



Decision Maker:	<i>Audit and Performance Committee</i>
Date:	<i>15th July 2020</i>
Classification:	<i>General Release</i>
Title:	<i>P2 Budget Monitoring Report</i>
Wards Affected:	<i>ALL</i>
Report of:	<i>Gerald Almeroth – Executive Director of Finance and Resources</i>

1. Introduction

1.1. The Covid-19 pandemic has had a significant impact on the Council and Westminster's local economy. Since the beginning of this crisis the Council has had to adapt its working practices and change its operational priorities in line with the needs of the Council's communities – both residents and businesses. The financial impact of this for the Council has been three-fold:

- The Council has had to incur additional costs that have resulted from supporting the most vulnerable people in the City;
- The impact on the local economy has led to significant drops in income from sales, fees and charges, or the collection rates thereof;
- Saving proposals have been delayed or are considered no longer deliverable.

1.2. The government has recognised that local authorities are at the forefront of responding to this crisis and have agreed a number of measures, including additional funding and cashflow support. This is in addition to support given directly to businesses and individuals, through grants and other schemes such as staff furlough.

1.3. The Period 2 monitor reviews the Council's financial position as at the end of May 2020 and compares this to the amount of additional government funding received so far. As this is only the second month of the financial year and the full impact and duration of the pandemic is as yet unknown, the assumptions underpinning the financial impact looking forward can only be an approximation based on limited and imperfect information. Therefore, a range of potential scenarios are set out at this stage and the financial pressures are based on a set of assumptions pertinent to the complexity and drivers of

each area, which will be continually reviewed and updated. A formal report to Cabinet in July will consider the potential implications of this on the Council and will set out a financial framework for budget planning in the medium term.

- 1.4. As at the end of May 2020 the Council had a year date cost variance of £17.5m – compromising income losses of £15.2m and additional expenditure of £2.3m. The Council has received additional core funding from the government in two tranches so far, which amounts to £16.4m. This is close to covering the net costs to date. It is not yet clear if further funding for Councils will be made available in addition to this and the other specific grants mentioned later in this note. The full year impact, which is difficult to estimate with any great certainty, is likely to be in the region of £50-60m excluding government support, however as indicated above this is based upon a set of assumptions which are likely to change so should be viewed as indicative only. The Council is looking at measures to reduce spending on non-essential functions where possible in order to reduce this impact over time. It is difficult at this stage to accurately assess how long the recovery will take, how much of the past levels of income will return, whether subsequent surges will arise and the impact of these. This report goes into more detail on the breakdown of this potential financial impact over the different services of the Council.

2. Government's Financial Support

2.1. The government's financial support can be categorised into three areas:

- Grant funding, both general and specific, for local authorities to cover expenditure and income losses arising from the pandemic.
- Grant funding provided to local authorities to act as an intermediary for funding that then needs to be passed on to businesses and individuals.
- Cashflow support for local authorities, including the deferral of certain payments to government and the bringing forward of grants.

2.2. These are summarised below:

Scheme	National Funding	WCC Share	Purpose
General Support	£3.2bn support	£16.4m	Un-ringed fenced funding to help councils respond to the current crisis
Emergency Support for Rough Sleepers	£3.2m	£0.250m	Funding to help rough sleepers self-isolate during the pandemic. Significant levels of further funding has been announced, but not individual authority allocations as yet.
High Street Funds	£50m	£0.233m	Reopening High Streets Safely Fund
Track and Trace	£300m	£2.890m	Funding to support the new test and trace service and to implement outbreak control plans.
Infection Control	£600m	£0.598m	Infection Control in care homes. 75% of the funding must be passed straight to care homes within our geographical area – even if the Council does not have a contract with them. Councils can decide how to allocate the remaining 25% based on needs, but it must be used for infection control.
Small Businesses	£12bn	£88.7m	Grants paid to businesses of £10k or £25k each depending on their rateable value. The Council has paid out all the funding it has received and paid 4,979 businesses.
Discretionary Local Authorities Grants	£617m	£3.9m	Additional to the above £12bn to help businesses who did not benefit from the first round of business grants.
Council tax Hardship Fund	£500m	£2.2m	Help residents with council tax payments by £150. The council has supported 1,413 households.
Cashflow support			
Deferred Rates	£2.6 billion	£0.769bn	The deferral of local authority Q1 payments of the Central Share of retained business rates until the second half of the financial year.
Advance payment of reliefs	£1.8bn	£0.09bn	Up-front payment of business rates reliefs

3. Recommendations

3.1. That the committee notes the content of the report

4. Reasons for Decision

4.1. To inform members on how the Council is delivering against it's budget.

5. Revenue Budget – 2020/21

5.1. As at period 2 the Council has an adverse variation of £17.45m compared to the general grant funding of £16.4m received to date. Indicative forecasts for the rest of the year estimate an adverse variance of between £50m to £60m against budget before taking additional government funding into account. This is summarised in the table below and shows the potential upper limit of £60m which is inclusive of risks and opportunities:

General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P2 YTD Variance	Risks Identified (£m)	Opps Identified (£m)	Projected FY Variance inc Opps and Risks (£m)
Adult Social Care	53.259	54.959	1.700	0.350	-	-	1.700
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	24.751	34.651	9.900	1.400	0.400	(0.470)	9.830
Finance and Resources	59.199	62.699	3.100	3.000	3.770	(0.560)	6.310
Environment and City Management	(1.667)	33.333	35.000	11.800	2.150	-	37.150
Children's Services	33.219	34.519	1.300	-	0.310	(0.600)	1.010
Other Corporate Directorates	12.245	16.245	4.000	0.900	-	-	4.000
NET CONTROLLABLE BUDGET	179.977	235.377	55.000	17.450	6.630	(1.630)	60.000
Council Tax	(59.477)	(59.477)	-				
Business Rates - Net of Tariff	(120.501)	(120.501)	-				
CORPORATE FINANCING	(179.977)	(179.977)	-				
Covid-19 Grant Funding		(16.529)	(16.529)				
Net (Surplus) / Deficit	-	38.870	38.471				

5.2. The year to date variances are due to financial pressures arising from the pandemic. An approximate split of these variances by income and expenditure is given in the table below.

Income/Expenditure	Full Year	YTD Covid Variance
Expenditure	£6-10m	£2.3m
Income	£40-50m	£15.2m
Total	£50-60m	£17.5m

5.3. Further detail on this is set out in the section below.

6. Income

6.1. The biggest impact of the pandemic on the Council's finances is resulting from income reductions. The variance to date is £15.1m. As noted in the table above, the full year impact of this could be in a range of £40-£50m depending on a number of factors. The key income streams impacted are summarised in the table below with indicative forecasts for the full year:

Major Income Streams with Losses	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Parking - Paid for Parking	40.391	30.641	9.750	6.243	2.314	3.929
Parking - PCNs	19.912	13.312	6.600	3.319	1.061	2.257
Parking - suspensions and dispensations	22.942	17.492	5.450	5.023	2.960	2.063
Parking - Residents permits	4.671	4.471	0.200	0.720	0.606	0.114
Commercial Waste	18.199	9.100	9.100	1.944	0.875	1.069
Licensing (top three income streams)	5.118	4.158	0.960	1.018	0.204	0.814
Road Management	8.880	7.080	1.800	1.475	1.178	0.297
Community Services	5.974	4.074	1.900	0.996	0.004	0.992
Registrars	2.302	1.062	1.240	0.384	0.107	0.277
Planning	7.336	3.936	3.400	1.223	0.683	0.539
City Promotions, Events and Filming	4.810	1.310	3.500	0.706	0.000	0.706
Local Land Charges	1.794	1.394	0.400	0.310	0.107	0.203
Property income - General fund	25.736	25.136	0.600	4.297	2.480	1.817
Total	168.063	123.164	44.900	27.657	12.580	15.077

6.2. Further detail for these income streams is given below.

6.3. Parking

6.3.1. Parking income has seen a significant drop. As at the end of May 2020 the Council has only generated £7m in parking income. This is in comparison to £16m at the same point last year and equates to a variance of over 50% compared to May 2019. The Council has issued significant numbers of on-street parking dispensations for NHS staff and other key workers during this period.

6.3.2. It is estimated that the full year impact of parking losses could be approximately £20m. This range is based on demand gradually returning back closer to pre-Covid-19 levels during the year. The key income streams within parking that are contributing to this variance are:

- Paid for Parking
- PCN's
- Suspensions and dispensations
- Resident permits

6.4. Commercial Waste

6.4.1. Due to the lockdown measures many of the Council's commercial waste customers have had to close, which has inevitably led to a reduction in income. In comparison to this time last year, the Council has generated £2m less. The forecast included is likely to move significantly as there are many uncertainties on how businesses will recover due to Covid-19. Sales of bag products will increase once businesses re-open but will be very dependent on how well these businesses trade as lockdown eases. Forecasts include an assumption for some further recovery to occur, but it is unlikely to return to pre-Covid-19 monthly income levels this financial year with social distancing requirements and concerns about travelling on public transport into the City.

6.5. Planning Income

6.5.1. Planning applications are significantly down due to the economic impact of the pandemic. In comparison to this point last year planning income is 50% less and it is currently assumed that this will not pick up for some time, however, as the economic conditions improve this may increase in the second half of the financial year.

6.6. Road Management Income

6.6.1. Road Management income levels have declined by approximately 20% in the first two months of the year against profile. The forecast is based on the assumption of a 20% reduction continuing in the short term with gradual recovery.

6.7. Community Services

6.7.1. Income across Community Services is down from Leisure Centres, Paddington Recreation Ground and Sayers Croft. Total impact across all of Community Services has been assumed £1.9m in a full year. There is further risk in respect of these services as the future impact on the service delivery model is currently very uncertain given current social distancing restrictions.

6.8. Registrars

6.8.1. Although it is anticipated that services will restart sometime in the near future there has been no information given by government on what type of ceremony or service will be permissible and what demand will be. Birth and death registrations and income from citizenships are likely to meet original budget expectations by the end of the year. However, there will continue to be significant downturn in ceremonies income.

6.9. Public Protection and Licensing

6.9.1. The shortfall in Licensing income is due to deferring payments and waiving and reducing fees for certain licence regimes while businesses were forced to stay closed. The majority of this forecast income loss is due to income from street trading, tables and chairs and Licensing Act 2003 income.

6.10. City Promotions, Events and Filming

6.10.1. The service is heavily impacted by the economic disruption and the Council has not generated any income so far this year against the £0.7m budget to date. It is assumed that with the gradual easing of lockdown measures the service may still generate some income in due course but will not recover income lost to date.

6.11. Investment Property Income

6.11.1. It is estimated that property income will be £0.6m below budget. This is primarily due to the Council's commercial tenants most impacted by the lockdown measures, who the Council has provided some support to. The inflationary increase to car

parks income is also being deferred to 2020/21. Quarter 1 collection of invoiced rents currently stands at 79%.

6.11.2. All the above income streams will be kept under constant review and the eventual year end position will be highly dependent on how well the public health recovery and the subsequent economic recovery progress.

7. Expenditure

7.1. The main expenditure variances as at the end of May 2020 are set out below:

7.2. Rough Sleeping

7.2.1. To date the Council has incurred costs of £0.9m in relation to supporting rough sleepers off the streets. This is one of the Council's most significant operational areas in its response to the pandemic and the Council has higher costs and demand due to the number of rough sleepers in the city. The Council has directly sheltered 246 rough sleepers and has paid all costs of all accommodation. Food and sundry items were paid for until the middle of May, when costs were handed over to charity partners. Charity partners on behalf of the Council have also been able to place an additional 400 rough sleepers found in Westminster into GLA commissioned hotels – at no extra cost to the Council. Since May under the move on strategy the rough sleepers have started to be moved into alternative accommodation (Rough Sleeping Pathways, Private Sector rented tenancies and reconnected with home boroughs) with the aim of ensuring they are no longer staying in hotels by early July 2020. The full impact on the rough sleeping service is estimated to be in the region of £1.1m - £1.2m.

7.2.2. The Chancellor announced £643m of funding for Rough Sleeping at the budget in March 2020 and a further announcement was made at the end of May that £160m of this funding would be accelerated into this year to help build/create 3,300 places over the next 12 months. The government have not made any announcements on allocations yet, but the Council will continue to lobby and discuss with government to assist with the response.

7.3. Adult Social Care

7.3.1. Adult Social Care is projecting an underspend of £0.2m based on the business as usual activities against annual budget of £53.3m. This is primarily driven by an underspend on contract savings and placement and packages, underspend on physical support and dementia activities but offset by an overspend of from placements and packages activities in Mental Health.

7.3.2. As a result of Covid-19, additional spend of c£1.2m is expected to be incurred in financial year 20/21 largely due to the projected spend on PPE, c£0.5m, (this is an initial estimate and Adult Social Care share of PPE is 80%), support for the Homecare provider market c£0.3m, increased staffing c£0.2m, and the remaining £0.2m is across a range of different spend lines. To date the actual Covid-19 related spend is £0.35m, with the majority of this expenditure on PPE. In addition, financial savings of £0.725m are anticipated to be deferred into the next financial year due to Covid-19.

7.3.3. For information, the Council have been allocated infection control grant of which £0.298m has been received of the total £0.598m allocation. Of this, £0.224m has been distributed to Care Home providers in Westminster. The remaining £0.300m of the grant is expected in June from the Department of Health and Social Care.

7.4. Temporary Accommodation

7.4.1. The Council is estimating a c£3m overspend on temporary accommodation with demand that is likely to come through as lockdown eases and the full impact of the economic situation starts to come through. The forecast overspend is based on a 10% increase in numbers by year end.

7.5. Movement Strategy

7.5.1. Following the ongoing implementation of the movement strategy works, with total costs for Phase 1 of around £1m, a bid has been submitted to the DfT via the Active Travel Fund for funding of £0.1m, with another bid totalling £0.9m submitted to TfL as part of the London Streetspace Plan which will cover the costs of these works.

8. HRA – Revenue

8.1. The projected full year variance in the HRA is outlined below.

Housing Revenue Account:	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance (£m)		Risks Identified P2 (£m)	Opps Identified P2 (£m)	Projected Variance inc. Opps and Risks P2 (£m)
Growth, Planning & Housing	0.000	4.700	4.700		0.000	0.000	4.700

8.2. The HRA is forecasting an overspend of c£4.7m. Approximately £3.9m of this overspend is due to additional costs and reduced income as a result of the impact of Covid-19. The majority of this is due to concessions given to the most affected commercial tenants, a potential increase in bad debts and reduced future income. It also includes a sum for tenants rent as it is anticipated there will be an increase in arrears and collection rates may be affected in the short term.

9. The Council's Financial Measures to Support the Community

9.1. In responding to the pandemic, the Council has taken steps to support its residents, businesses, suppliers and the wider community over and above requirements from government. This has included:

- Concessions for the Council's commercial tenants who are most impacted by the lockdown
- On-street parking dispensations for the NHS staff and other key workers
- The Westminster Connects service that is offering both emotional and practical support to residents. The service has over 3,000 volunteers redeployed to the service to offer these support services, including a personalised shopping service for residents who are self-isolating.
- The Council has also been proactive in supporting suppliers. It communicated with suppliers in early April, informing them of the government reliefs available

(with guidance also on the Council's website) and the steps to take if they were still 'at risk'. To date, 31 relief requests have been received and 23 processed – with 8 still being assessed. Examples of the relief measures include variations to contract terms, relaxation of performance related contract obligations and faster invoice settlement. Where service volumes have reduced, operational flexibility has been ensured by maintaining historic payment patterns and redeploying any surplus capacity to support the Council in other Covid-19 response activities.

10. 2020/21 Funding

- 10.1. The Council has a variation to date of £17.5m, which is largely offset by the additional general government funding of £16.4m to date. It is very difficult to forecast with any certainty what the financial impact will be for the rest of the year, however the indicative potential range of this is in the region of £50-60m before government support is taken into account.
- 10.2. This is a significant financial impact against this year's approved budget and the implications of this in both the short and long term cannot be underestimated. This crisis will have a lasting impact on the Council beyond the current financial year and is likely to require change to structural elements of the Council's budget. As at the start of the new financial year the Council has an unallocated general reserve of £63.3m, which can be utilised to fund any overspend in the absence of further support from government.

11. Capital Budget – 2020/21

- 11.1. The table below summarises the Council's budget and forecast position on the 2020/21 capital programme, which reflects a projected £44m in year underspend. It should be noted that the budget figures exclude 2019/20 re-profiling. This will be updated once the re-profiling is approved by Cabinet in July and the budgets will be revised.

ELT	2020/21 Expenditure Budget £m	2020/21 Income Budget £m	2020/21 Net Budget £m	2020/21 Expenditure Forecast £m	2020/21 Income Forecast £m	2020/21 Net Forecast £m	2020/21 Expenditure Variance £m	2020/21 Income Variance £m	2020/21 Net Variance £m
Adult's Services	0.883	(0.883)	0.000	0.822	(0.822)	0.000	(0.061)	0.061	0.000
Children's Services	17.740	(13.744)	3.996	14.931	(13.744)	1.187	(2.809)	0.000	(2.809)
Growth, Planning & Housing	81.558	(19.697)	61.861	60.926	(17.856)	43.070	(20.632)	1.841	(18.791)
Environment & City Management	78.085	(38.912)	39.173	70.357	(35.281)	35.076	(7.728)	3.631	(4.097)
Finance and Resources	20.335	0.000	20.335	19.707	0.000	19.707	(0.628)	0.000	(0.628)
Westminster Builds	44.538	0.000	44.538	26.882	0.000	26.882	(17.656)	0.000	(17.656)
Projects Funded from FCR*	1.075	0.000	1.075	1.075	0.000	1.075	0.000	0.000	0.000
Total for Council	244.214	(73.236)	170.978	194.700	(67.703)	126.997	(49.514)	5.533	(43.981)

- 11.2. The majority of this variance is due to the following projects:

Project	2020/21 Variance to Budget £m	Comments
Westminster Builds	10.673	This is due to Covid-19 impact on construction projects
Luton Street	6.983	Re-profiling due in line with revised cashflow management for the LLP
Temporary Accommodation OOB	4.980	Acquisitions programme has slowed due to the Covid-19 pandemic. Assumed 72 properties over 2 years, but think they will achieve 20 year and c20 over the next couple of years.
Oxford Street District	3.500	Delays due to the appointment of the contractor
Lisson Grove Programme	3.370	Primarily related to acquisitions that have been delayed partly as a result of Covid-19
Total	29.506	

11.3. As can be seen in the table above, five projects contribute to the majority of the expenditure variance. By way of comparison there are over 500 projects in the 2020/21 capital programme, and therefore, 1% of the projects are causing 60% of the expenditure variance.

12. HRA Capital Budget

12.1. The HRA budget and forecast position is summarised in the table below.

HRA Capital Programme	2020/21 FY Budget £m	2020/21 P2 Forecast £m	2020/21 Budget Variance £m
Major Works	46.368	50.752	(4.384)
Housing Regeneration	101.930	66.886	35.044
Other Projects	38.682	31.114	7.568
Total	186.980	148.752	38.228

12.2. In total the HRA is forecasting an in-year underspend on its capital programme of £38.228m, which will be re-profiled into future years. This is primarily due to the Housing Regeneration programme, and in particular the following projects:

Project	2020/21 Variance to Budget £m	Comments
Ebury Acquisitions	8.000	Due to the impact of Covid-19 on the property market.
Cosway	7.822	Re-profiling of the scheme into future years by the contractor.
Ashbridge	5.159	Re-profiling of the scheme into future years by the contractor.
Parsons North	3.500	Reflecting the impact of Covid-19 as the site has only been running at 70% capacity.
Ebury	1.670	Reflecting the impact of Covid-19 as the site has only been running at 70% capacity.
Total	26.151	

13. Covid-19 Impact on the 2020/21 Capital Programme

- 13.1. The most immediate impact on the Council's capital programme will result from the postponement of projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create slippage in the capital programme. This amounts to c£50m as at P2.
- 13.2. However, another significant impact will be the drying up of external funding the Council normally receives to undertake certain types of project. This is particularly the case in Highways. Where the Council was due to start on sites for short term highway projects based on the availability of external funding (e.g. TfL and third party developers) and where this funding source has now been removed, the Council will have to make a decision on whether it wants to continue these schemes.

14. Council Tax and Business Rates

- 14.1. The collection of council tax has been severely impacted by the Covid-19 outbreak as residents face an uncertain financial situation. The Council's decision to temporarily suspend recovery action for unpaid bills, to help residents, has reduced cash receipts by £3m in the year to date. May's collection rate to date is 26.40% which is 4.10% lower than the same month last year. The cessation of recovery action against council tax payers that have late or unpaid bills includes the suspension of enforcement agency work and of the despatch of summonses since April. These measures have therefore had a negative effect on income collected to date. There will be a programme of initiatives implemented to get collection back on track once the current restrictions are lifted.

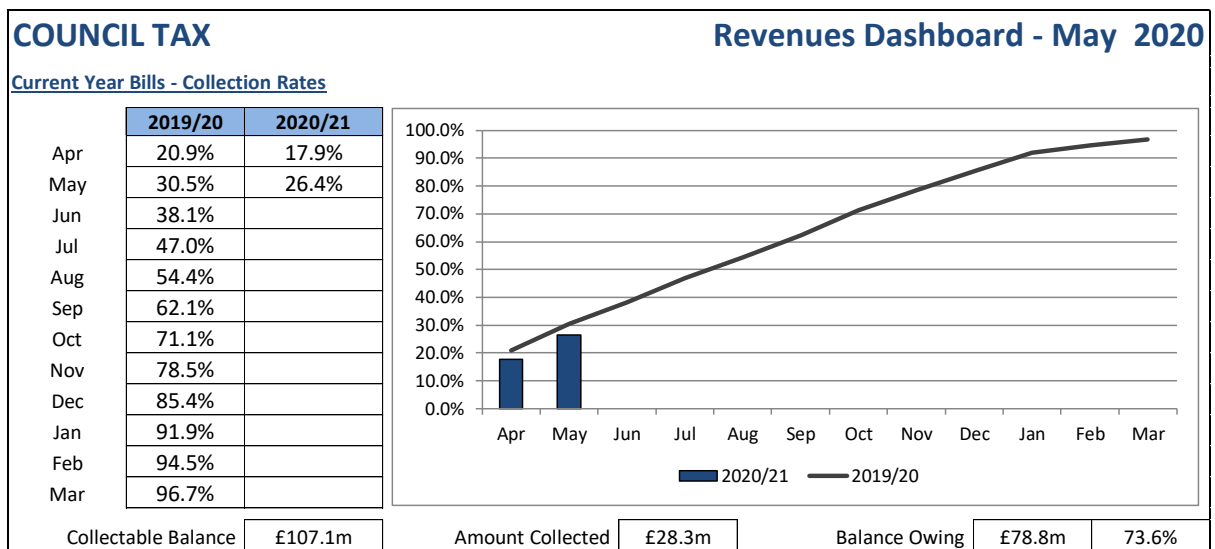
Overview

- 14.2. Council Tax and Business Rates are the Council's largest income sources and the Council has responsibility to collect council tax and business rates on behalf of the GLA and government as well. In total, the Council should receive gross income of:
- Gross Council Tax (including GLA share): £98m
 - Gross Business Rates (after retail relief given by government): £1.5bn

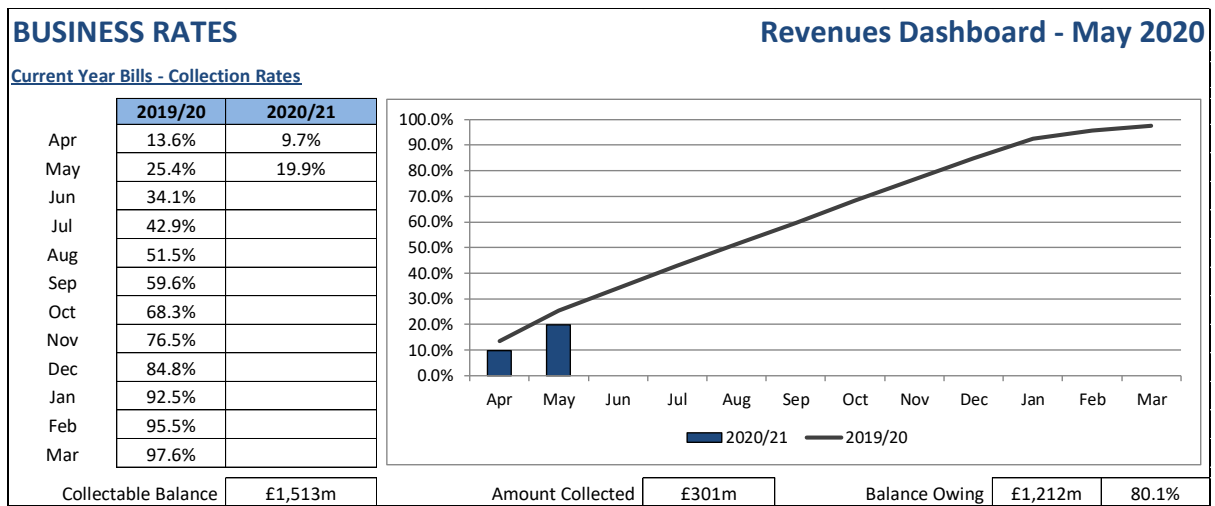
14.3. The Council only retains £185m of this income (Council Tax £60m & NNDR £125m) for its own use, however it should be noted that the collection figures in this section are based on gross income and collection rates for May 2020 are summarised in the table below:

	May 2020 Collection Rate	May 2019 Collection Rate
Council Tax	26.4%	30.5%
Business Rates	19.9%	25.4%

14.4. Council Tax Collection:



14.5. Business Rates Collection:



15. Treasury

15.1. Investment balances as at 31 May 2020 stood at £734.9m. The weighted average return in period 2 was 0.87%. This compared to an average investment balance of £767.6m in period 1, which generated an average return of 0.90%.

15.2. As at 31 May 2020, these investments are placed in fixed term deposits (banks and local authorities), money market funds and a notice account. This is summarised below:

- Fixed Term Deposits – 78%
- Money Market Funds – 18%
- Notice Accounts – 4%

15.3. The five largest holdings were:

Counterparty Name	Amount (£m)	%
Aberdeen Sterling Liquidity Fund	60.00	8.16
Federated Sterling Liquidity Fund	53.30	7.25
Standard Chartered Bank	50.00	6.80
Goldman Sachs Bank	50.00	6.80
Santander UK Plc	40.00	5.44
Total	253.30	34.45

15.4. Prudential indicators to 31 May 2020 have all been complied with. All investments are currently within the limits set out in the 2020/21 Treasury Management Strategy Statement.

16. Pensions

16.1. The valuation of the City of Westminster Pension Fund at the end of period 2 increased by £61m from period 1 (£1.425bn) to £1.486bn. This was largely due to positive returns within the global equity markets, following the downturn in February and March 2020 as a result of the Covid-19 outbreak. The estimated funding level for the City of Westminster Pension Fund has fallen by 1.4% to 97.2% as at 31 March 2020 (98.6% at 31 March 2019). There is potential for this to reduce further over the coming months as actuarial smoothing mechanisms continue to take effect. There is also a good possibility that equity dividends may be cut or suspended later this year. The funding level for Westminster City Council as an employer remains stable at 86% as at 31 March 2020, this is in part due to the Council's deficit recovery payments made to the Pension Fund.

Asset Values

16.2. The table below shows 12 months valuations to 31 May 2020.

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Market Value	1,477	1,504	1,480	1,499	1,495	1,525	1,545	1,546	1,481	1,320	1,425	1,486

Pension Fund Cashflow

16.3. The balance on the Pension Fund bank account at the end of period 2 was £740k (£1.875m in period 1). Payments from the bank account will continue to exceed receipts on a monthly basis, during the year cash withdrawals from fund managers are expected to take place to maintain a positive cash balance. A total of £5m was withdrawn from fund managers over the quarter.

Total Receipts and Payments in the quarter to 31 May 2020 (£000)

	Bank Opening Bal	Mar-20	Apr-20	May-20
	£000	£000	£000	£000
Total Receipts		4,589	6,133	4,644
Total Payments		4,956	5,066	5,779
Net Cash Flow		-367	1,067	-1,135
Cumulative Bank Balance	1,175	807	1,875	740

Update on London CIV

16.4. The value of pension fund investments managed by the LCIV at the end of period 2 was £416m (£389m in period 1), this increase was largely due to exceptional performance within the Baillie Gifford mandate. The LCIV holdings represents 28% of the pension fund investments of £1.486bn at 31 May 2020. A further £605m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

Investment Strategy Review

16.5. A review of the Pension Fund's investment strategy and asset allocation is currently being undertaken with the reports to be taken to the June committee for approval.

Covid-19 Impact

16.6. Following the global Covid-19 outbreak during the first quarter of 2020, global equity markets were significantly impacted and saw the greatest fall in equity markets since the financial crisis of 2008. Despite the market volatility of the last few months, equity markets have been calmer in recent weeks, with the “fear index”, the Vix, falling back considerably from highs of 82 on 16 March 2020 to 32 at 5 May 2020.

16.7. As at 31 May 2020, markets have somewhat recovered with the Pension Fund market value increasing by 13% from 31 March 2020. The majority of this recovery has been seen within the global equity funds; Baillie Gifford and LGIM.