 2021/22

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction*	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation								
At 1 April 2021	1,562,036	97,462	597,122	17,977	27,691	198,301	2,500,589	14,809
Additions	65,279	407	48,079	3,287	2,520	103,171	222,743	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	24,002	5,536	4,329	-	-	-	33,867	568
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,813)	(508)	(3,037)	-	-	-	(12,358)	-
Derecognition – Disposals	(5,132)	(185)	(3,010)	-	-	-	(8,327)	-
Derecognition – Other	-	-	(805)	-	-	-	(805)	-
Assets reclassified (to)/from assets held for sale	-	-	(2,790)	-	-	(33,768)	(36,558)	-
Other movement in Cost or Valuation	29,697	(2,771)	9,001	1,891	-	(34,811)	3,007	(122)
At 31 March 2022	**1,667,069**	**99,941**	**648,889**	**23,155**	**30,211**	**232,893**	**2,702,158**	**15,255**

*Of the £232.893m balance of AUC Assets at 31 March 2022, £218.171m represents HRA assets under construction and £14.722m represents GF assets under construction.

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Note 18c Other Property, Plant and Equipment – Movement of Balances in 2021/22 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1 April 2021	-	(156)	(4,891)	(10,039)	-	-	(15,086)	(5,138)
Depreciation Charge	(18,093)	(1,471)	(14,164)	(3,886)	-	-	(37,614)	(164)
Depreciation written out on revaluations recognised in the Revaluation Reserve	18,093	1,137	12,817	-	-	-	32,047	164
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	-	219	2,856	-	-	-	3,075	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	30	-	-	-	30	-
Derecognition - Other	-	-	805	-	-	-	805	-
Other Movements in Depreciation and Impairments	-	121	16	(121)	-	-	16	123
At 31 March 2022	-	(150)	(2,531)	(14,046)	-	-	(16,727)	(5,015)
Net Book Value:								
At 31 March 2022	1,667,069	99,791	646,358	9,109	30,211	232,893	2,685,431	10,240
At 31 March 2021	**1,562,036**	**97,306**	**592,231**	**7,938**	**27,691**	**198,301**	**2,485,503**	**9,671**

Note 19 Heritage Assets

The Council's heritage assets fall into two categories:

a) 86 statues and monuments located throughout the city the most notable of which are Cleopatra's Needle and Sphinxes on Victoria Embankment and Shaftsbury Memorial Fountain (commonly known as Eros) at Piccadilly Circus, and

b) A collection of civic regalia, including the Mayor's chain, and works of art comprising 112 paintings largely of past mayors and aldermen of the borough.

The Council's heritage assets have been donated to the Council and its predecessor bodies over the past two centuries. All statues and monuments are accessible to members of the public as they form part of the public realm. The Council's collection of civic regalia and works of art is held at City Hall – access is by application.

	Statues and Monuments (Note a)	Civic Regalia, Works of Art, Trophies and similar (Note b)	Total Assets
	£'000	**£'000**	**£'000**
Balance at 1 April 2021	39,920	4,658	44,578
Revaluations	-	-	-
Balance at 31 March 2022	**39,920**	**4,658**	**44,578**

These assets have historical, artistic or scientific importance and are held primarily for their contribution to art and culture. The valuation has been based upon an Insurance Valuation by Protector Insurance.

Where assets are donated for nil consideration they are recognised at valuation. All heritage assets were valued in 2019/20 on an insurance basis supplemented with a specialist valuation of the collection of civic regalia and works of art. The next valuation is due in 2024/25. 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.

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:

		2020/21				2021/22
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
6,851	29,689	36,540	Rental income from investment property	8,344	31,633	39,977
(1,445)	(9,451)	(10,896)	Direct operating expenses arising from investment property	(1,565)	(12,233)	(13,798)
5,406	**20,238**	**25,644**	**Net gain**	**6,779**	**19,400**	**26,179**

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.

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds.

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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.

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

		2020/21				2021/22
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
150,439	348,943	499,382	Balance at 1 April	137,202	330,184	467,386
			Additions:			
410	1,336	1,746	Subsequent expenditure	1,346	1,591	2,937
(347)	-	(347)	Disposals	-	(3,114)	(3,114)
(12,626)	(19,559)	(32,185)	Net gains/losses from fair value adjustments	(4,448)	(2,415)	(6,863)
			Transfers:			
-	-	-	Assets reclassified (to)/from HRA & GF	(919)	919	-
(674)	(536)	(1,210)	Assets reclassified (to)/from Property, Plant and Equipment	2,025	430	2,455
137,202	**330,184**	**467,386**	**Balance at 31 March**	**135,206**	**327,595**	**462,801**

Please see fair value disclosures in Note 38.

Note 21 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 initially measured at fair value.

Financial Liabilities
Financial liabilities are 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
Financial assets are classified as below:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments of 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 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

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 27 and 28 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31 March 2021 Restated*			31 March 2022	
Long term	**Short term**		**Long term**	**Short term**
£'000	**£'000**		**£'000**	**£'000**
		Fair Value Through Profit and Loss – Financial Assets		
26,384		Investments	27,737	
		Financial assets at amortised cost		
18,230	237,853	Investments	80	383,429
89,957	82,261	Debtors*	132,034	101,164
-	80,402	Cash and Cash Equivalents	-	64,998
134,571	**400,516**	**Total Financial Assets**	**159,851**	**549,591**
		Financial liabilities at amortised cost		
(200,695)	(7,128)	Borrowing	(237,616)	(62,229)
(7,317)	(72,505)	Creditors	(1,269)	(92,857)
(16,025)	(1,182)	Service concession and finance lease liabilities	(15,847)	(1,197)
(224,037)	**(80,815)**	**Total Financial Liabilities**	**(254,732)**	**(156,283)**

*The 2020/21 Debtors balance has been restated to include loans to the Council's subsidiaries, Westminster Housing Investments Ltd and Westminster Community Homes. See Note 27 Debtors for further detail.

The loans were previously excluded as they were interpreted to be an interest in an entity within the group and disclosed elsewhere within the accounts, and consider outside the scope of IFRS 9 Financial Instruments. However, interests refers to investments and equity and not other relationships, in this case a loan. Therefore, the loans need to be treated as a financial asset.

Note 21b Financial Instruments

Income, Expense, Gains and Losses

2020/21				2021/22		
Financial Liabilities Measured at Amortised Cost	**Financial Assets Measured at Amortised Cost**	**Financial Assets Measured at Fair Value through Profit and Loss**		**Financial Liabilities Measured at Amortised Cost**	**Financial Assets Measured at Amortised Cost**	**Financial Assets Measured at Fair Value through Profit and Loss**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
-	-	1,099	Net loss on financial assets at fair value through profit and loss			(1,354)
9,289	-	-	Interest Expense	8,536		
9,289	-	1,099	Total Expense in Surplus/Deficit on the Provision of Service	8,536		(1,354)
-	(6,475)	-	Interest Income		(5,792)	
-	(6,475)	-	Total income in Surplus/Deficit on the Provision of Services		(5,792)	
9,289	**(6,475)**	**1,099**	**Net Gain/(Loss) for the Year**	8,536	(5,792)	(1,354)

Note 21c Financial Instruments (continued)

Fair value of assets and liabilities

Financial liabilities and financial assets classed as financial assets 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 (0.79 – 2.19%) for new borrowing

*The 2020/21 Debtors balance has been restated to include loans to the Council's subsidiaries, Westminster Housing Investments Ltd and Westminster Community Homes. See Note 27 Debtors for further detail.

The loans were previously excluded as they were interpreted to be an interest in an entity within the group and disclosed elsewhere within the accounts, and considered outside the scope of IFRS 9 Financial Instruments. However, interests refers to investments and equity and not other relationships, in this case a loan. Therefore, the loans need to be treated as a financial asset.

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31 March 2021 Restated*			31 March 2022	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
		Fair Value Through Profit and Loss		
26,384	26,384	Investments	27,737	27,737
		Financial Assets Held at Amortised Cost		
256,083	256,674	Investments	383,509	383,509
172,217	174,724	Debtors*	233,198	234,212
80,402	80,402	Cash and Cash Equivalents	64,998	64,998
535,086	538,184	**Total Financial Assets**	709,442	710,456
		Financial liabilities at amortised cost		
		Borrowing		
(136,909)	(164,967)	Public Works Loan Board	(131,469)	(148,376)
(70,914)	(102,246)	Lender Option Borrower Options	(70,814)	(93,361)
-	-	Private Placement Borrowing	(37,547)	(40,181)
-	-	Local Authority	(60,014)	(58,584)
(207,823)	**(267,213)**		**(299,845)**	**(340,502)**
(79,822)	(79,822)	Creditors	(94,126)	(94,126)
(17,207)	(29,255)	Service concession and finance lease liabilities	(17,044)	(25,595)
(304,852)	**(376,290)**	**Total Financial Liabilities**	**(411,015)**	**(460,223)**

Note 22 Cash and Cash Equivalents

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

31 March 2021		31 March 2022
£'000		**£'000**
7,997	Cash held by the Authority	7,080
(5,396)	Cash at bank	(13,596)
77,801	Short-term liquid deposits	71,515
80,402	**Total Cash and Cash Equivalents**	**64,998**

Note 23 Nature and Extent of Risk

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

CREDIT RISK

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

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle, the Council will ensure that:

• it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and

• it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

Credit rating information is supplied by Link Asset Services, the Council's treasury advisors. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

The Council takes into account the following relevant matters when proposing counterparties:

• the financial position and jurisdiction of the institution;

• the market pricing of credit default swaps for the institution;

• any implicit or explicit Government support for the institution;

In respect of the recognition and measurement of anticipated losses on investments held with financial institutions these were third-party tested on investments held at 31st March 2022, however given the high credit rating and low duration of the Council's strategy the amount of expected losses is small at just over £34k.

Note 23 Nature and Extent of Risk (continued)

A summary of the credit quality of the Council's investments at 31 March 2022 is shown below:

31 March 2021			31 March 2022	
Fair Value through Profit & loss	**Amortised Cost**	**Fitch Rating**	**Fair Value through Profit & loss**	**Amortised Cost**
£'000	**£'000**		**£'000**	**£'000**
-	77,801	AAA	-	71,515
-	-	AA+	-	0
-	5,001	AA	-	4
-	175,815	AA-	-	178,198
-	77,638	A+	-	198,711
-	-	A	-	-
26,384	139,219	N/A	27,737	154,431
26,384	475,474	**Total**	27,737	602,859

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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 2021		31 March 2022
£'000		**£'000**
73,625	Less than three months	96,812
1,648	Three to six months	526
1,091	Six months to one year	563
5,897	More than one year	3,263
82,261	Total	**101,163**

Note 23 Nature and Extent of Risk (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, Business Rates, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Trade Receivables

For trade receivables, the Authority applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a unique method for each service area based on their respective historical credit loss experience and adjusted for factors that are specific to each area, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

In measuring the expected credit losses, if specific information regarding recoverability of any major debt is available then balances are assessed individually for impairment. Debt not assessed individually have been assessed on a collective basis based on unique method for each service area. Debtors are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Note 23 Nature and Extent of Risk (continued)

Parking

Parking service area has highest share in total impairment allowance for WCC, approx. 22% for year 2021-22. Parking creates an impairment allowance based on average recovery rate for the last 3 years (Rate A) and adjustments made for any unique or one-off events like COVID-19. For debt related to last 12 months, Total recoverable debtor is calculated by deducting Total recovery till date from Total expected recovery (@ rate A).

On the above basis, the expected loss allowance for Parking as at 31 March 2022 is as follows:

Issued by Marshall

Total	Paid to date	Expected Recovery	To collect	No. of tickets at £59	No. of tickets at £100+	£59	£135
		0.695					
290,369	191,564	201,807	11,967	1,959	10,009	115,262	1,350,262
2021/22 Recoverable Debtor 31st March 2022							**1,465,829**

Issued by Camera

Total	Paid to date	Expected Recovery	To collect	No. of tickets at £65	No. of tickets at £100+	£65	£163
		0.855					
39,636	30,244	33,889	3,645	1,018	2,627	66,180	428,218
2021/22 Recoverable Debtor 31st March 2022							**494,398**

Total 2021/22 Recoverable Debtor 31st March 2022	**1,960,227**

	Vol	£
PCN Debtor-Prior Years	113,552	18,393,961
PCN Debtor-Current Year 2021/22	92,259	12,761,020
Total PCN Debtor as at 31st March 2022	**205,811**	**31,154,981**
2021/22 Recoverable Debtor 31st March 2022		**(1,960,227)**
Provision for Bad Debts - Current		**29,194,754**
PCN Debt Write off		(4,932,612)
Provision for Bad Debts Closing balance		**24,262,142**

Note 23 Nature and Extent of Risk (continued)

Business Rates

For Business rates, the Authority applies a simplified approach permitted under IFRS 9 and creates an impairment allowance based on recovery stage & age of debt per the following percentages. The total impairment allowance is then increased for 75% of the recoverable costs carried forward.

Bad Debt Provision	2017/18 & Prior	2018/19	2019/20	2020/21	2021/22
No Recovery	100%	50%	40%	25%	20%
Reminder/Final	100%	75%	60%	50%	30%
Enforcement	100%	100%	100%	70%	50%

Debt over four years old is provided for at 100%

On the above basis, the expected impairment allowance for Business rates at 31 March 2022 is as follows:

Recovery Stage	2017/18 & Prior	2018/19	2019/20	2020/21	2021/22	Total
No Recovery	943,168	1,133,667	3,524,228	10,808,795	31,862,887	48,272,745
Reminder/Final	1,412,166	3,631,438	8,625,700	27,697,781	79,455,070	120,822,155
Enforcement	3,439,054	5,968,000	16,608,386	17,674,522	26,837,628	70,527,590
Total	**5,794,388**	**10,733,105**	**28,758,314**	**56,181,098**	**138,155,585**	**239,622,490**

Applying above percentages gives

Recovery Stage	2017/18 & Prior £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Total £
No Recovery	943,168	566,833	1,409,691	2,702,199	6,372,578	11,994,469
Reminder/Final	1,412,166	2,723,579	5,175,420	13,848,890	23,836,521	46,996,576
Enforcement	3,439,054	5,968,000	16,608,386	12,372,165	13,418,814	51,806,419
Total	**5,794,388**	**9,258,412**	**23,193,497**	**28,923,254**	**43,627,913**	**110,797,464**

Bad Debt Provision	£
Bad Debt Provision	110,797,464
Court Cost	430,608
Total	**111,228,072**
WCC Share @ 30%	33,360,000
GLA @ 37%	41,144,000
CLG @ 33%	36,696,000

Note 23 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 2021							31 March 2022
PWLB	**LOBO***	**Mortgage Annuity**	**Other**	**Total**		**PWLB**	**LOBO***	**Private Placement**	**Local Authority**	**Mortgage Annuity**	**Total**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
(6,264)	(816)	(48)	-	(7,128)	Less than one year	(774)	(814)	(576)	(60,014)	(51)	(62,229)
-	-	(50)	-	(50)	Between one and two years	-	(10,000)	(544)	-	-	(10,544)
(17,000)	(10,000)	-	-	(27,000)	Between two and five years	(21,000)	-	(1,721)	-	-	(22,721)
(35,700)	-	-	-	(35,700)	Maturing in five to ten years	(41,700)	-	(3,196)	-	-	(44,896)
(77,945)	(60,000)	-	-	(137,945)	Maturing in more than ten years	(67,945)	(60,000)	(31,510)	-	-	(159,455)
				(207,823)	**Total**						**(299,845)**

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.

Private Placement refers to two new annuity loans totalling £37.5m. These have been set up under an annuity structure and form part of the Council's larger forward borrowing strategy.

Local Authority refers to cashflow loans arranged for very short term liquidity totalling £60m. These had all been repaid by May 2022.

Note 23 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 24 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.

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2020/21	GF	HRA		2021/22	GF	HRA
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
830,186	**536,351**	**293,835**	**Capital Financing Requirement at 1 April**	**891,800**	**597,965**	**293,835**
-	-	-	Adjustment to opening CFR*	(9,324)	(15,124)	5,800
830,186	**536,351**	**293,835**	Revised Opening CFR	**882,476**	**582,841**	**299,635**
			Capital investment			
238,510	98,903	139,607	Property, Plant and Equipment	289,676	126,882	162,794
1,746	1,746	-	Investment Properties	2,937	1,591	1,346
1,893	1,893	-	Intangible Assets	3,078	3,078	-
15,832	15,832	-	Revenue Expenditure Funded from Capital under Statute	6,037	6,037	-
16,913	16,913	-	Long-term Investments	49,660	49,660	-
-	-	-	Abortive Project Costs	(284)	(284)	-
			Sources of finance			
(60,796)	(9,214)	(51,582)	Capital Receipts	(58,626)	(20,553)	(38,073)
(108,569)	(45,152)	(63,417)	Government grants and other contributions	(131,814)	(58,219)	(73,595)
			Sums set aside from revenue			
(733)	(733)	-	Direct Revenue Contributions	(125)	(125)	-
-	-	-	Leaseholders Contributions (HRA)	-	-	-
(24,608)	-	(24,608)	Major Repairs Allowance	(25,842)	-	(25,842)

Note 24 Capital Expenditure and Capital Financing (continued)

2020/21	GF	HRA		2021/22	GF	HRA
£'000	£'000	£'000		£'000	£'000	£'000
			Debt repayment			
(18,213)	(18,213)	-	Minimum Revenue Provision	(18,318)	(18,318)	-
(361)	(361)		Minimum Revenue Provision PFI and Finance Lease	(141)	(141)	
-	-	-	Loan Repayment	(939)	(939)	-
891,800	**597,965**	**293,835**	**Capital Financing Requirement at 31 March**	**997,775**	671,510	326,265
			Explanation of movements in year			
80,188	80,188	-	Increase /(decrease) in underlying need for borrowing (unsupported by government financial assistance)	134,697	108,067	26,630
(18,213)	(18,213)	-	Statutory provision for repayment of debt (Minimum Revenue Provision)	(17,738)	(17,738)	-
(361)	(361)	-	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(141)	(141)	-
-	-	-	Loan Repayment	(10,843)	(10,843)	-
-	-	-	Reversal of Appropriation *	-	(5800)	5800
61,614	**61,614**	**-**	Total	**105,975**	**73,545**	**32,430**

*The opening balance includes two restatements for the prior year and the explanation of movements in year includes the adjustments to this year's opening balance. The adjustments include:

•In 2016/17, the site at Luxborough was appropriated from the HRA to the General Fund with the intention of proceeding with a residential development scheme, a value of £5.8m was assigned to the site. Following the appropriation, the proposed scheme was subsequently put on hold. However, the original appropriation was not reversed. An alternative development proposal has subsequently been brought forward in 2021/22 and the prior appropriation has been reversed to reflect the accounting treatments in this financial year.

•Capital loan repayments in prior years have been correctly recognised in the balance sheet, reducing the loan balance in long term debtors. However, the loan repayments in prior years had not been reflected in this note. An adjustment has been processed to reflect the repayments, this includes £5,842k repayment for the Moberly/Jubilee development, £2,226k for SLM and £1,836k for Westminster Community Homes.

Note 25 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 2021		31 March 2022
£'000		£'000
103,811	Other Land and Buildings	100,881
103,811	**Total**	**100,881**

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 2021				31 March 2022		
Minimum Lease Payment	Finance Charges	Present Value		Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000		£'000	£'000	£'000
904	883	834	Not later than one year	904	881	834
3,617	3,516	2,737	Later than one year and not later than five years	3,617	3,509	2,737
39,693	29,148	7,096	Later than five years	38,789	28,274	7,075
44,214	**33,547**	**10,667**	**Total**	**43,310**	**32,664**	**10,646**

The minimum lease payments do not include rents that are contingent on an 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 2021		31 March 2022
£'000		£'000
3,388	Contingent Rent due within 1 Year	3,388

Note 25 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 2021		31 March 2022
£'000		**£'000**
51,755	Not later than one year	52,208
12,989	Later than one year and not later than five years	4,763
525,223	Later than five years	583,253
589,967	**Total**	**640,224**

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

31 March 2021		31 March 2022
£'000		**£'000**
57,421	Minimum lease payments	59,546
648	Contingent rents	717
(27,956)	Sublease payments receivable	(33,078)
30,113	**Total**	**27,185**

Note 25 Leases (continued)

COUNCIL AS LESSOR

Finance Leases

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

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 2021		31 March 2022
£'000		**£'000**
29,450	Not later than one year	30,084
107,299	Later than one year and not later than five years	106,685
1,029,294	Later than five years*	1,340,635
1,166,043	**Total**	**1,477,404**

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.

*Minimum lease payments receivable greater than 5 years has significantly increased due to a new 998 year lease on Moxon Street Car Park and an 80 year lease extension on Beachcroft.

Note 26 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 such contracts on its Balance Sheet within Property, Plant and Equipment, because it controls the services that are provided under the contracts, has exclusive use of the assets concerned, 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.

The amounts payable to the service concession operators each year are analysed into five elements which are accounted for as set out below:

- Fair value of services received during the year – debited to the relevant service line in the CIES
- finance costs, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rents to be paid for the property during the contract - debited to the Financing and Investment Income and Expenditure line in the CIES
- principal repayments – reduce the Balance Sheet liability
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works have been carried out

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 2023/24. 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 marketplace 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. The contract between the council and the operator for the land ends 4 years after the contract to provide service ends and if these contracts are to be coterminous the local authority must pay the operator £1.1m. The local authority is currently reviewing the most suitable option.

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
2021/22 was the sixth year of a ten-year service concession contract with Sport and Leisure Management Ltd which commenced on 1 July 2016, to take over the operation and maintenance of the Council's eight leisure centres, including an upgrade of the facilities over the first two years of the contract. Under the contract, the contractor will retain all income generated, but in addition there is a profit share in the event the financial performance targets are exceeded. The contractor will pay a management fee of £35.4m 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, orR in the event that the Council wishes to reconfigure leisure services, it may terminate the contract subject to paying compensation to the contactor.

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 at 31 March 2022 (including an estimate of inflation) are as follows:

2021/22	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within 2022/23	51,869	363	36	52,268
Payable within 2 to 5 years	71,698	594	7	72,299
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	-	4,352	-	4,352
Total	**123,567**	**6,398**	**43**	**130,008**

Note 26 Service Concessions (continued)

2020/21	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within 2021/22	20,549	348	34	20,931
Payable within 2 to 5 years	4,659	677	22	5,358
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	-	4,403	-	4,403
Total	**25,208**	**6,517**	**56**	**31,781**

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:

	2020/21	2021/22
	£'000	**£'000**
Balance outstanding at start of the year	6,861	6,517
Payments made during the year	(344)	(119)
Balance outstanding at year end	6,517	6,398

Note 27 Debtors

31 March 2021				31 March 2022		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	437,577	437,577	Westminster Share of Business Rate	-	256,113	256,113
-	15,660	15,660	Property	-	44,839	44,839
-	27,297	27,297	Sundry Debtors	-	35,427	35,427
-	29,061	29,061	City of London	-	43,741	43,741
-	24,975	24,975	Parking Fines	-	27,170	27,170
-	19,422	19,422	Westminster Share of Council Tax	-	22,238	22,238
-	14,573	14,573	VAT	-	18,172	18,172
-	15,276	15,276	Housing Benefits overpayments	-	16,878	16,878
-	15,526	15,526	Adults Services	-	14,331	14,331
-	16,501	16,501	Business Rates Supplement - GLA	-	7,693	7,693
-	5,442	5,442	Housing - Temporary Accommodation	-	7,499	7,499
-	5,453	5,453	HRA Rent & Lessee Service Charges	-	5,600	5,600
-	-	-	HRA Capital Receipts	-	4,569	4,569
-	12,582	12,582	Covid-19 Grant	-	-	-
-	11,103	11,103	Section 106	-	-	-
24,916	-	24,916	Westminster Housing Investments Ltd	71,562	-	71,562
21,040	4,768	25,808	HRA Major Works	17,676	6,141	23,817
20,154	-	20,154	Local Government Association	19,154	1,000	20,154
6,398	-	6,398	City Hall Rent	8,226	-	8,226
8,222	6,757	14,979	Westminster Community Homes	7,283	-	7,283
6,650	-	6,650	Moberly Loan	7,059	-	7,059
2,577	-	2,577	Other Long-term Debtors	2,577	-	2,577

Note 27 Debtors (continued)

31 March 2021				31 March 2022		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	(101,104)	(101,104)	Less: Provision for irrecoverable debts (see below)	-	(112,478)	(112,478)
89,957	**560,869**	**650,826**	**Total**	**132,034**	**398,933**	**530,967**

*The GLA's share of the business rates deficit has reduced as the overall business rates deficit reduced in 2021/22

** The significant change of £27.3m relates partly to the capital acquisition of 211-221 Vauxhall Bridge Road, which completed in early April

*** The Council disposed of Parsons North at the end of year, the cash was in transit as at 31 March 2022

**** WHIL is wholly owned subsidiary of WCC. Additional loan drawdowns occurred in year including acquisition loans at Farm Street and West End Gate as well as additional drawdowns for the development works at Luton Street.

Impairment allowance for doubtful debts

31 March 2021		31 March 2022
£'000		£'000
(26,820)	Business Rates	(33,360)
(22,608)	Parking Fines	(24,262)
(15,462)	Housing Benefits overpayments	(15,910)
(10,219)	Council Tax	(11,536)
(4,814)	Housing - Temporary Accommodation	(5,918)
(3,359)	Property	(2,900)
(3,052)	Adults Services	(2,675)
(2,492)	HRA Major Works	(3,203)
(1,678)	HRA Rent & Lessee Service Charges	(1,721)
(10,600)	Other Provisions	(10,993)
(101,104)	**Total**	**(112,478)**

Note 28 Creditors

	31 March 2021					31 March 2022
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
	(333,073)	(333,073)	Amount owed by WCC to Government - Business rates*		(306,615)	(306,615)
	(58,261)	(58,261)	Sundry Creditors**		(74,981)	(74,981)
			Covid Additional Relief Fund owed to Preceptor and Government***		(62,299)	(62,299)
	(42,358)	(42,358)	WCC share of Business Rate prepayments		(61,455)	(61,455)
	(75,443)	(75,443)	Amounts owed by WCC to Government - Business & Residents Covid Grants****		(22,165)	(22,165)
	(18,357)	(18,357)	Receipts in advance*****		(20,001)	(20,001)
	(13,328)	(13,328)	Major Works**		(13,673)	(13,673)
	(5,725)	(5,725)	WCC share of Council Tax prepayments		(4,544)	(4,544)
	(3,476)	(3,476)	PAYE & NI		(4,429)	(4,429)
	(3,959)	(3,959)	HRA Rent Prepayments		(4,263)	(4,263)
	(917)	(917)	Capital Pooling**		(4,204)	(4,204)
	(1,989)	(1,989)	HRA Service Charge Prepayments		(1,764)	(1,764)
(7,317)		(7,317)	Long term Creditors******	(1,269)		(1,269)
(7,317)	**(556,886)**	**(564,203)**	Total	**(1,269)**	**(580,393)**	**(581,662)**

* The Council has a reduced business rates deficit in 2021/22, this is further offset by Section 31 income provided by Government

** These balances were included in Sundry Creditors in 2020/21 and have been disclosed separately in 2021/22 due to their value

- Major Works and revenue repairs for maintenance of existing HRA stock, which has been grouped into Major Works
- The Capital Pooling payments relates to the Local Government Right to Buy Scheme. DLUHC's payment process changed from quarterly to annually in 2021/22

*** The Council received £88,712k of Covid Additional Relief Funding for themselves, GLA and DLUHC. The reliefs were not awarded until April 2022

****Funding received from Government to provide grants to local businesses to assist with covid restrictions. £20,001k funding is remaining as at 31 March 2022

*****Receipts in advance includes: £7,410K property rental income relating to 2022/23 (£7,240K in March 2021)

******Income paid in advance has moved to short term including Leaseholder Major Works where works become "practically complete" and parking suspension income.

Note 29 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.

The table below sets out the provisions for 2021/22.

	Balance at 1 April 2021	Transfers between long-term and short-term	Additional provisions made in 2021/22	Amounts used in 2021/22	Unused amounts reversed in 2021/22	Balance at 31 March 2022
Short Term Provision	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Business Rates Appeals	-	-	(79,808)	37,914	-	(41,894)
Compensation, Property and Contractual Claims	(210)	-	-	28	-	(182)
Other	(761)	-	(511)	104	376	(792)
Total	**(971)**	**-**	**(80,319)**	**38,046**	**376**	**(42,868)**
Long Term Provision						
Compensation, Property and Contractual Claims	(1,614)	-	(377)	472	-	(1,519)
Insurance Claims	(4,999)	-	(307)	-	-	(5,306)
Business Rates Appeals	(101,795)	-	19,047	-	-	(82,748)
Other	(580)	-	(1,768)	-	-	(2,348)
Total	(108,988)		16,595	472	-	(91,919)
Grand Total	**(109,959)**	**-**	(63,722)	**38,518**	**376**	**(134,787)**

Note 29 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.

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

Business Rates Appeals
Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for 30% share of this liability, Greater London Authority is responsible for 37% and 33% for Central Government. 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.

However, the Council cannot be certain as to when the lodged appeals will be resolved because the timing of resettlement depends on the VOA. Furthermore, due to the pandemic we expect an increase in the required provisions as businesses will be inclined to appeal their current RV following the change in current market.

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 30 Other Long-Term Liabilities

2020/21 (restated)		Note	2021/22
£'000			£'000
(10,668)	Lease Liabilities*	Note 24	(10,646)
(6,517)	Service Concessions	Note 26	(6,398)
(704,941)	Pension Liability. For further detail, please refer to Note 41 – Prior Period Adjustment	Note 31	(560,553)
(722,126)	**Total**		**(577,597)**

*These represent the debt associated with financing a council asset by a finance lease arrangement. As at 31st March 2023 The Finance leases include City hall, Portman Square car park, Knightsbridge car park and Harley St car park.

Note 31 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.

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POST-EMPLOYMENT BENEFITS

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions Agency 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 Business Services Agency (NHSBSA).

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 31a 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. The notional fund is valued every four years. However, this is a multi-employer scheme and the number of participating employers makes it impossible to identify the Council's share of the financial position and performance attributable to its own employees with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as a defined contribution scheme. In 2021/22, the Council paid £5.455m million (£7.897m in 2020/21) to the Teachers Pensions Agency in respect of teachers' retirement benefits. The expected contributions to the Teachers' Pension Scheme for 2022/23 are £5.455m million, unchanged from 2021/22.

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.

However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. As a result, for the purposes of this Statement of Accounts, the Council accounts for the scheme on the same basis as a defined contribution scheme. In 2021/22, the Council paid £0.051m million (£0.055 m in 2020/21) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. The Council expects contributions to the NHS Pension scheme for 2022/23 to remain unchanged from 2021/22, at £0.051m million.

Note 31b 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 the 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

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 final salary scheme where the retirement benefits are determined independently from investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The schemes which make up the overall Westminster Scheme are: The Local Government Pension Scheme (LGPS) administered locally by Westminster City Council (WCC) which is a funded defined benefit final salary scheme meaning that the 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 31B NET PENSIONS LIABILITY

*Changes in effect of the asset ceiling were included under Obligations in the prior year. The disclosure has been updated to include these amounts under Assets. There is no impact to the net opening and closing position.
**The Pension Liability at 31 March 2022 is £560.6m and the Pension Reserve is £661.6m, £101.0m more than the liability. The difference relates to £102.7m upfront pension contributions to reduce the pension fund deficit to £0, £22.7m was paid in 2020/21 and a further £80.0m was paid in 2021/22. The contributions will be amortised over 13 years, including £1.7m amortised in 2021/22.

Note 31b (i) – Net Pensions Liability

2020/21				2021/22		
Assets	Obligations	Net Liability		Assets	Obligations	Net Liability
£000s	£000s	£000s		£000s	£000s	£000s
924,717	(1,549,505)	(624,788)	Opening Position as at 31 March 2021	1,237,516	(1,942,457)	(704,941)
-	-	-	Opening Balance Adjustment*	(2,355)	2,355	-
924,717	(1,549,505)	(624,788)	Restated Opening Position as at 31 March 2021	1,235,161	(1,940,102)	(704,941)
			Service Cost & Interest			
-	(39,395)	(39,395)	Current Service Cost	-	(64,150)	(64,150)
-	(125)	(125)	Past service cost (including curtailments)	-	(559)	(559)
11,341	(7,603)	3,738	Effect of settlements	-	-	-
(992)	-	(992)	Administration Expenses	(28)	-	(28)
22,005	(36,116)	(14,111)	Net Interest	25,264	(38,984)	(13,720)
32,354	**(83,239)**	**(50,885)**	**Total defined benefit cost recognised in Surplus or deficit on the Provision of Services**	**25,236**	**(103,693)**	**(78,457)**
			Contributions & Benefits Paid			
8,841	(8,841)	-	Employees	9,561	(9,561)	-
41,234	-	41,234	The Council	101,730	-	101,730
(51,012)	51,012	-	Benefits Paid	(50,244)	50,445	201
(937)	**42,171**	**41,234**	**Employers contributions payable to scheme**	**61,047**	**40,884**	**101,931**
			Remeasurements			
-	(397,404)	(397,404)	Changes in financial Assumptions	-	106,449	106,449
-	25,484	25,484	Changes in demographic assumptions	-	(914)	(914)
-	21,583	21,583	Other experience	-	(4,814)	(4,814)
281,362	-	281,362	Return on assets excluding amounts included in net interest	23,338	-	23,338
-	(1,527)	(1,527)	Changes in the effect of the asset ceiling**	(3,145)	-	(3,145)
281,362	(351,864)	(70,502)	**Post Employment Benefits Charged to other Comprehensive Income and Expenditure Statement**	**20,193**	**100,721**	**120,914**
1,237,516	**(1,942,457)**	**(704,941)**	**Closing Position as at 31 March 2022****	**1,341,637**	**(1,902,190)**	**(560,553)**

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Note 31b (ii) – Defined Benefit Pension Schemes (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED

WCC Pension Scheme 31 March 2021			WCC Pension Scheme 31 March 2022	
£'000	**%**		**£'000**	**%**
-	-	Equity securities - Other (Unquoted)	107	0%
-	-	Debt Securities - Other (Unquoted)	66,977	5.1%
166,551	13.7%	Corporate Bonds - Overseas	-	-
859,498	70.7%	Equities - Overseas	-	-
48,628	4.0%	Property (UK - unquoted)	94,962	7.2%
-	-	Investment Funds and Unit Trusts	-	-
-	-	Equities	860,602	65.0%
-	-	Bonds	162,481	12.3%
-	-	Infrastructure (Unquoted)	54,785	4.1%
-	0%	Other	36,756	2.8%
30,392	2.5%	Infrastructure	-	-
66,863	5.5%	Multi Asset Credit	-	-
43,765	3.6%	Cash/Temporary Investments	46,680	3.5%
1,215,697	**100%**	**Total**	**1,323,350**	**100%**

LPFA Pension Scheme 31 March 2021			LPFA Pension Scheme 31 March 2022	
£'000	**%**		**£'000**	**%**
11,855	54.3%	Equities	13,232	55.5%
5,135	23.5%	Target Return Portfolio	5,236	22.0%
1,849	8.5%	Infrastructure	2,436	10.2%
-	-	Commodities	2,134	9.0%
1,985	9.1%	Property (Unquoted)	793	3.3%
994	4.6%	Cash	-	-
21,818	100%	Total	**23,831**	**100%**

Note 31b (iii) – 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 2021	LPFA Pension Scheme 31 March 2021		WCC Pension Scheme 31 March 2022	LPFA Pension Scheme 31 March 2022
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
21.6	20.9	Men	21.4	20.9
24.1	24.2	Women	24.1	24.3
		Longevity at 65 for future Pensioners (years):		
22.9	22.5	Men	22.9	22.6
25.3	25.6	Women	26.1	25.7
3.2%	3.4%	Rate of Inflation (RPI)	3.9%	4.0%
2.8%	2.9%	Rate of Inflation (CPI)	3.3%	3.5%
3.9%	3.9%	Rate of Increase in salaries	4.2%	2.6%
2.9%	2.9%	Rate of increase in pensions	3.2%	3.5%
1.9%	1.9%	Rate for discounting scheme liabilities	2.7%	4.5%

Note 31b (iv) – Defined Benefit Pension Schemes (continued)

Sensitivity Analysis

This table is different to last year's disclosure due to the information provided in an alternate fashion by the actuary.

	WCC Pension Scheme	WCC Pension Scheme
Change in assumptions at 31 March 2022	**Approx % increase to Defined Benefit Obligation**	**Approx monetary amount**
		£'000
0.1% decrease in Real Discount Rate	2.0%	34,037
1 year increase in member life expectancy	4.0%	75,356
0.1% increase in the Salary increase rate	0%	4,610
0.1% increase in the Pension interest rate	2.0%	29,127

Note 31b (v) – 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 achieved a funding level of 100% by 31 March 2022. The next triennial valuation will be completed during 2022/23.

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

The Council anticipates paying £20.846m (main scheme) employer contributions in 2022/23, but is no longer paying towards the LPFA scheme as the last active member has now left.

The weighted average duration of the defined benefit obligation for the WCC scheme members is 20 years, 2021/22 (20 years 2020/21).

The weighted average duration of the defined benefit obligation for the LPFA scheme members is 12 years, 2021/22 (12 years 2020/21).

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 32 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		**£'000**
(7,866)	Interest received	5,652
9,392	Interest paid	8,567
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(77,516)	Depreciation and Amortisation	(72,346)
(28,620)	Impairment and downward valuations	(11,778)
(39,278)	Increase/(decrease) in creditors	(73,416)
56,579	Increase/(decrease) in debtors	63,130
14	Increase/(decrease) in inventories	8
(9,651)	Movement in pension liability	23,474
(32,702)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(22,830)
(70,158)	Other non-cash items charged to the net surplus or deficit on the provision of services	(30,309)
(201,332)	**Sub-total of non-cash movements**	**(124,067)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
50,593	Capital Grants credited to surplus or deficit on the provision of services	112,005
71,466	Proceeds from the sale of property plant and equipment, investment property and intangible assets	45,544
122,059	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**157,549**
(79,273)	**Total**	**33,482**

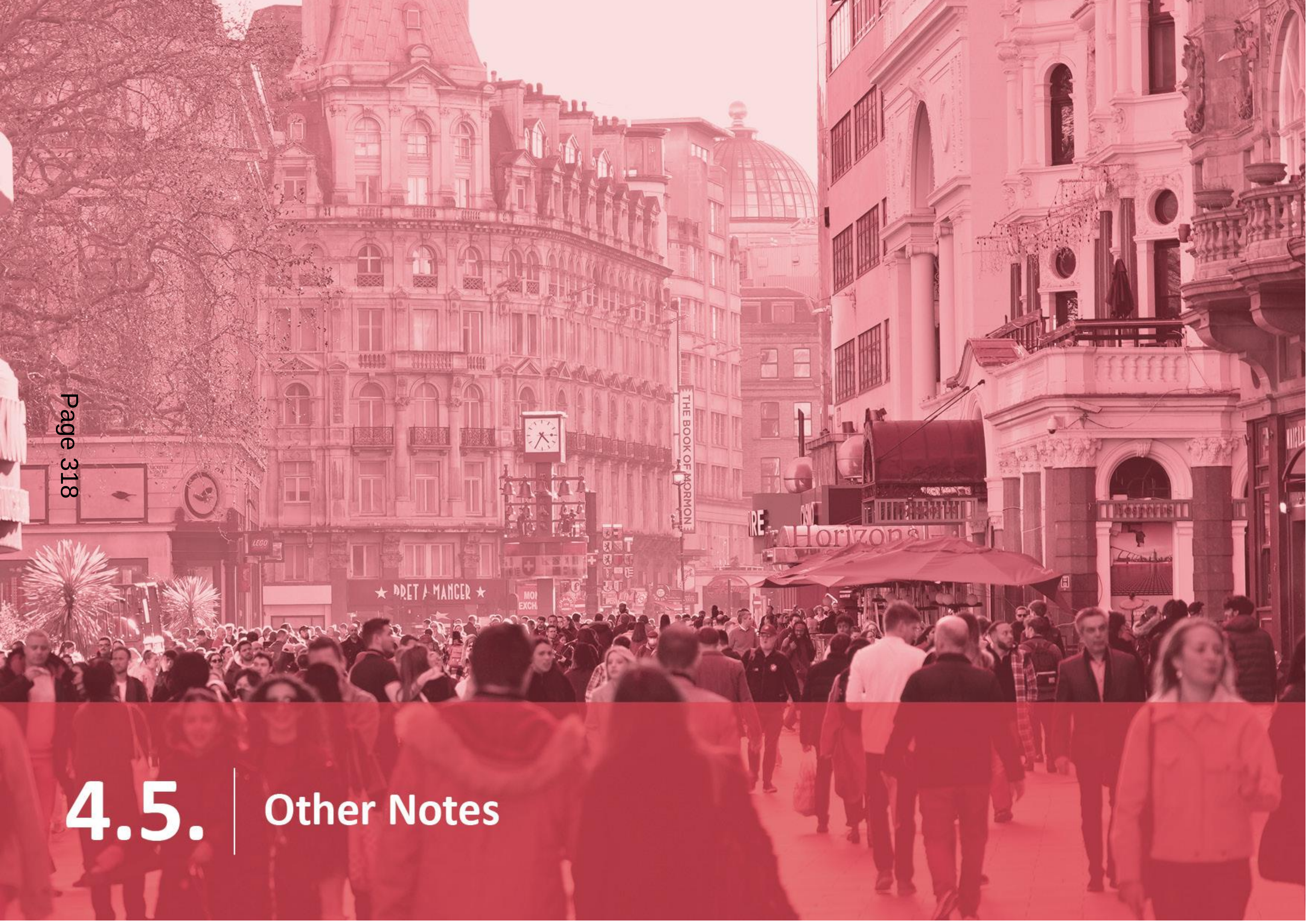
Note 33 Cash Flows from Investing Activities

2020/21		2021/22
£'000		**£'000**
243,659	Purchase of property, plant and equipment, investment property and intangible assets	287,412
947,656	Purchase of short and long-term investments	3,680,256
(65,334)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(45,540)
(1,291,052)	Proceeds from short and long-term investments	(3,550,050)
(68,716)	Capital Grants Received	(110,389)
(233,787)	**Total Cash Outflows from Investing Activities**	**261,689**

Note 34 Cash Flows from Financing Activities

2020/21		2021/22
£'000		**£'000**
-	Cash receipts of short- and long-term borrowing	(97,452)
21	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	142
15,044	Repayments of short- and long-term borrowing	5,400
240,955	Net Council Tax & NNDR due from Preceptors*	(157,665)
256,020	**Net Cash Inflows from Financing Activities**	**(249,575)**

*See notes 27 and 28 for further detail



4.5. Other Notes

Note 35 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 2021/22:

Councillors Acton, Butler-Thalassis and Mitchell 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 Nafsika Butler-Thalassis is a trustee of One Westminster – The charity has various contracts with the Council aimed at delivering voluntary sector and volunteering support. The Council spent £317,043 with One Westminster in 2021/22.

Councillor Jacqui Wilkinson is a trustee of the Abbey Centre. The Charity receives funds from the council to provide support the communities of south Westminster to improve their quality of life. The council spent £274,775 with the Abbey Centre in 2021/22.

Councillor Ian Adams is a trustee of Age UK Westminster. The charity receives funds from the council to provide support to the elderly in Westminster. The Council Spent £41,387 with Age UK Westminster in 2021/22.

Lady Christabel Flight served as a trustee of the Sir Simon Milton Foundation the year. The Foundation staff are co-located with the Council and have benefited from the use of Council support services (IT and use of desk space). During 2021/22 the value of in-kind services provided was £10,304 (2020/21: £4,970).

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

Note 35 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 2021
Name	**Amounts owed by Subsidiary (Long Term)**	**Expenditure**	**Income**	**Income outstanding to WCC (WCC debtor balance)**	**Balance outstanding (WCC creditor balance)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Westminster Community Homes	8,222	4,663	(4,333)	6,667	125
WestCo Trading Ltd	-	1,940	(872)	143	384
Paddington Recreation Ground Trust	-	1,560	(502)	-	-
Westminster Housing Investment Ltd	20,750	4,256	(442)	342	-

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					31 March 2022
Name	**Amounts owed by Subsidiary (Long Term)**	**Expenditure**	**Income**	**Income outstanding to WCC (WCC debtor balance)**	**Balance outstanding (WCC creditor balance)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Westminster Community Homes	7,368*	3,939	(1,856)	10,356	6
WestCo Trading Ltd		1,242	(957)	310	31
Paddington Recreation Ground Trust		911	(438)		
Westminster Housing Investment Ltd	55,934**	-	(412)	130	19

*Loans to Westminster Community Homes are included in the Council's balance sheet within long term debtors and long-term investments, £7,283k and £86k respectively.

**Loans to Westminster Housing Investment Ltd are included in the Council's balance sheet within long term debtors and long-term investments, £50,715k and £5,219k respectively.

Note 35 Related Party Transactions (continued)

In addition to the above transactions there were acquisitions and disposals of assets between group entities.

- The Council sold affordable housing units at Farm Street and West End Gate sites to Westminster Builds for intermediatory housing, £2,750k and £6,870k respectively.

- Westminster Community Homes purchased housing units on behalf of the Council. These were transferred to the Council in-year at a cost of £8,478k.

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

Westminster Community Homes – Dermot Moloney, Thomas Harding, James Green, Cllr Susie Burbridge.

Westco trading Limited – Dai Williams, Cllr Tony Devenish

Westminster Housing Investment Ltd - James Green, Neil Fredrick Wightman, Kenni Balogun, Cllr Jacqueline Wilkinson

Westminster Housing Development Ltd - James Green, Neil Fredrick Wightman, Kenni Balogun, Cllr Jacqueline Wilkinson

Two entities controlled or significantly influenced by the Council were dissolved in year:

The associate Hub Make Lab CIC was dissolved on 8 June 2021.

The subsidiary Westminster Procurement Services was dissolved on 4 January 2022.

Note 36 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.

There are no contingent liabilities at the reporting date.

Note 37 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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

ii) Following the decision of the Supreme Court to allow in part the 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.

Note 38 Fair Value

38A FAIR VALUE – BASIS OF VALUATION

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

Description of asset or liability	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Assets and liabilities held at amortised cost	Level 2	Fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.	For PWLB loans payable, PWLB new loan rate 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.
Freehold and Leasehold investment properties	Level 2	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 (January 2020) published by The Royal Institution of Chartered Surveyors (RICS) ("The Red Book"). 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 in both the ERV and Equivalent Yield inputs. We have prepared sensitivity analysis based on significant changes made to these two inputs, which is summarised as follows: Equivalent Yield change of +/- 100 bps results in a variance in the total Fair Value for the portfolio from -15.06% to +21.67%. ERV change of +/- 10% results in a variance in the total Fair Value for the portfolio from -8.02% to +8.12%.
Investment in closed pooled property fund	Level 3	The valuation is based on the fair value of the council's share of the net asset value of the fund based on the December 2021 unit price. The funds valuation is provided quarterly by the asset manager and monitored by the Council	NAV based on the latest available quarterly unaudited accounts. External fund manager prepared statements Fund managers own data open to interpretation which might result in a higher or lower NAV than reported	All variables listed are inputs and susceptible to market change. The portfolio sensitivity to the inputs has been assessed by the property funds investment manager and measured at +7%/-1% Material economic events occurring between 31 December 2021 and 31 March 2022

NOTE 38B VALUATION OF ASSETS AND LIABILITIES MEASURED 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.

Note 38 Fair Value (continued)

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

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31 March 2021				31 March 2022		
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			
-	-	26,384	Fair value through profit and loss assets	-	-	27,737
80,402	398,170	-	Assets at amortised cost	64,998	538,874	-
-	467,386	-	Investment property	-	462,801	-
2,202	-	-	Assets held for sale	21,581	-	-
82,604	**865,556**	**26,384**	**Total Assets**	**86,579**	**1,001,675**	**27,737**
			Liabilities at Amortised Cost*			
-	164,967	-	Borrowing: Public Works Loan Board (PWLB)	-	148,376	-
-	102,246	-	Lender Option Borrower Option loan	-	93,361	-
-	-	-	Private Placement Borrowing	-	40,181	-
-	-	-	Local Authority Short Term Loans	-	58,584	-
-	79,822	-	Creditors	-	94,126	-
-	29,255	-	Service Concessions and Finance Lease Liabilities	-	25,595	-
-	**376,290**	**-**	**Total Liabilities**	**-**	**460,223**	**-**

*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 38C TRANSFERS BETWEEN LEVELS 1 AND 2

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

NOTE 38D RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

2020/21	1 April 2020	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled property fund	29,874	-	-	-	(2,391)	(1,099)	-	26,384

2021/22	31 March 2021	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled property fund	26,384	-	-	-	-	1,353	-	27,737

Note 39 Events After the Reporting Period

The Executive Director authorised the Statement of Accounts on 12th July 2022. 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 as of 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There is one event that took place after the reporting period that merits disclosure. i.e. the council has successfully recovered c£13m from a developer in relation to a S106 agreement which had been due as of 31st March 2022 but not received.

Note 40 Assets Held for Sale

Assets classified as Held for Sale are items of Property, Plant and Equipment that are expected to sell within 12 months. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

		Current
	2020/21	2021/22
	£000s	£000s
Balance Outstanding at start of the year	-	2,202
Assets newly classified as held for sale:		
Property, plant and equipment	11,351	36,558
Assets Sold	(9,149)	(17,179)
Other Movements*	-	(2,495)
Balance Outstanding at year-end	2,202	19,086

*The carrying value of two assets were written down after reclassification to AHFS to reflect them at fair value less costs to sell.

Note 41 Prior Period Adjustment: Pension Liability

During 2020/21 payments totalling £22.7m were made from the General Fund to the Pension Fund as an up-front payment toward the Pension Fund Deficit. This will be amortised over 13 years from 2021/22. An adjustment was put through the 2020/21 statements, which related to the Council's secondary rate deficit payment to its pension fund. This resulted in the Pension Reserve being understated and the General Fund being overstated by £22.7m. This adjustment has been reversed in 2020/21 resulting in a transfer to Earmarked Reserve of £22.7m. This has a net nil impact on the Council's Total Reserves balance.

The restatements are summarised below.

Movement in Reserves Statement- General Fund Balance

	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Balance at 01 April 2020	**(63,312)**	**-**	**(63,312)**
(Surplus)/Deficit on provision of services	35,446	-	35,446
Total Comprehensive Income and Expenditure	**35,446**	**-**	**35,446**
Adjustments between accounting basis & funding basis under regulations	(501,633)	(22,700)	(524,333)
Net (increase)/decrease before Transfers to Earmarked Reserves	**(466,187)**	**(22,700)**	**(488,887)**
Transfers to/(from) Earmarked Reserves	470,067	22,700	492,767
(Increase)/Decrease in Year	3,880	-	3,880
Balance at 31 March 2021	**(59,432)**	**-**	**(59,432)**

Movement in Reserves Statement- Earmarked General Fund Balance

	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Balance at 01 April 2020	**(301,066)**	**-**	**(301,066)**
Transfers to/(from) Earmarked Reserves	(467,060)	(22,700)	(489,760)
(Increase)/Decrease in Year	**(467,060)**	**(22,700)**	**(489,760)**
Balance at 31 March 2021	**(768,126)**	**(22,700)**	**(790,826)**

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Note 41 Prior Period Adjustment: Pension Liability (continued)

Movement in Reserves Statement- General Fund Total

	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Balance at 01 April 2020	(366,126)	-	(366,126)
(Surplus)/Deficit on provision of services	35,446	-	35,446
Total Comprehensive Income and Expenditure	35,446	-	35,446
Adjustments between accounting basis & funding basis under regulations	(501,633)	(22,700)	(524,333)
Net (increase)/decrease before Transfers to Earmarked Reserves	(466,187)	(22,700)	(488,887)
Transfer (to)/from Earmarked Reserves	1,808	-	1,808
(Increase)/Decrease in Year	(464,379)	(22,700)	(487,079)
Balance at 31 March 2021	(830,505)	(22,700)	(853,205)

Movement in Reserves Statement- Usable Reserves

	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Balance at 01 April 2020	(831,306)	-	(831,306)
(Surplus)/Deficit on provision of services	12,160	-	12,160
Total Comprehensive Income and Expenditure	12,160	-	12,160
Adjustments between accounting basis & funding basis under regulations	(422,532)	(22,700)	(445,232)
Net (increase)/decrease before Transfers to Earmarked Reserves	(410,372)	(22,700)	(433,072)
(Increase)/Decrease in Year	(410,372)	(22,700)	(433,072)
Balance at 31 March 2021	(1,241,678)	(22,700)	(1,264,378)

Note 41 Prior Period Adjustment: Pension Liability (continued)

Movement in Reserves Statement- Unusable Reserves	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Balance at 01 April 2020	(1,843,980)	-	(1,843,980)
(Surplus)/Deficit on provision of services	-	-	-
Other Comprehensive Income and Expenditure	65,046	-	65,046
Total Comprehensive Income and Expenditure	65,046	-	65,046
Adjustments between accounting basis & funding basis under regulations	422,532	22,700	445,232
Net (increase)/decrease before Transfers to Earmarked Reserves	487,578	22,700	510,278
(Increase)/Decrease in Year	487,578	22,700	510,278
Balance at 31 March 2021	(1,356,402)	22,700	(1,333,702)

Effect on Balance Sheet at 31 March 2021	2020/21 as previously stated	Restatements Pension Liability	2020/21 Restated
	£000s	£000s	£000s
Net Assets	2,598,080	-	2,598,080
Earmarked GF Reserves	(768,126)	(22,700)	(790,826)
Total Usable Reserves	(1,241,678)	(22,700)	(1,264,378)
Pensions Reserve	704,943	22,700	727,643
Total Unusable Reserves	(1,356,402)	22,700	(1,333,702)
Total Reserves	(2,598,080)	-	(2,598,080)

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, 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 Balance Sheet** - reports the Council Group financial position at the year-end.
- **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 2021/22, the company's results showed a profit of £0.394m (£0.701m profit in 2020/21), and net assets of £10.415m (£10.021m at 31 March 2021). Loans outstanding from the Council to the company total £7.283m (£8.222m at 31 March 2021).

A full copy of the company's accounts can be obtained from the Directors, Westminster Community Homes Ltd, 64 Victoria Street, London SW1E 6QP. The accounts are audited by Jones Avens Ltd.

Westminster Builds

Westminster Builds includes Westminster Housing Developments Limited, and Luton Street LLP, which provides cost effective housing in Westminster and the rest of London. The company made a loss of £0.213m (£3.943m profit in 2020/21), the group has net liabilities of £0.309m (£4.159m in 2020/21).

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 had a net loss of £0.079m in 2021/22 (£0.190m in 2020/21) and had net assets of £0.716m (£0.807m at 31 March 2021).

- 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 £0.473m in 2021/22 (£1.058m in 2020/21).

- Two entities controlled or significantly influenced by the Council were dissolved in year:
  - The associate Hub Make Lab CIC was dissolved on 8 June 2021.
  - The subsidiary Westminster Procurement Services was dissolved on 4 January 2022.

Going Concern

For the reasons set out below, the Council is satisfied that all consolidated entities are going concerns and the Group financial statements for 2021/22 have been prepared on this basis accordingly.

- Under an Act of Parliament and Trust Deed dating back to 1893, the Council is responsible for maintaining and managing Paddington Recreation Ground in perpetuity. Allowance for these responsibilities is included in the Council revenue and capital budget each year.

- Two housing companies, Westminster Community Homes Limited and Westminster Housing Investments Limited, depend upon the Council for ongoing financial support. The Council is committed to providing this support in the short to medium term as both companies assist with the provision of affordable housing, temporary accommodation and shared ownership housing in Westminster. Provision of expected loan drawdowns and other financial support has been incorporated into the Council's cash flow forecasts and medium-term financial plans.

- All consolidated entities have a neutral or net worth position at 31 March 2021, apart from Westminster Housing Investments Limited (WHIL) and Westminster Housing Development Limited both of which are showing small net liability positions for 2021/22.

- WHIL's long term creditors of £25m relate to acquisition loans with matching property assets held by the company and development loans from the Council which have been used to support the Luton St Joint Venture (for which WHIL is a 50% partner) and there is matching debtors on the company's balance sheet. The company has relatively few third party creditors and its short-term liquidity position at 31 March 2021 is supported through access to a £2m working capital facility that has been made available by the Council. As such WHIL is not expected, at any point, to show a negative cash position or to be unable to meet its loan obligations in full as they fall due.

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.

		2020/21				2021/22
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
104,924	(41,158)	63,766	Finance & Resources	106,805	(33,413)	73,392
10,698	(5,190)	5,508	Innovation and Change	21,294	(9,899)	11,395
157,449	(88,221)	69,228	Adults' Services	149,280	(88,560)	60,720
183,630	(125,820)	57,810	Children's Services	188,942	(130,082)	58,860
176,671	(99,522)	77,149	Environment and City Management	187,806	(138,455)	49,351
410,693	(377,813)	32,879	Growth, Planning & Housing	413,753	(365,904)	47,849
1,044,065	**(737,724)**	**306,341**	**Cost of Services – Continuing Operations**	**1,067,880**	**(766,313)**	**301,567**

Group Comprehensive Income and Expenditure Statement (continued)

2020/21				2021/22		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
		(33,457)	Other operating expenditure			(14,151)
		24,968	Financing and investment income and expenditure			(3,756)
		(289,280)	Taxation and non-specific grant Income			(308,470)
		-	Surplus or Deficit of Discontinued Operations			27
		8,572	**(Surplus)/Deficit on Provision of Services**			**(24,783)**
-	-	-	Tax expenses of subsidiary	-	-	-
-	-	449	Share of (surplus)/Deficit on Joint Venture	-	-	(1,570)
-	**-**	**9,021**	**Group (Surplus)/Deficit**	**-**	**-**	**(26,353)**
-	-	(6,250)	Revaluation of Property, Plant and Equipment	-	-	(70,915)
-	-	70,502	Remeasurement of the net defined benefit liability	-	-	(120,914)
-	**-**	**64,252**	**Other Comprehensive Income and Expenditure**	**-**	**-**	**(191,829)**
-	**-**	**73,273**	**Total Comprehensive Income and Expenditure**	**-**	**-**	**(218,182)**

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GROUP MOVEMENT IN RESERVES STATEMENT

2020/21 Restated*					Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	**(63,313)**	**(301,065)**	**(1,748)**	**(366,126)**	**(17,364)**	**-**	**(17,364)**	**(95,854)**	**(351,961)**	**(831,306)**	**(1,785,346)**	**(2,616,652)**	**(113,411)**	**(2,730,063)**
Movement in reserves during 2020/21														
(Surplus) or deficit on provision of services (accounting basis)	35,446	-	-	35,446	(23,286)	-	(23,286)	-	-	12,160	-	12,160	(5,063)	7,097
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	64,252	64,252	-	64,252
Total Comprehensive Income and Expenditure	**35,446**	**-**	**-**	**35,446**	**(23,286)**	**-**	**(23,286)**	**-**	**-**	**12,160**	**64,252**	**76,412**	**(5,063)**	**71,349**
Adjustments between group accounts and authority accounts	-	-	-	-	-	-	-	-	-	-	-	-	1,923	1,923
Net increase before transfers	**35,446**	**-**	**-**	**35,446**	**(23,286)**	**-**	**(23,286)**	**-**	**-**	**12,160**	**64,252**	**76,412**	**(3,141)**	**73,272**
Adjustments between accounting basis & funding basis under regulations*	(524,334)	-	-	(524,334)	23,077	-	23,077	(2,099)	58,123	(445,232)	445,232	-	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves*	**(488,888)**	**-**	**-**	**(488,888)**	**(209)**	**-**	**(209)**	**(2,099)**	**58,123**	**(433,072)**	**509,485**	**76,412**	**(3,141)**	**73,272**
Transfers to / (from) Earmarked Reserves*	492,768	(489,760)	(1,199)	1,808	(1,808)	-	(1,808)	-	-	-	-	-	-	-
Increase / Decrease in Year*	**3,880**	**(489,760)**	**(1,199)**	**(487,080)**	**(2,017)**	**-**	**(2,017)**	**(2,099)**	**58,123**	**(433,072)**	**509,485**	**76,413**	**(3,141)**	**73,272**
Balance at 31 March 2021*	**(59,433)**	**(790,825)**	**(2,947)**	**(853,206)**	**(19,382)**	**-**	**(19,382)**	**(97,953)**	**(293,838)**	**(1,264,378)**	**(1,275,861)**	**(2,540,239)**	**(116,552)**	**(2,656,791)**

*For further detail, please refer to Note 41 – Prior Period Adjustment.

Group Movement in Reserves Statement (continued)

2021/22					Revenue Reserves				Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	**(59,433)**	**(790,825)**	**(2,947)**	**(853,206)**	**(19,382)**	**-**	**(19,382)**	**(97,953)**	**(293,838)**	**(1,264,378)**	**(1,275,861)**	**(2,540,239)**	**(116,552)**	**(2,656,791)**
Movement in reserves during 2021/22														
(Surplus) or deficit on provision of services (accounting basis)	(20,277)	-	-	(20,277)	(9,914)	-	(9,914)	-	-	(30,192)	-	(30,192)	2,150	(28,042)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(191,830)	(191,830)	-	(191,830)
Total Comprehensive Income and Expenditure	**(20,277)**	**-**	**-**	**(20,277)**	**(9,914)**	**-**	**(9,914)**	**-**	**-**	**(30,192)**	**(191,830)**	**(222,022)**	**2,150**	**(219,872)**
Adjustments between group accounts and authority accounts	87	-	-	87	-	-	-	-	-	87	(1,122)	(1,035)	1,727	1,691
Net increase before transfers	**(20,190)**	**-**	**-**	**(20,190)**	**(9,914)**	**-**	**(9,914)**	**-**	**-**	**(30,105)**	**(192,952)**	**(223,057)**	**4,877**	**(218,181)**
Adjustments between accounting basis & funding basis under regulations	143,106	-	-	143,106	9,915	-	9,915	17,336	19,806	190,163	(190,163)	-	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**122,916**	**-**	**-**	**122,916**	**1**	**-**	**1**	**17,336**	**19,806**	**160,058**	**(383,115)**	**(223,057)**	**4,877**	**(218,181)**
Transfers to / (from) Earmarked Reserves	(120,784)	121,679	(895)	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease in Year	**2,131**	**121,679**	**(895)**	**122,916**	**1**	**-**	**1**	**17,336**	**19,806**	**160,058**	**(383,115)**	**(223,057)**	**4,877**	**(218,181)**
Balance at 31 March 2022	**(57,302)**	**(669,146)**	**(3,842)**	**(730,290)**	**(19,381)**	**-**	**(19,381)**	**(80,617)**	**(274,032)**	**(1,104,320)**	**(1,658,976)**	**(2,763,296)**	**(111,675)**	**(2,874,972)**

The unusable reserves include the revaluation reserve for dwellings held by Westminster Community Homes Ltd. Other Comprehensive Income and Expenditure includes the adjustment for the re-valuation to Existing Use Value - Social Housing on consolidation into the Council's Group Accounts

GROUP BALANCE SHEET

31 March 2021 Restated*		31 March 2022
£'000		**£'000**
	ASSETS	
	Non-current	
2,854,797	Property, plant and equipment	3,109,259
44,578	Heritage Assets	44,578
467,386	Investment property	462,801
2,861	Intangible Assets	4,997
44,575	Long -term investments	27,935
84,191	Long -term debtors	110,263
3,498,388	**Total long term assets**	**3,759,833**
	Current	
237,998	Short-term investments	383,515
485	Inventories	465
562,441	Short-term debtors	399,076
88,366	Cash and other cash equivalents	70,885
2,202	Assets held for sale	19,086
891,492	**Total Current Assets**	**873,027**

Group Balance Sheet (continued)

31 March 2021 Restated*		31 March 2022
£'000		
	LIABILITIES	
(7,128)	Short-term borrowing	(62,229)
(559,760)	Short-term creditors	(582,986)
(1,105)	Short-term provisions	(42,873)
(15,112)	Short-term RIA	(53,691)
(583,105)	**Current Liabilities**	**(741,779)**
(7,317)	Long-term creditors	(1,269)
(108,988)	Provisions	(91,920)
(200,697)	Long-term borrowing	(237,620)
(722,126)	Other long-term liabilities - Pensions	(577,597)
(110,195)	Capital Grants - Receipts in Advance	(108,610)
(1,149,323)	**Long-term liabilities**	**(1,017,016)**
(661)	Council's share Net Liabilities of Joint Venture	909
2,656,792	**Net assets**	**2,874,974**
(1,264,378)*	Total Usable Reserves	(1,104,322)
(1,275,860)*	Total Unusable Reserves	(1,658,976)
(116,554)	Share of Subsidiary reserves	(111,676)
(2,656,792)	**Total Reserves**	**(2,874,974)**

*For further detail, please refer to Note 41 – Prior Period Adjustment.

GROUP CASH FLOW STATEMENT

2020/21	Group Cash Flow Statement	2021/22
£'000		**£'000**
	Cash flows from operating activities	
12,160	**Operating (surplus)/loss for the financial year**	**(30,192)**
(7,866)	Interest received	(5,652)
9,392	Interest paid	8,567
	Adjust net surplus or deficit on the provision of services for non-cash movements	
(77,516)	Depreciation	(72,346)
(28,620)	Impairment and downward valuations	(11,778)
(39,278)	Increase/(decrease) in creditors	(73,416)
56,579	(Increase)/decrease in debtors	63,130
14	(Increase)/decrease in inventories	8
(9,651)	Movement in pension liability	23,474
(32,702)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(22,830)
(70,158)	Other non-cash items charged to the net surplus or deficit on the provision of services	(30,309)
(201,332)	**Sub-total of non-cash movements**	**(124,067)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
71,466	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	45,544
50,593	Any other items for which the cash effects are investing or financing cash flows	112,005
122,059	**Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities**	**157,549**
(4,124)	Subsidiary's Cash Flows from Operating Activities by Group Entities	(13,610)
(71,237)	**Net Cash Flows from Operating Activities**	**(10,320)**

GROUP CASH FLOW STATEMENT (Continued)

2020/21	Group Cash Flow Statement	2021/22
£'000		**£'000**
	Investing activities	
243,659	Purchase of property, plant and equipment, investment property and intangible assets	287,412
947,656	Purchase of short-term and long-term investments	3,680,256
(65,334)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(45,540)
(1,291,052)	Proceeds from short-term and long-term investments	(3,550,050)
(68,716)	Other receipts from investing activities	(110,389)
(233,787)	**Authority's Cash Flows from Investing Activities**	**261,689**
5,616	Subsidiary's Cash Flows from Investing Activities	15,732
(228,171)	**Net cash flows from investing activities**	**277,421**
-	Cash receipts of short- and long-term borrowing	(97,452)
21	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	142
15,044	Repayments of short- and long-term borrowing	5,400
240,955	Other payments for financing activities	(157,665)
256,020	**Authority's Cash Flows from Financing Activities**	(249,575)
(1,217)	Subsidiary's Cash Flows from Investing Financing	(45)
254,803	**Net cash flows from financing activities**	(249,620)
(44,605)	**Net (increase) or decrease in cash and cash equivalents**	17,481
43,761	Cash and cash equivalents at the beginning of the reporting period	88,366
88,366	**Cash and cash equivalents at the end of the reporting period**	**70,885**

Note 1 Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. Westminster Community Homes Ltd Westminster Housing Investments Group have been consolidated because together they are material to the Council's balance sheet.

In addition, the Council has consolidated the following remaining entities within the Council Group in order to provide a full picture of the Council's arrangements for good governance:

- WestCo Trading Ltd
- Paddington Recreation Ground Charity

Westminster Procurement Services Ltd/CIC and Hub Make Lab Ltd were dissolved in 2021/22.

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

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

Grants held by Westminster Community Homes Ltd are held on an amortised basis, as prescribed in the Housing Associations SORP. Upon consolidation into the Council's Group accounts the grants are recognised as income once conditions are met, in order to comply with the CIPFA Code of Practice.

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

Note 2 Group Property Plant and Equipment

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

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

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. Valuation according to Depreciated Replacement Cost was not considered appropriate as it is inconsistent with the valuation of the council's own dwellings and there is an established market at which Existing Use prices can be readily estimated.

	31st March 2021	31st March 2022
	£'000	£'000
Infrastructure Assets	295,723	328,882
Other PPE Assets	2,559,074	2,780,377
Total PPE Assets	**2,854,797**	**3,109,259**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil. Please refer to note 18c for further information.

Note 2 Group Property Plant and Equipment (continued)

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value						
At 1 April 2020	1,608,305	676,020	40,530	25,102	162,913	2,915,003
Prior Year Adjustment	-	-	(24,565)	-	-	(24,565)
At 1 April 2020 Restated	1,608,305	676,020	15,965	25,102	162,913	2,488,305
Additions	67,174	25,978	1,372	2,283	89,444	**186251**
Revaluations increases/(decrease) recognised in the Revaluation Reserve	(48,486)	17,545	-	-	-	**(30,941)**
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	(15,528)	(15,943)	-	-	-	**(31,471)**
Derecognition - disposals	(4,185)	(14,054)	-	-	(7,902)	**(26,141)**
Derecognition - other	(78)	-	-	-	-	**(78)**
Assets reclassified	-	-	-	-	(11,351)	**(11,351)**
Other Movement in Cost or Valuation	12,471	5,037	652	307	(18,869)	**(402)**
At 31 March 2021	1,619,673	694,583	**17,989**	27,692	**214,235**	**2,574,172**

Note 2 Group Property Plant and Equipment (continued)

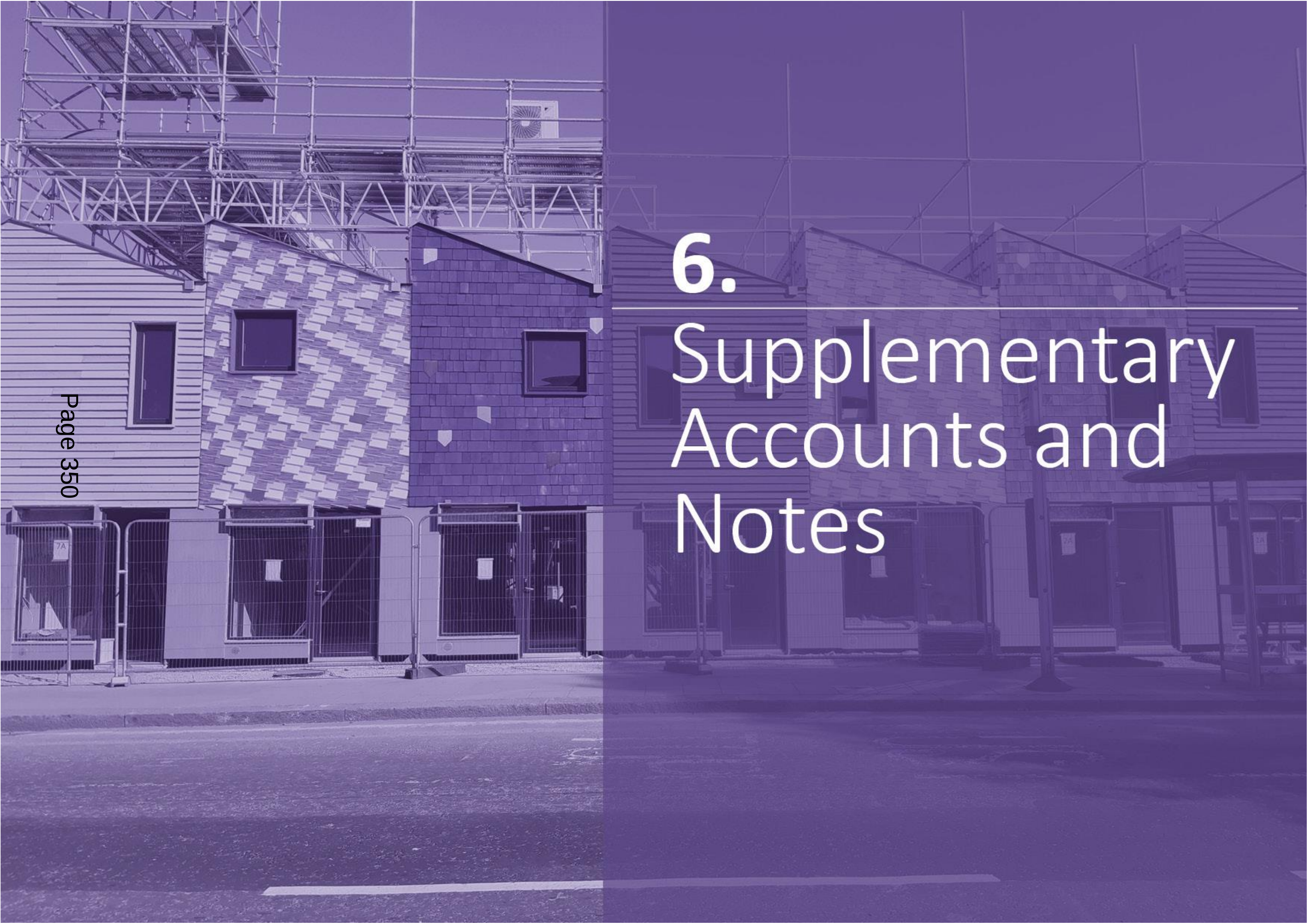
2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment						
At 1 April 2020	-	(2)	(30,888)	-	(716)	(31,606)
Prior Year Adjustment	-	-	24,565			24,565
At 1 April 2020 Restated	-	(2)	(6,323)		(716)	(7,041)
Depreciation Charge	(18,636)	(25,904)	(3,727)	-	-	**(48,267)**
Depreciation written out to the Revaluation Reserve	18,487	16,078	-	-	-	**34,565**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	2,852	-	-	-	**2,852**
Derecognition - disposals	88	1,565	-	-	716	**2,369**
Derecognition - other	61	-	-	-	-	**61**
Other Movements in Depreciation and Impairments	-	363	-	-	-	**363**
At 31 March 2021	**-**	**(5,048)**	**(10,050)**	**-**	**-**	**(15,098)**
Net book value:						
At 31 March 2021 Restated	1,619,673	689,535	7,939	27,692	214,235	2,559,074
At 31 March 2020 Restated	1,608,305	676,018	9,642	25,102	162,197	2,481,264

Note 2 Group Property Plant and Equipment (continued)

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross book value						
At 1 April 2021	1,619,673	694,583	17,989	27,692	214,235	**2,574,172**
Additions	67,157	48,486	3,287	2,520	111,965	**233,415**
Revaluations increases/(decrease) recognised in the Revaluation Reserve	25,567	9,865	-	-	-	**35,432**
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	(8,813)	(3,545)	-	-	-	**(12,358)**
Derecognition - disposals	(5,441)	(3,195)	-	-	-	**(8,636)**
Derecognition	(87)	(805)	-	-	-	**(892)**
Assets reclassified	-	-	-	-	(27,024)	**(27,024)**
Other movements	40,693	3,440	1,891	-	(43,017)	**3,007**
At 31 March 2022	**1,738,749**	**748,829**	**23,167**	**30,212**	**256,159**	**2,797,116**

Note 2 Group Property Plant and Equipment (continued)

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment						
At 1 April 2021	-	(5,048)	(10,050)	-	-	(15,098)
Depreciation Charge	(19,225)	(15,635)	(3,886)	-	-	(38,746)
Depreciation written out to the Revaluation Reserve	18,908	13,954	-	-	-	32,862
Accumulated Impairment written out to the Revaluation Reserve	-	3,075	-	-	-	3,075
Derecognition - disposals	240	30	-	-	-	270
Derecognition - other	77	805	-	-	-	882
Other Movements in Depreciation and Impairments	-	137	(121)	-	-	16
At 31 March 2022	-	(2,682)	(14,057)	-	-	(16,739)
Net book value:						
At 31 March 2022	1,738,749	746,147	9,110	30,212	256,159	2,780,377
At 31 March 2021	1,619,673	689,535	7,939	27,692	214,235	2,559,074



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 managing, maintaining and financing the Council's housing stock (which is ring-fenced under statute). The total cost is met via income from tenant rents, service charges and other rental income (including commercial property). The Council brought the Housing Service back in-house from 2019/20 having previously outsourced it to an Arm's Length Management Organisations (ALMO) called City West Homes. Staff were transferred to the Council under TUPE arrangements and in 2021/22 a comprehensive service redesign was undertaken to optimise staffing structures. The HRA Balance represents the accumulated surplus on the account and is held at a prudent level to manage financial risk (as set out in the HRA Business Plan). The Movement on the Housing Revenue Account Statement shows a £nil movement on this balance in 2021/22 based on the income and expenditure outturn for the year.

HRA Income and Expenditure Statement

2020/21		2021/22
£'000		**£'000**
	Expenditure	
18,953	Repairs and Maintenance	21,572
52,171	Supervision and Management	52,671
1,402	Rents, Rates, Taxes and Other Charges	1,489
1,179	Increase/(decrease) in Impairment Allowance for Doubtful Debts	1,887
40,718	Depreciation, Impairment and Revaluation losses in relation to non-current assets	28,665
-	Debt Management Cost	152
114,422	Total HRA Expenditure	**106,437**
	HRA Income	
(74,076)	Dwellings Rents	(75,342)
(1,149)	Non-dwellings Rents	(1,306)
(20,316)	Charges for Services and Facilities	(19,957)
(11,266)	Contributions towards Expenditure	(7,527)
(106,806)	Total HRA Income	**(104,132)**
7,616	**Net Cost of HRA services as included in the whole-authority Income and Expenditure Statement**	**2,304**

Housing Revenue Account (HRA) Statements (continued)

HRA Income and Expenditure Statement (continued)

2020/21		2021/22
£'000		**£'000**
101	HRA services share of Corporate and Democratic Core	73
7,716	Net Cost of HRA services including HRA share of costs not allocated to specific services	2,378
(38,473)	(Gain) or loss on sale of HRA non-current assets	(17,181)
-	Payments to government capital receipts pool	4,204
(7,738)	Capital grants and contributions	(6,700)
12,626	Movements in the fair value of investment properties	4,447
9,382	Interest payable and similar charges	8,577
(6,579)	HRA Investment Property income	(8,058)
(221)	HRA Investment Income	(38)
(23,286)	**(Surplus) or deficit for the year on HRA services**	**(12,370)**

Movement on the Housing Revenue Account Statement

2020/21		2021/22
£'000		**£'000**
(17,364)	Balance on the HRA at the end of the previous reporting period	**(19,381)**
(23,286)	(Surplus) or deficit for the year on the HRA Services	(12,370)
	Adjustments between the accounting basis and funding basis:	
24,608	Transfer to Major Repairs Reserve	25,842
31,610	(Gain) or loss on sale of HRA non-current assets	16,979
(12,626)	Movements in the fair value of investment properties	(4,447)
49	Financial Instrument Adjustment	77
(28,555)	Transfer (to) the Capital Adjustment Account (CAA)	(25,061)
6,868	Contributions to Deferred Capital Receipts Reserve (DCRR)	163
(101)	Transfers to Accumulated Absences Account	(73)
1,224	Transfers to Capital Receipts Reserve (CRR)	(1,109)
(208)	Net (increase) or decrease before transfers to or from reserves	-
(1,808)	Transfers to or (from) the General Fund	-
(2,017)	(Increase) or decrease in year on the HRA	-
(19,381)	Balance on the HRA at the end of the current reporting period	(19,381)
(19,381)	**Total HRA Reserves**	**(19,381)**

Housing Revenue Account (HRA) Explanatory Notes

HRA 1 Housing Stock

31 March 2021		31 March 2022
£'000		£'000
750	Rented Houses	742
11,074	Rented Flats	11,153
65	Shared Ownership	65
8,947	Leasehold Properties	8,931
20,836	**Total Stock**	**20,891**

HRA 2 Housing Asset Valuation

a) The vacant possession value of HRA tenanted dwellings is £6,605bn.

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 2021		31 March 2022
£'000		£'000
3,199	Rent Arrears	3,430
(1,678)	Bad Debt Provision	(1,721)
1,521	**Total**	**1,709**

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.

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.

			2020/21					2021/22
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				
-	-	(107,939)	**(107,939)**	Council Tax	-	-	(113,608)	**(113,608)**
(1,316,755)	-	-	**(1,316,755)**	Non-domestic rates	(1,696,139)	-	-	**(1,696,139)**
8,593	-	-	**8,593**	Transitional protection payments - non-domestic rates	9,737	-	-	**9,737**
-	(44,818)	-	**(44,818)**	Income collectable in respect of Business Rate Supplements	-	(54,410)	-	**(54,409)**
(1,308,163)	**(44,818)**	**(107,939)**	**(1,460,919)**	**Total amounts to be credited**	**(1,686,402)**	**(54,410)**	**(113,608)**	**(1,854,420)**

Collection Fund Accounts (continued)

			2020/21					2021/22
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				
768,652	-	-	**768,652**	Central Government	700,726	-	-	**700,726**
698,774	-	59,704	**758,478**	City of Westminster Council	637,023	-	62,307	**699,330**
861,822	-	44,065	**905,887**	Greater London Assembly	785,662	-	48,664	**834,326**
				Business Rate Supplement:				
-	44,156	-	**44,156**	Payment to levying authority's Business Rate Supplement Revenue Account	-	53,832	-	**53,832**
-	103	-	**103**	Administrative Costs	-	99	-	**99**
				Charges to Collection Fund				
15,311	558	557	**16,427**	Write-offs of uncollectable amounts	13,132	479	-	**13,611**
58,300	-	4,900	**63,200**	Increase/(decrease) in allowance for impairment	21,820	-	2,900	**24,720**
214,815	-	-	**214,815**	Increase/(decrease) in allowance for appeals	200,972	-	-	200,972
3,314	-	-	**3,314**	Charge to General Fund for allowable collection costs for non-domestic rates	3,258	-	-	**3,258**

Collection Fund Accounts (continued)

Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
			2020/21					2021/22
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Apportionment of previous year's estimated Collection Fund surplus:				
23,869	-	-	23,869	Central Government	(351,946)	-	-	**(351,946)**
48,685	-	1,043	49,728	City of Westminster Council	(333,518)	-	(194)	**(333,712)**
27,386	-	768	28,154	Greater London Assembly	(394,053)	-	(142)	**(394,195)**
2,720,928	44,818	111,038	2,876,784	**Total amounts to be debited**	1,283,076	54,410	113,535	1,451,021
				Movements on the Collection Fund				
1,412,766	-	3,099	1,415,865	**(Surplus) /deficit arising during the year**	(403,325)	-	(71)	(403,399)
(46,256)	-	(2,481)	(48,737)	**(Surplus)/deficit brought forward at 1 April**	1,366,510	-	618	1,367,128
1,366,510	**-**	**618**	**1,367,128**	**(Surplus)/deficit carried forward at 31 March**	**963,184**	**-**	**545**	**963,729**

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 rate and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund.

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

Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

The proportions were as follows:

2020/21			2021/22	
Council Tax	**Business Rates**		**Council Tax**	**Business Rates**
-	33%	Department of Communities & Local Government	-	33%
42.6%	37%	Greater London Authority	43.94%	37%
57.4%	30%	Westminster City Council (General Fund)	56.06%	30%
100.0%	100.0%		100.0%	100.0%

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 2020, and is summarised in the table to the right:

			2020/21		2021/22	
Band	**Range of property values (£)**		**Number of chargeable dwellings**	**Multiplier**	**Number of chargeable dwellings**	**Band D equivalent dwellings**
	£	**£**				
A		40,000	1,704	6/9	1,701	939
B	40,001	52,000	6,627	7/9	6,615	4,226
C	52,001	68,000	15,968	8/9	15,793	11,993
D	68,001	88,000	22,866	9/9	22,829	19,882
E	88,001	120,000	23,389	11/9	23,663	25,336
F	120,001	160,000	18,105	13/9	18,527	23,711
G	160,001	320,000	23,376	15/9	23,692	35,622
H	320,001		16,005	18/9	16,216	30,643
			128,040			152,352
Adjustment for Council Tax Reduction Scheme						(13,435)
Total						138,916
Collection Rate (97%)						133,360
Ministry of Defence Adjustment						458.3
Final Council Tax Base						**133,818**

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	51.2p / £ Rateable Value (51.2p in 2020/21)
Small Business Multiplier	49.9p / £ Rateable Value (49.9p in 2020/21)

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 2022 was £4.927bn (£5.020bn 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 (£699m) in 2021/22 is subsequently top-sliced and returned to Business Rates Pool for redistribution across local government.

2020/21		2021/22
£'000		**£'000**
768,652	Central Government	700,726
698,774	Westminster City Council	637,023
861,882	Greater London Assembly	785,662
2,329,308	Total	**2,123,411**

COLL 4 Business Rates Supplements – Crossrail

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

The aggregate rateable value of properties liable for BRS at 31st March 2022 was £4.379bn (the equivalent figure at 31st March 2021 being £4.478bn). The multiplier has remained at 2.0p / £ since the BRS was introduced.

7.

Pension Fund Accounts

Pension Fund Accounts

FUND ACCOUNT

2020/21		Notes	2021/22
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(46,660)	From Employers	Note 6	(108,054)
(10,854)	From Members	Note 6	(11,775)
(3,678)	Individual Transfers in from Other Pension Funds		(5,108)
(61,192)			(124,937)
	Benefits		
49,146	Pensions	Note 7	49,617
8,677	Commutation, Lump Sum Retirement and Death Benefits	Note 7	6,539
521	Payments in respect of tax		458
	Payments to and on Account of Leavers		
5,602	Individual Transfers Out to Other Pension Funds		5,785
130	Refunds to Members Leaving Service		102
64,076			62,501

Fund Account (continued)

2020/21		Notes	2021/22
£'000			**£'000**
2,884	Net (Additions)/Withdrawals from Dealings with Members		(62,436)
10,087	Management Expenses	Note 8	13,309
12,971	Net (additions)/withdrawals including management expenses		(49,127)
	Returns on Investments		
(8,656)	Investment Income	Note 9	(7,845)
(9)	Other Income	-	(3)
(8,665)			(7,848)
(432,487)	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 11	(67,446)
(441,152)	Net return on investments		(75,294)
(428,181)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(124,421)
(1,323,534)	Opening Net Assets of the Scheme		(1,751,715)
(1,751,715)	Closing Net Assets of the Scheme		(1,876,136)

Fund Account (continued)

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2022*

2020/21		Notes	2021/22
£'000			£'000
	Investment assets		
150	Equities	11	150
1,684,306	Pooled Investment Vehicles	11	1,842,280
	Other Investment Balances:		
109	Income Due	11	116
62,788	Cash Deposits	11	15,816
1,747,353	Total Investment Assets		1,858,362
-	Investment Liabilities		-
1,747,353	Net Value of Investment Assets	10	1,858,362
5,198	Current Assets	18	19,094
(836)	Current Liabilities	19	(1,320)
1,751,715	Net Assets of the Fund Available to Fund Benefits at the Period End		1,876,136

* 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 17.

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 Westminster City 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 Westminster City Council 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 2022. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2019, this covers the three financial years to 31 March 2023.

Currently employer contribution rates range from 12.0% to 37.0% of pensionable pay, as per the 2019 valuation.

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

c) Benefits

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

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

From 1 April 2014, the scheme became a career average 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 appointed Aegon and Utmost Life and Pensions as its AVC providers. 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 Council Officers including 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.

The Section 151 Officer is responsible for the preparation of the Pension Fund Statement of Accounts. The Audit and Performance Committee are responsible for approving the financial statements for publication.

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 11 March 2021 (available on the Council's website). The Statement shows the Authority's compliance with the Myners principles of investment management.

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

f) Membership

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

Organisations participating in the City of Westminster Pension Fund include:

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

The following table summarises the membership numbers of the scheme:

31 March 2021		31 March 2022
32	**Number of employers wit active member**	31
4,228	Active member	4,740
6,280	Pensioners receiving benefit	6,430
6,856	Deferred Pensioner	6,689
17,364		**17,859**

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2021/22 and its position at year end as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 17.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The City of Westminster Pension Fund remains a statutory open scheme, with a strong covenant from the active employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

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

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

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

b) Transfers to and from Other Schemes

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

c) Investment Income

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 lifetime 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

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 accrual's 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 accrual's 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 accrual's 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 indirectly to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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 17).

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 20).

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 21.

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.

There were no such critical judgements made during 2021/22.

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.

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

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 judgements 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% decrease in the discount rate assumption would result in an increase in the pension liability of £37m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £4m and a year increase in life expectancy would increase the liability by about £91m.

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

2020/21		2021/22
£'000		£'000
(49,833)	Administering Authority*	(111,291)
(3,679)	Scheduled bodies	(4,037)
(4,002)	Admitted bodies	(4,501)
(57,514)	**Total**	**(119,829)**

*This figure includes a £80m deficit recovery receipt, as per the administering authority's funding strategy.

BY TYPE

2020/21		2021/22
£'000		£'000
(10,854)	Employees' normal contributions	(11,775)
	Employers' contributions:	
(25,048)	Normal contributions	(27,139)
(21,483)	Deficit recovery contributions	(80,030)
(129)	Augmentation contributions	(885)
(57,514)	**Total**	**(119,829)**

Note 7 Benefits Payable

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

BY TYPE

2020/21		2021/22
£'000		**£'000**
49,146	Pensions	49,617
7,375	Commutation and lump sum retirement benefits	5,812
1,302	Lump sum death benefits	727
57,823	**Total**	**56,156**

BY AUTHORITY

2020/21		2021/22
£'000		**£'000**
44,272	Administering Authority	43,829
2,730	Scheduled Bodies	2,216
10,821	Admitted Bodies	10,111
57,823	**Total**	**56,156**

Note 8 Management Expenses

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

2020/21		2021/22
£'000		**£'000**
981	Administration Expenses	1,617
428	Oversight and Governance	410
8,678	Investment Management Expenses	11,282
10,087	**Total**	**13,309**

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

2020/21		2021/22
£'000		**£'000**
6,211	Management fees	7,688
45	Performance fees	-
54	Custody fees	48
2,368	Transaction costs	3,546
8,678	**Total**	**11,282**

Note 9 Investment Income

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

2020/21		2021/22
£'000		**£'000**
5,658	Pooled investments - unit trust and other managed funds	7,492
2,406	Pooled property investments	-
404	Infrastructure Income	288
188	Interest and cash deposits	65
8,656	**Total before taxes**	**7,845**

Note 10 Investment Management Arrangements

As at 31 March 2022, the investment portfolio is managed by twelve external managers:

- The UK property portfolio is managed by Abrdn;
- Fixed income mandates are managed by CQS (Multi Asset Credit, via the London CIV), Insight (Bonds) and Northern Trust (short bonds);
- Multi asset is managed by Ruffer (absolute return, via the London CIV);
- Affordable Housing is managed by Man Group
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Equity portfolios are split between Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV) and Legal and General Investment Management (passive 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. It is 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 2022 was as follows:

31 March 2021 Market Value	%	Fund Manager	Mandate	31 March 2022 Market Value	%
£'000				**£'000**	
Investments managed by the London CIV asset pool:					
3	0.0%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	-	0.0%
150	0.0%	London CIV	Share Capital	150	0.0%
153	**0.0%**	**UK Equity**		**150**	**0.0%**
429,778	24.6%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	399,046	21.4%
337,309	19.3%	London LGPS CIV Ltd - Morgan Stanley	Global Equity (Active)	374,723	20.2%
40	0.0%	LGIM Passive	World Equity (Passive)	42	0.0%
398,414	22.8%	LGIM Future World	World Equity (Passive)	434,720	23.4%
1,165,541	**66.7%**	**Global Equity**		**1,208,531**	**65.0%**
98,641	5.6%	London LGPS CIV Ltd - CQS	Multi Asset Credit	94,055	5.1%
98,641	**5.6%**	**Fixed Income**		**94,055**	**5.1%**
-	0.0%	London LGPS CIV Ltd - Ruffer	Absolute Return	51,617	2.8%
-	**0.0%**	**Multi Asset**		**51,617**	**2.8%**
1,264,335	**72.3%**	**Total pooled**	**Sub-Total**	**1,354,353**	**72.9%**
Investments managed outside of the London CIV asset pool:					
69,172	4.0%	Longview	Global Equity (Active)	-	0.0%
69,172	**4.0%**	**Global Equity**		**-**	**0.0%**
-	0.0%	Northern Trust Short ESG Fund	Bonds	49,724	2.7%
240,140	13.7%	Insight Buy and Maintain Bond Fund	Bonds	228,170	12.3%
240,140	**13.7%**	**Bonds**		**277,894**	**15.0%**

Note 10 Investment Management Arrangements (continued)

31 March 2021 Market Value	%	Fund Manager	Mandate	31 March 2022 Market Value	%
£'000				**£'000**	
89	0.0%	Hermes	Property	89	0.0%
71,261	4.1%	Abrdn	Property	103,750	5.6%
71,350	**4.1%**	**Property**		**103,839**	**5.6%**
-	0.0%	Man Group Community Housing Fund	Affordable Housing	29,514	1.6%
-	**0.0%**	**Affordable Housing**		**29,514**	**1.6%**
29,728	1.7%	Pantheon Global Infrastructure	Infrastructure	48,970	2.6%
6,004	0.3%	Macquarie GIG Renewable Energy	Infrastructure	9,781	0.5%
7,333	0.4%	Quinbrook Renewables Impact Fund	Infrastructure	18,183	1.0%
43,065	**2.4%**	**Alternatives**		**76,934**	**4.1%**
423,727	**24.2%**	**Total outside pool**	**Sub-total**	**488,181**	**26.3%**
59,291	3.5%	Cash deposits		15,828	0.8%
1,747,353	**100%**	**Total investments at 31 March**		**1,858,362**	**100%**

Note 11 Reconciliation in Movement in Investments

2020/21	Market value at 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled investments	1,149,824	9,728	(20,556)	431,013	1,570,009
Pooled property investments	129,979	64	(59,905)	1,123	71,261
Infrastructure	20,623	29,346	(7,414)	481	43,036
Total	1,300,576	39,138	(87,875)	432,617	1,684,456
Cash deposits	19,045			(100)	62,788
Amounts receivable for sales of investments	-			-	-
Investment income due	119			-	109
Spot FX contracts	-			(30)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,319,740**			**432,487**	**1,747,353**

Note 11 Reconciliation in Movement in Investments continued

2021/22	Market value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled investments	1,570,009	133,964	(86,200)	43,837	1,661,610
Pooled property investments	71,261	22,077	(1,269)	11,681	103,750
Infrastructure	43,036	34,013	(11,876)	11,747	76,920
Total	**1,684,456**	**190,054**	**(99,345)**	**67,265**	**1,842,430**
Cash deposits	62,788			146	15,816
Amounts receivable for sales of investments	-			-	-
Investment income due	109			-	116
Spot FX contracts	-			35	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,747,353**			**67,446**	**1,858,362**

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 2021			31 March 2022	
Market Value	**Holding**		**Market Value**	**Holding**
£'000	**%**		**£'000**	**%**
398,414	22.8%	LGIM Future World	434,720	23.4%
337,309	19.3%	London LGPS CIV Ltd - Morgan Stanley	374,723	20.2%
429,622	24.6%	London LGPS CIV Ltd - Baillie Gifford	399,046	21.4%
240,140	13.7%	Insight Buy and Maintain Bond Fund	228,170	12.3%
95,312	5.5%	London LGPS CIV Ltd - CQS	94,054	5.1%
71,261	4.1%	Abrdn Long Lease Property	103,750	5.6%
1,572,058	90.0%	Total Top Holdings	1,634,463	88.0%
1,747,353		**Total Value of Investments**	**1,858,362**	

Note 13a 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	Valuation hierarchy 20/21	Valuation hierarchy 21/22	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
Pooled Long Lease Property Fund	Level 2	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
Pooled Investments – Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Investments – Absolute Return	N/A	Level 2	The NAV for each share class is calculated based on the market value of the underlying assets.	Evaluated price feeds	Not required
Pooled investments - Affordable Housing	N/A	Level 3	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	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 13a 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 2022.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Pantheon – Infrastructure (a)	+/-10.0%	48,970	53,867	44,073
Quinbrook - Renewable Infrastructure (b)	+6.1%/-9.1%	18,183	19,292	16,528
Macquarie - Renewable Infrastructure (c)	+/-10.0%	9,767	10,744	8,790
Man Group – Affordable Housing (d)	+10.3%/-11.3%	29,514	32,554	26,179
Total		**106,434**	**116,457**	**95,570**

a) The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.

b) The valuation of the fund is estimated to be within a +6.1%/- 9.1% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.

c) The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.

d) The valuation of the fund is estimated to be within a +10.3%/-11.3% range. These ranges relate specifically to the valuation of completed sites. They are based on stress tests reflecting potential changes in market environment, particularly changes in house prices and inflation/interest rates.

Note 13a Fair Value – Basis of Valuation (continued)

As at March 2021:

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Pantheon – Infrastructure (a)	+/-10.0%	29,698	32,668	26,728
Quinbrook - Renewable Infrastructure (b)	+/-9.1%	7,333	8,001	6,666
Macquarie - Renewable Infrastructure (c)	+/-10.0%	6,004	6,605	5,404
Total		**43,035**	**47,274**	**38,798**

a) The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.

b) The valuation of the fund is estimated to be within a +/- 9.1% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.

c) The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.

Note 13b 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 infrastructure, which the Fund holds assets in, 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 2021				31 March 2022
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			
-	1,641,271	43,185	Financial assets at fair value through profit and loss	-	1,735,846	106,584
			Financial Liabilities			
-	-	-	Financial liabilities at fair value through profit and loss	-	-	-
-	**1,641,271**	**43,185**	**Total**	**-**	**1,735,846**	**106,584**

Note 13c Reconciliation of Fair Value Measurements Within Level 3

2021/22	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**
Share Capital	150	-	-	-	-	-	-	150
Pantheon - Infrastructure	29,698	-	-	17,546	(6,315)	7,807	234	48,970
Quinbrook - Renewable Infrastructure	7,333	-	-	12,517	(4,788)	3,121	-	18,183
Macquarie - Renewable Infrastructure	6,004	-	-	3,950	(773)	588	(2)	9,767
Man Group - Affordable Housing	-	-	-	31,249	(786)	(949)	-	29,514
Total	**43,185**	**-**	**-**	**65,262**	**(12,662)**	**10,567**	**232**	**106,584**

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2020/21	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**
Share Capital	150	-	-	-	-	-	-	150
Hermes - Property fund	61,388	-	-	-	(58,904)	-	(2,484)	-
Pantheon - Infrastructure	20,623	-	-	11,760	(2,185)	(735)	235	29,698
Quinbrook - Renewable Infrastructure	-	-	-	11,157	(3,500)	(324)	-	7,333
Macquarie - Renewable Infrastructure	-	-	-	6,428	-	(424)	-	6,004
Total	**82,161**	**-**	**-**	**29,345**	**(64,589)**	**(1,483)**	**(2,249)**	**43,185**

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments.

31 March 2021				31 March 2022		
Fair value through profit and loss	Financial assets at amortised cost	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 Assets			
			Pooled funds - investment vehicles			
1,570,159			Pooled Funds	1,661,760		
71,261			UK Unit Trust - Property	103,750		
43,036			Infrastructure	76,920		
	1,224		**Cash Balances (held directly by Fund)**		13,383	
	109		**Other Investment Balances**		116	
	62,778		**Cash Deposits**		15,816	
	3,974		**Debtors**		5,692	
1,684,456	**68,095**	**-**		**1,842,430**	**35,007**	-

Note 14a Classification of Financial Instruments (continued)

	31 March 2021					31 March 2022
Fair value through profit and loss	**Financial assets at amortised cost**	**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			
-	-	-	Other Investment Balances	-	-	-
-	-	(223)	Creditors	-	-	(694)
-	-	(223)	Total	-	-	(694)
1,684,456	68,095	(223)	Total	1,842,430	35,007	(694)
	1,752,328				**1,876,743**	

Note 14b 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 2021		31 March 2022
£'000		**£'000**
	Financial Assets	
432,617	Designated at fair value through profit and loss	67,265
(100)	Financial assets at amortised cost	181
432,517		67,446
	Financial Liabilities	
(30)	Financial liabilities at amortised cost	-
(30)		-
432,487	**Total**	**67,446**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 15 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.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Westminster City Council Pension Fund can report that as at 31 March 2022, the value of direct investments to Russia or Ukraine within the Pension Fund's asset classes is zero.

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 Fund has determined that a 7.83% increase or decrease in market price risk is reasonable for 2021/22. This analysis excludes debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk

Assets exposed to price risk	Price Risk	Value £bn	Value on price increase	Value on price decrease
		£'000	£'000	£'000
As at 31 March 2021	10.9%	1,747,353	1,937,814	1,556,891
As at 31 March 2022	**7.83%**	**1,858,363**	**2,003,873**	**1,712,853**

Note 15 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.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	**£'000**	**£'000**
Fixed Income - Global Bonds	228,170	209,510	246,830
Fixed Income - Global Multi Asset Credit	94,055	92,587	95,522
Absolute Return	51,617	52,458	51,488
As at 31 March 2022	**373,842**	**354,555**	**393,840**

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	**£'000**	**£'000**
Fixed Income - Global Bonds	240,140	220,281	260,000
Fixed Income - Global Multi Asset Credit	98,641	97,329	99,953
As at 31 March 2021	**338,781**	**317,610**	**359,953**

Note 15 Nature and Extent of Risks Arising from Financial Instruments (continued)

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 hedging, which is applied to the LGIM equities mandate. 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 7.62% strengthening/weakening of the pound against foreign currencies during 2021/22.

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Assets exposed to currency risk Currency Risk	Value	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
	£'000	**£'000**	**£'000**
As at 31 March 2021 6.44%	754,503	803,093	705,913
As at 31 March 2022 7.62%	**692,844**	**745,639**	**640,049**

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 2022, liquid assets were £1,648m representing 89% of total fund assets (£1,633m at 31 March 2021 representing 93% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Note 16 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 Westminster City Council 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, as at 31 March 2019 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 30 March 2020, with the funding level rising to 100%. This report details the fund assumptions and employer contribution rates for the three years following 2020/21. 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 2019 was £1,410.6m and the Actuary assessed the present value of the funded obligation at £1,430.6m. This indicates a net liability of £20m, which equates to a funding position of 99% (2016: £264.1m and 80%).

Please note during the 2021/22 financial year the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson. Therefore the next valuation, as at 31 March 2022, will be undertaken by Hymans Robertson.

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 2019	2019 Allocation %	Neutral Assumption%
Corporate Bonds	13.5	2.6
Equities	65.0	6.7
Infrastructure	5.0	6.7
Multi Asset Credit	6.5	4.8
Property	10.0	3.7

Financial assumptions	2019 %	2016 %	2013 %
Discount rate - scheduled bodies	4.8	5.1	5.9
Discount rate - admitted bodies	3.3	4.5	4.9
RPI	3.6	3.3	3.5
CPI	2.6	2.4	2.7
Pension increases	2.6	2.4	2.7
Short-term pay increases	n/a	2.4	1.0
Long-term pay increases	3.6	3.9	4.5

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 19 years, as set out in the Funding Strategy Statement (2016: 22 years). The common future service contribution rate for the Fund was set at 17.9% of pensionable pay (2016: 16.9%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2020 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 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2022. The figures have been prepared by Hymans Robertson, 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 2021		31 March 2022
£'000		£'000
(2,337,834)	Present Value of Promised Retirement Benefits	(2,280,000)
1,747,353	Fair Value of Scheme Assets (bid value)	1,858,362
(590,481)	**Net Liability**	**(421,638)**

Please note during the 2021/22 financial year the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2022, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019 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 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110%, for males and 105% for females. These base tables are then projected using the CMI 2021 Model, allowing for a long-term rate of improvement of 1.50% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2021	31 March 2022
Retiring today	Males	21.6	21.4
	Females	24.3	24.1
Retiring in 20 years	Males	22.9	22.9
	Females	25.7	26.1

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2021	31 March 2022
	%	%
CPI Increases	2.80	3.20
Salary increases	3.80	4.20
Pension increases	2.80	3.20
Discount rate	2.00	2.70

Note 18 Current Assets

31 March 2021		31 March 2022
£'000		£'000
	Debtors:	
2,608	Contributions due - employers	3,180
826	Contributions due - employees	1,053
540	Sundry debtors	1,478
1,224	Cash balances	13,383
5,198	**Total**	**19,094**

ANALYSIS OF DEBTORS

31 March 2021		31 March 2022
£'000		£'000
1	Central Government Bodies	19
654	Other entities and individuals	1,472
3,319	Administering Authority	4,220
3,974	**Total**	**5,711**

Note 19 Current Liabilities

31 March 2021		31 March 2022
£'000		£'000
(836)	Sundry creditors	(1,320)
(836)	**Total**	**(1,320)**

ANALYSIS OF CREDITORS

31 March 2021		31 March 2022
£'000		£'000
-	Administering Authority	(269)
(613)	Central government bodies	(626)
(223)	Other entities and individuals	(425)
(836)	**Total**	**(1,320)**

Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Utmost Life and Pensions. The table below shows information about these separately invested AVCs.

Market Value 31 March 2021		Market Value 31 March 2022
£'000		**£'000**
934	Aegon	953
366	Utmost Life and Pensions	357
1,300	**Total**	**1,310**

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 21 Related Party Transactions

The Fund is administered by Westminster City Council, the largest scheme employer, who has paid £98.5m in contributions over the year to 31 March 2022. The Council incurred costs of £0.587m in the period 2021/22 (2020/21: £0.545m) 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, the Tri-Borough Director of Treasury and Pensions and the Director of People Services. There were no costs apportioned to the Pension Fund in respect of the Executive Director of Finance and Resources post for 2020/21 and 2021/22. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2021		31 March 2022
£'000		**£'000**
63	Short-term benefits	74
132	Post-employment benefits	(37)
195	**Total**	**37**

Note 22 External Audit Costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £29k (£25k in 2020/21).

31 March 2021		31 March 2022
£'000		**£'000**
25	External audit fees	29*
25	**Total**	**29**

*The audit fees for 2021/22 include additional fees for 2019/20, fees for 2021/22 and a S13 grant rebate.

Note 23 Events After the Reporting Period

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 24 Contractual Commitments

The Fund has committed $91.5m (£69.6m) to the Pantheon Global Infrastructure Fund III, of this commitment $27m (£20.5m) was still outstanding at 31 March 2022. Alongside this, the Fund has committed £60m to the Quinbrook Renewables Impact Fund with £41.8m outstanding as at 31 March 2022. The Fund has also committed €55m (£46.3m) to the Macquarie Renewable Energy Fund, €43.4m (£36.6m) of which was outstanding at 31 March 2022. During the year, the Fund committed £50m to the Man Group Affordable Housing Fund, with £20.5m outstanding as at 31 March 2022.

8.

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 (50.4p/£ 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 the liabilities during the year as a result of moving one year closer to being paid.

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

LEVIES

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

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:

Jake Bacchus
Director of Finance
Corporate Finance
64 Victoria Street
London
SW1E 6QP

Telephone: 07811 723047

Image credit: Landsec

City of Westminster

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Annual Report

City of Westminster Pension Fund • 2021/22

City of Westminster


PEDESTRIAN
ZONE
No vehicles
Noon - Midnight
At any time

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1. Preface

Report from Chairman of the Pension Fund Committee

WELCOME TO THE ANNUAL REPORT OF THE CITY OF WESTMINSTER PENSION FUND.

The Pension Fund Committee is responsible for overseeing the governance of the Westminster City Council Pension Fund, including investment management and pensions administration. As the Chairman of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2021/22.

The Pension Fund's market value was £1.858bn at 31 March 2022, a net increase in Fund value of £124.4m, compared with an increase in value of £428.2m during the 2020/21. This is due to equities performing exceptionally well during 2020/21 and the tailing off of this performance during 2021/22. The Pension Fund Committee continues to monitor the Fund closely at every meeting and challenges the officers, investment advisers and investment managers as necessary to ensure the Fund's investments are being managed effectively.

The Pension Fund was last valued by the Fund's previous actuary, Barnett Waddingham, at the 31 March 2019 triennial actuarial valuation. The actuary reported that the Fund had sufficient assets to cover 99% of the liabilities. Preparations are commencing for the current actuarial valuation as at 31 March 2022, with continued planned improvements to the Fund's membership data. The valuation will be carried out by the Fund's new actuary, Hymans Robertson. The City Council's deficit recovery plan has concluded, with the Council expected to be over 100% funded this time.

The Fund continues to work closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to achieve efficiencies through pooling of Pension Fund assets. The Fund continues to benefit from the lower fees negotiated by LCIV on its Legal and General Passive Equities Portfolio, as well as benefitting from lower fees in active equity and alternative investment managers. The Fund's proportion of assets pooled now is over 72%, making the City of Westminster Pension Fund one of the biggest investors within the London CIV pool.

The Pension Fund is committed to being a responsible investor and has made great strides within renewable energy infrastructure and other Environment, Governance and Social (ESG) investments in the last year. The Pension Fund has committed 6% of its total allocation to renewable infrastructure investments in 2021 which, alongside the positive environmental benefits (e.g., positive impact on climate from investing in renewable energy), will secure genuine diversification of portfolio risk and long term stable cash flows for the Fund. This is continuing to draw down and expected to be fully invested by the end of 2023.

The Fund has made commitments to both affordable housing and socially supported housing in 2021/22 totalling 5% of the Fund. This provides a much need supply of homes to people who have been struggling in the current property market, while providing the Pension Fund with a stable, diversified cash flow.

The Fund has also reorganised its equity portfolio to reduce its carbon exposure which is a considerable long term investment risk. This has been achieved by transferring its previous active UK equity portfolio to the LCIV Global Sustain Fund managed by Morgan Stanley Investment Management, which excludes investment in fossil fuels, alcohol, firearms, weapons and tobacco. In addition, the Fund's passive equity portfolio has been reorganised to allocate more capital to companies that are better aligned to the UN sustainable development goals.

The Pension Fund produced a Responsible Investment Statement in 2022, furthering the Fund's commitment to environmental, social and governance factors as a core part of its investment decision making. Since 2018, the Fund has reduced its absolute carbon footprint by 65% in its investment portfolio.

I would like to thank all those involved in the governance of the Westminster Pension Fund during the year during 2021/22, especially the members of the Pension Fund Committee and the Local Pension Board, as well as officers and support staff.

Councillor Patricia McAllister
Chairman of the Pension Fund Committee

Introduction

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Contribution rates for employees and employers are set by the Fund's actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2019, was used to set contribution rates with effect from 1 April 2020 through to April 2023.

A new LGPS scheme was introduced with effect from 1st April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1st April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay.

Benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- A pension based on career average earnings (revalued in line with the Consumer Price Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements and annual report is published by CIPFA annually and can be found online. This guidance includes a Code disclosure checklist, listed by must, should and may, which the City of Westminster has applied in the preparation of the annual report and accounts.

Introduction (continued)

This annual report comprises the following sections:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** detailing the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.

The **funding position** of the Fund with a statement from the Fund's actuary.

- **The Fund's annual accounts** for the year ended 31 March 2022
- **Asset Pools** and their governance structure including costs
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
  - Governance Compliance Statement
  - Investment Strategy Statement
  - Communication Policy
  - Funding Strategy Statement
- Further information about the Local Government Pension Scheme can be found on our website. Please ***click here*** to be directed.

2.

Management and Financial Performance

Governance Arrangements

PENSION FUND COMMITTEE

Westminster City Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). The Committee obtains and considers advice from the Tri-Borough Director of Pensions and Treasury, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of Reference for the Pension Fund Committee are set out in Appendix 1 as part of the Governance Compliance Statement.

The Committee is made up of four elected Members of the Council (three from the majority party and one minority party representative) who meet at least four times a year. All members have full voting rights.

The Pension Fund Committee membership during 2021/22 was as follows:

- Councillor Eoghain Murphy (Chairman)
- Councillor Angela Harvey
- Councillor Barbara Arzymanow
- Councillor Patricia McAllister

Following the May 2022 local elections, the current Pension Fund Committee is as follows:

- Councillor Patricia McAllister (Chairman)
- Councillor Robert Eagleton
- Councillor Ryan Jude
- Councillor Ed Pitt-Ford

Councillors may be contacted at 64 Victoria Street, London, SW1E 6QP.

LOCAL PENSION BOARD

At the start of 2015/16, the Pension Fund Committee established a local Pension Board in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to provide oversight of the Fund Committee.

Terms of Reference for the Local Pension Board can be found on the Pension Fund website at. Please ***click here*** to be directed.

The Board comprises six members – three from the Council representing employers and three employee representatives. The Chairman is elected by the Board.

The Board membership during 2021/22 was as follows:

- Terry Neville (Chairman)
- Councillor Guthrie McKie (Vice-Chairman)
- Councillor Tim Mitchell (Employer Representative)
- Marie Holmes (Employer Representative)
- Christopher Smith (Member Representative)
- Chris Walker (Member Representative)

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. A copy is available from Legal and Democratic Services at 64 Victoria Street, London, SW1E 6QP or by telephone: 020 7641 3160.

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

The Code also requires elected members to register disclosable pecuniary interests.

GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement can be found in Section 9.

Scheme Management and Advisors

EXTERNAL PARTIES		
Investment Adviser	Deloitte	
Investment Managers	**Equities (Active)** London LGPS CIV Ltd - Baillie Gifford London LGPS CIV Ltd - Morgan Stanley **Equities (Passive)** Legal and General Investment Management **Infrastructure** Pantheon Ventures Macquarie Asset Management Quinbrook Partners	**Fixed Income** Insight Investment London LGPS CIV Ltd – CQS Northern Trust **Multi Asset** London LGPS CIV Ltd – Ruffer **Affordable Housing** Man Group **Property** Abrdn
Asset Pool	London CIV	
Custodian	Northern Trust	
Banker	Lloyds Bank	
Actuary	Hymans Robertson from November 2021 Barnett Waddingham to October 2021	
Auditor	Grant Thornton UK LLP	
Legal Adviser	Eversheds	
Scheme Administrators	Hampshire Pension Services	
AVC Providers	Aegon	Utmost Life and Pensions

Contact details are provided in Section 8 of this report.

OFFICERS		
Executive Director - Finance and Resources & Section 151 Officer Director of People Services	Gerald Almeroth Lee Witham	
Tri-Borough Pensions Team	Phil Triggs Matthew Hopson Mathew Dawson Billie Emery	Julia Stevens Patrick Rowe Ruby Vuong from January 2022 Alastair Paton
Pensions and Payroll Officer	Sarah Hay	Diana McDonnell-Pascoe

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

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Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The risk objective areas of risk have been updated to reflect the CIPFA risk classifications. The Risk Register is managed by the Tri-Borough Director of Pensions and Treasury.

The key risks identified within the Pension Fund risk register, as updated in June 2022, are:

Objective area at risk	Risk	Risk rating	Mitigating actions
Liability Risk	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 2.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. CPI was 9.0% as at 30 April 2022.	High	REAT: 1) The fund holds investments in bonds, inflation linked long lease property and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2022. 3) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 4) Short term inflation is expected due to a number of reasons on current course.
Asset and Investment Risk	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. On 24 February 2022, Russia invaded Ukraine marking an escalation in the conflict which has been ongoing since 2014.	High	TREAT: 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at 30 June 2022, the value of direct investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero.
Asset and Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019, how this will affect the Pension Fund going forward is currently unknown.	High	TREAT: 1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings

Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 15).

The Funding Strategy Statement (at Appendix 4) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

Objective area at risk	Risk	Risk rating	Mitigating actions
	TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.		Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been released for 2022. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.
Asset and Investment Risk	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m. The Fund returned 3.6% net of fees in the year to 31 March 2022, underperforming the benchmark by -3.5% net of fees. Much of this underperformance can be attributed to the Baillie Gifford global equity mandate.	Medium	TREAT: 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 6) The Committee has invited Baillie Gifford to attend the Committee meeting on 23 June 2022.
Liability Risk	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	Medium	TOLERATE: 1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.
Asset and Investment Risk	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	Medium	TREAT: 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems.

Risk Management (continued)

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 100% of investment holdings at 31 March 2022.

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Abrdn.[1]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Baillie Gifford (LCIV).[2]	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
CQS (LCIV).[3]	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Man Group	ISAE3402	Reasonable assurance	Reasonable assurance	EY LLP
Insight.[4]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
LGIM	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Longview	ISAE3000	Reasonable assurance	Reasonable assurance	EY LLP
Macquarie	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Morgan Stanley (LCIV).[5]	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Pantheon Ventures	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook.[6]	ISAE3402	Reasonable assurance	Reasonable assurance	BDO LLP
Ruffer (LCIV)[8]	ISAE3402	Reasonable assurance	Reasonable assurance	EY LLP
Custodian				
Northern Trust	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP

Periods covered by the above reports are typically not aligned with the Pension Fund's financial year. The following bridging statements have been provided:

[1] Abrdn – "With reference to the Abrdn Investments Internal Controls Report for the period ended 30 September 2021; to the best of my knowledge there have been no material changes in the operation of the internal controls covered within the report that would be likely to impact the auditors' opinion for the period 1 October 2021 to 31 March 2022."

[2] Baillie Gifford – "We confirm that since 30 April 2021 the controls in operation continue to be designed effectively in order to meet the control objectives and we are not aware of any significant weaknesses identified within our internal control environment, which would result in a qualified opinion within the Report for the year to 30 April 2022."

[3] CQS – "On behalf of CQS, we note that we do not believe there have been any changes to the procedures and controls described in that report for the period 1 January 2022 to 31 March 2022 that would result in a change in results of the assurance report."

[4] Insight – "To the best of our knowledge there have been no material adverse changes to the control environment and/or objectives, and the control environment continued to operate substantially in accordance with the objectives, policies and procedures as stated and tested in the latest available report, between 1st October 2021 and 31st March 2022."

[5] Morgan Stanley – "To the best of our knowledge, the internal control environment covered in the SSAE18 report provided has not changed materially through the period of July 1, 2021 to March 31, 2022."

[6] Quinbrook – "can confirm that there were no significant changes in the policy, procedures and control environment from 1st October 2020 to 31st December 2021."

[8] Ruffer – "Ruffer's control framework for the period 1 April 2021 and 31 March 2022 is currently under review by our auditors Ernst & Young who have, thus far, raised no material changes to us."

Risk Management (continued)

INTERNAL AUDIT TESTING

The Council's Internal Audit function provides a level of assurance over the Pension Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during March 2018 and was followed up in April 2019, whereby the Fund was awarded a satisfactory audit opinion.

ASSURANCE OPINION

	Nil	Limited	Satisfactory	Substantial
Audit Opinion			☑	

RECOMMENDATIONS SUMMARY

Area of Scope	Frequency	Adequacy	Effectiveness
Regulatory, Organisational and Management Requirements	Every 2-3 years	Limited	Satisfactory
Pension Fund Investment Transactions and Records	Every 2-3 years	Satisfactory	Limited
Financial and Performance Management Reporting	Every 2-3 years	Satisfactory	Satisfactory
Controls over Systems and Records	Every 2-3 years	Satisfactory	Limited

A number of audit recommendations were raised following the internal audit, as of 31 March 2022 all recommendations have been fully or partially implemented.

Financial Performance

The Fund asset value increased by £124m to £1.876bn as at 31 March 2022 from £1.752bn as at 31 March 2021. This was largely as a result of £80m in deficit recovery receipts received during the year and positive performance within the infrastructure mandates and the long lease property fund.

The most recent triennial valuation took place as at 31 March 2019, this covers the three financial years from 2020/21. The funding level increased greater than anticipated during the 2019 valuation to a 99% funding level as at 31 March 2019, up 19% from the 2016 valuation. However, funding levels for different employers vary significantly.

ANALYTICAL REVIEW

Fund Account	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**
Dealings with members				
Contributions	(61,242)	(72,616)	(61,192)	(124,937)
Pensions	58,189	63,697	64,076	62,501
Net (additions)/withdrawals from dealings with members	**(3,053)**	**(8,920)**	**2,884**	**(62,436)**
Management expense	5,823	6,834	10,087	13,309
Net investment returns	(12,242)	(17,975)	(8,665)	(7,848)
Change in market value	(72,883)	114,858	(432,486)	(67,446)
Net (increase)/decrease in the Fund	**(82,356)**	**94,798**	**(428,181)**	**(124,421)**

Over the four-year period, contributions received have exceeded pensions paid by £71.5m. This is due to the increased level of deficit recovery contributions to bring the funding level to 100%.

Net investment returns in 2021/22 have decreased slightly from 2020/21, this is due to exiting the Hermes Property mandate during January 2021, which provided significant distributions.

During 2021/22, the net increase in Fund value was £124.4m, compared to an increase in value of £428.2m during the 2020/21. This is due to equities performing exceptionally well during 2020/21 and the tailing off of this performance during 2021/22.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Financial Performance (continued)

Net Asset Statement	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Equities	150	150	150	150
Pooled Investment Vehicles	1,402,288	1,300,427	1,684,306	1,842,280
Cash Deposits	5,802	19,044	62,788	15,816
Other	120	119	109	116
Total Investment Assets	**1,408,360**	**1,319,740**	**1,747,353**	**1,858,362**
Current assets	11,293	4,640	5,198	19,094
Current Liabilities	(1,321)	(846)	(836)	(1,320)
Total Net Assets available to fund benefits	**1,418,332**	**1,323,534**	**1,751,715**	**1,876,136**

The points to note are:

- 68% of pooled investment vehicles comprise of global equity shareholdings, 20% within fixed income funds, 6% in property pooled funds while the remaining 6% is invested in alternatives (73% within equity pooled funds, 20% in fixed income, 4% within property pooled funds and 3% in alternatives in 2020/21).
- The overall value of pooled investment vehicles increased by £158m (9%) during the year.
- Cash deposits decreased by £47m due to a short term investment made within the Northern Trust ESG short duration bond fund. Alongside this a number of capital calls have taken place within the alternative mandates.
- Current assets increased by £13.9m to £19.1m at 31 March 2022, this was due to a deficit recovery receipt received prior to year-end.

Further details are given in the Investment Policy and Performance Section.

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

Contributions Receivable	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
- Members	(8,982)	(10,105)	(10,854)	(11,775)
- Employers	(45,363)	(54,244)	(46,660)	(108,054)
- Transfers in	(6,897)	(8,267)	(3,678)	(5,108)
Total Income	**(61,242)**	**(72,616)**	**(61,192)**	**(124,937)**

Benefits/Expenses	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**
- Pensions	45,610	47,628	49,146	49,617
- Lump sum retirements and death benefits	7,464	7,092	8,677	6,539
- Transfers out	4,919	7,480	5,602	5,785
- Refunds	196	306	130	102
- Payments in respect of tax	-	1,190	521	458
Total Expenditure	58,189	63,697	64,076	62,501
Net Dealings with Members	(3,053)	(8,920)	2,884	(62,436)

The key variances were due to the following:

- Employer contributions increased by £61.4m during 2021/22, this was due to the increased level of deficit recovery receipts during the year.
- Transfers in increased during the year, reflecting a higher number of new starters joining the scheme and members choosing to transfer in benefits on commencement of employment.
- Transfers out also increased slightly in 2021/22 because more members chose to transfer their benefits to another employer or remove them under the freedom of choice legislation.
- There were payments in respect of tax of £0.458m during 2021/22, this relates to VSP tax payments in respect of members' annual/lifetime allowances.

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**
Administration			
Employees	352	308	359
Supplies and services	398	673	1,258
	750	**981**	**1,617**
Governance and Oversight			
Employees	183	236	228
Investment advisory services	78	92	102
Governance and compliance	73	43	39
External audit	16	25	29
Actuarial fees	72	32	12
	423	**428**	**410**
Investment Management			
Management fees	4,779	6,211	7,688
Performance fees	85	45	-
Custodian fees	31	54	48
Transaction Costs	768	2,368	3,546
	5,662	**8,678**	**11,282**
Total	**6,834**	**10,087**	**13,309**

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The key variances were due to the following:

- During 2021/22, the administration costs increased by 65% to £1.617m, largely as a result of the pension administration transition from Surrey CC to Hampshire CC, which incurred large one-off fees. It is anticipated that administration fees will decrease significantly following this transition.
- Governance and oversight costs during 2021/22 have remained in line with 2020/21. However, it is anticipated that, going forward, the finance employee recharge will decrease. This is as a result of the London Borough of Bexley joining the Tri-Borough Treasury and Pensions services, alongside Hammersmith and Fulham and Kensington and Chelsea.
- Investment management costs have increased during 2021/22 by 30% to £11.3m. This is due to increased transaction cost disclosure as a result of the LGPS Cost Transparency Code, an increase in asset market values and the transition of investments to more complex asset classes.

Administration Management Performance

The administration of the Fund is managed by Westminster City Council and undertaken by Hampshire Pension Services (HPS) under a contractual arrangement operational from 8 November 2021. Prior to this, the administration contract was managed by Surrey County Council.

PERFORMANCE INDICATORS

The administration contract includes a number of performance indicators included to ensure that service to members of the Pension Fund is effective. The targets are set out below, along with actual performance. Please note there was a change in KPIs following the administration transition on 8 November 2021.

Surrey County Council

Performance Indicators	Target	Performance		
		26B26B26B**2019/20**	27B27B27B**2020/21**	27B27B27B**2021/22***
Letter detailing transfer in quote	30 days	100%	100%	100%
Letter detailing transfer out quote	30 days	98%	99%	85%
Process refund and issue payment voucher	14 days	100%	100%	95%
Letter notifying estimate of retirement benefit	5 days	91%	91%	52%
Letter notifying actual retirement benefit	5 days	100%	96%	68%
Letter acknowledging death of member	5 days	100%	98%	89%
Letter notifying amount of dependant's benefits	5 days	100%	100%	59%

*To October 2021

The performance indicators for 2021/22 (to October 2021) show performance in some of the KPIs had reduced from the prior reporting periods, whilst the Fund was exiting from the administration relationship with Surrey CC. Surrey had moved the provision of the WCC service in April 2021 to their main administration team, having exited a partnership under the Orbis brand with East Sussex Council.

Surrey had to manage a number of fund exits including the Westminster Fund and resources were limited to maintain KPI levels and complete the necessary work to successfully transfer to Hampshire Pension Services (HPS).

Administration Management Performance (continued)

Hampshire Pension Services

Performance Indicators	Target	Performance
		27B27B27B**2021/22***
Letter detailing transfer in quote	15 days	100%
Letter detailing transfer out quote	15 days	100%
Process refund and issue payment voucher	15 days	100%
Letter notifying estimate of retirement benefit	15 days	100%
Letter notifying actual retirement benefit	15 days	100%
Letter acknowledging death of member	15 days	100%
Letter notifying amount of dependant's benefits	15 days	100%

*From November 2021

The pensions administration service transitioned from Surrey County Council to HPS from 8 November 2021. This included a change in administration software from Heywood's Altair to Civica.

Following this transition, the service level KPIs are now consistently 100% every month. Business as usual work of pension administration is well managed by HPS and standard pension processes including retirements, refunds and death cases are handled sensitively and within the agreed timescales.

HAMPSHIRE PENSION SERVICES

The Pension Fund uses the Hampshire Pension Service on-line pension portal, which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the new system to:

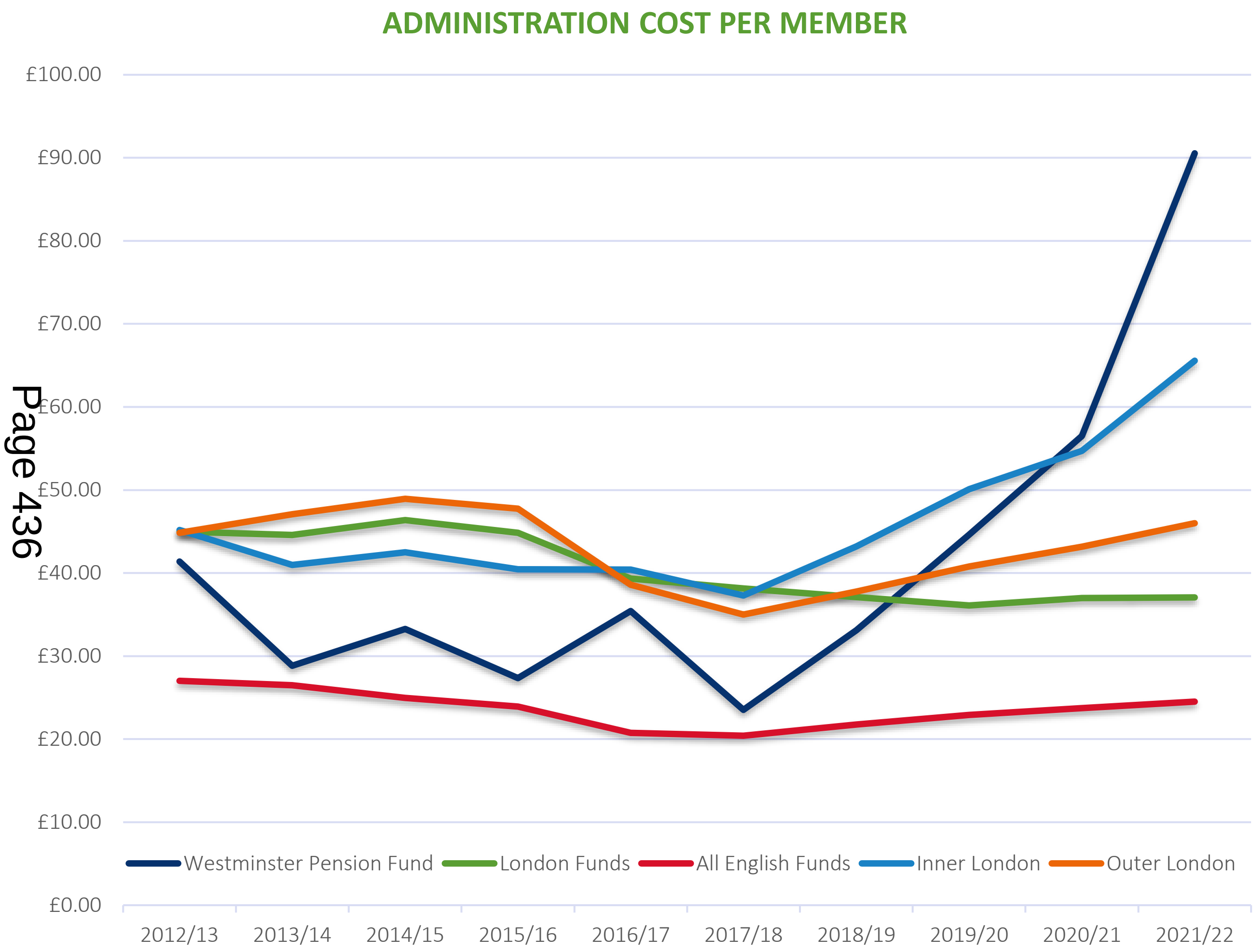
- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations, e.g. early retirements

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see section 4).

There were no IDRP cases during 2021/22, however there was one Pension Ombudsman ruling where the complaint was partially upheld.

Administration Management Performance (continued)



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STAFFING INDICATORS

The administration of the Fund comprises:

- 5.5 full-time equivalent (FTE) staff engaged by Hampshire CC working directly on pension administration for Westminster
- 4.4 fte Westminster HR staff to deal with internal administration.
- 2.2 fte Westminster Finance staff, assigned to the oversight and governance of the Pension Fund.

Surrey County Council was appointed as the Fund's administrator during 2014 with costs rising as a result of this change, and again in 2016/17 reflecting the implementation of their online portal. Although this reduced in 2017/18, this increased in the years to 2020/21 due to ad hoc administration works in relation to data cleansing, GMP reconciliation, microfiche retrieval works and an increase in the Surrey annual administration charge.

Costs rose again significantly during 2021/22, largely as a result of the pension administration transition from Surrey CC to Hampshire Pension Services and the change of administration software providers from Heywood's to Civica. It is anticipated that administration fees will decrease following this transition..

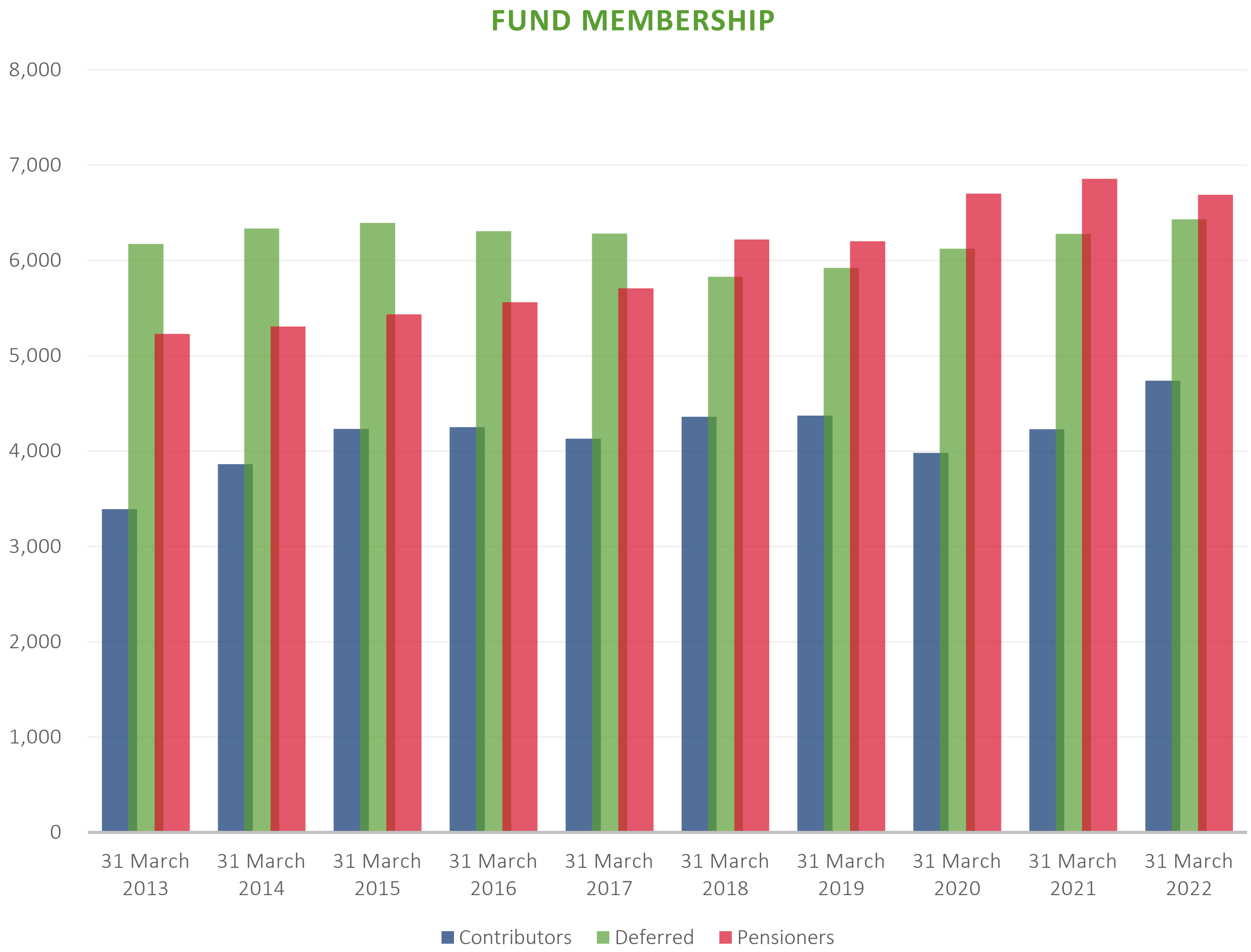
In addition to this the number of FTE Westminster HR personnel has increased from 2.5 FTE in 2018/19 to 4.4 FTE in 2021/22.

Administration Management Performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased 20.7% over the past 10 years from 14,794 to 17,859.

Over this period, the number of pensioners and deferred members has continued to rise in common with other local government pension funds, reflecting the increasing maturity of the Fund. The number of contributing members has also increased, following the introduction of auto-enrolment in 2013 and the increase in employers admitted into the Scheme.



Administration Management Performance (continued)

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the following table, as at each year on 31 March. This had decreased year on year to 31 March 2021. However this trend has reversed in 2021/22, reflecting ongoing staffing restructures within the administering authority.

Reason for Leaving	2018/19	2019/20	2020/21	2021/22
Ill Health Retirement	1	1	2	3
Early Retirement	23	15	10	19
Total	**24**	**16**	**12**	**22**

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

Below is a list of the current active contributing employers and the contributions received for 2021/22 (figures include early retirement and deficit funding contributions).

Administering Authority	Employees Contributions	Employers Contributions	Total Contributions
	£'000	**£'000**	**£'000**
Westminster City Council	(8,782)	(98,488)	(107,270)
All Souls	(15)	(62)	(77)
Barrow Hill Junior	(21)	(73)	(94)
Burdett Coutts	(13)	(52)	(65)
Christ Church Bentinck Primary	(17)	(70)	(87)
College Park	(33)	(131)	(164)
Dorothy Gardner Centre	(29)	(111)	(140)
Edward Wilson	(22)	(86)	(109)
Essendine Primary	(23)	(149)	(172)
George Eliot	(15)	(95)	(111)
Hallfield	(42)	(164)	(205)
Hampden Gurney Primary	(15)	(63)	(78)
Mary Paterson Nursery School	(12)	(49)	(61)
Our Lady of Dolours Primary School	(20)	(81)	(101)
Portman Early Childhood Centre	(45)	(176)	(222)
Queen Elizabeth 11	(38)	(157)	(195)
Queen's Park	(16)	(63)	(79)
Robinsfield	(11)	(40)	(51)
Soho Parish	(19)	(119)	(138)
St Augustine's High School	(74)	(288)	(362)
St. Augustine's Primary School	(13)	(53)	(66)
St Barnabas	(7)	(27)	(34)
St Clement Danes	(15)	(60)	(75)
St Gabriel's	(22)	(88)	(110)
St George Hanover Square	(7)	(26)	(33)
St James & St Michaels	(9)	(37)	(46)
St Joseph's RC Primary School	(16)	(70)	(86)
St Lukes	(6)	(22)	(27)
St Mary Bryanston Square	(13)	(54)	(67)
St Mary Magdalene	(19)	(72)	(91)
St Mary of the Angels	(25)	(105)	(130)
St Matthew's	(17)	(57)	(74)
St Peters CE	(16)	(61)	(77)
St Peters Eaton Square	(11)	(47)	(58)
St. Edward`s RC Primary School	(21)	(81)	(101)
St. Saviours	(25)	(99)	(124)
St Vincent De Paul Primary School	(10)	(41)	(50)
St. Vincent`s RC Primary School	(13)	(55)	(68)
St Stephens CE primary School	(9)	(46)	(55)
Tachbrook Nursery	(12)	(53)	(65)
Westminster Cathedral	(14)	(60)	(73)
Total Contributions from Administering Authority	**(9,562)**	**(101,730)**	**(111,291)**

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Administration Management Performance (continued)

SCHEDULED BODIES

The Fund provides pensions not only for employees of Westminster City Council, but also for the employees of a number of scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employees Contribution	Employers' Contributions	Total Contributions
	£'000	£'000	£'000
Ark Atwood Primary Academy	(21)	(65)	(86)
Beachcroft Academy	(22)	(44)	(66)
Churchill Gardens Academy	(12)	(43)	(55)
Gateway Academy	(27)	(90)	(117)
Grey Coat Hospital Academy	(77)	(218)	(295)
Harris Westminster Free School	(20)	(45)	(65)
Harris Academy St Johns Wood	(64)	(176)	(241)
King Solomon Academy	(242)	(719)	(960)
Marylebone Boys School	(40)	(109)	(149)
Millbank Primary Academy	(14)	(45)	(59)
Paddington Academy	(89)	(233)	(322)
Pimlico Academy	(161)	(380)	(541)
Pimlico Free School	(18)	(40)	(57)
Sir Simon Milton University Technical College	(7)	(22)	(29)
St Georges Maida Vale Academy	(54)	(152)	(206)
St Marylebone Academy	(77)	(202)	(279)
St Marylebone Bridge School	(28)	(76)	(104)
Westminster Academy	(57)	(138)	(195)
Westminster City School	(51)	(127)	(177)
Wilberforce Academy	(8)	(25)	(33)
Total Contributions from Scheduled Bodies	**(1,089)**	**(2,948)**	**(4,037)**

Administration Management Performance (continued)

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not for profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Bodies	Employees Contribution	Employers Contributions	Total Contributions
	£'000	£'000	£'000
Accent Catering	(1)	(8)	(9)
Bouygues	0	0	0
BT	(3)	(17)	(20)
Continental Landscapes Ltd	(2)	(10)	(12)
Creative Education Trust	(157)	(279)	(436)
Gold Care Homes	(5)	(26)	(30)
Housing and Communities Agency	(262)	(568)	(830)
Independent Housing Ombudsman	(353)	(1,313)	(1,666)
Pinnacle Housing	(2)	(11)	(13)
Regulator for Social Housing	(340)	(1,146)	(1,486)
Total Contributions from Admitted Bodies	**(1,124)**	**(3,376)**	**(4,501)**
Grand Total	**(11,775)**	**(108,054)**	**(119,829)**

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EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pensions liabilities).

Employer Type	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Body	20	0	20
Admitted Body	10	1	11
Total	**31**	**1**	**32**

3.

Investment Policy and Performance

Investment Policy

The Pension Fund Committee sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS). The ISS has been updated following the asset allocation strategy review during 2021 and can be found within section 9 (appendices).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring.

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles". These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

For 2021/22, the LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an Investment Strategy Statement (ISS), which replaces the Statement of Investment Principles.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments
- The administering authority's assessment of the suitability of particular investments and types of investment
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed
- The administering authority's approach to pooling investments, including the use of collective investment vehicles
- The administering authority's policy on how social, environmental and governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

The ISS can be obtained from:

Pension Fund Team, 16th Floor, 64 Victoria Street, London, SW1E 6QP

Email: *pensionfund@westminster.gov.uk*

Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation effective during the year ended 31 March 2022 was as follows:

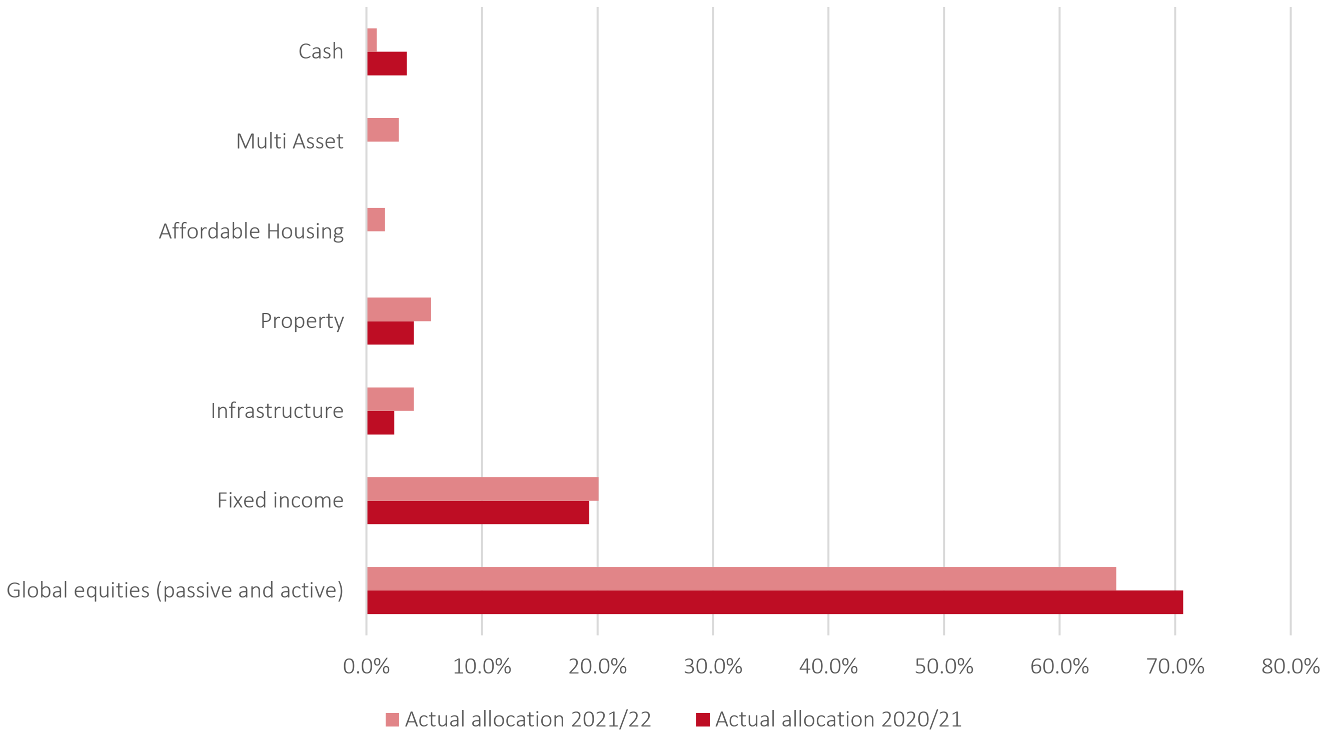
Asset Class	Target Allocation %
Global Equities (active)	40.0
Global Equities (passive)	20.0
Fixed Income	19.0
Property	5.0
Affordable Housing	5.0
Infrastructure	11.0
TOTAL	**100.0**

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate under which they operate. In order to follow the Myners Principles, fund managers are challenged formally about asset allocation decisions.

Investment portfolios are reviewed at each Committee meeting in discussion with the investment adviser and officers, and fund managers are called to a Committee meeting if there are issues that need to be addressed. Officers meet fund managers regularly and advice is taken from the investment adviser on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year is set out below. These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.



During the year, the Committee committed 5% to affordable housing, with 1.6% drawn as at 31 March 2022. Alongside this, following the sale of the Longview equity mandate in December 2021, the Committee elected to transition £50m into the London CIV absolute return fund on a temporary basis. These funds will be used to finance future capital calls relating to alternatives and affordable housing.

Asset Allocation (continued)

LGPS AVERAGE ASSET ALLOCATION

The Pensions and Investments Research Consultants (PIRC), report annually on the average asset allocation across the LGPS Universe. As at 31 March 2022, the City of Westminster Pension Fund had 13% more allocated to equities compared to the LGPS average, whereas the Fund had 11% less allocated to alternatives. It should be noted that when comparing asset allocation to performance, factors such as funding level and manager selection should also be taken into consideration.

Asset Allocation	Equity	Fixed Income	Alternatives	Property	Cash	Diversified Growth
Universe Average*	**52**	**18**	**17**	**9**	**2**	**2**
City of Westminster	*65*	*20*	*6*	*6*	*3*	*0*
Variance	**+13**	**+2**	**-11**	**-3**	**+1**	**-2**

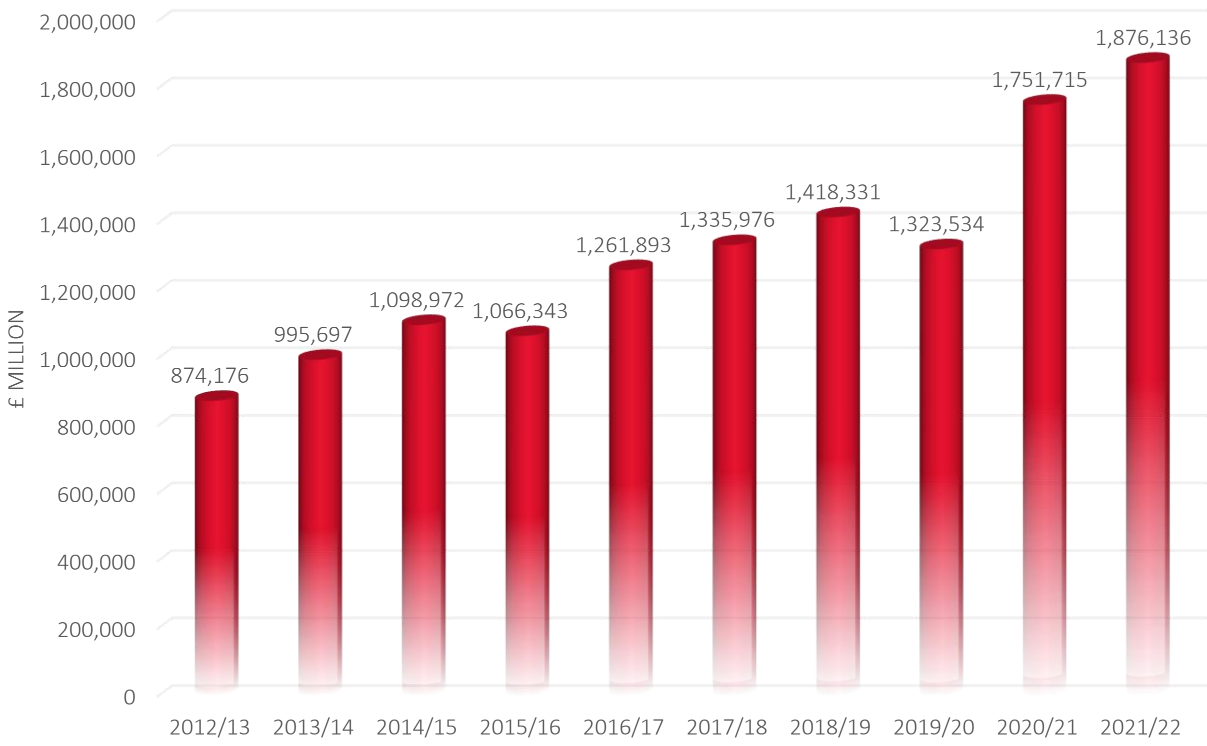
*At the 31 March 2022 the Universe was comprised of 63 funds

FUND VALUE

The value of the Fund has more than doubled over the past ten years. The slight fall in value in 2015/16 reflected uncertainty around the strength of the global economy and China in particular, but the Fund recovered well and continued to make gains up to 2018/19. The Fund value fell during 2019/20, due to the COVID-19 outbreak impacting global markets. However the Fund has recovered well during the two years to 2021/22, with an increase in asset value of £553m, this is largely due to positive performance and sizable deficit recovery receipts received during this period.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

FUND ASSETS



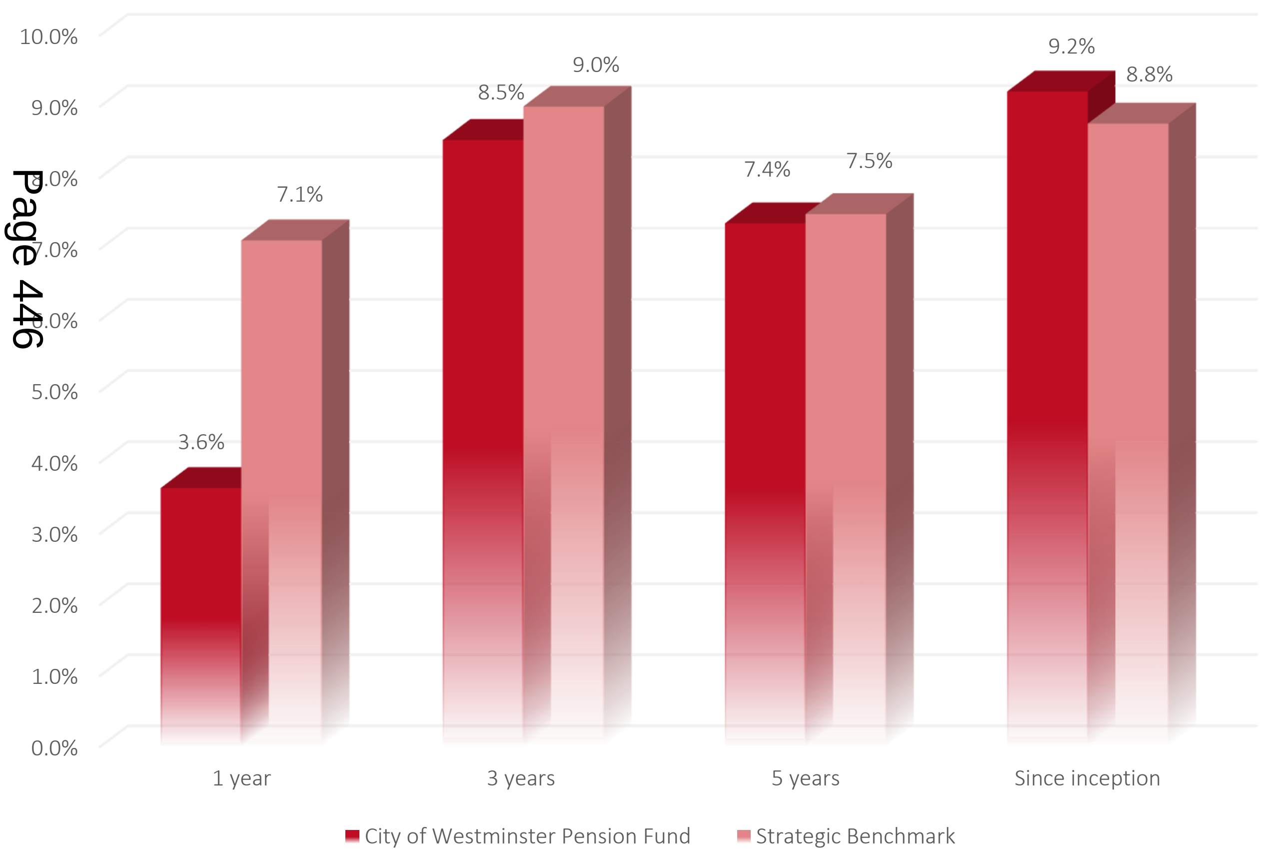
Investment Performance

The Fund's overall performance in 2021/22 underperformed its benchmark for the year by -3.5% net of fees, as shown below. This was largely as a result of poor performance within the equity and fixed income portfolios. However, it should be noted that annualised performance has exceeded the benchmark since inception net of fees.

Performance of the Fund is measured against an overall strategic benchmark. Below this, each fund manager is given individual performance targets which are linked to index returns for the assets they manage. Details of these targets can be found in the ISS.

Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor, Deloitte.

ANNUALISED FUND PERFORMANCE



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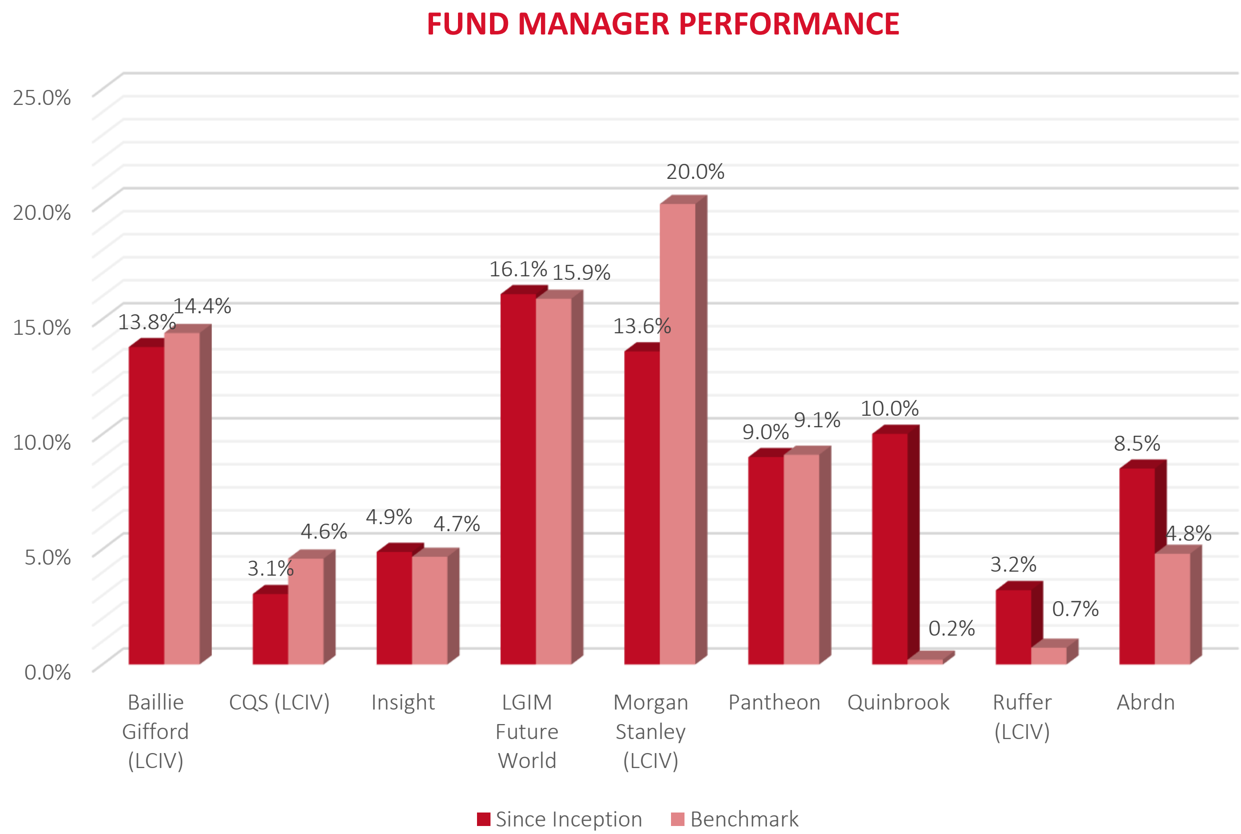
Investment Performance (continued)

The overall performance of each manager is measured over rolling three and five-year periods, as inevitably there will be short-term fluctuations in performance.

All managers have provided a positive return since inception. LGIM, Insight, Quinbrook, Ruffer and Abrdn have outperformed their benchmarks since inception. Please note it is too early to assess the performance of the Man Group affordable housing fund and Macquarie Renewable energy mandate. The Longview equity fund was exited during the year, with funds to be transitioned to the Ruffer (LCIV) absolute return fund.



The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to out-perform the benchmark by a set percentage through active stock selection and asset allocation. Fund managers with active fund mandates are Insight, Baillie Gifford (LCIV), CQS (LCIV), Insight, Macquarie, Morgan Stanley (LCIV), Pantheon, Ruffer (LCIV) and Quinbrook.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio. Fund managers with passive fund mandates are Abrdn and LGIM.

Investment Performance (continued)

Annually the Pensions and Investments Research Consultants (PIRC) compile a list of Local Authority pension performance analytics, ranking each Fund according to their performance in the 1-year to 30-year time periods. In the wider LGPS Universe, the average 1-year Fund return to 31 March 2022 was 8.6% compared to a 10-year average return of 8.9% p.a. As at 31 March 2022 the Universe comprised of 63 funds with a total value of £250bn.

The City of Westminster Pension Fund placed in the lower quartile of fund returns for the 1-year period, this was largely due to inflationary concerns and the ongoing conflict within Ukraine. Over the longer 10-year period the Fund placed in the top quartile of pension fund performance. The table below shows the LGPS Universe average returns compared to the Fund over the 1-year to 30-year period, along with average LPGS returns by asset class over the same time periods.

LGPS AVERAGE PERFORMANCE

Performance	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Universe Average	**8.6**	**8.3**	**7.1**	**8.9**	**7.3**	**8.5**
*City of Westminster**	*3.6*	*8.5*	*7.4*	*9.6*	-	-
Total Equity	**7.6**	**10.2**	**8.4**	**10.6**	**8.0**	**9.2**
Total Bonds	**-0.3**	**2.6**	**2.5**	**4.5**	**5.7**	**6.9**
Alternatives	**19.0**	**11.0**	**9.8**	**10.0**	**-**	**-**
Diversified Growth	**4.7**	**5.1**	**3.5**	**-**	**-**	**-**
Property	**17.9**	**6.3**	**6.8**	**8.0**	**7.0**	**8.2**

*The City of Westminster Pension Fund has performance data up to the 10-year period.

This data has been extracted from the PIRC 2021/22 Local Authority Fund Statistics.

Corporate Governance

RESPONSIBLE INVESTMENT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Committee.

The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee). The ESG approach has become integral to the Fund's overall investment strategy.

The Fund's policies on environmental, social and governance (ESG) issues and responsible investment can be found within the Investment Strategy Statement (ISS). In addition to this, the Fund has a Responsible Investment Statement which is reviewed annually and can be found within section 9.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally are able to advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (PLSA) as well as the Local Authority Pension Fund Forum (LAPFF), it does not subscribe to nor is it a member of UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

VOTING

Fund managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pensions Committee. The Officers keep under close review the various voting reports that it receives from Fund managers. Equity proxy voting for 2021/22 can be found within the table on page 36.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements. The City of Westminster is a shareholder in London LGPS CIV Limited.

Following FCA approval in 2016, the LCIV has continued to trade and the City of Westminster Pension Fund transferred the Baillie Gifford mandate (valued at £178m) into the LCIV in April 2016. This was followed by transferring the Majedie portfolio in May 2017 (valued at £308m), the CQS multi asset credit fund in November 2018 (valued at £91m). In addition to this this, the Fund transitioned proceeds from the Majedie sale into the LCIV Morgan Stanley Global Sustain fund during November 2020 (valued at £328m). During January 2022, the fund transitioned sale proceeds from the Longview equity mandate into the LCIV Ruffer absolute return fund (valued at £50m).

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Section 9) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;

Corporate Governance (continued)

- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

SEPARATION OF RESPONSIBILITIES

The Fund employs a global custodian (Northern Trust), independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. Northern Trust is responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with Lloyd's Bank. Funds not immediately required to pay benefits are held as interest bearing operational cash with Lloyds Bank.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments Certificate following the triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

STEWARDSHIP CODE

The Pensions Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all of the Council's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages fund managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The ultimate aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

The Stewardship Policy provides further information on the different elements of the Council's commitment to stewardship. It is intended as a guide for investment managers, investee companies and pension fund members and can be accessed via the pension fund website. Please ***click here*** to be directed.

CODE OF TRANSPARENCY

Following the shift towards investment management fee transparency and consistency within the LGPS, the Scheme Advisory Board (SAB) has developed a voluntary Code of Transparency for LGPS asset managers. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

The Code is voluntary and details the provision of transparent and consistent investment cost and fee information between investment managers and administering authorities. Signatories to the code are required to complete a template which details management expenses associated with the running of the fund, including direct and indirect costs.

Asset managers which sign up to the code are required to put systems in place within 12 months of signing up to allow the automatic submission of the templates to each Administrating Authority. The SAB reserves the right to remove any signatory which is reported by an Administering Authority to be in breach of the code.

The Fund uses the templates completed by the asset managers to compile the management expenses of the Pension Fund at a detailed level. This data is used to inform investment decisions, including manager selection, risk management and holding mangers to account in regard to performance fees.

PROXY VOTING 2021/22

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

Additionally, the Fund is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.

Our equity manager proxy voting for 2021/22 is shown in the following table.

Asset Manager	Number of resolutions	For	Against	Other
Billie Gifford (LCIV)	**1,408**	1,283	28	97
Morgan Stanley (LCIV)	**706**	608	48	50
Legal & General	**47,851**	39,113	8,336	402
Longview	**435**	403	25	7
Ruffer (LCIV)	**174**	158	16	-
TOTAL	**50,574**	**41,565**	**8,453**	**556**

4.

Scheme Administration

Scheme Administration

SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. Westminster City Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The City Council administers the scheme for 31 employers (a list of employers is provided in section 2). These employers include not only the City Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been admitted to the Pension Fund under agreement with the City Council.

A contractual arrangement is in place with Hampshire Pension Services for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 20. The City Council's Human Resources provide oversight of the administration service.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found within section 9. The Communication Policy details the overall strategy for involving stakeholders in the Pension Fund. A key part of this strategy is a dedicated Pension Fund website, which includes a great deal more information about the benefits of the Fund and this can be accessed by *clicking here*.

INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, Westminster City Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

Please see page 20 for details of all IDRP and Pensions Ombudsman cases during 2021/22.

Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

Tel: 0800 917 4487

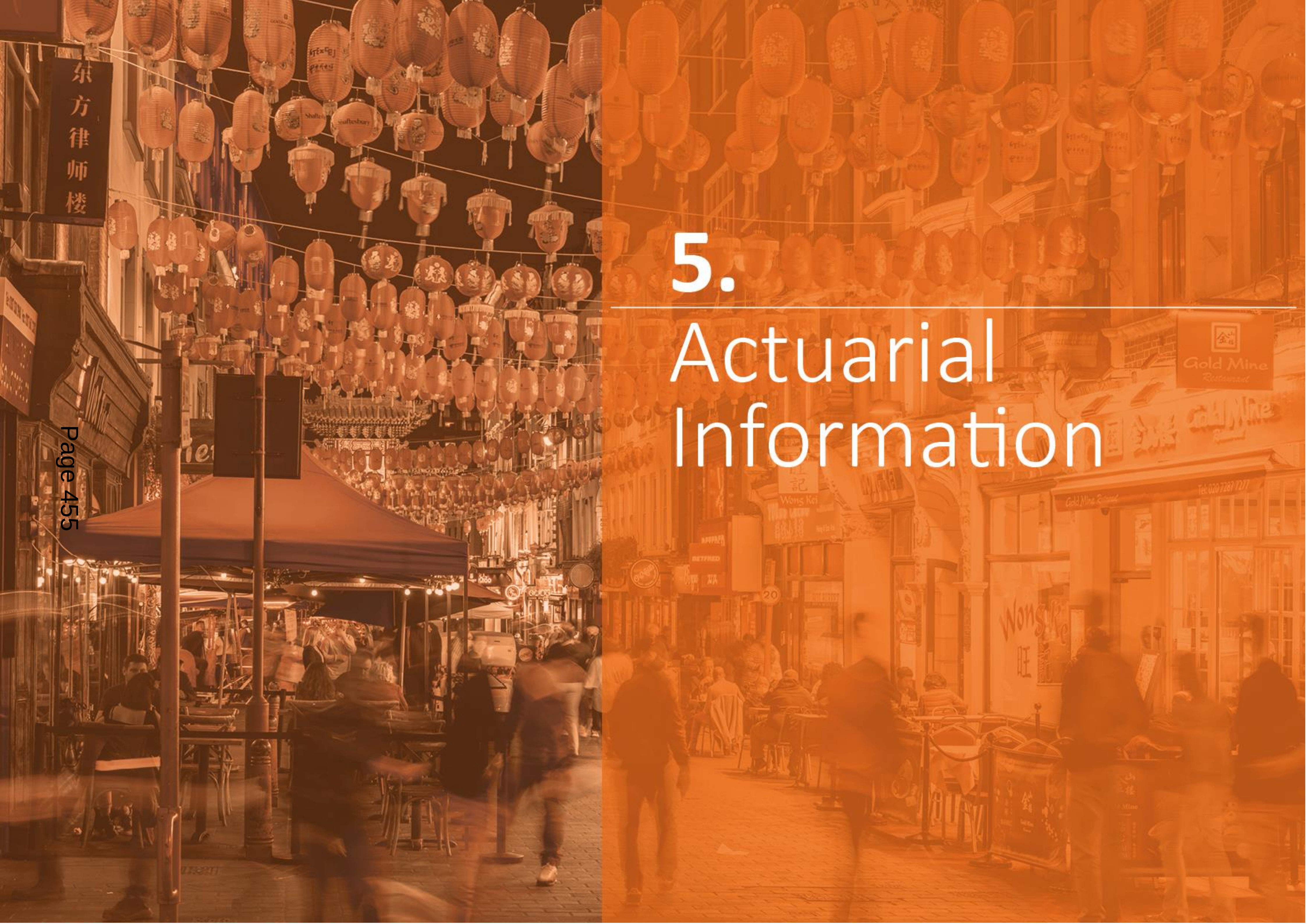
Scheme Administration (continued)

ADMINISTRATION UPDATE

Following the successful migration of the administration service to Hampshire Pension Services on the 8th November 2021, the service level KPIs are now consistently 100% every month. Business as usual work of pension administration is well managed by HPS and standard pension processes including retirements, refunds and death cases are handled sensitively and within the agreed timescales. The general feedback from the fund members and employers is positive to date.

We have just successfully completed our year end returns for the first time working with HPS and had all returns submitted and reconciled to payments received. The Fund is working with HPS on additional data cleansing work including a project to clear up some leaver cases that the Fund carried over from the prior administrator (Surrey CC).

The Fund is working on the McCloud project to ensure that members entitled to underpin calculations will be reviewed. There is also a GMP project to finish and the fund will be working with HPS on work in preparation for the introduction of Pension Dashboards.



5. Actuarial Information

Report by Actuary

INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

DESCRIPTION OF THE FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated May 2020. In summary, the key funding principles are as follows:

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- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members/dependents benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Taxpayers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

FUNDING POSITION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £1,411 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £20 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2019 valuation report.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets which were valued at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial Assumptions	31 March 2019
CPI Inflation	2.6% p.a.
Salary increases	3.6% p.a.
Discount Rate:	
Scheduled bodies	4.8% p.a.
Admitted bodies	3.3% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the S3PA tables with a multiplier of 110% for males and 105% for females. Future improvements in life expectancy are based on the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Assumptions	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	23.1 years	25.8 years

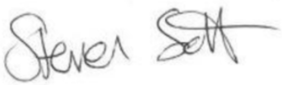
*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Steven Scott FFA

6 May 2022

For and on behalf of Hymans Robertson LLP

6. Pension Fund Accounts

Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

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 Aziz Toki

Chairman of the Audit and Performance Committee

Independent Auditors Report

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2020/21		Notes	2021/22
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(46,660)	From Employers	6	(108,054)
(10,854)	From Members	6	(11,775)
(3,678)	Individual Transfers in from Other Pension Funds		(5,108)
(61,192)			(124,937)
	Benefits		
49,146	Pensions	7	49,617
8,677	Commutation, Lump Sum Retirement and Death Benefits	7	6,539
521	Payments in respect of tax		458
	Payments to and on Account of Leavers		
5,602	Individual Transfers Out to Other Pension Funds		5,785
130	Refunds to Members Leaving Service		102
64,076			62,501

Pension Fund Accounts and Explanatory Notes (continued)

2020/21		Notes	2021/22
£'000			£'000
2,884	Net (Additions)/Withdrawals from Dealings with Members		(62,436)
10,087	**Management Expenses**	8	13,309
12,971	Net (additions)/withdrawals including management expenses		(49,127)
	Returns on Investments		
(8,656)	Investment Income	9	(7,845)
(9)	Other Income	-	(3)
(8,665)			(7,848)
(432,487)	(Profit) and loss on disposal of investments and changes in the market value of investments	11	(67,446)
(441,152)	Net return on investments		(75,294)
(428,181)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(124,421)
(1,323,534)	Opening Net Assets of the Scheme		(1,751,715)
(1,751,715)	Closing Net Assets of the Scheme		(1,876,136)

Net Assets Statement for the year ended 31 March 2022*

2020/21		Notes	2021/22
£'000			£'000
	Investment assets		
150	Equities	11	150
1,684,306	Pooled Investment Vehicles	11	1,842,280
	Other Investment Balances:		
109	Income Due	11	116
62,788	Cash Deposits	11	15,816
1,747,353			1,858,362
-	**Investment Liabilities**		-
1,747,353	**Net Value of Investment Assets**	10	1,858,362
5,198	Current Assets	18	19,094
(836)	Current Liabilities	19	(1,320)
1,751,715	Net Assets of the Fund Available to Fund Benefits at the Period End		1,876,136

* 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 17.

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 Westminster City 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 Westminster City Council 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 2022. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2019, this covers the three financial years to 31 March 2023.

Currently employer contribution rates range from 12.0% to 37.0% of pensionable pay, as per the 2019 valuation.

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

c) Benefits

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

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

From 1 April 2014, the scheme became a career average 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 appointed Aegon and Utmost Life and Pensions as its AVC providers. 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 Council Officers including 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.

The Section 151 Officer is responsible for the preparation of the Pension Fund Statement of Accounts. The Audit and Performance Committee is responsible for approving the financial statements for publish.

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 11 March 2021 (available on the Council's website). The Statement shows the Authority's compliance with the Myners principles of investment management.

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

f) Membership

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

Organisations participating in the City of Westminster Pension Fund include:

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

The following table summarises the membership numbers of the scheme:

31 March 2021		31 March 2022
32	Number of employers with active members	31
4,228	Active members	4,740
6,280	Pensioners receiving benefits	6,430
6,856	Deferred Pensioners	6,689
17,364		**17,859**

Note 2 Basis of preparation of financial statements

The Statement of Accounts summarise the Fund's transactions for 2021/22 and its position at year end as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 17.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The Westminster City Council Pension Fund remains a statutory open scheme, with a strong covenant from the active employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events.

Note 3 Summary of significant accounting policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

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

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

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

b) Transfers to and from other schemes

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

c) Investment Income

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 lifetime 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 indirectly to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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 17).

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 20).

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 21.

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.

There were no such critical judgements made during 2021/22.

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.

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.

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 judgements 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% decrease in the discount rate assumption would result in an increase in the pension liability of £37m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £4m and a year increase in life expectancy would increase the liability by about £91m.

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

2020/21		2021/22
£'000		£'000
(49,833)	Administering Authority*	(111,291)
(3,679)	Scheduled bodies	(4,037)
(4,002)	Admitted bodies	(4,501)
(57,514)	**Total**	**(119,829)**

*This figure includes a £80m deficit recovery receipt, as per the administering authority's funding strategy.

BY TYPE

2020/21		2021/22
£'000		£'000
(10,854)	Employees' normal contributions	(11,775)
	Employer's contributions:	
(25,048)	Normal contributions	(27,139)
(21,483)	Deficit recovery contributions	(80,030)
(129)	Augmentation contributions	(885)
(57,514)	**Total**	**(119,829)**

Note 7 Benefits payable

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

BY TYPE

2020/21		2021/22
£'000		£'000
49,146	Pensions	49,617
7,375	Commutation and lump sum retirement benefits	5,812
1,302	Lump sum death benefits	727
57,823	**Total**	**56,156**

BY AUTHORITY

2020/21		2021/22
£'000		£'000
44,272	Administering Authority	43,829
2,730	Scheduled Bodies	2,216
10,821	Admitted Bodies	10,111
57,823	**Total**	**56,156**

Note 8 Management Expenses

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

2020/21		2021/22
£'000		£'000
981	Administration Expenses	1,617
428	Oversight and Governance	410
8,678	Investment Management Expenses	11,282
10,087	**Total**	**13,309**

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

2020/21		2021/22
£'000		£'000
6,211	Management fees	7,688
45	Performance fees	-
54	Custody fees	48
2,368	Transaction costs	3,546
8,678	**Total**	**11,282**

Note 9 Investment Income

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

2020/21		2021/22
£'000		£'000
5,658	Pooled investments - unit trust and other managed funds	7,492
2,406	Pooled property investments	-
404	Infrastructure Income	288
188	Interest and cash deposits	65
8,656	**Total before taxes**	**7,845**

Note 10 Investment Management Arrangements

As at 31 March 2022, the investment portfolio is managed by twelve external managers:

- The UK property portfolio is managed by Abrdn;
- Fixed income mandates are managed by CQS (Multi Asset Credit, via the London CIV), Insight (Bonds) and Northern Trust (short bonds);
- Multi asset is managed by Ruffer (absolute return, via the London CIV);
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Equity portfolios are split between Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV) and Legal and General Investment Management (passive 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 2022 was as follows:

31 March 2021 Market Value	%	Fund Manager	Mandate	31 March 2022 Market Value	%
£'000				£'000	
Investments managed by the London CIV asset pool:					
3	0%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	-	0.0%
150	0%	London CIV	Share Capital	150	0.0%
153	**0%**	**UK Equity**		**150**	**0.0%**
429,778	24.6%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	399,046	21.4%
337,309	19.3%	London LGPS CIV Ltd - Morgan Stanley	Global Equity (Active)	374,723	20.2%
40	0.0%	LGIM Passive	World Equity (Passive)	42	0.0%
398,414	22.8%	LGIM Future World	World Equity (Passive)	434,720	23.4%
1,165,541	**66.7%**	**Global Equity**		**1,208,531**	**65.0%**
98,641	5.6%	London LGPS CIV Ltd - CQS	Multi Asset Credit	94,055	5.1%
98,641	**5.6%**	**Fixed Income**		**94,055**	**5.1%**
-	0.0%	London LGPS CIV Ltd - Ruffer	Absolute Return	51,617	2.8%
-	**0.0%**	**Multi Asset**		**51,617**	**2.8%**
1,264,335	**72.3%**	**Total pooled**	**Sub-Total**	**1,354,353**	**72.9%**
Investments managed outside of the London CIV asset pool:					
69,172	4.0%	Longview	Global Equity (Active)	-	0.0%
69,172	**4.0%**	**Global Equity**		**-**	**0.0%**
-	0.0%	Northern Trust Short ESG Fund		49,724	2.7%
240,140	13.7%	Insight Buy and Maintain Bond Fund	Bonds	228,170	12.3%
240,140	**13.7%**	**Bonds**		**277,894**	**15.0%**
89	0.0%	Hermes	Property	89	0.0%
71,261	4.1%	Abrdn	Property	103,750	5.6%

Note 10 Investment Management Arrangements (continued)

103,839 5.6%

31 March 2021 Market Value	%	Fund Manager	Mandate	31 March 2022 Market Value	%
£'000				£'000	
71,350	4.1%	Property		103,839	5.6%
-	0.0%	Man Group Community Housing Fund	Affordable Housing	29,514	1.6%
-	0.0%	Affordable Housing		29,514	1.6%
29,728	1.7%	Pantheon Global Infrastructure	Infrastructure	48,970	2.6%
6,004	0.3%	Macquarie GIG Renewable Energy	Infrastructure	9,781	0.5%
7,333	0.4%	Quinbrook Renewables Impact Fund	Infrastructure	18,183	1.0%
43,065	2.4%	Alternatives		76,934	4.1%
423,727	24.2%	Total outside pool	Sub-total	488,181	26.3%
59,291	3.5%	Cash deposits		15,828	0.8%
1,747,353	**100%**	**Total investments at 31 March**		**1,858,362**	**100%**

Note 11 Reconciliation in movement in investments

2020/21	Market value 1 April 2020	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 2021
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled investments	1,149,824	9,728	(20,556)	431,013	1,570,009
Pooled property investments	129,979	64	(59,905)	1,123	71,261
Infrastructure	20,623	29,346	(7,414)	481	43,036
Total	1,300,576	39,138	(87,875)	432,617	1,684,456
Cash deposits	19,045			(100)	62,788
Amounts receivable for sales of investments	-			-	-
Investment income due	119			-	109
Spot FX contracts	-			(30)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,319,740**			**432,487**	**1,747,353**

Note 11 Reconciliation in Movement in Investments (continued)

2021/22	Market value 1 April 2021	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 2022
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled equity investments	1,570,009	133,964	(86,200)	43,837	1,661,610
Pooled property investments	71,261	22,077	(1,269)	11,681	103,750
Infrastructure	43,036	34,013	(11,876)	11,747	76,920
Total	**1,684,456**	**190,054**	**(99,345)**	**67,265**	**1,842,430**
Cash deposits	62,788			146	15,816
Amounts receivable for sales of investments	-			-	-
Investment income due	109			-	116
Spot FX contracts	-			35	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,747,353**			**67,446**	**1,858,362**

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 2021 Market Value		Holding	31 March 2022 Market Value	
£'000	**% Holding**		**£'000**	**% Holding**
398,414	22.8%	LGIM Future World	434,720	23.4%
337,309	19.3%	London LGPS CIV Ltd - Morgan Stanley	374,723	20.2%
429,622	24.6%	London LGPS CIV Ltd - Baillie Gifford	399,046	21.4%
240,140	13.7%	Insight Buy and Maintain Bond Fund	228,170	12.3%
95,312	5.5%	London LGPS CIV Ltd - CQS	94,054	5.1%
71,261	4.1%	Abrdn Long Lease Property	103,750	5.6%
1,572,058	90.0%	Total Top Holdings	1,634,463	88.0%
1,747,353		**Total Value of Investments**	**1,858,362**	

Note 13a 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	Valuation hierarchy 20/21	Valuation hierarchy 21/22	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
Pooled Long Lease Property Fund	Level 2	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
Pooled Investments – Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Investments – Absolute Return	N/A	Level 2	The NAV for each share class is calculated based on the market value of the underlying assets.	Evaluated price feeds	Not required
Pooled investments - Affordable Housing	N/A	Level 3	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	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

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 2022.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Pantheon - Infrastructure (a)	+/-10.0%	48,970	53,867	44,073
Quinbrook - Renewable Infrastructure (b)	+6.1%/-9.1%	18,183	19,292	16,528
Macquarie - Renewable Infrastructure (c)	+/-10.0%	9,767	10,744	8,790
Man Group - Affordable Housing (d)	+10.3%/-11.3%	29,514	32,554	26,179
Total		**106,434**	**116,457**	**95,570**

a. The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.
b. The valuation of the fund is estimated to be within a +6.1%/- 9.1% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.
c. The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.
d. The valuation of the fund is estimated to be within a +10.3%/-11.3% range. These ranges relate specifically to the valuation of completed sites. They are based on stress tests reflecting potential changes in market environment, particularly changes in house prices and inflation/interest rates.

As at 31 March 2021:

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Pantheon – Infrastructure (a)	+/-10.0%	29,698	32,668	26,728
Quinbrook - Renewable Infrastructure (b)	+/-9.1%	7,333	8,001	6,666
Macquarie - Renewable Infrastructure (c)	+/-10.0%	6,004	6,605	5,404
Total		**43,035**	**47,274**	**38,798**

a. The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.

b. The valuation of the fund is estimated to be within a +/- 9.1% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.

c. The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.

Note 13b 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 infrastructure, which the Fund holds assets in, 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 2021				31 March 2022
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			
-	1,641,271	43,185	Financial assets at fair value through profit and loss	-	1,735,846	106,584
-	-	-	Financial liabilities at fair value through profit and loss	-	-	-
-	**1,641,271**	**43,185**	**Total**	**-**	**1,735,846**	**106,584**

Note 13c Reconciliation of Fair Value Measurements within Level 3

2021/22	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
Share Capital	150	-	-	-	-	-	-	150
Pantheon - Infrastructure	29,698	-	-	17,546	(6,315)	7,807	234	48,970
Quinbrook - Renewable Infrastructure	7,333	-	-	12,517	(4,788)	3,121	-	18,183
Macquarie - Renewable Infrastructure	6,004	-	-	3,950	(773)	588	(2)	9,767
Man Group - Affordable Housing	-	-	-	31,249	(786)	(949)	-	29,514
Total	**43,185**	**-**	**-**	**65,262**	**(12,662)**	**10,567**	**232**	**106,584**

2020/21	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
Share Capital	150	-	-	-	-	-	-	150
Hermes - Property fund	61,388	-	-	-	(58,904)	-	(2,484)	-
Pantheon - Infrastructure	20,623	-	-	11,760	(2,185)	(735)	235	29,698
Quinbrook - Renewable Infrastructure	-	-	-	11,157	(3,500)	(324)	-	7,333
Macquarie - Renewable Infrastructure	-	-	-	6,428	-	(424)	-	6,004
Total	**82,161**	**-**	**-**	**29,345**	**(64,589)**	**(1,483)**	**(2,249)**	**43,185**

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments.

31 March 2021				31 March 2022		
Fair value through profit and loss	Financial assets at amortised cost	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 Assets			
			Pooled funds - investment vehicles			
1,570,159			Pooled funds	1,661,760		
71,261			UK Unit Trust - Property	103,750		
43,036			Infrastructure	76,920		
	1,224		**Cash Balances (held directly by Fund)**		13,383	
	109		**Other Investment Balances**		116	
	62,788		**Cash Deposits**		15,816	
	3,974		**Debtors**		5,692	
1,684,456	**68,095**	-		**1,842,430**	**35,007**	-

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Note 14a Classification of Financial Instruments (continued)

31 March 2021				31 March 2022		
Fair value through profit and loss	Financial assets at amortised cost	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			
-	-	-	Other Investment Balances	-	-	-
-	-	(223)	Creditors	-	-	(694)
-	**-**	**(223)**		**-**	**-**	**(694)**
1,684,456	68,095	(223)	**Total**	1,842,430	35,007	(694)
	1,752,328				**1,876,743**	

Note 14b 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 2021		31 March 2022
£'000		£'000
	Financial Assets	
432,617	Designated at fair value through profit and loss	67,265
(100)	Loans and receivables	181
432,517		67,446
	Financial Liabilities	
(30)	Financial liabilities at amortised cost	-
(30)		-
432,487	**Total**	**67,446**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 15 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.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Westminster City Council Pension Fund can report that as at 31 March 2022, the value of direct investments to Russia or Ukraine within the Pension Fund's asset classes is zero.

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 Fund has determined that a 7.83% increase or decrease in market price risk is reasonable for 2021/22. This analysis excludes debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Price Risk	Value £bn	Value on price increase	Value on price decrease
		£'000	£'000	£'000
As at 31 March 2021	10.9%	1,747,353	1,937,814	1,556,891
As at 31 March 2022	**7.83%**	**1,858,363**	**2,003,872**	**1,712,853**

Note 15 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.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Fixed Income - Global Bonds	228,170	209,510	246,830
Fixed Income - Global Multi Asset Credit	94,055	92,587	95,522
Absolute Return	51,617	52,458	51,488
As at 31 March 2022	**373,842**	**354,555**	**393,840**

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Fixed Income - Global Bonds	240,140	220,281	260,000
Fixed Income - Global Multi Asset Credit	98,641	97,329	99,953
As at 31 March 2021	**338,781**	**317,610**	**359,953**

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 hedging, which is applied to the LGIM equities mandate. 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 7.62% strengthening/weakening of the pound against foreign currencies during 2021/22.

Note 15 Nature and extent of risks arising from Financial Instruments (continued)

Assets exposed to currency risk		Value	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
		£'000	£'000	£'000
As at 31 March 2021	6.44%	754,503	803,093	705,913
As at 31 March 2022	**7.62%**	**692,844**	**745,639**	**640,049**

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 2022, liquid assets were £1,648m representing 89% of total fund assets (£1,633m at 31 March 2021 representing 93% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Note 16 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 2019 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 30 March 2020, with the funding level rising to 100%. This report details the fund assumptions and employer contribution rates for the three years from 2020/21. 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 2019 was £1.410bn and the Actuary assessed the present value of the funded obligation at £1.430bn. This indicates a net liability of £20m, which equates to a funding position of 99% (2016: £264.1m and 80%).

Please note during the 2021/22 financial year the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson. Therefore the next valuation, as at 31 March 2022, will be undertaken by Hymans Robertson.

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 2019	2019 Allocation %	Neutral Assumption %
Corporate Bonds	13.5	2.6
Equities	65.0	6.7
Infrastructure	5.0	6.7
Multi Asset Credit	6.5	4.8
Property	10.0	3.7

Financial assumptions	2019 %	2016 %	2013 %
Discount rate - scheduled bodies	4.8	5.1	5.9
Discount rate - admitted bodies	3.3	4.5	4.9
RPI	3.6	3.3	3.5
CPI	2.6	2.4	2.7
Pension increases	2.6	2.4	2.7
Short-term pay increases	n/a	2.4	1.0
Long-term pay increases	3.6	3.9	4.5

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 19 years, as set out in the Funding Strategy Statement (2016: 22 years). The common future service contribution rate for the Fund was set at 17.9% of pensionable pay (2016: 16.9%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2020 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 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2022. The figures have been prepared by Hymans Robertson, 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 2021		31 March 2022
£'000		£'000
(2,337,834)	Present Value of Promised Retirement Benefits	(2,280,000)
1,747,353	Fair Value of Scheme Assets (bid value)	1,858,362
(590,481)	**Net Liability**	**(421,638)**

Please note during the 2021/22 financial year the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2022, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019 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 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110%, for males and 105% for females. These base tables are then projected using the CMI 2021 Model, allowing for a long-term rate of improvement of 1.50% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2021	31 March 2022
Retiring today	Males	21.6	21.4
	Females	24.3	24.1
Retiring in 20 years	Males	22.9	22.9
	Females	25.7	26.1

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2021	31 March 2022
	%	%
CPI increases	2.80	3.20
Salary increases	3.80	4.20
Pension increases	2.80	3.20
Discount rate	2.00	2.70

Note 18 Current Assets

31 March 2021		31 March 2022
£'000		£'000
	Debtors:	
2,608	Contributions due - employers	3,180
826	Contributions due - employees	1,053
540	Sundry debtors	1,478
1,224	Cash balances	13,383
5,198	**Total**	**19,094**

ANALYSIS OF DEBTORS

31 March 2021		31 March 2022
£'000		£'000
1	Central Government Bodies	19
654	Other entities and individuals	1,472
3,319	Administering Authority	4,220
3,974	**Total**	**5,711**

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Note 19 Current Liabilities

31 March 2021		31 March 2022
£'000		£'000
(836)	Sundry creditors	(1,320)
(836)	**Total**	**(1,320)**

31 March 2021		31 March 2022
£'000		£'000
-	Administering Authority	(269)
(613)	Central government bodies	(626)
(223)	Other entities and individuals	(425)
(836)	**Total**	**(1,320)**

Note 20 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.

31 March 2021 Market Value		31 March 2022 Market Value
£'000		£'000
934	Aegon	953
366	Utmost Life and Pensions	357
1,300	**Total**	**1,310**

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 21 Related Party Transactions

The Fund is administered by Westminster City Council, the largest scheme employer, who has paid £98.5m in contributions over the year to 31 March 2022. The Council incurred costs of £0.587m in the period 2021/22 (2020/21: £0.545m) 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 Director of Finance and Resources, the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. There were no costs apportioned to the Pension Fund in respect of the Director of Finance and Resources post for 2020/21 and 2021/22. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2021		31 March 2022
£'000		£'000
63	Short-term benefits	74
132	Post-employment benefits	(37)
195	**Total**	**37**

Note 22 External audit costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £29k (£25k in 2020/21).

31 March 2021		31 March 2022
£'000		£'000
25	External audit fees	29*
25	**Total**	**29**

*The audit fees for 2021/22 include additional fees for 2019/20, fees for 2021/22 and a S13 grant rebate.

Note 24 Contractual Commitments

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 23 Events after the reporting period

The Fund has committed $91.5m (£69.6m) to the Pantheon Global Infrastructure Fund III, of this commitment $27m (£20.5m) was still outstanding at 31 March 2022. Alongside this, the Fund has committed £60m to the Quinbrook Renewables Impact Fund with £41.8m outstanding as at 31 March 2022. The Fund has also committed €55m (£46.3m) to the Macquarie Renewable Energy Fund, €43.4m (£36.6m) of which was outstanding at 31 March 2022. During the year, the Fund committed £50m to the Man Group Affordable Housing Fund, with £20.5m outstanding as at 31 March 2022.

7.

Asset Pools

Asset Pool Background and Governance

BACKGROUND

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has c.£13.95bn under direct management, with 21 funds launched as of 2021/22.

The Fund has transitioned assets into the London CIV with a value of £1.354bn or 73% as at the 31 March 2022. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

GOVERNANCE

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

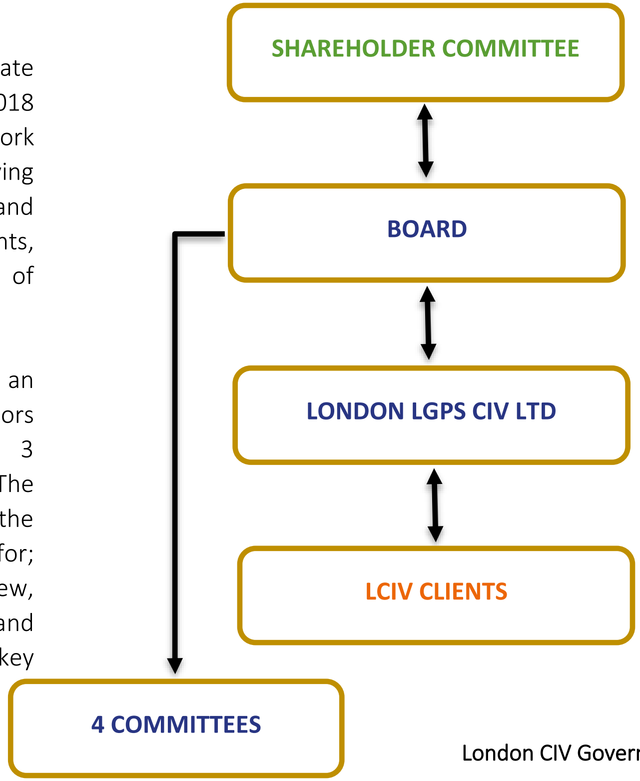
The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board comprises of an independent Chairman, 7 non-executive Directors (NEDs), including 2 nominated by the LLAs, 3 executive Directors and the LCIV Treasurer. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.



London CIV Governance Structure

Pool Set Up Costs

POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

	2021/22			
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
Set up costs				
Other costs	-	85	85	391
Total set up costs	**-**	**85**	**85**	**391**
Transition costs				
Taxation	-	-	-	130
Other transition costs	-	-	-	932
Total transition costs	**-**	**-**	**-**	**1,062**

TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has five mandates held with the London CIV pool company; Baillie Gifford Alpha Growth Equities, Morgan Stanley Global Sustain Equities, LGIM Future World Equities, Ruffer Absolute Return and CQS Multi Asset Credit. The following table details actual and forecasted costs and savings to 2025/26 by pooling these funds.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	-	(77)	(69)	(69)	(91)	(85)	(82)	(86)	(84)	(84)
Transition costs	(25)	-	(3)	(65)	(838)	-	-	-	-	-
Fee savings/(costs)	201	(577)	(495)	(27)	957	1,563	1,595	1,628	1,661	1,694
Net savings/(costs) realised	**176**	**(654)**	**(567)**	**(161)**	**28**	**1,478**	**1,513**	**1,542**	**1,577**	**1,610**

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view
to transitioning assets across to the London CIV as soon as there are appropriate sub-funds to meet the Fund's investment strategy requirements.

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	4,193	-	4,193	3,384	-	3,384	**7,577**
Asset pool shared costs	110	-	110	-	-	-	**110**
Transaction costs	-	1,326	1,326	-	2,221	2,221	**3,547**
Custody	-	-	-	48	-	48	**48**
Total	**4,303**	**1,326**	**5,629**	**3,432**	**2,221**	**5,653**	**11,282**

An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

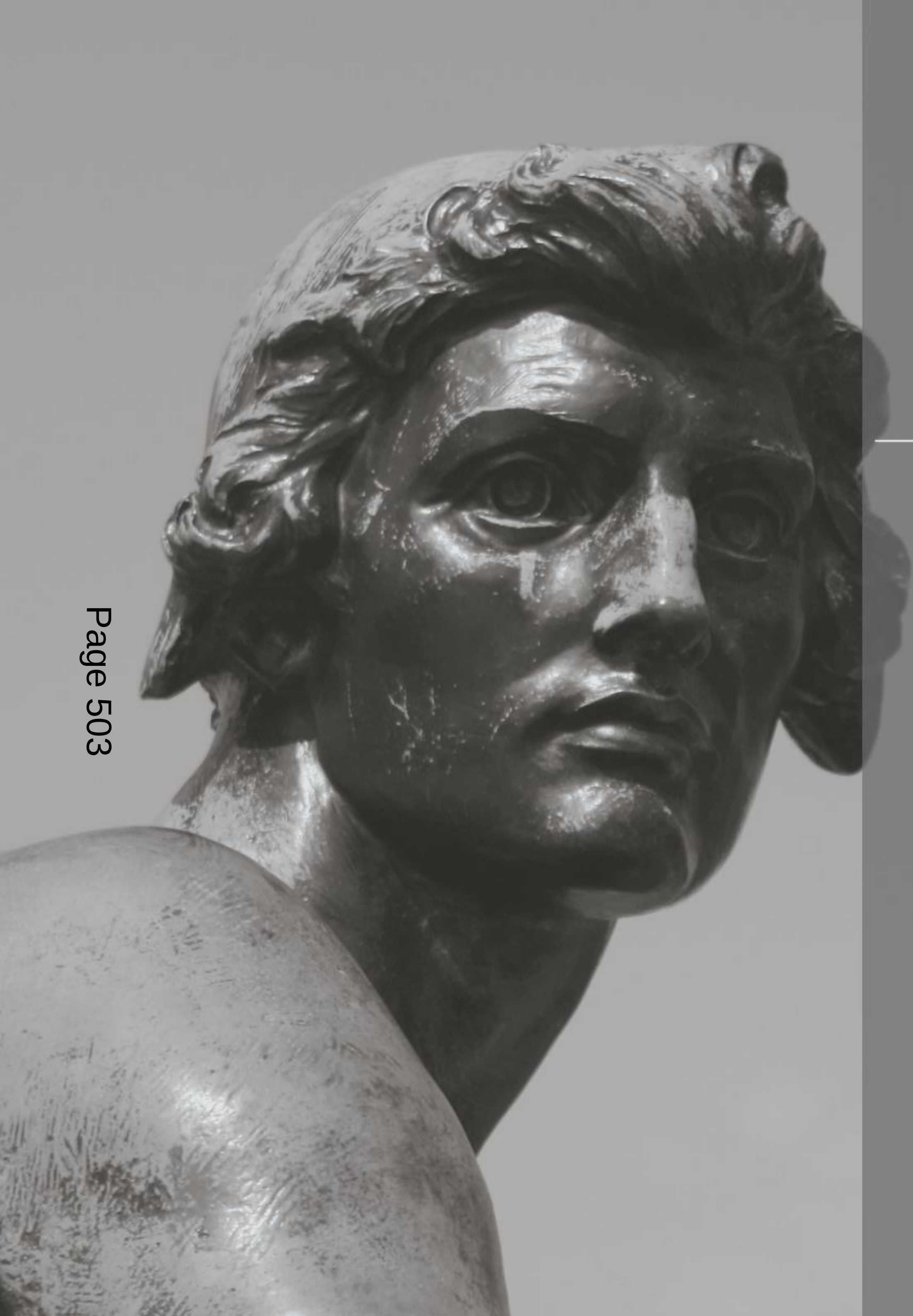
Asset Allocations and Performance

Asset allocation and performance is separated by pooled and non-pooled in the following table.

Asset Category	Opening Value		Closing Value		Performance	Passive Index	Benchmark
					Net		
	£'000	%	£'000	%	%	%	%
Asset pool managed							
UK Equity (Active)	3	0.0%	-	0.0%	N/A	N/A	N/A
UK Equity (Passive)	150	0.0%	150	0.0%	N/A	N/A	N/A
Global Equity (Active)	767,087	43.9%	773,769	41.6%	2.0%	N/A	13.4%
World Equity (Passive)	398,454	22.8%	434,762	23.4%	9.1%	9.0%	N/A
Multi Asset	-	0.0%	51,617	2.8%	N/A	N/A	N/A
Multi Asset Credit	98,641	5.6%	94,055	5.1%	2.0%	N/A	4.2%
Total	**1,264,335**	**72.3%**	**1,354,353**	**72.9%**			
Non-asset pool managed							
Global Equity (Active)*	69,172	4.0%	-	0.0%	N/A	N/A	N/A
Short Duration Bonds	-	0.0%	49,724	2.7%	N/A	N/A	N/A
Global Bonds	240,140	13.7%	228,170	12.3%	-5.0%	N/A	-3.5%
Property	89	0.0%	89	0.0%	N/A	N/A	N/A
Property (Passive)	71,261	4.1%	103,750	5.6%	14.4%	-3.1%	N/A
Affordable Housing	-	0.0%	29,514	1.6%	N/A	N/A	N/A
Infrastructure	29,728	1.7%	48,970	2.6%	20.0%	N/A	8.3%
Renewable Infrastructure	13,337	0.7%	27,964	1.5%	10.1%	N/A	0.2%
Cash	59,291	3.5%	15,828	0.8%	N/A	N/A	N/A
Total	**483,018**	**27.7%**	**504,009**	**27.1%**			
Grand Total	**1,747,353**	**100%**	**1,858,362**	**100.0%**			

*During the year, the Fund terminated the Longview Equity mandate.

See section 3 of this report for more information regarding Fund performance and asset management.



8.
Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

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.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

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

CREDITORS

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

DEBTORS

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

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

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.

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; 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.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

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.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

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.

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*.

FOR FURTHER DETAILS PLEASE CONTACT:

The Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

pensionfund@westminster.gov.uk

Contact details of the City of Westminster Pension Fund's pool company are as follows:

London CIV
4th Floor
22 Lavington Street
London
SE1 0NZ

pensionsCIV@londonciv.org.uk

9. Appendices

Governance Compliance Statement

BACKGROUND

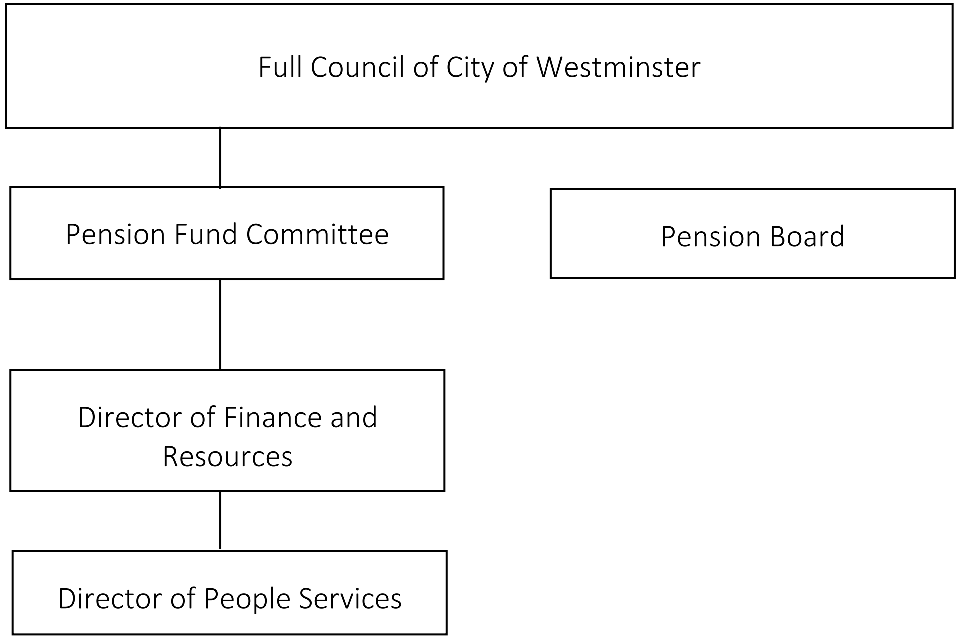
The City of Westminster is the administering authority for the City of Westminster Pension Fund (“the Fund”) and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund’s governance arrangements. Information on the extent of the Fund’s compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The diagram below shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the Pension Fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



Governance Compliance Statement (continued)

PENSION FUND COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Pension Fund Committee.

The role of the Pension Fund Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The Committee comprises four elected members - three Majority Party councillors and one opposition councillor. The Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, a Vice-Chair will be elected.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Pension Fund Committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final statement of accounts of the Superannuation Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
13. To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
14. To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

Governance Compliance Statement (continued)

15. To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

16. To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

17. To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures

18. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

PENSION BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pension Board to assist them. The City of Westminster Pension Board was established by the General Purposes Committee on 25th February 2015.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision-making role in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council; (Councillors)
- Three scheme members representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Appendix 1.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pension Fund Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an *ad hoc* basis).	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee. Expert advisers attend the Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Selection and role		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pension Fund Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pension Fund Committee agendas
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pension Fund Committee

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Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pension Fund Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	As set out in terms of reference of the Pension Fund Committee
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Communication Policy

INTRODUCTION

This Policy sets out how the City of Westminster Pension Fund (CWPF) communicates with its members, member representatives, prospective members, employers, prospective employers, advisors and other bodies. These participate with the Fund, in accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013.

The main objectives of the Communication Policy are to outline to all CWPF stakeholders how we will communicate with them.

We aim to be clear and informative, allowing all stakeholders to be kept up to date and enable members to have a good understanding of the benefits of the scheme.

To achieve these objectives, we will use the most appropriate communication tools and ensure that information is easy to understand.

The fund has a team of dedicated officers who are available to answer member queries and who are responsible for communication to members of the fund.

OUR PENSION SCHEME

The Local Government Pension Scheme (LGPS) is an occupational Career average scheme, CWPF is a participating fund and the administration is carried out on the Council's behalf by Surrey County Council. It a scheme with over 2,200 active members.

Data protection is of paramount importance to the City of Westminster Pension fund. All of our fund employers are asked to communicate with the fund in a way that protects members' personal data. Members are asked to consider their own personal data protection when contacting the pension fund, and the full privacy notice can be found our pension fund website.

WEBSITE

The primary source of information for all members of the CWPF is the pension website which provides details on the scheme and useful links for further information. This is updated regularly with any scheme or legislative changes.

Members are also encouraged to access the self-service portal, which can be located via the pension fund website. Members can access their annual pension statement, run estimates, make changes to their pension record and raise queries.

Accessing the portal will allow members to make informed decisions on their pension benefits.

The CWPF primarily communicates with members by electronic methods. This includes communication via our pension fund website;

http://www.wccpensionfund.co.uk/

EMAIL

Any pension queries can be sent direct to our pension administrators via email; *pensions@hants.gov.uk*

TELEPHONE

Members can also phone the pension helpdesk between the hours of 9am and 4pm Monday to Friday (excluding bank holidays) to speak to a member of our pension administration team.
Telephone - 01962 845588

REGULAR DISCUSSIONS

The Pension Committee meet quarterly for formal meetings throughout the year and produce an agenda and minutes of each meeting.

The Pension Board meet quarterly throughout the year for formal meetings throughout the year and produce an agenda and minutes of each meeting.

CWPF hold an Annual General Meeting (AGM), which all pension scheme stakeholders attend. This is held to discuss the outcomes of the annual report and accounts such as the investment performance of the fund, actuarial observations, administration activity and challenges and changes over the past year and looking ahead for the Fund.

In addition, Westminster City Council's in-house pension team hold one to one surgeries and briefing sessions throughout the year. They also attend regular training to keep their own knowledge up to date.

COMMUNICATION METHODS

Active Members

The LGPS is a care scheme that both you and your employer contribute to build up an income for your retirement. In addition, there are facilities within the scheme to increase your pension benefits by purchasing an additional pension, added years or making added voluntary contributions(AVC's). The scheme also offers a valuable life assurance benefit of 3 times your pensionable salary, but it is important that members keep their expression of wish form up to date to ensure that in the unfortunate event of death the correct beneficiaries receive this benefit. All active members receive an annual benefit statement and updates on the scheme are available at any time on the scheme website.

Deferred Members

These are former members of the but who are no longer contributing to the scheme because they have moved to a different employer or someone who is not currently contributing to the LGPS because they have opted out. Those still in pensionable employment have the option to re-join the scheme at any time. Updates on the scheme and joining forms are available at any time on the scheme website.

Prospective Scheme Members

We promote to all potential members, the benefits of the LGPS via our website and during the induction process. Scheme guides are available via our website or can be requested from Surrey County Council. The LGPS is a valuable employee benefit that offers a pension in retirement with increases as well as life assurance of 3 times pensionable salary and the ability to top up your pension pot by purchasing an additional pension, added years and making additional voluntary contributions (AVC's). Estimates can be obtained from the scheme administrators by email or self-service to give a member information on the benefit.

Scheme Employers

We have 31 participating employers who form part of our fund. We work with these employers to help promote the local government pension scheme (LGPS). The fund will help employers to comply with their legal requirements to their scheme members.

Westminster has created the Pension Administration Strategy (PAS). This has been introduced to clarify responsibilities.

Westminster City Council's Pension Team will support any of our scheme employers who wish to hold pension surgeries or presentations for their employees upon request. With the aim that their employees have a better understanding of the LGPS and the benefits of paying into the scheme.

Pensioner Members

A pensioner member is someone who has retired or left service and is now entitled to a pension from our pension fund. Pension members receive P60's annually and

payslips which are posted normally in April and May each year. All payslips are available via the member self-service portal.

Other Member Representatives

The fund will communicate with other member representatives. Including where power of attorney is held for a scheme member. With union representatives on general or policy issues and in specific member cases with an individual's express consent. The fund will communicate with government bodies as legally required and with other bodies where there is a statutory obligation for example with the pension regulator and the pension ombudsman.

All Fund Members

The fund duties are carried out by the City of Westminster Pension Fund Committee, which is comprised of Westminster elected members. The Committee meets on a quarterly basis and all members can view minutes from meetings that are available on the Councils website;

https://committees.westminster.gov.uk/ieListMeetings.aspx?CId=321&Year=0

The Pension Board oversees the Pension Fund Committee in its duties. The Board is comprised of three employer representatives and three member representatives, who meet on a quarterly basis. The Board minutes are available on the Council's website;

https://committees.westminster.gov.uk/ieListMeetings.aspx?CId=328&Year=0

Communication Policy (continued)

Advisors

Key elements to the management of the pension fund are actioned on behalf of CWPF by advisors. Such as financial status, investments and legal matters (see glossary).

The CWPF's solvency is assessed every three years by the schemes actuary's. They do this by measuring the level of assets versus liabilities and publish a valuation report of their findings;

https://www.westminster.gov.uk/media/document/actuarial-valuation-2019

The CWPF also produce a Report and Accounts annually which provides information on the financial status of the fund;

https://www.westminster.gov.uk/media/document/pension-fund-annual-report-2020-21

Communication Policy (continued)

Summary of Communication Documents

Communication Material	Communication Form	Available to	When Published	When reviewed
Annual Benefit Statements	Via self-service portal	Active Members	Annually	Annually
Pension tax Factsheets	Pension Fund website	All	As when changes	When legislation changes
LGPS Guide	Online electric	All	Available	When regulations are changed
P60	Posted at the end of April	Pensioners	Annually	Annually
Retirement Information	Pension Fund website	All	As Required	Annually
Report and Accounts	Pension Fund website	All	Annually	Annually
Communication Policy	Pension Fund website	All	Annually	Annually
Pension Updates	Electronic	Employers	As required	As required
Investment Strategy Statement	Pension Fund website	All	Tri-Annually	Tri-Annually
LGPC Bulletins	Online	Employers	Monthly	When regulations change
Life existence certificates	Via letter	Pensioners who live abroad	Annually	Annually
Pension Committee minutes and agenda	WCC Committee Website	All	Quarterly	Quarterly
Pension Board minutes and agenda	WCC Committee Website	All	Quarterly	Quarterly
Early Leaver information	Via email or letter	Deferred members	As required	When required
Pensions Administration Strategy	Electronic	All	Annually	Annually
Newsletters	Electronic	All	As required	When required
Valuation Report	Online	All	Tri-Annually	Tri-Annually

Communication Policy (continued)

FURTHER INFORMATION

If you need more information about the Scheme, you should contact Surrey County Council at the following address:

HAMPSHIRE COUNTY COUNCIL

Hampshire Pension Services
Hampshire County Council
2nd Floor EII East
The Castle
Winchester
SO23 8UJ
Email: *pensions@hants.gov.uk*

General enquiries and complaints:
Phone: 01962 845588

WESTMINSTER CITY COUNCIL PENSION TEAM

All enquiries about the communication policy should be directed at the WCC Pension team;
Sarah Hay
Pension Officer
1st Floor
5 Strand
Westminster
WC2N 5HR

Tel: 0207 641 6015
Email: *shay@westminster.gov.uk*

Funding Strategy Statement

This is the Funding Strategy Statement for the City of Westminster Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Westminster City Council's strategy, in its capacity as administering authority, for the funding of the City of Westminster Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. PURPOSE OF THE FUNDING STRATEGY STATEMENT

1.1 The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

2. AIMS AND PURPOSE OF THE FUND

2.1 The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

2.2 The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

3. FUNDING OBJECTIVES

3.1 Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

3.2 The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

3.3 In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service

Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

4. RESPONSIBILITIES OF KEY PARTIES

4.1 The key parties involved in the funding process and their responsibilities are set out below.

The Administering Authority

4.2 The administering authority for the Fund is Westminster City Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme Employers

4.3 In addition to the administering authority, a number of other Scheme employers participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme Members

4.4 Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

The Fund Actuary

4.5 The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and

- Advise on other actuarial matters affecting the financial position of the Fund.

5. FUNDING STRATEGY

5.1 The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

5.2 The most recent valuation of the Fund was as at 31 March 2019.

5.3 The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

5.4 The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

6. FUNDING METHOD

6.1 The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

6.2 The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

6.3 For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

6.4 The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

6.5 The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

6.6 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

6.7 For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

6.8 The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example the Council, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

7. VALUATION ASSUMPTIONS AND FUNDING MODEL

7.1 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

7.2 The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and

- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Financial Assumptions: Future Price Inflation

7.3 The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is used as this is consistent with the average duration of an LGPS Fund.

Financial Assumptions: Future Pension Increases

7.4 Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made from the RPI assumption to derive the CPI assumption.

Financial Assumptions: Future Pay Increases

7.5 As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Financial Assumptions: Future Investment Returns/Discount Rate

7.6 To determine the value of accrued liabilities and derive future contribution requirements, it is necessary to discount future payments to and from the Fund to present day values.

7.7 The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

7.8 The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

7.9 It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

7.10 A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI Inflation	3.6% p.a.
CPI Inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay Increases	CPI inflation + 1.0% p.a.
Discount rate – Scheduled bodies	4.8% p.a.
Discount Rate – Admitted bodies	3.3% p.a.

Admitted Bodies

7.11 A more prudent discount rate is adopted for admitted bodies in the Fund, resulting in a higher level of contributions being required from these bodies. This is in recognition of the fact that such employers may typically be expected to participate in the Fund for a limited period of time and so the aim is to increase the likelihood of sufficient assets being available to fund their employees' past service benefits by the time they cease participation in the Fund. In this way, the risk of deficits arising after the termination date and thus needing to be met by other employers in the Fund is reduced. Some admitted bodies may also be deemed to have a weaker covenant than other employers and so a higher contribution requirement reflects the increased risk that these employers present to the Fund.

Asset valuation

7.12 For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated in a consistent way to the valuation of the liabilities.

7.13 The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic Assumptions

7.14 The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers. Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant Judgements

7.15 The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

7.16 In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. Further details of this can be found below in the Regulatory risks section.

7.17 At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

7.18 As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed.

7.19 On 22 January 2018, the government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

7.20 The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

8. DEFICIT RECOVERY/SURPLUS AMORTISATION PERIODS

8.1 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

8.2 Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 19 years. The adjustment will usually be set as a fixed monetary amount.

8.3 Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

8.4 The deficit recovery period or amortisation period that is adopted, and the proportion of any deficit/surplus that is recovered/amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

9. POOLING OF INDIVIDUAL EMPLOYERS

9.1 The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances. Pooling of individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

10. NEW EMPLOYERS JOINING THE FUND

10.1 When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

ADMISSION BODIES

10.2 New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at Start of Contract

10.3 Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

10.4 However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution Rate

10.5 The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

10.6 Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

10.7 To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

10.8 If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

NEW ACADEMIES

10.9 When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at Start

10.10 On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Contribution Rate

10.11 The total contribution rate for new academies will be chosen to meet both the costs of benefits accruing to the existing active members in the future, and to try to restore the funding level to 100% over the Fund's maximum deficit recovery period.

11. CESSATION VALUATIONS

11.1 When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations, the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

11.2 Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

11.3 Amendments to the LGPS Regulations which came into effect from May 2018 allow flexibility over the payment of exit credits to employers where there is a surplus at the exit date. Given that the Fund will retain the long term risks associated with the residual liabilities of ceasing employers, it is possible that adverse future experience may lead to a deficit arising at some point after the date of exit and this would need to be funded by the other employers in the Fund. Therefore, in order to protect the Fund and the remaining active employers, the policy of the Fund is that no exit credit shall be paid to an employer on exit where a surplus is calculated as part of the cessation valuation and the employer's exit payment in this scenario shall be certified as nil.

11.4 In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

11.5 For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

11.6 If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position.

12. BULK TRANSFERS

12.1 Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

12.2 The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

12.3 A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

13. LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

13.1 The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

13.2 As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

14. RISKS AND COUNTER MEASURES

14.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

14.2 The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

FINANCIAL RISKS

14.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

14.4 The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

14.5 However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

14.6 The Committee may also seek advice from the Fund Actuary on valuation related matters.

14.7 In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

DEMOGRAPHIC RISKS

14.8 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

14.9 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

14.10 The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

14.11 The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

MATURITY RISKS

14.12 The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

14.13 The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments. The Fund may carry out cash flow modelling to assess if, when and in what circumstances the Fund will become cash flow negative and options to address this.

14.14 The government has published a consultation (Local government pension scheme: changes to the local valuation cycle and management of employer risk) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

REGULATORY RISKS

14.15 The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme. However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

14.16 There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

14.17 At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant Judgements and Cost Cap

14.18 The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

4.19 The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

4.20 However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

4.21 The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local Government Pension Scheme: Changes to the Local Valuation Cycle and Management of Employer Risk

14.22 On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

14.23 The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019. A partial government response was issued in February 2020 concerning flexibility around the payment of exit credits only, which has been reflected in this FSS and discussed in the "Cessation valuations" section above. We await the outcome of the consultation regarding the other proposals.

Timing of Future Actuarial Valuations

14.24 LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to Employers Required to offer LGPS Membership

14.25 At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

14.26 With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity and the cashflow profile for these employers. As described earlier this may increase the risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer active members participating in the Fund.

14.27 This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

14.28 There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

EMPLOYER RISKS

14.29 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

14.30 However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

14.31 In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

GOVERNANCE RISKS

14.32 Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

MONITORING AND REVIEW

14.33 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

14.34 The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

14.35 The timing of the next funding valuation is due to be confirmed as part of the government's Local government pension scheme: changes to the local valuation cycle and management of employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

14.36 The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

City of Westminster Pension Fund Investment Strategy Statement 2021/22

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) adopted by the City of Westminster Pension Fund ("the Fund"), which is administered by Westminster City Council ("the Administering Authority").

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

1.2 This Statement addresses each of the objectives included in the 2016 Regulations:

a) A requirement to invest fund money in a wide range of instruments;
b) The authority's assessment of the suitability of particular investments and types of investment;
c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles;
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

We deal with each of these in turn below.

1.3 The Pension Fund Committee (the "Committee") of the City of Westminster Pension Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.4 The relevant terms of reference for the Committee within the Council's Constitution are:

The Pension Fund Committee's responsibilities are set out in their terms of reference and are to have responsibility for all aspects of the investment and other management activity of the Council's Pension Fund, including, but not limited to, the following matters:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
- To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, Actuary, Custodians and Fund Advisers.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report.
- To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
- To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

- To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
- To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

The Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The Executive Director of Finance and Resources, the Tri-Borough Director of Treasury and Pensions and the appointed consultants and actuaries support the Pension Fund Committee. The day-to-day management of the Fund's assets is delegated to investment managers.

1.5 This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.6 Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the Committee discharge their stewardship responsibilities.

1.7 Governing all investment decisions are the Committee's core investment beliefs they have been established based on the views of the members and are listed below:

1 Investment Governance

a) The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.
b) Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Committee's decisions.
c) The ultimate aim of the Fund's investments is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these obligations.
d) The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

2 Long Term Approach

a) The strength of the employers' covenant allows the Fund to take a longer term view of investment strategy than most investors.
b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would in turn impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.

c) Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.

d) Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

3 Environmental, Social and Governance (ESG) factors

a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.

c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.

d) Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations.

e) If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

4 Asset allocation

a) Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).

b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.

c) In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

5 Management Strategies

a) A well-balanced portfolio has an appropriate mix of passive and active investments.

b) Passive, index-tracker style management provides low cost exposure to equities and bonds, and is especially attractive in efficient markets.

c) Active management will typically incur higher investment management fees but can provide additional return. Fees should be aligned to the interests of the Fund.

d) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

e) Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used.
- Diversity in the approaches to the management of the underlying assets.
- Adaptability to be able to maintain liquidity for the Fund.

2.3 This approach to diversification has seen the fund dividing its assets into four broad categories global equities, Fixed Income, Property and Alternatives. The size of the assets invested in each category will vary depending on investment conditions, the strategic asset allocation can be found within appendix E. However, it is important to note that each category is itself diversified. A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.4 The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive. The Fund currently has a negative cash flow position. The Committee is mindful that this position may change in future and keeps the liquidity within the Fund monitored. At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are the best long-term interest of Fund beneficiaries and seeks appropriate advice from investment advisors.

2.5 To mitigate these risks the Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the Committee will keep this ISS under review to ensure that it reflects the approaches being taken.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 Suitability is a critical test for whether or not a particular investment should be made. When assessing the suitability of investments, the Committee takes into account the following from its due diligence:

- Prospective return
- Risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

3.2 Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

3.3 The policy on asset allocation is compatible with achieving the locally determined solvency target.

3.3 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.4 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.5 The Committee relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The Committee recognises that there are a number of risks involved in the investment of the assets of the Fund amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Employer contributions are based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns
- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk

4.8 The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

4.9 The Committee are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of the Fund to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial funding position and the impact this has on contributions.

4.10 The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult. The Committee is also mindful that correlations change over time and at times of stress can be significantly different from when they are in more benign market conditions.

4.11 To help manage risk the Committee uses an external investment adviser to monitor the risk. In addition, when carrying out their investment strategy review the Committee also had different investment advisers' asses the level of risk involved.

4.12 The Fund targets a long-term return 4.8% as aligned with the latest triennial valuation from the Actuary. The investment strategy is considered to have a low degree of volatility.

4.13 When reviewing the investment strategy on a quarterly basis the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk registers are updated on a quarterly basis, appendix F.

4.14 At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles

5.1 The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

5.2 The Funds approach to pooling arrangements meet the criteria set out in the Local government pension scheme: investment reform criteria and guidance.

5.3 The Fund joined the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has circa has £13.95bn under direct management, with 21 funds launched as of 2021/22.

5.4 The Fund has transitioned c. 50% of assets into the London CIV as of 31 March 2022. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

5.5 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning assets across to the London CIV as soon as there are appropriate sub-funds to meet the Fund's investment strategy requirements.

5.6 The Fund holds c. 23% of its assets within a passive equity fund and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. However, the Fund benefits from reduced management fees, with Legal & General Investment Management having reduced their fees to match those available through the London CIV. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.7 The remaining c. 27% of Fund is held within investment assets including property, bonds and infrastructure, and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

5.8 The table below details the investment funds held by the Pension Fund and indicates whether this mandate is available on the LCIV platform and if the funds have been transferred.

City of Westminster Fund	Available on the LCIV	Transferred to LCIV
Listed Equities		
Passive Equities: LGIM	Yes	Yes
Global: Baillie Gifford	Yes	Yes
Global: Morgan Stanley	Yes	Yes
Cash		
At Custody	No	
Fixed Income		
Multi Asset Credit: CQS	Yes	Yes
Global Bonds: Insight	No	
Short Term Bonds: NT	No	
Alternatives		
Infrastructure: Pantheon	No	
Renewable Infrastructure: Quinbrook	No	
Renewable Infrastructure: Macquarie	No	
Affordable Housing: Man Group	No	
Property		
Property: Abrdn	No	
Multi Asset		
Absolute Return: Ruffer	Yes	Yes

5.9 The Pension Fund Committee is aware that certain assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the London CIV for the management of the majority of the Fund assets in the longer term, the Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

5.10 At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the City of Westminster Pension Fund, and in particular whether a collective investment option is appropriate.

5.11 The London CIV is an FCA authorised company established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting. It was agreed to review the framework after one year of operation which provides an opportunity to assess how it can be improved further, in particular to improve its effectiveness in achieving collaboration and an effective working relation between London CIV and its 32 shareholders collectively.

5.12 The London CIV Company Board comprises of an independent Chairman, 7 non-executive Directors (NEDs), including 2 nominated by the LLAs, 3 executive Directors and the LCIV Treasurer. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for:

- Strategy and Oversight
- Budget &forward plan
- Reviews performance
- Major contracts and significant decisions including in relation to funds
- Financial reporting & controls
- Compliance, risk and internal controls
- Key policies
- Governance

5.13 The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment Oversight Committee is to:

- determine, maintain and monitor the Company's investment strategy, investment performance and performance risks of the portfolios in accordance with the Company strategy and business plan.

The responsibilities of the Compliance, Audit & Risk Committee include:

- oversee compliance obligations;
- risk management framework; and
- integrity of financial statements and reporting

The responsibilities of the Remuneration & Nomination Committee include:

- remuneration policy;
- remuneration of key staff; and
- nominations and succession planning of key staff and Board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;
- identify, discuss, and formulate effective solutions to address issues and opportunities facing the Company;
- ensure the day-to-day operations meet relevant legal requirements and compliance obligations of the Company; and
- ensure the Board & Board Committee members receive timely, accurate and transparent management information & reporting to fulfil their duties & responsibilities.

5.14 The London CIV Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Committee meets on a quarterly basis and comprises of 12 members including Councillors and Treasurers from the LLAs.

5.15 The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

5.16 External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC.

5.17 More information on the London CIV and its operation is included in Appendix C of this statement.

6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 A responsible investment (RI) policy and ESG policy was drafted for the Fund to be adopted by the Committee for 2020/21 onwards. The RI Policy outlines the approach to the management of Environmental, Social and Governance (ESG) issues within the investment portfolio and can be fund within appendix D.

The Present ESG Policy

Introduction

6.2 The City of Westminster (WCC) Pension Fund (the Pension Fund) is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

6.3 The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee). The ESG approach has become integral to the Fund's overall investment strategy.

6.4 The Fund maintains a policy of non-interference with the day-to-day decision making of the investment managers. The Committee believes that this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and the appropriate disclosure and reporting of actions.

6.5 There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

6.6 The Pension Fund Committee hold a fiduciary duty to act in the members' best interests and ensure that their pension benefits are fully honoured in retirement. That is why, as well as targeting investment returns that match the pension liabilities, the Committee is committed to managing the investment risks: the risks that pose a substantial threat to LGPS members' long-term future.

6.7 The Pension Fund's revised investment strategy should be governed by the following investment principles, which are set out below

6.8 Investment Principles

- The Pension Fund as a long-term investor, is committed to **investing to build a better future** through the integration of ESG issues at all stages of the investment decision-making process.
- Through active ownership, the Pension Fund **engages with the investment community** to help ensure a sustainable future for all its stakeholders. This includes demanding best practice amongst its investment managers and

challenging their investment outcomes where appropriate.

- The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund will work closely with its LGPS pool company (the London CIV), other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF) to ensure corporate interests are aligned with the Pension Fund's values.

- The Pension Fund wants to **gain the confidence of members** in the governance process and the way in which in the Fund is invested on their behalf. It is important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

6.9 Policy Implementation: investing to build a better future

The Pension Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities. The Fund currently has a 6% allocation to renewable infrastructure, where the asset managers invest solely within renewables including solar, wind, transmission and storage. Alongside this, the Fund has transitioned equities into the LCIV Global Sustain Fund and LGIM Future World Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, adult entertainment, gambling, civilian weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

During 2021, the Fund commissioned a review of its property mandates with a view to investing within social supported or affordable housing. Triple Point and Man Group were each appointed to manage a 2.5% allocation to affordable and social supported housing. These investments are expected to take place during 2022-2023.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take position action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

6.10 Policy Implementation: engaging with investment community

Institutional investors have the power to influence and change behaviour globally. The WCC Pension Fund believes that there is significant value in being able to actively engage with the companies we invest in and be part of the transition to a global, low carbon economy.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

- The Pension Fund carries out a carbon footprint exercise on its separate portfolios annually via a specialist firm. The outcome of this measurement exercise will be instrumental in ensuring that the fund is able to meet its decarbonisation goals through effective asset allocation.

- The Pension Fund will continue to work closely with its investment managers to measure the carbon impact of its investments. This will involve developing internal metrics and agreed targets which will be reviewed on a regular basis.

Increasingly, there is growing interest in the investment community to develop investment strategies that focus on sustainable investments. As well as the wider investment community, the Pension Fund will support and contribute to the work carried out by the London CIV in the development of sustainable investments.

6.11 Policy Implementation: collaboration with other stakeholders

The introduction of pooling across the Local Government Pension Scheme (LGPS) will impact how the Pension Fund's responsible investment policy is implemented. The WCC fund is committed to playing a key role as part of the LGPS London CIV pool, with circa 73% of assets pooled.

As asset owners, the Pension Fund, in line with its investment strategy, is responsible for deciding how its assets are invested through its strategic asset allocation. In addition to engaging with the investment community, the Pension Fund will continue to work closely with other UK and London LGPS funds to find common solutions for ESG issues.
As more funds are onboarded into the London CIV, the Pension Fund expects to further increase its investment in the pool. This is expected to create economies of scale and increased synergies for the Pension Fund through a significant reduction in management fees and greater influence when engaging with external stakeholders. The London CIV will manage the Pension Fund's investments in line with the Fund's strategic objectives and those of the other London LGPS Funds.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM. This will be monitored on a regular basis.

6.12 Policy Implementation: gaining our members confidence

WCC's LGPS members have spent at least part of their careers helping to deliver key services to their community. It is important for them to understand how their Pension Fund is managed and the contribution its investments make in securing a sustainable future. Members are encouraged to take an active interest in the governance processes of their Pension Fund and their views are represented within the work of the Local Pension Board.

The Pension Fund will aim to provide members with a variety of information which allows them to easily understand the types of investments within the portfolio.

The Pension Fund reports on its overall performance annually through an annual report which is readily accessible to members on the fund's website.
Data within the annual report will include investment performance, an assessment of the key performance indicators (KPIs) of the Fund's administrative function and the Fund's assessment of its many risks.

The Pension Fund hosts an annual general meeting (AGM), following the end of the financial year, which all members and key stakeholders are invited to attend. This includes updates on the administration service, investment performance from our investment advisor, as well as a market update from an asset manager and a presentation from our actuary.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

7.1 The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.2 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

7.3 In addition the Fund:

- Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and
- Joins wider lobbying activities where appropriate opportunities arise.

7.4 Ongoing voting and engagement is covered with the Funds Responsible Investment Policy (Appendix D).

7.5 The Committee expects any directly appointed asset managers and the pool company (London CIV) to comply with the Stewardship Code (2020) and this is monitored on an annual basis. See appendix B and C for further details on the Funds approach to stewardship.

8 Feedback on this statement

Any feedback on this Investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues, then please contact:

Tri-Borough Treasury and Pensions Team
PensionFund@westminster.gov.uk

Westminster City Council
16th Floor City Hall
Tri-Borough Treasury and Pensions Team
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Investment Strategy Statement: Appendix A

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

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The Secretary of State has previously highlighted the principle contained in Roberts v. Hopwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Full Compliance

The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS. The Committee is made up of elected members of the Council who each have voting rights.

The Committee obtains and considers advice from and is supported by the Executive Director of Finance and Resources, Tri-Borough Director of Treasury & Pensions, and as necessary from the Fund's appointed actuary, investment managers and advisors.

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

Business plans are presented to the Committee annually.

Several of the Committee members have extensive experience of dealing with Investment matters and training is made available to new Committee members.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the ISS. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis. The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full Compliance

The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial valuation taking place in 2019. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The asset allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current asset allocation is outlined in appendix E.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members

Full Compliance

The IAC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Deloitte, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover, portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition, the Committee receives quarterly reports as to how the Fund has performed against their investment objective.

In order to comply with the CMA investment consultancy and Fiduciary Management Market Investigation Order 2019, The Fund's investment advisors are measured annually against an agreed set of criteria which was agreed by Committee at the 23 October 2019 meeting.

Principle 5 – Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund's Responsible Investment (RI) Policy (Appendix D). Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7 of the ISS and in the Fund's RI Policy (Appendix D).

Principle 6 – Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
- Provide regular communications to scheme members in the form they consider most appropriate.

Full Compliance

Links to the Governance Compliance Statement, the ISS, the FSS, and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet.

Compliance with the Stewardship Code

The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC) directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The Committee has not formally adopted the latest version of the Stewardship Code. However, it expects any directly appointed fund managers and the pool company (London CIV) to comply and this is monitored on an annual basis.

Information on London CIV
Stewardship Statement is attached – Other London CIV details are included in ISS main Statement

The London Collective Investment Vehicle (CIV) was formed as a voluntary collaborative venture by the London Local Authorities in 2014 to invest the assets of London Local Government Pension Scheme (LGPS). The London CIV and its London Local Authority investors recognise the importance of being long term stewards of capital and in so doing supports the UK Stewardship Code, which it recognises as best practice.

The London LGPS CIV Limited ("London CIV") is fully authorised by the FCA as an Alternative Investment Fund manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). The London CIV in the management of its investments has appointed a number of external investment managers. We therefore see our role as setting the tone for the effective delivery of stewardship managers on our behalf and on behalf of our investing Funds. We are clear that we retain responsibility for this being done properly and fully in the interests of our own shareholders.

This Statement sets out how the London CIV implements the seven principles of the Code.

Principle 1
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The London CIV on behalf of its London Local Authority Shareholders recognises its position as an investor on their behalf with ultimate responsibility to members and beneficiaries and recognises that effective stewardship can help protect and enhance the long-term value of its investments to the ultimate benefit of all stakeholders in the LGPS.

As we do not invest directly in companies, we hold our fund managers accountable for the delivery of stewardship on our behalf in terms of day-to-day implementation of its stewardship activity. We require the appointed fund management teams to be responsible for holding to account the management and boards of companies in which they invest. The London CIV believes that this approach is compatible with its stewardship responsibilities as it is the most effective and efficient manner in which it can promote and carry out stewardship activities in respect of its investments and ensure the widest reach of these activities given the London CIV's investment arrangements.

A key related area where stewardship is integrated into the wider process is in the selection and monitoring of external investment managers. When considering the appointment of external investment managers, the consideration of Environmental Social and Governance (ESG) integration and stewardship activity of each investment manager is part of the selection process.

The London CIV expects its equity investment managers to adhere to the principles within the UK Stewardship Code. This position is communicated to the Fund's investment managers and forms the basis of the approach to monitoring the investment managers as outlined in this document. Whilst the Stewardship Code is primarily directed at UK equity investments, the London CIV encourages its investment managers to apply the principles of the Code to overseas equity holdings where possible.

The primary mechanisms for the application of effective stewardship for the London CIV are exercise of voting rights and engagement with investee companies. The London CIV expects its external equity investment managers that invest directly in companies, to pursue both these mechanisms. We receive quarterly reporting from managers which includes their stewardship and voting activities where appropriate. We seek consistently to ensure that these stewardship activities are carried out actively and effectively in the furtherance of good long-term investment returns

We expect all of the London CIV's equity managers to be signatories to the Code and have publicly disclosed their policy via their Statements on how they will discharge their stewardship responsibilities. We expect managers that invest in companies directly to discharge their responsibilities by:

- having extensive dialogue with the company's management throughout the year on a range of topics such as governance, financial performance and strategy; and
- voting, either directly or via the services of voting agencies.

Principle 2
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Day-to-day implementation of the Fund's stewardship activity has been delegated to external investment managers. The London CIV expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the London CIV's Investors are prioritised.

The London CIV will review annually the conflicts of interest policy of its managers and how any conflicts have been managed during the year. The London CIV has policies in place to manage conflicts of interest that may arise for the Board and its officers when making decisions on its behalf. The Conflicts of Interest policy is reviewed by the London CIV board on a regular basis. A Conflicts of Interest Register is maintained. Shareholders of the London CIV attending the Pensions Sectoral Joint Committee are required to declare any conflicts of interest at the start of any meeting.

Principle 3
Institutional investors should monitor their investee companies.

We recognise that active and ongoing monitoring of companies is the foundation of good stewardship, reminding companies in which we invest that they have obligations to their shareholders to deliver returns over the appropriate long-term investment timeframe and, consistent with this, to manage any related environmental and social risks responsibly.

The London CIV requires its external investment managers to monitor investee companies. Issues to be monitored are likely to vary, however typically these might include a company's corporate strategy, financial performance, risk (including those from environmental and social factors), capital structure, leadership team and corporate governance. The London CIV encourages its investment managers to satisfy themselves that investee companies adhere to the spirit of the UK Corporate Governance Code.

The London CIV reviews investment managers in this area as part of their regular meetings. For equity investment managers this includes consideration of:

- who has overall responsibility for ESG risk analysis and integration;
- resources and experience of the team;
- at what stages of the process ESG risks are considered;
- exposures to environmental, social or governance risk within the portfolio; and
- the investment manager's willingness to become an insider and, if so, whether the manager has a policy setting out the mechanisms through which this is done.

Principle 4
Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

The London CIV recognises that constructive engagement with company management can help protect and enhance shareholder value. Typically, the London CIV expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are not currently being adequately addressed.
The London CIV reviews investment managers in this area as part of their regular meeting. For equity investment managers that invest directly in Companies, this includes consideration of:

- whether voting activity has led to any changes in company practice;
- whether the manager's policy specifies when and how they will escalate engagement activities;
- overall engagement statistics (volume and areas of focus);
- example of most intensive engagement activity discussed as part of the manager's annual review meeting; and
- the estimated performance impact of engagement on the strategy in question.
- Given the range of fund managers and Fund investments, the London CIV carries out its monitoring at the manager level to identify:
- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

Principle 5
Institutional investors should be willing to act collectively with other investors where appropriate.

As day-to-day management of the Fund's assets has been delegated to external investment managers, the London CIV expects its investment managers to get involved in collective engagement where this is an efficient means to protect and enhance long-term shareholder value.

In addition, the London CIV will work collectively with other investors including other LGPS Asset pools and the Local Authority Pension Fund Forum (LAPFF) to enhance the impact of their engagement activities

Principle 6
Institutional investors should have a clear policy on voting and disclosure of voting activity.

The London CIV has delegated its voting rights to the Fund's investment managers and requires them to vote, except where it is impractical to do so. The London CIV also monitors the voting alerts of the LAPFF and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so. Where the investment manager does not vote in line with the LAPFF voting alerts, the London CIV will require detailed justification for non-compliance.

The London CIV reviews and monitors the voting policies and activities of its investment managers, this includes consideration of:

- the manager's voting policy and, what areas are covered;
- the level of voting activity
- whether the investment manager typically informs companies of their rationale when voting against or abstaining (and whether this is typically in advance of the vote or not);

- if securities lending takes place within a pooled fund for the strategy, whether the stock is recalled for all key votes for all stocks held in the portfolio; and
- whether a third-party proxy voting service provider is used and, if so, how.

Principle 7
Institutional investors should report periodically on their stewardship and voting activities.

The London CIV encourages transparency from its investment managers and expects its managers to report publicly on their voting in an appropriate manner.

In addition, the London CIV receives reviews and monitors quarterly the voting and stewardship engagement activities of its investment managers. The London CIV reports quarterly to its investors and will include information on voting and engagement activities from investment managers where appropriate including updates as required on updated stewardship and voting policies of managers. The London CIV also requires its managers to provide it with annual assurances on internal controls and compliance through recognised framework such as the AAF01/06 or equivalent.

Responsible Investment Policy

Introduction

1.1. Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns. The Pension Fund's approach to responsible investment is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments.

1.2. Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the Fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

1.3. The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.4. The Pension Fund acknowledges that these goals form a vital part of acting as a responsible investor alongside its administering authority employer, Westminster City Council, with the Council having recently committed itself to achieving carbon neutrality by the year 2030.

1.5. The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed by officers, advisors and investment managers.

1.6. The Pension Fund Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

1.7. With these noble objectives at the forefront, it is important to note that the Pension Fund Committee has a vital, fiduciary duty to act in the best interests of the LGPS beneficiaries to ensure that their pension benefits are honoured in retirement.

Policy Implementation: Selection Process

1.8. The Pension Fund Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pension Fund Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes.

1.9. This includes, but is not limited to:

a) evidence of the existence of a Responsible Investment policy;
b) evidence of ESG integration in the investment process;
c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);
e) a track record of actively engaging with global companies and stakeholders to influence best practice;
f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.10. As part of its investment selection process, the Pension Fund Committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. Our investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a) for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment and retention decisions;
b) for passive managers, the investment advisor is aware of the nature of the index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy as the passive manager actively engages with global companies and stakeholders where appropriate;
c) consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;
d) how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and
e) how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

1.11. Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investee companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

Policy Implementation: Ongoing Engagement and Voting

1.12. Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvement in the measurement of benchmarking and organisational progress. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which include carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investment performance.

1.13. The Pension Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a range of factors, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental, governance and social issues.

1.14. Pension Fund officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a. Regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
b. reviewing reports issued by investment managers and challenging performance where appropriate;
c. working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;
d. contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
e. actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member (currently 83 LGPS member funds).

1.15. The Pension Fund holds units in pooled equity funds, where our asset managers will have the opportunity to vote at company meetings on our behalf. Engagement with companies can have a direct impact on voting choices and fund manager voting and engagement reports are reviewed on a regular basis.

1.16. The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London

CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

1.17. The Pension Fund's officers will work closely with the London CIV pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all ESG issues which could present a material financial risk to the long-term performance of the fund. This will include the London CIV's ESG frameworks and policies for investment analysis, decision making and responsible investment.

1.18. In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a. Pension Fund employers;
b. Local Pension Board;
c. advisors/consultants to the fund;
d. investment managers.

Policy Implementation: Training

1.19. The Pension Fund Committee and the Fund's officers will receive regular training on ESG issues and responsible investment. A review of training requirements and needs will be carried out at least once on annual basis. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.

Strategic Asset Allocation

The below table sets out the Fund's strategic asset allocation along with review range which would trigger a rebalancing exercise.

Strategic Asset Allocation	Target (%)	Review Range
Listed Equities	**60.0%**	**+/-3.0%**
Passive Equities	20.0%	
Global – Active	40.0%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**19.0%**	**+/-1.9%**
Global Bonds	7.0%	
Multi Asset Credit	6.0%	
Private Debt	6.0%	
Alternatives	**16.0%**	**+/-1.6%**
Infrastructure	5.0%	
Renewable Infrastructure	6.0%	
Affordable Housing	5.0%	
Property	**5.0%**	**+/-1.0%**
Property	5.0%	
Total	**100.0%**	

Investment & Administration Risk Registers

Pension Fund Risk Register - Administration Risk

Risk Group	Risk Ref.	Trending	Risk Description	Impact: Fund	Impact: Employers	Impact: Reputation	Impact: Total	Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
Administrative and Communicative Risk	1	⇆	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	**TREAT:** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers part of 2019 actuarial valuation, next valuation to take place at 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	06/06/2022
Resource and Skill Risk	2	⇆	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	**TREAT:** 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	06/06/2022
Administrative and Communicative Risk	3	⇆	Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	4	3	5	12	2	24	**TREAT:** 1) Active member data is sent on secure platforms between all parties 2) Including "Encrypted" in email subject allows schools and academies to send data to pension admin team securely. 3) Data sent to the actuary using secure portal. 4) The new employer portal used by HPS should offer increased security for member data from all employers.	1	12	06/06/2022
Administrative and Communicative Risk	4	⇆	Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	4	2	5	11	2	22	**TREAT:** 1) Council has a data recovery plan in place, with files uploaded to the cloud every night and transition of files from the j drive to SharePoint. 2) . As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy. All of which can be found on the Wire.	1	11	06/06/2022
Administrative and Communicative Risk	5	⇆	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	**TREAT:** 1) Update and enforce pension admin strategy to assure employer reporting compliance.	1	11	06/06/2022
Administrative and Communicative Risk	6	⇆	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	**TREAT:** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) Internal Audits last undertaken during 2018/19 showed satisfactory assurance with recommendations implemented during the year.	1	10	06/06/2022
Administrative and Communicative Risk	7	⇆	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	4	3	8	3	24	**TREAT:** 1) The pensions administration service transitioned from Surrey CC to Hampshire CC on 8th November 2021. 2) Officers will continue to support the admin team with regular meetings and conversation on cases. 3) Ongoing monitoring of contract and KPIs.	1	8	06/06/2022
Administrative and Communicative Risk	8	⇆	Failure of financial system leading to benefits to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	**TREAT:** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	06/06/2022
Administrative and Communicative Risk	9	⇆	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	**TREAT:** 1) Disaster recovery plan in place 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	06/06/2022

Administrative and Communicative Risk	10		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	**TREAT:** 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	8	06/06/2022
Administrative and Communicative Risk	11		COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	3	2	7	3	21	**TREAT:** 1) Working from home process now embedded. 2) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 3) Maintain regular contact with the Hampshire CC administration team.	1	7	06/06/2022
Administrative and Communicative Risk	12		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	**TREAT:** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers. Additionally HPS data work as part of the transfer includes running payroll figures for members. An effective parallel pay run will be run to compare to the final October data cut. New Bank Account has been set up for HPS, there were test BACs runs during November, which were a success.	1	7	06/06/2022
Administrative and Communicative Risk	13		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	9	**TREAT:** 1) Pension administration records are stored on the Hampshire CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. All files are backed up daily.	2	6	06/06/2022
Administrative and Communicative Risk	14		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	**TREAT:** 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	5	06/06/2022
Administrative and Communicative Risk	15		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	10	**TREAT:** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	5	06/06/2022
Administrative and Communicative Risk	16		Failure to identify GMP liability leads to ongoing costs for the pension fund.	1	2	1	4	1	4	**TREAT:** 1) GMP identified as a Project as part of the Service Specification between the Fund and Hampshire County Council, with minimal effect on the Fund.	1	4	06/06/2022

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Liability Risk	1		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 2.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. CPI was 9.0% as at 30 April 2022.	5	3	2	10	5	**50**	**TREAT:** 1) The fund holds investments in bonds, inflation linked long lease property and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2022. 3) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 4) Short term inflation is expected due to a number of reasons on current course.	3	**30**	06/06/2022
Asset and Investment Risk	2		Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. On 24 February 2022, Russia invaded Ukraine marking an escalation in the conflict which has been ongoing since 2014.	3	4	3	10	4	**40**	**TREAT:** 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at 27 June 2022, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero.	3	**30**	27/06/2022
Asset and Investment Risk	3		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019, how this will affect the Pension Fund going forward is currently unknown. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	4	**36**	**TREAT:** 1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been released for 2022. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	**27**	06/06/2022

Asset and Investment Risk	4		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m. The Fund returned 3.6% gross of fees in the year to 31 March 2022, underperforming the benchmark by -3.5% net of fees. Much of this underperformance can be attributed to the Baillie Gifford global equity mandate.	5	3	3	11	4	44	**TREAT:** 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures. 6) The Committee has invited Baillie Gifford to attend the Committee meeting on 23 June 2022.	2	22	06/06/2022
Liability Risk	5		Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	5	5	1	11	2	22	**TOLERATE:** 1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	06/06/2022
Asset and Investment Risk	6		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	**TREAT:** 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	20	06/06/2022
Liability Risk	7		Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	2	20	**TOLERATE:** 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employee pay rises currently remain below inflation.	2	20	06/06/2022

Asset and Investment Risk	8		That the London Collective Investment Vehicle (LCIV) fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	**20**	**TOLERATE:** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 2) Member presence on Shareholder Committee and officer groups. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups. 5) Ongoing Shareholder Issue remains a threat.	2	**20**	06/06/2022
Resource and Skill Risk	9		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	**27**	**TREAT:** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members.	2	**18**	06/06/2022
Regulatory and Compliance Risk	10		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Still awaiting updated pooling guidance from DLUHC.	3	2	1	6	3	**18**	**TOLERATE:** 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance, expected sometime during 2022.	3	**18**	06/06/2022
Asset and Investment Risk	11		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	**24**	**TREAT:** 1) Officers will continue to monitor the impact lockdown measures have had on the fund's underlying investments and the wider economic environment. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation was reviewed during 2021, a new strategy was agreed to include private debt and affordable/social housing mandates. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	2	**16**	06/06/2022
Asset and Investment Risk	12		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	**24**	**TREAT:** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. LGIM mandate is currently GBP hedged. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements once Covid becomes less of an issue.	2	**16**	06/06/2022
Asset and Investment Risk	13		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	**TREAT:** 1) Member presence on shareholder Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV. 2) Officers continue to monitor	2	**16**	06/06/2022

Liability Risk	14		Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Councils spending decisions.	5	2	1	8	3	24	**TREAT:** 1) Actuary uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation, next valuation to take place at 31 March 2022.	2	16	06/06/2022
Resource and Skill Risk	15		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Following local elections, which took place in May 2022, the composition of the Committee has changed.	2	2	1	5	4	20	**TREAT:** 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	3	15	06/06/2022
Regulatory and Compliance Risk	16		There is a technical issue surrounding the accounting classification of the London CIV regulatory capital and can be resolved only by making amendments to the Shareholder Agreement and the company's Article of Association (Articles). There is a risk that the LCIV will not receive all 32 signatures, however it should be noted that no further capital will be called upon as a result of this process. As at 6 June 2022, 30 local authorities have agreed in principle to sign, however 2 haven't given any indication that they will sign.	2	2	1	5	3	15	**TOLERATE:** 1) London CIV to facilitate discussions with London Boroughs and gather feedback, before signed amendments to Shareholder Agreement and Articles. 30 local authorities have agreed to sign, with 2 confirmations still outstanding. 2) WCC obtained written agreement and legal advice to approve the necessary changes to the Shareholder Agreement and LCIV's Articles.	3	15	06/06/2022
Liability Risk	17		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	**TOLERATE:** 1) Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	14	06/06/2022
Liability Risk	18		Impact of increases to employer contributions following the actuarial valuation, next valuation to take place on 31 March 2022.	5	5	3	13	2	26	**TREAT:** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	13	06/06/2022

Liability Risk	19	There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments. The Fund currently has £100m in cash held within a short duration bond fund and LCIV Absolute Return Fund, which allows access at short notice.	5	4	3	12	2	24	**TREAT:** 1) Cashflow forecast maintained and monitored. 2) Cashflow position reported to committee quarterly. 3) Cashflow requirement is a factor in current investment strategy review, Fund is expected to be c.£22m cashflow negative from 2022/23 onwards.	1	12	06/06/2022
Regulatory and Compliance Risk	20	Changes to LGPS Regulations	3	2	1	6	3	18	**TREAT:** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	06/06/2022
Regulatory and Compliance Risk	21	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	**TREAT:** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2)WCC IT data security policy adhered to. 3) Implementation of GDPR. 4) Pension administration transition project team in place.	1	11	06/06/2022
Liability Risk	22	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	**TREAT:** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to affordable/social housing. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	06/06/2022
Reputational Risk	23	Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	**TREAT:** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	06/06/2022
Reputational Risk	24	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	**TREAT:** 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	11	06/06/2022
Liability Risk	25	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	5	3	3	11	2	22	**TREAT:** 1) Transferee admission bodies required to have bonds or guarantees in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.	1	11	06/06/2022

Asset and Investment Risk	26	⟷	A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	11	06/06/2022
Liability Risk	27	⟷	Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	**TREAT:** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) No evidence in 2021/22 of members transferring out to DC schemes.	1	10	06/06/2022
Liability Risk	28	⟷	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	**TREAT:** 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	10	06/06/2022
Asset and Investment Risk	29	⟷	Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	20	**TREAT:** 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	06/06/2022
Asset and Investment Risk	30	⟷	Failure of global custodian or counterparty.	5	3	2	10	2	20	**TREAT:** 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	10	06/06/2022
Asset and Investment Risk	31	⟷	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	**TREAT:** 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	10	06/06/2022
Resource and Skill Risk	32	⟷	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	20	**TREAT:** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	10	06/06/2022
Regulatory and Compliance Risk	33	⟷	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	20	**TREAT:** 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	10	06/06/2022

Reputational Risk	34		Inaccurate information in public domain leads to damage to reputation and loss of confidence.	1	1	3	5	3	15	**TREAT**: 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. 3) Stage AGM every year.	2	10	06/06/2022
Liability Risk	35		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	**TOLERATE:** 1) Political power required to effect the change.	1	10	06/06/2022
Liability Risk	36		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	**TREAT:** 1) Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 2) Cashflow position monitored monthly.	1	9	06/06/2022
Regulatory and Compliance Risk	37		Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	18	**TREAT:** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	06/06/2022
Regulatory and Compliance Risk	38		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	**TREAT:** 1) More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective clients. 4) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. 5) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	7	06/06/2022
Regulatory and Compliance Risk	39		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	14	**TREAT:** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	7	06/06/2022
Regulatory and Compliance Risk	40		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	7	06/06/2022

Responsible Investment Statement

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1. Introduction

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns.

The City of Westminster Pension Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

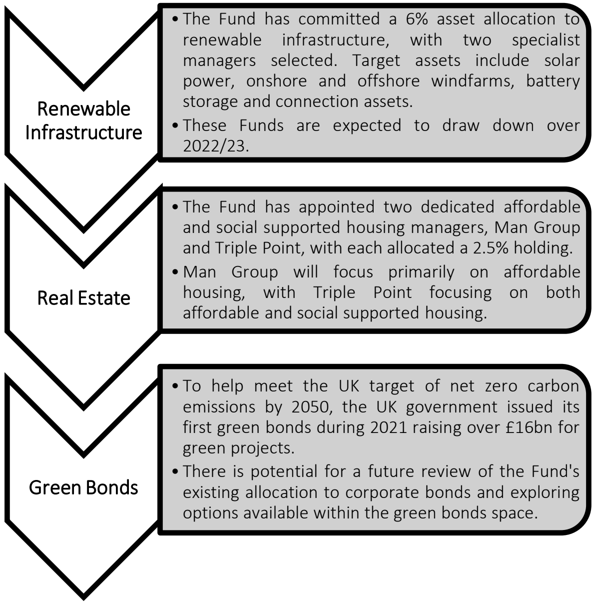
There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

The Pension Fund acknowledges that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance issues is more likely to lead to poor or reduced shareholder returns. Therefore, the ESG approach has become integral to the Fund's overall investment strategy and recognises ESG factors as central themes in measuring the sustainability and impact of the Fund's investments.

2. Investment Horizon

The City of Westminster Pension Fund Investment Strategy Statement (ISS) sets out the Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance issues. Alongside this the Fund's core investment beliefs set out the foundation of discussions, regarding the structure of the Fund, its strategic asset allocation and the selection of investment managers, incorporating ESG factors into this decision-making process.

The Fund's investment priorities over the coming years will be centred around the following topics:



3. Carbon Journey

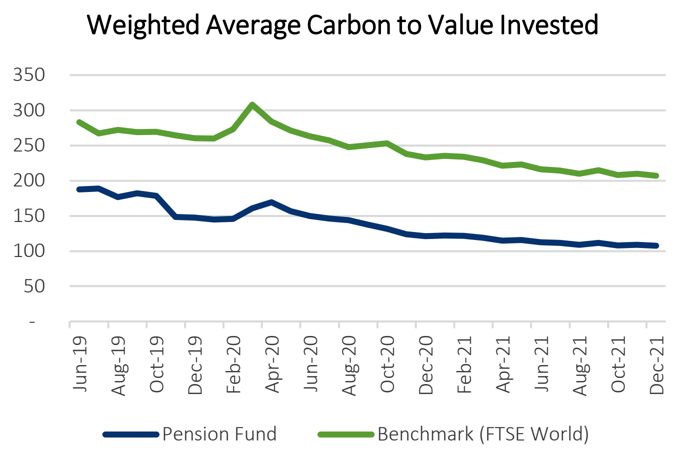
The City of Westminster Pension Fund has committed to reducing its carbon emissions, alongside Westminster City Council. The Pension Fund commissioned a carbon mapping of the Fund's equity and property investments as at 30 June 2019. This included metrics such as carbon intensity, carbon emissions, stranded assets and energy transition.

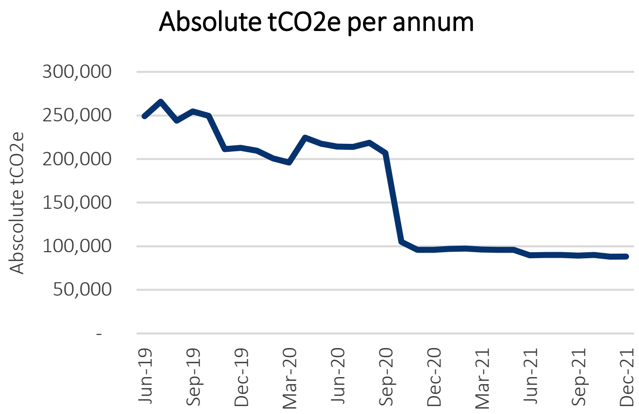
Since this mapping took place, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM Future World Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

Alongside this during late 2020, a 6% commitment was made towards investment within renewable infrastructure. A fund manager selection process took place during December 2020, with Macquarie and Quinbrook each selected to manage a 3% allocation. The Hermes Property mandate was sold during January 2021 to fund this new allocation. As at 31 December 2021, c.£20m has been invested within these renewable infrastructure funds.

During 2021, the Fund commissioned a review of its property mandates with a view to investing within social supported or affordable housing. Triple Point and Man Group were each appointed to manage a 2.5% allocation to affordable and social supported housing. These investments are expected to take place during 2022-2023. The Longview Global Equity fund was sold during December 2021, with these receipts to finance the affordable housing allocation.

The carbon to value invested metric is used to reflect how efficient companies are at creating shareholder value, relative to the carbon emissions produced. The following graph depicts the Fund's carbon to value invested journey against the FTSE World Index, from 30 June 2019 to 31 December 2021. The weighted average carbon to value invested of the Fund has fallen by circa 40% during this time period.





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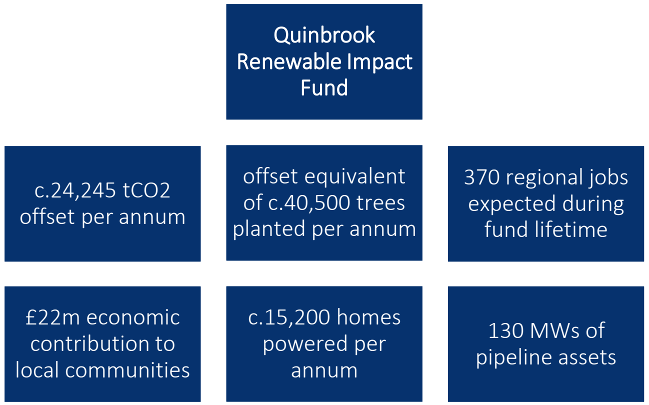
The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO2 (tCO2e). These carbon emissions can be broken down into three reporting categories as follows:

- **Scope 1**: emissions directly attributable to a company e.g. vehicles
- **Scope 2**: indirect emissions relating to a company e.g. heating and electricity supply of buildings
- **Scope 3:** emissions not directly attributable to a company but those further up and down its value chain e.g. buying products from suppliers[1]

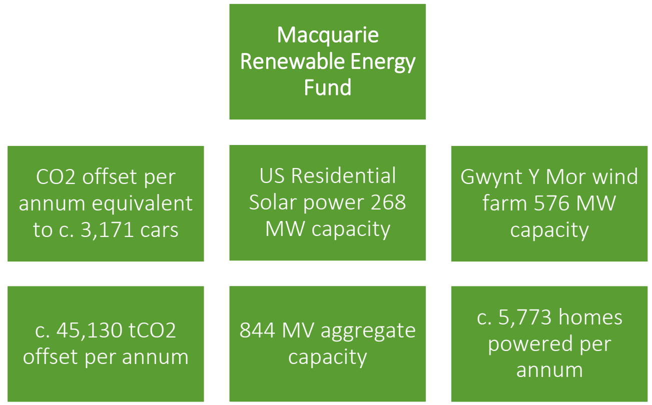
The following chart plots the absolute tonnes of CO2 emissions (a different metric to graph illustrated on page 4) of the Pension Fund from 30 June 2019 to 31 December 2021. It is estimated that the Fund has reduced its CO2 emissions by circa 65% over this period.

Where possible the Fund reports on scope 1, 2 and 3 emissions, however as this data can be difficult to collect, this may vary amongst the Fund's asset classes and managers.

4. Renewables Impact Modelling



Based on a fund target size of GBP 500 million and Westminster's commitment of GBP 60 million, and once pipeline is fully drawn down. Data based on a Fund portfolio of 467 MW solar, 746 MW BESS, 620 MVA Synchronous Condenser; the information is based on the Quinbrook Renewables Impact Fund Model. Please note all figures have been estimated, so may not be a true reflection of actual impact.



Based on Westminster's commitment of EUR 55 million, circa 3.4% of total fund size, and includes CO2 offset estimates based on the two assets currently held in the fund. Please note all figures have been estimated, so may not be a true reflection of actual impact.

5. Task Force on Climate Related Financial Disclosures

The Department for Work and Pensions (DWP) has announced a phased introduction of the planned new mandatory measures that ensure trustees are legally required to assess and report on the financial risks of climate change within their investment portfolios.

Although not yet compulsory for public sector pension schemes, it is anticipated these regulations will be extended to the public sector and therefore the LGPS by 2023.

The proposed new measures will ensure that trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The Financial Stability Board's Task Force on Climate Related

1:*https://www2.deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions.html?gclid=EAIaIQobChMIjsWNhfKu9QIVqejtCh3FSQ0lEAAYASAAEgLiIfD_BwE*

Financial Disclosures is a global, private, independent body formed in December 2015.

The Board has advised a number of TCFD recommendations in relation to climate change, which can be split into four thematic areas.

Governance: Establish and maintain oversight of relevant climate risks and opportunities for your scheme.

Define clear roles and responsibilities for the management of climate-related risks/opportunities.

Formulate governance policies, including roles and responsibilities in relation to climate change.

Improve training and knowledge in relation to climate change.

Strategy: Identify climate risks and opportunities which will affect the scheme's investment strategy and consider the resilience of the strategy.

Identify related risks and opportunities and define clear goals over the short, medium and long term.

Conduct scenario testing for the scheme's assets and liabilities e.g. how a temperature rise of 1.5C to 2.0C will affect the Fund.

Risk Management: Establish and maintain processes to identify, assess and manage relevant climate risks and opportunities.

Create a risk register of climate-related risks and maintain assessments over the short to long-term horizons.

Incorporate these risks into the wider integrated risk management process.

Metrics and Targets: Select and monitor a minimum of three climate metrics for the scheme's investment portfolio, setting targets to measure performance against annually.

Establish the quality of data available to identify an appropriate third climate metric for the scheme.

Select at least one appropriate target and measure performance against and review annually.

6. ESG Case Studies

Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

***Environmental:** Residential Solar case study*

The Macquarie Renewable Energy Fund has a 50% holding in a 268-megawatt portfolio of residential solar panels located across 18 US states.

The fund has invested in a portfolio of operating contracted residential solar assets, which are owned and managed by Sunrun Incorporated. The solar assets are diversified across the US, with over 36,000 homes powered. The majority of solar assets are located within 5 US states, with 47% of assets in California alone, this follows a state mandate requiring all new homes to have rooftop solar fitted from 2020.

The assets have a 35 year lifespan, with avoided emissions forecast at 164,000 tonnes of CO2 per annum. This equates to c. 2,763 tonnes of CO2 avoided per year for the City of Westminster Pension Fund.

***Social:** Nintendo case study*

The Pension Fund holds, Nintendo, within its LGIM Future World Equity portfolio. The company is a Japanese multinational video game company, with headquarters in Kyoto. LGIM's main focus within Japan remains greater diversity within company boards, particularly on the gender diversity front, with only 3% of the TOPIX 100 having at least 30% female board representation.

LGIM have been engaging with Nintendo for a number of years on this issue and have emphasized the need to improve diversity and independence of the board and increase discussion and disclosures on board diversity. Following on from this engagement, the company committed to appointing its first female board member and to increase the number of independent members. Both of which have since been fulfilled.

Alongside this, Nintendo has improved its disclosures by publishing their annual report in English and included information on cross holdings. However, there is still further engagement needed on workforce flexibility, including maternity leave policy and commitment to increasing the female workforce to 25%.

***Governance:** AJ Gallagher case study*

Within the London CIV (Baillie Gifford) Global Alpha Equities portfolio, the Pension Fund has exposure to AJ Gallagher, a global insurance brokerage and risk management company. As part of the LCIV's strategy of holding companies to account for fiscal responsibility, they approached Baillie Gifford to engage with AJ Gallagher's executive management team to discuss fair taxation.

Over the last couple of years AJ Gallagher has purchased clean coal credits, which have substantially reduced its effective US taxation rate, whereby a company can reduce their tax liability by reducing their carbon, sulphur and nitrogen oxide emissions. Whilst acknowledging the positive benefits of this green taxation initiative on reducing greenhouse emissions, the LCIV expects managers to consider corporation tax as a social license rather than a cost to minimise.

The company have committed to implementing a fair taxation policy going forward and have signalled their intention to review their current approach, with the asset manager encouraged with the engagement so far.

7. Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

Engagement: *Mizuho case study*

As part of the LGIM Future World Fund, LGIM have been engaging with Mizuho Financial Group, a global bank based in Japan, over a number of years on climate-related issues.

LGIM have maintained continual engagement with the company as part of their Climate Impact Pledge and monitored the company's progress.

At Mizuho's 2020 AGM, LGIM supported a climate-related shareholder resolution for disclosure of a Paris-Aligned business strategy for the company. This was the first such resolution of its kind within the Japanese banking sector.

Following this, in June 2021, Mizuho published its first TCFD report ahead of its 2021 AGM, with the report committing to accelerate the banks coal phase-out by 10 years. Alongside this, Mizuho has addressed concerns over lack of scope 3 emissions disclosure and pledged to set and disclose interim scope 3 targets by the end of 2022.

8. Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), Pensions and Lifetime Savings Association (PLSA) and ShareAction to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

<u>Local Authority Pension Fund Forum</u>

The Local Authority Pension Fund Forum are a collection of 84 local authority pension funds and 7 asset pool companies, with assets under management of over £300bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

LAPFF case study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 September 2021, the LAPFF engaged with 82 companies, including Shell, Rio Tinto and the National Grid.

During early September 2021, LAPFF met with Shell's new Chairman to discuss concerns regarding the company's carbon trajectory, business strategy and financial performance.

LAPFF expressed their apprehensions over the company's poor returns to shareholders over the last 10 years and noted that net zero carbon objectives would not enable the company to achieve Paris-Aligned climate targets. LAPFF welcomed the Chair's willingness to engage, however, inconsistencies within their business and climate strategy persist.

Pensions and Lifetime Savings Association

The City of Westminster Pension Fund is a member of the PLSA, who aim to raise industry standards, share best practice and support members. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent pension schemes providing retirement income to more than 30m savers, with assets under management totalling £1.3tn, including those in the public and private sectors.

The PLSA provide an important source for training, support and guidance on regulations and pension support services.

PLSA case study

During January 2022, the PLSA published its response to the DWP proposals regarding a new Paris-Alignment portfolio metric that pension schemes will need to report in mandatory TCFD reports. As well as new guidance on Statements of Investment Principles and Implementation Statements.

The PLSA welcomed the proposals set out in the DWP consultation paper on Paris-Alignment metric to mandatory TCFD reports. However, they expressed concerns on the timings, in that they do not allow sufficient time to enable trustees to appropriately prepare for an additional metric.

ShareAction

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Healthy Markets case study

Since 2019, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures take accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with other members, represents over $2 trillion in assets under management.

As per ShareAction research, 1 in 3 children and 2 in 3 adults are classified as overweight or obese, with over one million hospitalisations during 2019/20 linked to obesity. The four largest supermarket retailers account for two thirds of the UK's grocery market and 71% of packaged food and drink product sales in the UK are high in fat, salt or sugar.

ShareAction engage with target companies in a number of ways, including, investor-signed letters, meetings with target companies, questions posed at AGMs and shareholder resolutions once other avenues have been exhausted.

Pension Administration Strategy

Contents

1. Introduction

This is the Pension Administration Strategy of the Westminster City Council Pension Fund (WCCPF "the Fund") about the Local Government Pension Scheme (LGPS) in the City of Westminster.

This document:

- Confirms the purpose of the strategy and says what it is intended to achieve
- Outlines the role of WCCPF's scheme employers and sets out their expected levels of performance
- Outlines the role of WCCPF and sets out its expected levels of performance
- Explains how the performance of WCCPF and its employers will be monitored
- Explains what actions might be taken when employers do not meet the requirements
- Confirms how WCCPF will communicate with its employers
- Details the resources and support that is available for employers to access the UPM Civica - Employer Hub Portal

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 59 of the LGPS Regulations outline the key responsibilities of administering authorities and fund employers. The regulations include specific provisions recommending the fund develops an administration strategy.

It also includes a schedule of additional administrative costs under Regulation 70 of the LGPS Regulations 2013, which provides scope for pension funds to recover costs where additional costs are being incurred due to an employer's level of performance.

The PAS is linked to the following statutory documents of the Fund which are available on WCCPF website *https://www.wccpensionfund.co.uk/*

- Retention Policy and Full Privacy Notice
- Communications Policy
- Annual Report
- Statement of Investment Principles

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive guide provided by the Employers' Guide available on the Hampshire Pension Services website *Employer Administration Tools and Guidance | Hampshire County Council (hants.gov.uk)* for day-to-day operations.

2. Purpose of the Pension Administration Strategy

The revision to the PAS, effective from 8th of November 2021, is to reflect the growth towards a seamless, automated pension service, employing appropriate technologies and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for Scheme employers and stakeholders and more efficient service to Scheme members.

- Provides clarity on the key roles and responsibilities of WCCPF and its employers
- Sets expectations and confirms the targets that WCCPF and its employers need to work to
- Helps all parties to achieve regulatory compliance by providing a framework that is clear and user-friendly
- Assists WCCPF and its scheme employers in adhering to the Pensions Regulator's Codes of Practice
- Complements procedures that help all parties to meet their data protection and data quality responsibilities
- Helps to ensure all parties provide the best possible service to scheme members and other relevant stakeholders
- Emphasises the importance of the shared role that WCCPF and its scheme employers have in ensuring excellent service delivery to scheme members
- Promotes efficient working practices, hand in hand partnership with transparency and a culture of continual improvement

3. Roles and responsibilities

The purpose of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

3.1 The Employer's Roles and Responsibilities

The primary responsibilities for the employer are to:

- Communicate the entitlement to benefit from the LGPS to all eligible staff. Provide staff with information on how they can access further information on their LGPS pension including the member portal.
- Apply the scheme via the collection and payment of the correct levels of pension contributions
- Report information and data to the WCCPF as set out in this strategy

3.2 The Administering Authority's Roles and Responsibilities

The Fund outsources administration to a specialist third party administrator – The Hampshire Pension Services. The WCCPF and The Hampshire Pension Services (HPS), working very closely with our Fund employers, their respective payroll providers are responsible for the delivery of a high quality, value for money administration service. We want to ensure our members, and employers, receive the appropriate level of service and we fully comply with our statutory requirements.

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to scheme employers
- Maintain and develop an effective web presence for the benefit of members and scheme employers

A summary to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A, Appendix B. The guide includes a summary of duties, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

4. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS.

WCCPF will monitor employer performance across the following key areas:

- The submission of monthly data returns
- The payment of contributions and other payments due
- The number of queries, along with the rate and quality of responses
- The number of complaints received and IDRP cases upheld against the employer
-

The LGPS regulations provide pension funds with the ability to recover any administration costs sustained because of the underperformance of a scheme employer, from the employer responsible for the underperformance. To date the Fund has rarely recovered these additional costs and has taken the decision to work with employers to improve service delivery.

From November 2021, WCCPF will monitor any additional costs sustained in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

WCCPF working in conjunction with our new administration partner in HPS will provide support to employers wherever possible to help fulfil our joint responsibilities to members. We welcome questions on anything that is not clear and will listen to feedback to help improve the service for our employers and members alike.

If you represent an employer that is struggling to meet the terms of this PAS, please contact us at the earliest opportunity so that we can work with you and avoid additional charges if outstanding issues can be resolved in a way agreed between WCCPF and the employer.

Where an employer does not actively engage with the Fund to resolve issues or consistently fails to meet its responsibilities under the LGPS Regulations, the Fund (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator.

More information about the work of The Pensions Regulator can be found via the following link: *https://www.thepensionsregulator.gov.uk/en*

A schedule of charges is detailed in table below.

Administration Description	Performance Target	Charge
New Starters & Transfers In		
New Scheme Member		
Employer to send to the Administrating Authority the details of the new member.	Within 25 working days after the start date.	£50 per case
Leavers & Transfers Out		
Scheme Leaver		
Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's	£50 per case

Administration Description	Performance Target	Charge
	last day in the Scheme.	

Administration Description	Performance Target	Charge
Retirements		
Employer to send the Administrating Authority a completed notification.	15 working days after their final pay.	£50 per case
Deductions		
Monthly Deductions		
Employer to send funds and schedule of deductions from salary to the Administering Authority.	By the 19th day of the month following the month in which contributions were deducted.	£100 per instance of late submission.
Payment of Other Sums Due		
Employer's should make payment of any invoiced sums as set out within this PAS within 30 days of invoice date.	By the 19th day of the month following the month in which contributions were deducted.	£100 per instance of late payment.
Year-End Data Return		
Submitted returns will be subject to additional validation and tolerance checks by officers which must be passed before the return can be accepted and proceed to the next stage. No charge if the return is received by the deadline 30th April and passes the validation check.	We will charge if the return is received after 30 April and does not pass the validation check.	£50 daily rate

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5. Communication, Recourses and Available Support

The various channels of communication employed by the fund include:
1. The **Westminster City Council Pension Fund** website is the main communication tool for both employers and scheme members.

- **Employers** – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund. All employers are required to provide data through the UPM - Civica Employer Hub Portal.
- **Scheme members** – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
- **Contact Details** – Westminster City Council Retained Payroll and Pension contact information are available on the website, together with contact details for the Hymans Robertson Team, Investment and Pension Fund Committee and Pension Board.

2. **Scheme members** who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. **Employer newsletter** are issued to scheme members and all employing authorities and published on the WCCCPF website.

4. **Pension surgeries** may be arranged to support individuals or groups of individuals who need support with particular pension issues. Employers can contact the WCCCPF administration team to discuss the needs of members.

5. **Regular feedback** sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.

6. **Employer workshops** to review scheme developments, and/or to resolve any training needs that employers may have.

For further information regarding our methods of communication, please see our Communications Policy which is located on our website.

6. Feedback and Review Process

WCCPF is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Section 3. Comments should be sent to the Strategic Pension Lead Sarah Hay *shay@westminster.gov.uk*. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

You should send any questions about this Pension Administration Strategy to the Strategic Pension Lead Sarah Hay.

Sarah Hay
Strategic Pension Lead
Westminster City Council
11th Floor
64 Victoria Street
London
SW1E 6QP
Email: *shay@westminster.gov.uk*

Westminster City Council Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. This responsibility rests with the employer.

Regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013 is the regulation that allows WCCPF to create this strategy.

Regulation 59 states that on creating or revising its strategy, the administrating authority must consult with its employers.

The WCCPF Pensions Committee approved this strategy on 21st October 2021

It is effective from 8th of November 2021 and we will keep it under review to ensure it remains up to date and meets the necessary regulatory requirements.

In preparing this pension administration strategy, we have consulted with our Fund employers and our third party administrator. If we need to revise this strategy, we will notify our Fund employers and our third party administrator.

We will publish the current version of the strategy statement on our website at *http://www.wccpensionfund.co.uk* and will make paper copies available on request.

Appendix A:

Summary of Scheme Employer's Roles and Responsibilities

Responsibility	**Agreed Deadline**
1 General Information	
Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contacts form. Each employer will nominate a contact to administer the three main areas of the LGPS: 1. Administration contact for the day to day administration of the administration, completing of forms and responding to queries 2. Nominated Payroll contact who will be the responsible third-party contact who can maintain a Payroll authorised user list. 3. Finance contact for completion and submission of the monthly postings and co-ordination of the exception reports	Authorised officers should sign all documents and/or instructions received from an employer. In signing a document, the authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct. Consequently, if an authorised officer is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay, they should satisfy themself that the information is correct. All contacts will receive a login name and password that allows them to access the Employer Portal for online administration and the combined remittance and monthly return. When registering, each contact should complete a "main contact registration form and authorised user form" and signing the administrator's user agreement for the secure administration facility. The three main contacts are responsible for ensuring that contacts are maintained by notifying the administrator when one leaves and registering new contacts where necessary. Within 20 days of change or becoming a Scheme employer.
Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.	Within 20 days of change or becoming a Scheme employer
The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.	A copy of the policy document is to be submitted to the Fund within 20 days of the change in policy
Distribute any information provided by the Fund to scheme	In a timely manner as required

Responsibility	Agreed Deadline
members/potential scheme members (e.g. scheme benefits or benefit statement production)	
Additional responsibilities (optional) of those using an external payroll provider. If that employer decides to outsource some of its functions to a third-party provider or another part of its wider organisation. Therefore, an employer must ensure that the third-party provider or equivalent can meet all of the employer's duties and obligations that they have been appointed to carry out.	Employers should monitor their payroll providers to check they are meeting their responsibilities in full and we recommend employers ask third party providers to confirm compliance with the terms of this PAS on a regular basis. Third party providers should provide reports that confirm compliance in relation to all key aspects covered within the PAS including compliance on joiners, leavers and the provision of annual return data. The fund recommends to employers that they carry out regular audits of any third party to assure themselves of the performance of the third-party contractor. Employers are reminded that non-compliance with the regulations is an employer responsibility and cannot be outsourced to a contractor. WCC recommends that Employers ensure that any third-party contractor understands the requirements of the LGPS and confirms that they will be able to comply with all of the standard terms set out within this PAS where that service has been given to the third party. Any costs or fines that are levied by the fund for non - compliance will be the responsibility of the employer. Employers must tell us when they change providers.

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Responsibility	Agreed Deadline
	The employer is responsible for providing correct pay information to the Fund under LGPS regulations. An employer must ensure it always has access to historical pay information for its members, which can include pay data going back as far as the last 15 years.
Methods of data exchange	Employers should submit data and information to the Fund in the requested (original) format. Employers should speak to relevant person in the Fund to obtain approval to submit information in an alternative format. All employers must use Employer Hub transfer system, UPM, to submit data every month. All forms should be submitted using a secure method of data transfer via online portal. Additional information can also be supplied by email. However, employers must consider data protection when sending information by email and take appropriate steps to ensure data breaches do not occur. Employers with access to UPM workflow must use the workflow task and comments functions to respond to queries or exchange information securely where appropriate, unless the Fund have requested a response in a different format.
2 New Starters	
Decide who is eligible for LGPS membership (and the date from which membership of the LGPS starts).	On joining employer (or at point becomes eligible if later)

Responsibility	Agreed Deadline
Determine rate of employee contributions	For the first pay period in which the employee joins the LGPS and each April thereafter or following any change of job role.
Notify the Fund of new joiner via online portal	By end of month following the date joined (e.g. by the end of May if joined in April)
Provide new employees, who are eligible for the LGPS, with details about the LGPS This may be in the form of providing a copy of the Key Facts leaflet and/or directing them to the Fund's website	With 20 days of commencing eligible employment
3 Contributions	
Apply the employer contribution rate agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund. and Complete monthly remittance form containing detail of the contribution's payment.	Payment date - payment must credit the pension fund bank account on or before 19th of the month following the month to which deductions relate (or previous working day if 19th is a weekend or public holiday) Remittances - a copy of this monthly remittance must be sent 3 working days prior to the date that payments are credited to the fund, to the following email addresses: *WCCIMSupport@westminster.gov.uk* and *PensionFund@westminster.gov.uk*
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates & Adjustment Certificate as per the valuation or on commencement as a scheme employer. We are recommending employers to check the rates every April.

Responsibility	Agreed Deadline
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange payment of Additional Voluntary Contributions (AVCs) to the AVC provider(s) and inform the Fund as required.	As required. AVCs payments - should be paid monthly by 19th of the following month of deduction. AVCs - all LGPS-related AVCs for Westminster must be paid direct to AEGON
Make additional fund payments in relation to early payment of benefits from flexible, redundancy or business efficiency retirement or where a member retires early with employer's consent, or the employer 'switches on' the 85-year rule, and a financial strain cost arises	Within 20 days of receipt of invoice from the Fund
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership. Please note that the correct opt out form needs to be completed and securely stored on the members pay or HR record in case of further query subject to data time limits.	From the next pay period after receiving the employee's request to opt out.
4 During Membership	
Move employees into the 50:50 section or Main section	From the next pay period after receiving the employee's election
Move employee back into the Main section when member reaches nil pay	If the employee is in the 50/50 section and either goes onto no pay due to sickness or injury or passes the member's automatic re-enrolment date, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.
Notify the Fund of changes affecting pension entitlement via online portal - changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of scheme, marital or civil partnership status, maternity, paternity, career break, long term absence etc.)	By end of month following the date of change (e.g. by the end of May if the change occurred in April)
5 Leavers	
Leavers & Redundancy (non-retirement) submit the leaver form via online portal	By end of month following the date of leaving or opting out of the scheme.
6 Retirements	
Notification of retirement via online portal	Retirement form and signed letter authorising early payment of benefits completed by authorised signatory (optional) should be sent to the Fund as early as possible but, in any event, no later than 10 working days after the member's final payroll has run
Early Retirement at member's choice	Completed early leaver form or cancellation of membership form as appropriate and also upload previous year's pay information if a certificate of protection is held. The forms should be sent as early as possible but no later than 10 working days after the member's final payroll has run
Ill Health Retirement notification notify the Fund via Ill Health Retirement (medical certificate) form or via online portal	Signed ill-health certificate completed by approved IRMP should be sent to the Fund as soon as the retirement date is known. The form should be sent to the Fund as early as possible but no later than 10 working days after the member's final payroll has run
Ill-Health Retirement (Deferred members)	Notification of employer decision relating to applications for the early release of deferred pension benefits on the grounds of ill-health.
Death in Service	Notify the Fund of the Death of an Employee. Provide Next of Kin details. Provide an initial notification within 5 working days of the employer being informed of the death of the employee
Review payment of Tier 3 ill-health benefits	After benefits have been in payment for 18 months
Flexible retirement notification	The Flexible Retirement form should be sent to the Fund as early as possible but no later than 10 working days after the member's final payroll

Responsibility	Agreed Deadline
	has run accompanied by a covering letter confirming the number of hours p.w. to be worked in the continuing job
7 Contracting Out of Services	
Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to another organisation.	Immediately if contracting out of services is being considered as a possibility and certainly before making any decisions to contract out services
Notify the Fund of the intention to contract out of services which will involve a TUPE transfer of staff to another organisation by completing TUPE form to instruct the actuary	At least 6 weeks before going out to tender
Work with Fund Officers to arrange for the admission of a stakeholder as a new employer in the Fund	In advance of the date of contract (admission agreement must be completed and signed before the contract signing)
Notify the Fund of changes / extension / cessation of arrangements with a stakeholder	During exploratory discussions or as soon as the decision is made
8 Year-End Data Return	
Provide a fully reconciled and completed year-end return to the Fund in the format set by the Fund in the instructions issued each February/March	An accurate return to be submitted in the approved format no later than 30th April.

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Appendix B:

Summary of The Administering Authority's Roles & Responsibilities

Responsibility	Agreed Deadline
1 General Information	
Regularly review the Fund's pensions administration strategy and consult with all scheme employers	Every three years or earlier if regulatory or service changes justify amendment.
Each Administering Authority is responsible for exercising the discretionary powers given to it by the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.	WCCPF will maintain links to this discretions on WCC website *https://www.wccpensionfund.co.uk/*
Arrange for the reports and policies to be provided to all employers requiring such an information. WCCPF regularly review the Fund's policies: • Retention Policy and Full Privacy Notice • Communications Policy • Annual Report • Statement of Investment Principles	WCCPF will maintain links to these policies on WCC website *https://www.wccpensionfund.co.uk/*
Under the General Data Protection Regulations 2018 WCCPF will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	Ongoing requirement, online security within databases regularly reviewed
2 New Starters	
Set up a record for each new member and issue a statutory notification.	Within 20 working days from when notified of their membership.
To accurately record and update changes to a member's records on pension administration systems.	Within 15 working days from when the change was notified.
To produce a statutory notification and forward to member's home address, together with information	Within 2 months of joining the scheme or within 2 months of request being made

Responsibility	Agreed Deadline
relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form	
3 Contribution Requirements	
Consult with employers on the outcomes of the triennial valuation	Every 3 years
Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	On or before 1st April following final issue of rates and adjustments certificate by the actuary
Notify new scheme employers of their contribution requirements	Within six weeks of receipt of the notification of admission application or commencement as a scheme employer
4 Additional Contributions	
Notify the scheme employer of any scheme member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/ cease additional voluntary contributions (AVCs)	Within 5 working days of receipt of request from a scheme member
5 Leavers	
To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 15 working days
Calculate benefits due when a member leaves employment and send details to the member.	Within 15 working days for retirements
Deferred benefits processed and calculated for payment following receipt of election	Within 30 working days for deferred benefits, on receipt of all information needed to make the final calculation
6 Retirements	
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 15 working days of receipt of all relevant information
Upon receipt of members completed retirement forms finalise pension records and authorise payment of lump sum and set up of payroll record.	Within 10 working days of completing the calculation.
Provide details of the final capital costs to be paid by the employer into the Pension Fund.	Within 10 working days of completing the calculation.
7 Deaths	
Acknowledgement of a death	Within 5 working days of receiving the notification.
Supply survivor beneficiaries with notification of their entitlements including the method of calculation.	Within 15 working days of all the information being received.
Pay any death grant due and set up dependant on pensioner payroll.	Within 10 working days of completing the calculation of entitlement
8 Support for Employers	
Provide support for employers through: 1. A Dedicated Helpline 2. Written employer manual and technical information 3. Online workshops (organise and provide workshops sessions on the scheme employer role)	Dedicated helpline: Monday - Thursday; 8.30 am - 5.00 pm & Friday 8.30am to 4.30pm Telephone: 01962 845588 E - mail: *pensions.employer@hants.gov.uk* A dedicated Employer Team who will support with technical questions Employer workshops held at least twice a year
Provide a facility for employers to submit data via an Employer Hub portal	Employers being on boarded regularly from November 2021 onwards

Responsibility	Agreed Deadline
Production and maintenance of an Internal Dispute Resolution Process (IDRP) employer guide	On an ongoing basis
Notify scheme employers and scheme members of changes to the scheme rules	As per disclosure requirements
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	3 months
9 Membership Information & General Administration	
Apply pensions increases annually to the relevant pensions in payment and deferred pensions retained in the Fund in accordance with the Pensions Increase (Review) Order issued by the Government.	Annually
To produce annual benefit statements for all active members as at the preceding 31 March and notify electronically or by post to member's home address.	By 31 August following the year-end
To produce annual benefit statements for all preserved members, as at the preceding 31 March, and notify electronically or by post to member's home address.	By 31 August following the year-end
Produce and issue pension savings statements each year to members who have exceeded their standard annual allowance	By the 6 October for the preceding tax year. (provided receipt of all relevant information from the scheme employer)
Issue P60s to pensioners and beneficiaries	By 31 May following the year-end
Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
Letters/E-mails from members (or member’s representatives)	Answer or acknowledge within 5 working days
Changes to bank details made	By next payroll cut-off date

Annual Report of the Pension Board 2021/22

The role of the Local Pension Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The scheme regulations
- Other governance and administration legislation
- Any requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Local Pension Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

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The law requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of Local Pension Boards should focus on the processes involved in running the fund. For example, are policies and procedures up to date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from across a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Employer Representatives

- Councillor Tim Mitchell (Westminster, Conservative)
- Councillor Guthrie McKie (Westminster, Labour) Vice-Chairman of Local Pension Board
- Marie Holmes (The Grey Coat Hospital)

Scheme Member Representatives

- Terry Neville OBE, Chairman of the Local Pension Board
- Christopher Smith (Westminster, UNISON)
- Chris Walker

During the year 2021/22 the Board met four times:

- 21 July 2021
- 18 November 2021
- 18 January 2022
- 30 March 2022

During the year, the Board's work programme covered the following areas:

- **The monitoring of quarterly fund investment performance**
  Over the course of the financial year the Board reviewed the performance of the Pension Fund and its underlying investment managers. The Board acknowledged that there had been some difficult periods of performance following a high level of volatility and uncertainty in markets following events in Ukraine and were pleased to note that the Committee were inviting those underperforming managers to Committee meetings. The Pension Board remained pleased that the funding level of the Pension Fund remained healthy at well over 100%.
- **Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register**
  During the year, the Pension Board undertook detailed discussions with Officers regarding the Pension Fund's risk registers and those highlighted as the top risks to the Fund. The Board discussed the possible consequences of the UK price inflation being significantly more than anticipated, as well as the climate agenda, social issues and good governance. The Board was pleased to hear that the Pension Fund had already started measuring its carbon impact and noted the increased scrutiny on environmental, social and governance issues and was pleased to note that Westminster had been at the forefront in fighting climate change. Detailed discussions also took place surrounding the significant global economic uncertainty, following events in Ukraine, and that whilst the Pension Fund was not directly affected by events things could change quickly due to the volatility of the situation.

- **Pensions administration transition oversight:** As part of this oversight the Board welcomed the implementation of a new administration system and the positive collaboration that had taken place to ensure a smooth transition of service. The Pension Board met with the Hampshire Pensions Head of Service, Andrew Lowe, during the year and were satisfied that the service was meeting Westminster's expectations. The Board did however raise concerns on the security of the new Pension Portal, with a briefing note circulated to the members following this to ensure assurance had been gained in this area. The Board reviewed the costs associated with the transition and were pleased that these remained within the original budget.
- **Pensions administration key performance indicators (KPIs)** Prior to the transition from Surrey County Council administration services to Hampshire County Council, the Pension Board raised concerns surrounding the poor KPIs impacting on the administration performance and agreed the decision to exit the current arrangements with Surrey was in the best interest of the Fund. Following this transition, the Board were pleased to note that that the Hampshire partnership reports showed a 100% KPI completion record and that Hampshire had been certified as meeting the customer service excellence standards as independently assessed.
- **Pension fund costs & Value for money** During the year, the Pension Board reviewed a report detailing the previous years' cost analysis of the Pension Fund, alongside the budgeted costs for the current financial year 2021/22. The Board discussed the increase in management fees, the substantial size of the Pension Fund's investment with the London CIV, and that the London CIV needed to demonstrate they were offering real value for money before further investment was made with them. Following this, the Fund commissioned a value for money review to be undertaken by the investment consultant, Deloitte. The Board welcomed Deloitte to the Board meeting on 18 November 2022 and were pleased to note that the Fund was achieving good value relative to the fees charged by its investment managers.
- **Responsible Investment Statement** During the year, the Pension Board had the opportunity to review the draft Responsible Investment Statement. The Board discussed the importance of getting the investment balance right to get the best possible return for Fund members, balanced with responsible investment, and voiced some concerned about the transparency of the statement. Following the Board's feedback the final statement was reviewed by the Pension Board, with the members expressing satisfaction with the revised statement and noting a significant improvement on the previous version, as per the Board's comments.

The Board underwent the following training in the year:

- The Board attended two half-day bespoke training events that took place in October 2021 and January 2022 and covered the following topics:
  - Update on general LGPS matters from government, the Local Government Association and the Scheme Advisory Board
  - Latest news from Pensions Administration
  - General market update and economic outlook
  - Legal advisors: Breaches policies
  - Private market update and recent developments in renewable investments
  - Triennial actuarial valuation
  - Private debt

Terry Neville OBE

Chairman of Westminster Local Pension Board

To be approved

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City of Westminster

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Audit and Performance Committee Report

Date:	23 February 2023
Classification:	General Release
Title:	**2022/2023 Work Programme**
Report of:	Head of Governance and Councillor Liaison
Wards Involved:	N/A
Report Author and Contact Details:	**Clare O'Keefe** **cokeefe@westminster.gov.uk**

1. Executive Summary

1.1 This report requests the Committee Members to consider the Work Programme for the 2023/2024 municipal year attached at Appendix 1, and to confirm the agenda items for its next meetings on 24 May 2023 and 24 July 2023.

2. Recommendations

It is recommended that the Committee:

2.1 Agree the agenda items for its next meetings on 24 May 2023 and 24 July 2023, as set out in this report and Appendix 1; and

2.2 Consider items for the future Work Programme for 2023/2024.

3. Selecting items for the Work Programme

3.1 The draft Work Programme for 2023/24 is attached at Appendix 1 to the report. The scheduled meetings for the next municipal year are:

- 24 May 2023;
- 24 July 2023;
- 6 September 2023;
- 24 October 2023;
- 28 November 2023;
- 27 February 2024; and
- 16 April 2024.

3.2 Members' attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached to this report as Appendix 2) which may assist the Committee in identifying issues to be included in the Work Programme.

3.3 As members are aware, the Work Programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

3.4 Members also may wish to suggest items for inclusion in the Work Programme, subject to the Committee's Terms of Reference.

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 Clare O'Keefe.

cokeefe@westminster.gov.uk

Appendix 1: Work Programme
Appendix 2: Terms of Reference
Appendix 3: Action Tracker

Work Programme 2023/24 – Audit and Performance Committee

ROUND 1 24 May 2023		
Agenda item	**Purpose**	**Officer**
22/23 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Internal Audit Progress 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 Moira Mackie (Internal Audit)
Review of Effectiveness of the Audit Committee (TBC)	To consider the outcomes of the review and identify any areas for improvement.	David Hughes Moira Mackie (Internal Audit)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 2 24 July 2023		
Agenda item	**Purpose**	**Officer**
Internal Audit Annual Report	To receive the Annual Opinion report on overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	David Hughes Moira Mackie (Internal Audit)
Counter Fraud End of Year Report	To oversee and monitor the success of the Counter Fraud Service.	David Hughes Andy Hyatt (Corporate Anti-Fraud Service)
Annual Report of the Committee (for submission to Full Council)	To receive the Annual Opinion report on overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	Report of the Committee Chair can be supported by Clare O'Keefe, David Hughes and Moira Mackie (Internal Audit)
Review of draft Statement of Accounts	To receive and review the draft Statement of Accounts for the Council and the Pension Fund.	Gerald Almeroth Jake Bacchus (Finance) Phil Triggs (Treasury)
External Auditor's Audit Plan	To note the external auditor's plan for completing the audit so it can be	Gerald Almeroth Jake Bacchus

	presented to the Committee on 28 November 2023.	(Finance)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 3 6 September 2023		
Agenda item	**Purpose**	**Officer**
Q1 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Contract and Supplier Performance Report	To review a report on the Council's Contract and Supplier Performance.	Sarah Warman (Commercial Partnerships)
General Procurement Update	To update the Committee on the Council's Procurement service.	Sarah Warman (Commercial Partnerships)
Financial Outturn Report 2022/23	To receive and note a report to inform the Committee of the outturn position for 2022/23 for both revenue and capital.	Gerald Almeroth Jake Bacchus (Finance)
Q1 Finance Monitor	To monitor the City 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 Jake Bacchus (Finance)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 4 24 October 2023		
Agenda item	**Purpose**	**Officer**
Internal Audit Progress 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 Moira Mackie (Internal Audit)

Mid-Year Counter Fraud Report	To oversee and monitor the success of the Counter Fraud Service.	David Hughes Andy Hyatt (Corporate Anti-Fraud Service)
Treasury Management Strategy Outturn 2022/2023	To note the annual treasury management final outturn 2021/22.	Gerald Almeroth Jake Bacchus (Finance) Phil Triggs (Treasury)
Treasury Management Strategy Mid-Year Review	To review the Treasury Management Mid-Year Strategy.	Phil Triggs (Treasury)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 5 28 November 2023		
Agenda item	**Purpose**	**Officer**
Q2 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Corporate Complaints Report	To consider the Corporate Complaints Annual Review.	Zoe Evans (Complaints and Customer Services)
Q2 Finance Monitor	To monitor the City 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 Jake Bacchus (Finance)
Audited Accounts and Final Statement of Accounts	To receive and review the audited Statement of Accounts for the Council and the Pension Fund following a public inspection period of the accounts.	Gerald Almeroth Jake Bacchus (Finance) Phil Triggs (Treasury)
External Auditor's Annual Report	To review the External Auditor's Annual Report and management response to recommendations.	Gerald Almeroth Jake Bacchus (Finance)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 6 27 February 2024		
Agenda item	**Purpose**	**Officer**
Q3 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Ethical Standards Report	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the City Council.	Parveen Akhtar / Joyce Golder / David Hughes / Lee Witham
Internal Audit Progress 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 Moira Mackie (Internal Audit)
Internal Audit Plan 2024/25	To review and comment on the draft audit plan for 2024/25.	David Hughes Moira Mackie (Internal Audit)
Q3 Finance Monitor	To monitor the City 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 Jake Bacchus (Finance)
External Audit Plan	To receive an overview of the planned scope and timing of the statutory audits of the City of Westminster and the Westminster Pension Fund.	Gerald Almeroth (Finance) Phil Triggs (Treasury)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

ROUND 7 16 April 2024 – TBC		
Agenda item	**Purpose**	**Officer**

AUDIT AND PERFORMANCE COMMITTEE

COMPOSITION

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 Audit Commission 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 Director of Law 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

Appendix 3 - ACTION TRACKER
Audit and Performance Committee

	ROUND 2 **21 July 2022**	
Agenda Item	Action	Status/Follow Up
Item 5 Revenue and Capital Outturn 2021/2022	That the case of improving the service of Sayers Croft would be investigated.	In progress

	ROUND 5 **29 November 2022**	
Agenda Item	Action	Status/Follow Up
Item 4 General Procurement Update	That the Committee receive a one-page summary of the Council's Procurement Code.	Complete
Item 6 Quarterly Performance Report	That the Committee will receive census data regarding falling school rolls.	Complete
	That the Committee will receive information regarding the fiber broadband KPI.	Complete
Item 7 Corporate Complaints Report	That the Committee will receive statistics covering the last three years.	In progress
Item 15 Any Other Business	That an item on staffing will be investigated.	Complete

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