



City of Westminster

# Audit and Performance Committee

<b>Meeting or Decision Maker:</b>	Audit and Performance Committee
<b>Date:</b>	18 <sup>th</sup> July 2024
<b>Classification:</b>	General Release
<b>Title:</b>	2023/24 Annual Accounts
<b>Wards Affected:</b>	ALL
<b>Policy Context:</b>	The draft accounts detail the Council's financial performance for 2023/24. Further detail regarding the Council's Fairer Westminster vision, opportunities and risks can be obtained in the Narrative Statement and Annual Governance Statement
<b>Financial Summary:</b>	This report presents the draft Statement of Accounts for the Council for the financial year ended 31 March 2024.
<b>Report of:</b>	Gerald Almeroth, Executive Director – Finance & Resources

## **1. Executive Summary**

- 1.1. This is a report summarising the key aspects of the 2023/24 statement of accounts. The statement of accounts appended to this report are draft at this stage and the external auditors' workplan is to present an audited version of the accounts to the October 2024 Committee. The public inspection period began on 3<sup>rd</sup> June and is due to end on 12<sup>th</sup> July 2024. The published draft accounts can be found at Appendix 1.
- 1.2. These draft statements of accounts complement the financial outturn position and reports the Council's financial position in line with International Financial Reporting Standards, adopted by CIPFA for the purposes of Local Government via the Code of Practice on Local Authority Accounting.
- 1.3. The 2023/24 draft accounts report a net asset position of £3.322bn, with a variance of £35m in comparison to the prior year - a variance of 1%. This shows the Council's asset and liabilities have remained stable. Further details are provided in section 5.

## **2. Recommendations**

- 2.1. That the Audit and Performance Committee approve the draft 2023/24 statement of accounts subject to the public inspection period and the audit currently underway.
- 2.2. That the Audit and Performance Committee approve the draft Annual Governance Statement included in the statement of accounts subject to the public inspection period and the audit.

## **3. Reasons for Decision**

- 3.1. The Accounts and Audit Regulations 2015 para 9 requires the Council's S151 Officer to confirm they are satisfied that the accounts present a true and fair view of the financial position of the authority and commence the period for exercise of public right.

## **4. Background, including Policy Context**

### Framework for Local Government Financial Reporting

- 4.1. Local government accounts are based on an accounting code produced by CIPFA LASAAC. The code is an adaptation of International Financial Reporting Standards for the purposes of UK local government bodies. The accounts include a number of statutory overrides which are set out in note 15 of the SoA. The purpose of these overrides is to neutralise the impact of accounting standards on the Council's financial position.
- 4.2. Local government accounts include the following core statements:
  - Comprehensive Income and Expenditure Statement (CIES) - recording all revenue income and expenditure for the year

- Balance Sheet – showing the value of assets and liabilities held by the Council
- Cashflow Statement – showing movements in cash and cash equivalents for the Council. Complementing the CIES and Balance Sheet which are completed on an accruals basis.
- Movement in Reserves Statement – this is a local government specific statement. It shows how reserves have changed by removing accounting items in the CIES that are required by statute to not impact the Council's reserves – reconciling to the outturn position.

4.3. Notes to the Accounts provide further detail on individual line items in the core statements.

### National Context

4.4. There is a significant backlog in the publication of audited accounts in local government. As at March 2024, there are 646 outstanding audit opinions for local authorities. In addition, only 41% of local authorities published draft accounts for 2023/24 by the statutory deadline of 31<sup>st</sup> May. Despite this national picture, Westminster find itself in a strong position with audited accounts up to 2022/23 and draft accounts for 2023/24 published by the statutory deadline of 31<sup>st</sup> May.

4.5. The backlog has attracted significant national attention. Both the government and parliamentarians have been keen to understand the issues and find a resolution for it. The Public Accounts Committee held an inquiry into the timeliness of local audit, with a report published in March 2023. The Levelling Up and Housing Committee held an inquiry into Financial Reporting and Audit in Local Authorities and published a report in February 2024.

4.6. Having worked with System Partners (which includes CIPFA, the Financial Reporting Council, National Audit Office, councils and auditors) the Government launched a consultation in February 2024 to clear the backlog by setting a series of statutory backstop dates up to 2027/28.

### Purposes of Local Government Accounts

4.7. The LUHC inquiry report set out that there was a lack of clarity about the purposes of Local Authority accounts and audit. As outlined in their report they identify the purposes as:

- A credible public record
- Accountability for spending
- Value for Money
- Information to run local authorities
- Public reporting of actual and potential issues

4.8. Furthermore, they identified purposes of local authority audit as being:

- To establish the credibility of local authority accounts, so they can fulfil their purposes in supporting local accountability; and
- To supplement the local authority accounts with relevant information and conclusions that are needed to fulfil the purpose of the audited accounts. but are not part of the disclosures in the accounts.

## 5. Westminster City Council's Statement of Accounts (SoA)

5.1. This section of the report summarises the Council's balance sheet, income and expenditure and Movement in Reserves statements.

### Balance Sheet

5.2. A summary of the balance sheet is below:

31 March 2022 Restated*	31 March 2023 Restated*		Note	31 March 2024
£'000	£'000			£'000
<b>ASSETS</b>				
<u>Non-current</u>				
3,009,866	3,078,768	Property, plant and equipment	Note 18c	2,984,753
44,578	44,578	Heritage assets	Note 19	44,578
462,801	525,064	Investment property	Note 20	572,879
4,997	7,374	Intangible assets	Note 41	9,096
33,318	34,300	Long-term investments*	Note 21a	32,059
132,034	86,187	Long-term debtors	Note 27	123,561
<b>3,687,594</b>	<b>3,776,271</b>	<b>Total long-term assets</b>		<b>3,766,926</b>
<u>Current</u>				
383,429	656,569	Short-term investments	Note 21a	581,840
138	131	Inventories		140
395,846	187,194	Short-term debtors	Note 27	162,601
64,998	213,589	Cash and other cash equivalents	Note 22	220,308
19,086	2,609	Assets held for sale	Note 40	16,999
<b>863,497</b>	<b>1,060,092</b>	<b>Current assets</b>		<b>981,888</b>

31 March 2022 Restated	31 March 2023 Restated		Note	31 March 2024
£'000	£'000			£'000
<b>LIABILITIES</b>				
(62,229)	(12,726)	Short-term borrowing	Note 21a	(20,833)
(580,393)	(682,641)	Short-term creditors	Note 28	(591,597)
(40,279)	(116,252)	Short-term provisions	Note 29	(48,967)
(49,358)	(18,938)	Revenue Grants receipts in advance	Note 13	(15,220)
<b>(732,259)</b>	<b>(830,557)</b>	<b>Total current liabilities</b>		<b>(676,617)</b>
<u>Long term</u>				
(1,269)	(6,051)	Long-term creditors	Note 28	(2,452)
(91,424)	(23,810)	Long-term provisions	Note 29	(19,291)
(237,616)	(389,398)	Long-term borrowing	Note 21a	(582,688)
(577,597)	(101,172)	Other long-term liabilities	Note 30	(16,330)
(100,274)	(127,317)	Capital Grants receipts in advance	Note 13	(128,777)
<b>(1,008,180)</b>	<b>(647,748)</b>	<b>Long-term liabilities</b>		<b>(749,538)</b>
<b>2,810,652</b>	<b>3,358,058</b>	<b>Net assets</b>		<b>3,322,659</b>
(1,000,366)	(758,810)	Total Usable Reserves	Note 15	(686,991)
(1,810,286)	(2,599,248)	Total Unusable Reserves	Note 16	(2,635,668)
<b>(2,810,652)</b>	<b>(3,358,058)</b>	<b>Total Reserves</b>		<b>(3,322,659)</b>

- 5.3. Long term assets have remained static at £3.7bn, with reductions in PPE, offset by increases in investment properties and long-term debtors. Investment property movements include revaluation gains and reclassifications, while long term debtors have increased because of an improved performance on the pension funding leading to a surplus rather than a liability of £38m.
- 5.4. Current assets have reduced by £78m. This was mainly due to a reduction in short term investments, with over £650m of short-term investment from the prior year maturing in 23/24.
- 5.5. Current liabilities have reduced by £153m. Repayment of CARF Funding (Covid-19 additional relief fund) and reduced short term provisions are the key reasons for this.
- 5.6. Long term liabilities have reduced by just over £100m. An £84m pension fund liability has been eliminated as noted in 3.16.

## CIES and MiRS

5.7. Local government accounting requires the production of a comprehensive income and expenditure statement and movement in reserves statements, using International Financial Accounting Standards (IFRS). The movement in reserves statement is designed to adjust for technical transactions such as depreciation, which regulation dictates should not impact the bottom line of local authority accounts.

5.8. A reconciliation of the Comprehensive Income and Expenditure Statement (CIES) with budget monitoring is shown below.

	General Fund Balance	Housing Revenue Account
	23/24	23/24
	£'000	£'000
<b>(Surplus)/Deficit for the year</b>	<b>(51,277)</b>	<b>35,688</b>
Technical Accounting adjustments	93,606	(30,689)
<b>Net increase/(decrease) before Transfers use/top up of Earmarked Reserves</b>	<b>42,329</b>	<b>4,999</b>
(Use)/Top up of Earmarked Reserves	(41,642)	(3,295)
<b>Net (Surplus)/deficit against budget</b>	<b>687</b>	<b>1,704</b>

5.9. 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 be capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustments to the pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charge to council tax

## **6. Objections**

6.1. At the time of writing the auditors have not received any objections in relation to the 2023/24 statement of accounts.

## 7. Conclusion

7.1. The statement of accounts appended to this report are draft at this stage and an audited version of the accounts will be presented to the Committee at its October meeting for final sign off following the finalisation of audit.

## 8. Legal Implications

8.1. The Local Audit & Accountability Regulations 2015 require that the draft accounts are subject to an inspection period and then required to be audited with the final audited accounts being presented to the Audit and Performance Committee at a later date.

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

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## BACKGROUND PAPERS

[2023 to 2024 annual accounts | Westminster City Council](#)