



Date:	2 nd May 2019
Title:	2018/19 Annual Accounts and Outturn
Financial Summary:	This report presents the draft Statement of Accounts for the Council and its Pension Fund and provides a narrative as to the outturn position for the financial year ended 31 st March 2019
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1. Executive Summary

- 1.1 The General Fund revenue position has seen a net outturn of £3.916m underspend against an approved budget of £187.641m. This compares to a Period 10 (January 2019) forecast underspend of £4.141m.
- 1.2 The revenue underspend will increase the Council's general reserves to £62.783m. This will increase the Council's financial resilience and ability to withstand any short term funding shortfalls that may result from the Fair Funding Review and the Spending Review.
- 1.3 The HRA revenue outturn is a surplus of £4.678m, against a budgeted surplus of £6.993m. HRA General revenue balances, after the funding of the capital programme, have reduced to £17.234m in line with expectations within the HRA business plan approved in March.
- 1.4 The general fund capital outturn represents a gross expenditure underspend of £54.858m against budget and a net underspend of £44.571m. This compares to a gross expenditure budget of £279.078m and income budget of £108.870m.
- 1.5 The HRA capital outturn has a variance of £12.305m (in year underspend) against a revised budget of £113.329m.
- 1.6 The total value of the Pension Fund as at 31st March 2019 was £1.403bn. The Fund has an allocation of 9% within property, 1% in infrastructure, 69% in equities and 21% in fixed income.

2. GENERAL FUND REVENUE OUTTURN

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

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

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

2.3 Leader of the Council - £0.028m underspend

- Cabinet Secretariat & Member Services (£0.056m underspend) - The underspend is driven by members allowance £0.030m, careful management of staffing costs £0.010m and an underspend across a range of different non-pay budget lines £0.016m.
- Campaigns and Customer Engagement (£0.090m overspend) – The overspend is due to additional hired and contracted expenditure of £0.203m, however this is offset by an underspend on pay from careful management of staffing of £0.113m.
- City Promotions, Events and Filming (£0.336 overspend) - Despite the challenging outlook and the impact of external factors on the market, the final outturn for the service has significantly improved by comparison to what was reported to Cabinet and ELT at Period 10, £0.164m. This final position reflects additional income generated from events and filming £0.102m and a further £0.062m from the media screens at Piccadilly Underpass on account of indexation.

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

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

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

- Corporate Strategy & Transformation (£0.400m underspend) - The key driver for the underspend is careful management of staff costs, £0.180m. However, this is partly offset by an overspend in external spend on research £0.097m and other non-pay lines £0.007m. Staff costs were £0.028m higher than the forecast at Period 10.
- External Communications (£0.242m overspend) - The overspend of £0.242m is driven by non-pay costs of £0.226m mainly relating to WestCo, redundancy costs of £0.035m and reduced contribution income £0.053m. However, the additional income from a secondment arrangement £0.072m has partly offset the overspend. The outturn is £0.104m greater than the forecast to Cabinet and ELT at Period 10 due to higher non-pay spend compared to assumptions.
- Policy & Strategy (£0.077m underspend) - The underspend is mainly due to hired and contracted services £0.122m and several lower value underspends across different non-pay budget lines £0.025m. However, this is partly offset by an overspend on pay budgets £0.070m. Compared to the forecast reported to Cabinet and ELT at Period 10 the outturn is improved by £0.011m.
- The Lord Mayor's Secretariat (£0.081m underspend) – The underspend is driven by careful management of staff costs of £0.107m which is partly offset by an overspend across a range of different non-pay budgets.
- The remainder of the underspend in the Leader's portfolio is across smaller areas totalling £0.082m.

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

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

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

2.5 Finance, Property & Regeneration - £5.398m underspend

- City Treasurer's (£5.766m underspend) - As reported to Cabinet and ELT at Period 10 the City Treasurer's department achieved an over recovery of income of £5.832m in relation to interest earnings, and other minor over and underspends across the directorate make up the remainder of the outturn position.
- Legal Services (0.494m overspend) - The key drivers for the overspend are an under recovery of internal legal charges £0.196m (compared to the forecast at Period 10, the under recovery is greater, £0.059m). Legal expenditure of £0.123m was incurred from other boroughs, MTP initiative to reduce external Legal spend was not realised £0.100m and an increase in pay cost, £0.075m from the move to a Bi-Borough service model in April 2018.
- The remainder of the portfolio has other over and underspends which create the final position.

2.6 Family Services & Public Health - £0.303m overspend

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

- Adult Social Care Integrated Care (£0.308m) – At year-end Adult Services reports an underspend of £0.308m against the core budget of £57.876m. This underspend results from revised placement costs due to changes in client activity and care provision during the last quarter of 2018/19. This compares to a forecast variance of £0.042m underspend at Period 10 as reported to Cabinet and ELT.
- Recent discussions with the local CCGs have highlighted the pressures faced by the CCGs. This is forcing them to review council funding as part of the Better Care Fund and hence that they will reduce funding in 2019/20 down towards the BCF minimum level. Work is being undertaken in conjunction with the CCGs to determine what the financial implications for Adults Services will be.
- All other pressures in contracts, packages and placements, supplies and services and market stabilisation have been contained within existing

resources, which includes funds received such as the Adult Social Care Grant of £0.827m and Improved Better Care Fund (iBCF) of £12.317m. The intention of this Government funding is to stabilise ASC and is being deployed to fund increased pressures in contracts, packages and placements.

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

- Families and Children's - (£0.285m underspend) - Underspends relating to Savings in Families and Children's services have been made through re-procuring large contracts and seeking efficiencies in delivery, particularly Children's Obesity (£0.075m) and Adult's Physical Activity (£0.209m) which has moved to the Behaviour Change team.
- Behaviour Change – (£0.097m overspend) – Although savings have been made in relation to Integrated Healthy Lifestyles, the adding-in of activity from Families and Children's makes the service show an overspend for the year.
- Sexual Health - (£0.363m underspend) - Savings have been made from genitourinary medicine (£0.242m), which offered a transformed service this year. The new service allows for self-testing and the use of a digital platform, both of which have reduced the cost of the service.
- Substance Misuse - (£0.777m underspend) – Several smaller contracts for Primary Care (£0.196m) and Group Work (£0.119m) were absorbed into the larger Core Contracts, therefore realising a saving. There has also been a reduction in the cost of detox placements (£0.228m), as well as other underspends (£0.234m).
- Salaries and Overheads – (£0.433m overspend) - An increase in the number of agency staff has led to an overspend in Public Health salaries. As the year ended the majority of agency appointments were ended.
- Where appropriate grants awarded to this directorate have been added to reserves to match the resources to future years expenditure. For example, to smooth the impact of the potential fallout of the iBCF in 2020/21.

Children's Family Services - £0.611m overspend:

- Family Services (£0.560m overspend): The Directorate had staffing and placement pressures attributable to Looked After Children demographics. The outlined UASC pressures in particular through the year, and further increased these pressures at Period 8 following the closure of the Pan London Rota. The Council have had to take on the equivalent of an additional 44 children compared to the Pan London Rota agreement of 28. At Period 10, the

overspend in the Directorate was forecast as £0.400m plus £0.126m of risk relating to increased UASC numbers. This risk converted with a small additionality of £0.034m at year-end due to required use of interim social workers to manage caseloads. The placement cost pressures total £0.410m and additional staffing costs total £0.150m.

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

2.7 Environment & City Management - £0.694m overspend

- City Highways are reporting a net adverse variance of £2.338m, an improvement of £0.182m compared with Period 10 as reported to Cabinet and ELT. This stems from shortfalls in Paid for Parking income (£1.647m), PCN income (£0.990m) and Road Management income (£0.300m). Additionally, there is a £0.080m overspend on Highways salaries due to the new structure being implemented part way through the year. This overspend has been offset by reductions in Parking contract costs (£0.485m), traffic order making (£0.138m) and other operating costs (£0.056m).
- Waste and Parks (£1.616m underspend) - The outturn for Waste and Parks is a £1.616m underspend, an improvement of £0.326m since Period 10. This constitutes an over recovery of commercial waste income (£1.281m), cemeteries (£0.037m) and special events income (£0.070m), plus an underspend in net operating costs of £0.228m.
- Executive Director of City Management (£0.028m underspend) - The directorate is reporting a minor underspend of £0.028m compared with a forecast to budget position at Period 10.

2.8 Public Protection and Licencing - £0.299m overspend

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

2.9 Housing - £0.333m overspend

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

2.10 Placeshaping & Planning - £0.799m underspend

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

2.11 Sports, Culture & Community - £0.088m underspend

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

2.12 Customer Services & Digital - £0.164m overspend

- Information Services (£0.204m overspend) - The overspend is due to additional licence costs for Trustmarque, Microsoft Office 365 and Code Enigma of £0.212m and agency spend £0.063m largely because of GDPR. This is partly offset by an underspend of £0.065m from lower expenditure on software maintenance and £0.006m across a range of different non-pay budget lines.
- Corporate Complaints & Customer (£0.040m underspend) – the underspend is in relation to staffing costs as income has been received from RBKC for a secondment arrangement.

3. GENERAL FUND CAPITAL OUTTURN

3.1 The General Fund capital outturn is summarised below:

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

3.2 In total, across the general fund the Council has had total capital expenditure of £224.220m, with funding applied of £98.583m, a total net outturn position of £125.637m. This compares to a net forecast at Period 10 of £150.859m. The total

expenditure variance since PERIOD 10 is £28.5m with the majority of this being within GPH, CMC (both c£7m each) and the flexible use of capital receipts at £15m primarily related to the timing of the pension deficit payment in line with market conditions.

3.3 The funding of the capital programme is shown below:

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

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

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

- Development – key projects that help the Council achieve its strategic aims, in line with City for All. This includes long term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration.
- Efficiency - these schemes are funded in accordance with the government's "Flexible use of Capital Receipts" (FCR) initiative and to qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs

or demand for services in future years for any of the public sector delivery partners.

- Investment – One of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the on-going financing costs of the capital programme.
- Operational – The Council's operational schemes are centred on capital improvement works to the Council's operational assets, meet health and safety standards and are fit for purpose in terms of statutory guidance and legislation.

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

- Education (£1.427m in year underspend) - The capital programme in Education had a gross expenditure of £7.551m and underspent against its profiled budget of £8.978m by £1.427m. All of this underspend is due to re-profiling of project expenditure.
- The Education capital programme is majority funded by external sources such as grants from the Department for Education / Education & Skills Funding Agency or Section 106 / Community Infrastructure Levy.
- Enterprise (£0.644m) – There has been a delay in achieving vacant possession of Ingestre Court, which has now been resolved. This has led to an in-year underspend.
- Connect Westminster – Broadband (£0.586m) – A longer than expected installation period has led to a delay in making voucher payments, which has resulted in an underspend. However, towards the end of the financial year the uptake in vouchers has increased.
- Other in year underspends, primarily across libraries account for the remaining £0.237m of reprofiling.

3.6 Digital & Customer Services - £0.838m overspend

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

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

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

- Cathodic Protection System – Harrow Road (0.798m)– Part of the Elevated Harrow Road Bridge is enclosed by a building known as the Battleship Building, the soffit of the bridge is within the building footprint, so sections of the cathodic protection system can only be accessed through the building. Gaining access to the building and working around tenants occupying the space resulted in delays to the programme. The condition of the concrete forming parts of the bridge was also found to have unexpected voids in it, these voids had to be filled in order to ensure the new cathodic protection system would work properly.
- Piccadilly Underpass (£0.905m) – Additional works to identify fire prevention measures are now required. This necessity has made the feasibility studies more complex. As a result, implementation has been re-phased to 2019/20.
- Planned Preventive Maintenance (£1.179m) – Out of a gross budget of £13.982m, expenditure of £1.179m has been reprofiled to 2019/20. This will allow, subject to member approval, for the funding of works at Portland Square.
- Waste Fleet (£0.712m) – The retro-fit of the waste fleet, necessitated by ULEZ requirements, has been delayed by delivery of the parts taking longer than expected. Hence some of this work will now be undertaken in the early part of 2019/20.
- Sherwood Street Footway Widening (£0.570m) – Commencement of work has been delayed by the survey and design stage taking longer than planned. Therefore, this scheme will now take place in 2019/20.
- Harrow Road / Ladbrooke Grove (£0.457m) – TFL have not yet approved the scheme so the works have been rescheduled for 2019/20.

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

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

- Baker Street Two Way (£0.558m) – This scheme has underspent in 2018/19 due to the work taking longer than expected to complete. The current stage of this project is now scheduled to finish June 2019.
- Berkeley Square North (£0.661m) – Delays in this project mean implementation has only just started. Consequently, the substantial element of the work will occur in 2019/20.
- Bond Street (£0.609m) – £0.609m of expenditure has been reprofiled to 2019/20 due to ongoing issues with Crossrail implementation. This has limited access to the site, so the next phase of the scheme has had to be reprogrammed for 2019/20.
- Ceremonial Streetscape (£0.631m) - Some of the more complex designs put forward are still awaiting the necessary planning permission from Historic England. Once approval has been granted, these schemes will commence in 2019/20.
- Other (£0.550m) – A number of schemes have moved in scope and design as requested by external developers, resulting in revised delivery dates in 2019/20.

3.9 Family Services & Public Health - £0.118m overspend

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

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

- Refurbishment of Lisson Grove Offices (£4.875m) – The budget in 2018/19 relates to the refurbishment of Lisson Grove Offices. The procurement process for the main contractor will take longer than originally programmed, delaying the project. It is now expected to commence in 2019/20.
- City Hall Major Refurbishment (£3.816m) – The refurbishment of City Hall is now complete, and staff have reoccupied the building. The final account for the main contract was lower than previously forecast. In addition, the budget

included a contribution towards tenant's fit out costs which will not be incurred until after the lower floors are leased, forecast for next financial year.

- Beachcroft (£2.342m) – Beachcroft is now on site and under construction. The underspend is due to the appropriation of land from the HRA to the General Fund. Appropriation costs do not show as capital expenditure but are included in the budget, to ensure the project is fully costed, and then reported as underspend.
- Dudley House (£1.159m) – The project achieved practical completion on the school this financial year, opening as planned in time for the new school year. Construction continues on the residential units which will complete mid 2019/20. The in-year underspend relates to retention payments which have been reprofiled into future years.
- Church Street Green Spine (£0.737m) – Ongoing negotiations with UK Power Networks and a cost review has delayed commencement of the project, resulting in an in-year underspend.
- Other minor underspends of £0.131m total the remainder for this portfolio.

3.11 Housing - £13.334m in year underspend

- TA Purchases In-borough/Out of Borough (£6.794m) – Expenditure on TA purchases is driven by the availability of suitable properties for sale, which has fallen in 2018/19. In addition, the average cost of acquisitions has fallen. Both factors have led to an underspend against budget.
- Housing Investment Fund (£4.000m) – The final payment in the £15m investment was anticipated to be made in this financial year. However, the £4m payment will now be due in April 2019.
- Affordable Housing Fund (£2.540m) – A change in funding requirements for Westminster Community Homes' schemes has resulted in an in-year underspend. Payments are expected to be made in early 2019/20.

3.12 Placeshaping & Planning - £0.380m in year underspend

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

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

- Sanctuary scheme (£0.087m) – As a result of changes in the eligibility criteria, there have been delays in processing grants supporting domestic violence cases. This has resulted in an underspend in 2018/19.
- Other variances on smaller projects of £0.066m make up the total for the portfolio's overall in year underspend.

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

- Moberly Sports Centre Redevelopment (£0.513m) – The Moberly Sports Centre opened this financial year and work on Jubilee Phase 2 is expected to start in 2019/20. The underspend relates to costs reclaimed from developer who have fully utilised the loan facility provided to them by the Council.
- Paddington Rec Ground Improvements (£0.213m, overspend) – An acceleration of this scheme resulted in commencement of work in 2018/19. The overspend will be funded by the Community Infrastructure Levy.

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

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

4. **HRA REVENUE & CAPITAL OUTTURN**

- 4.1 The HRA revenue outturn is an overall surplus of £4.678m, this is an adverse variance of £2.315m from budget. General revenue balances, after the funding of capital programme, have reduced to £17.234m in line with expectations within the HRA business plan approved in March.
- 4.2 The variance included £3.2m of adverse expenditure variances and a positive £0.890m variance on income. The significant contributing factors are outlined below.
- 4.3 Overall rental income had an adverse variance of £0.931m due to higher void levels of 2.77% against a budget of 1% across the year. The dwelling and non dwelling rental income variance of £1.135m was offset by higher commercial and other income of £0.204m.
- 4.4 A one-off item of income was received in year from the settlement of a previous dispute with a contractor of £1.5m. Additional investment income of £0.155m and other miscellaneous items contributed to the balance of £0.123m
- 4.5 Management costs on estate offices (£0.450m) and estate halls (£0.150m) were higher than budgeted. Revenue expenditure on regeneration schemes was £0.436m higher than budgeted due to the increased activity on large schemes this year. Depreciation was £0.925m higher than budgeted due to movements in HRA non-

dwellings. Recharges for the Housing Options service £0.491m were higher than budgeted after detailed review during the year. Corporate recharges for support services were £0.317m higher than budgeted and total repairs costs were £0.272m overspent due to additional costs for temporary boiler work. Other minor variances totalling £0.159m made up the balance.

- 4.6 The gross capital expenditure outturn for the HRA is £101.024m a total variance of £12.305m compared to the revised budget of £113.329m. This is split between Major Works of £49.043m, Housing Regeneration of £17.620m and Other Projects of £34.362m.
- 4.7 The outturn for Major Works is an overspend of £3.471m. The majority of this is from External repairs and decorations where final settlements of works came in higher than forecast resulting in an overspend of £5.748m. This was offset by underspends in other areas such as External works and laterals of £2.762m due to lower than forecast final settlements and delays to the finalisation of client briefs. A combination of other variances contribute to the remaining underspends of £0.485m.
- 4.8 The outturn for Regeneration is an underspend of £13.448m. The majority of this is on acquisition programmes related to major schemes. The ability to spend these budgets is heavily influenced by when suitable properties become available and when they are required to progress the projects. The acquisition budget for Ebury was underspent by £7.260m and Church Street by £4m. The balance of £2.188m was spread over the schemes with no individual variances being over £1m.
- 4.9 Other Capital projects within the HRA had an outturn of £2.328m underspent. This is due to a revision of the payments due on West End Gate which resulted in a £1.056m underspend. The small sites programme had an overall underspend of £1.719m due to scheme contingencies not being required and some expenditure being reprofiled to 2019/20. An overspend of £0.476m on the self-financing programme resulted from an acquisition which had not been forecast to complete in year being brought forward.

5. PENSION FUND

Fund Account

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

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

- 5.2 As part of the deficit recovery plan, increased contributions paid into the Fund have resulted in the Fund returning to a positive cash flow (contributions versus pensions paid) of £3m, meaning that investments no longer need to be sold to fund pension payments in the financial year. Deficit Recovery contributions for 2018/19 totalled £24.743m.
- 5.3 Management costs have slightly risen by 1.6% in the year, largely due to the increased value of the Fund over the year resulting in higher management fees. It is expected with further transitions of assets in to the London CIV pool company that further cost savings on management fees will be made going forward.
- 5.4 The Fund has seen a decrease in investment income of 22%; this is due partly to the transfer of segregated bond assets to a global buy and maintain pooled fund, which has impacted on the way in which income is distributed.
- 5.5 The Fund has continued to benefit from strong equity markets and a large asset allocation to this area; the total increase in assets available to pay benefits saw a 5.8% increase in 2018/19.

Net Asset Statement and Liability

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

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

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

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

6. TREASURY

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

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

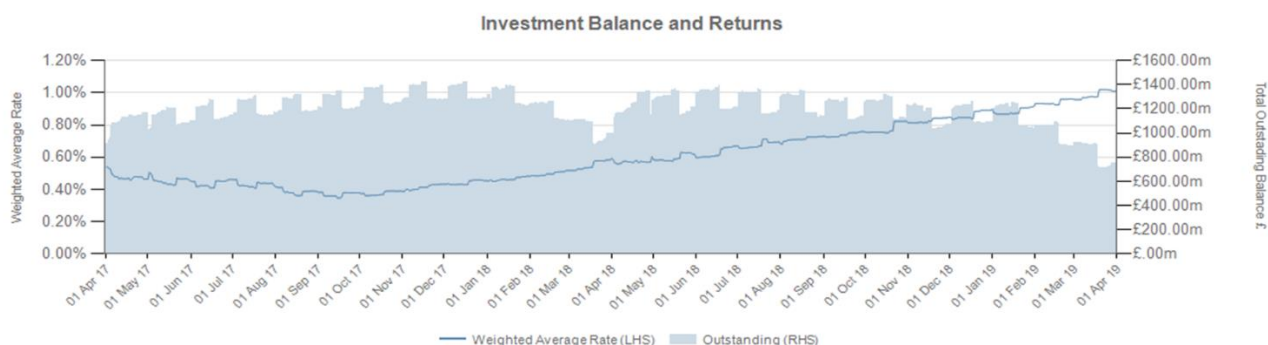
Investments

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

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

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

- 6.4 Liquid balances are managed through Money Market Funds providing same day liquidity. Cash has been invested in alternative and less liquid instruments, particularly term deposits and tradable securities. The average level of funds available for investment in 2018/19 was £1.172m.
- 6.5 Daily investment balances have steadily decreased from £992.9m at 1 April 2018 to the current £729.0m.
- 6.6 The Bank of England reduced the Base Rate in August 2016. However, since the latter half of 2017, rates have steadily improved. This is due to the November 2017 and August 2018 Bank of England base rate increases.
- 6.7 Although surplus cash for investment has reduced, cash has been invested with higher interest rate paying counterparties. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.



- 6.8 All investment limits specified in the 2018/19 investment strategy have been complied with except for two instances of cash balances received after close of banking business:
- £1.171m on 3 April 2018.
 - £23.686m on 25 May 2018.
- 6.9 The original/ budgeted average balance for 2018/19 was £1.2 billion. The actual average investment balance for the year was £1.172 billion. The average investment balance peaked in June 2018, reaching £1.294 billion and then fell to £729.0 million at 31 March 2019.

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

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

Borrowing

- 6.10 At £223m, the Council's borrowing was well within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated capital financing requirement (CFR) for 2018/19 of £724m. The final CFR for 2018/19 was £755m.
- 6.11 Currently, the Council is "under borrowed" by £532m because it has used internal resources to fund capital expenditure.
- 6.12 The table below shows the details around the Council's external borrowing as at 31 March 2019, split between the General Fund and HRA.

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

- 6.13 The breakdown of the existing loans is shown below:

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

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

7. CORE STATEMENTS

Balance Sheet

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

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

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

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

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

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

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

7.5 The technical accounting adjustments consist of movements for:

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

Cash Flow Statement

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

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

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

8. CONCLUSION

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

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

helps to smooth out fluctuations in business rates which can be a significant number for Westminster.