City of Westminster

Audit and Performance Committee

Decision Maker:	*Audit and Performance Committee*
Date:	*23rd September 2020*
Classification:	*General Release*
Title:	*P4 Budget Monitoring Report*
Wards Affected:	*ALL*
Report of:	*Gerald Almeroth – Executive Director of Finance and Resources*

1. Introduction

1.1. Since the outbreak of the Covid-19 pandemic, the council has been focusing efforts on responding to the crisis by supporting both businesses and residents, as well as taking steps to ensure that the council itself is able to recover from the financial impact of the pandemic.

1.2. As the lockdown restrictions start to ease, the Council will continue to monitor the impact of the gradual reopening and recovery in London. For Westminster, this is particularly challenging as local businesses rely on commuter footfall, which will not reach pre-covid levels for some time. This has impacted the Council's finances due to loss of sales, fees and charges income.

1.3. As reported previously and still relevant, the financial impact of this for the Council is three-fold:

- The Council has had to incur additional costs that have resulted from supporting the most vulnerable people in the community and responding to the impact of the pandemic;
- 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.

1.4. The government continues to recognise the impact this has had on local authorities and has announced further packages to support councils including compensating councils for the loss in income from sales, fees and charges and a third tranche of grant funding, in addition to previous announcements.

1.5. The Period 4 monitor reviews the Council’s financial position as at the end of July 2020 and provides a gross and net full year forecast for the Council, taking account of the government’s emergency Covid funding.

2. Recommendations

2.1. That the committee notes the content of the report.

3. Reasons for Decision

3.1. To inform members on how the Council is delivering against it’s budget.

4. Government's Financial Support

4.1. The financial support the government has provided is summarised in the table below. In addition to the support reported previously, the government also announced a third tranche of funding of £500m, of which the Council has received £3.2m, taking the total general funding received by WCC to £19.6m.

4.2. The government also announced that it will reimburse authorities for 75% of income losses occurring in 2020-21 as a result of Covid-19 after the first 5% of losses is absorbed by local authorities. To qualify, income losses must be related to the delivery of services, while commercial and rental income are excluded. Details around this scheme are now available and there are a wide range of outcomes about how much the Council will receive. This is dependent upon which income streams qualify and it is difficult at this stage for officers to predict how much will be received without working through the full details and submission of the first return.

4.3. Finally, it was also confirmed by government that billing authorities will be able to extend the period over which they can manage shortfalls in local tax income (Collection Fund deficits) relating to 2020-21, from 1 to 3 years. Further details on this are expected from government and a decision on whether to utilise this facility will be considered in the coming months.

4.4. 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 as intermediary 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.

4.5. The latest government support is summarised below:

Scheme	National Funding	WCC Share	Purpose
General Support	£3.7bn support	£19.6m	Unringfenced funding to help councils respond to the current crisis. Three tranches of payments have been made by government. The government's income support scheme has not been quantified yet but will be updated in the next monitoring report.
New Burdens Grant	Unknown	£0.17m	New burdens funding to help with the administration cost of processing the grants
Emergency Support for Rough Sleepers	£3.2m	£0.250m	Funding to help rough sleepers self-isolate during the pandemic.
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 approximately 5,000 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 bn	£0.192bn	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

5. Revenue Budget – 2020/21

5.1. As at period 4 the Council has a year to date variance of £23.3m. However, the indicative forecasts for the rest of the year estimate an adverse gross variance of around £50m against budget before taking additional government funding into account. This is summarised in the table below and shows the potential gross upper range of £60m which is inclusive of further risks:

General Fund

General Fund Revenue – Forecast Outturn (including Key Risks and Opportunities)

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P4 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	53.467	55.067	1.600	0.800	-	-	1.600
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	19.157	28.798	9.600	1.800	-	-	9.600
Finance and Resources	57.814	61.754	3.900	2.300	6.200	-	10.100
Environment and City Management	5.019	35.046	30.000	16.600	3.200	-	33.200
Children's Services	33.298	34.768	1.500	-	0.600	-	2.100
Other Corporate Directorates	12.251	15.665	3.400	1.800	-	-	3.400
NET CONTROLLABLE BUDGET	**179.977**	**230.069**	**50.000**	**23.300**	**10.000**	**-**	**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			**(19.709)**				
Net (Surplus) / Deficit*			**30.291**				

5.2. *It should also be noted that the £30.291m net deficit for 2020/21 does not include any assumption around the government's income reimbursement scheme which will further reduce the deficit.

5.3. 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 Variance
Expenditure	£6-10m	£2.9m
Income	£40-50m	£20.4m
Total	**£50-60m**	**£23.3m**

5.4. 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 £20.4m. As noted in the table above, the full year impact of this could range between £40-£50m depending on a number of factors and the net scenario is dependent on the government income support scheme. The key income streams impacted are summarised in the table below with indicative forecasts for the full year:

	Full Year			Year to Date		
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	40.491	33.791	6.700	13.359	8.514	4.845
Parking - PCNs	19.912	14.412	5.500	6.705	3.326	3.379
Parking - suspensions and dispensations	23.092	18.617	4.475	9.524	6.372	3.152
Parking - Resident Permits	4.471	4.671	-0.200	1.494	1.580	-0.086
Commercial Waste	18.199	9.099	9.100	5.014	2.174	2.840
Licensing (top three income streams)	5.118	4.163	0.955	1.546	0.735	0.811
Road Management	8.880	7.104	1.776	2.960	2.882	0.078
Community Services	5.974	2.029	3.945	1.991	0.765	1.226
Registrars	2.302	1.057	1.245	0.767	0.440	0.327
Planning	7.336	4.836	2.500	2.445	1.665	0.780
City Promotions, Events and Filming	4.810	1.041	3.769	1.476	0.001	1.475
Local Land Charges	1.794	1.344	0.450	0.630	0.320	0.310
Property Income - General Fund	27.648	26.963	0.685	6.912	6.249	0.663
Court Cost Recovery Income	1.900	0.900	1.000	0.600	0.000	0.600
Total	**171.927**	**130.027**	**41.900**	**54.823**	**35.023**	**20.400**

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

6.3. <u>Parking</u>

6.4. The key income streams within Parking are:

- Paid for Parking
- PCNs
- Suspensions and dispensations
- Resident Permits

6.5. The parking income trend has improved since period 3. This had led to a reprofiling of forecasts throughout the rest of the year. One week during period 4, Paid for Parking income was only 1.7% below the profiled budget for this time of the year, showing the increased demand. PCNs have also seen a large increase with over 10,000 more being issued in period 4 compared to period 3. This means that the total Parking income variance is now £16.5m compared to £17.5m at period 3, an improvement of £1m.

6.6. <u>Commercial Waste</u>

6.6.1. Commercial waste continues to be far below usual levels of demand of this time of the year. 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. The forecast included is likely to move significantly as there are many uncertainties on how businesses will recover or be affected by any potential future localised lockdowns. Sales of bag products have increased as businesses re-opened but this has been a very small increase. Further recovery 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 monthly income levels this financial year with social distancing requirements suppressing trade levels and concerns about travelling on public transport into the City.

6.6.2. As a result of the reduction in activity within commercial waste there is also an expenditure underspend of £5.5m which goes some way towards mitigating the reduced income as the Council is not incurring costs to dispose of commercial waste.

6.7. <u>Planning</u>

6.7.1. Planning income has now levelled off at 37% below budget. The planning income is forecast to stay 37% below budget for the rest of the year due to the current economic climate.

6.8. Road Management

6.8.1. Road Management income activity levels have declined by approximately 18% in the first four months of the year compared to 2019/20 activity. This is due to the impact of Covid-19 and these declines could continue for the remainder of the year due to the many changeable variables (uncertain recovery timeframes, potential for further lockdown). The forecast assumes gradual recovery over the course of the year and will be monitored closely through the year.

6.9. Community Services

6.9.1. The Community Services variance is due to the non-payment of the management fee whilst leisure centres have been closed. Sayers Croft has also remained closed, and it is likely that groups will not be able to visit until much later in the year. The forecast reflects a waiver until September for the management fee.

6.10. Registrars

6.10.1. Ceremonies resumed on the 4th July, however demand is still significantly lower than in previous years due to the restrictions placed on the number of people allowed to attend, with many clients deferring their ceremonies. 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.

6.11. Public Protection and Licensing

6.11.1. The income included in this section comes from tables and chairs licences, Licensing Act 2003 and street trading licences. This is due to the deferral of payments and waiving licensing fees for businesses that were forced to shut. Tables and Chairs licensing have reduced their fees to £100 per business for a 3-month licence, this is generally below the standard cost of a licence in Westminster, however it is in line with current government guidance.

6.12. City Promotions, Events and Filming

6.12.1. Due to the economic disruption caused by the lockdown the service has only been able to generate £0.009m against a year to date budget of £1.2m. It is assumed that some income will be generated but trade will continue to be hampered by the social distancing measures. It is assumed that all income lost to date is irrecoverable.

6.13. Local Land Charges

6.13.1. Lockdown and the considerable slowdown of the property market has resulted in a 54% average reduction in land charges activity in April to July. With an assumed 7.5% monthly recovery as result of the relaxation of lockdown and impact on the property sales and construction market, a £0.450m under recovery on Local Land Charges income is forecast. This is borne out by the comparison year on year in the official searches from April to July, which reduced from 2,028 in 2019/20 to 1,166 in 2020/21. The last three months cash income has improved an average 9%

each month compared to the 7.5% recovery model and as each month progresses the forecast will be reviewed.

6.14. Property Income General Fund

6.14.1. Government guidance regarding Covid-19 from March to June 2020 meant that a broad range of businesses were unable to trade. In order to support these businesses, the Council agreed to waive rents covering the March quarter for a number of tenants (£0.4m). Furthermore, to recognise a significantly reduced level of activity in Car Parks, a rent uplift was deferred to 2021/22 with a budgeted impact of £0.2m. A waiver of future rent at one property has now also been agreed with a reduction of 0.077m. This amounts to a total adverse variance of £0.685m.

6.15. Court Cost Recovery

6.15.1. Due to the closure of courts as a result of the Covid-19 restrictions there is £1m of court cost recovery that will not be realised this year with a further £0.900m at risk. This will continue to be monitored during the year.

7. Expenditure

The main expenditure variances as at the end of July 2020 are set out below:

7.1. Growth, Planning and Housing

7.1.1. Temporary Accommodation

TA is forecasting a gross overspend of £5.8m against the base budget (excluding budgeted Flexible Housing Support Grant (FHSG)) by the end of the financial year. Approximately £4.8m relates to BAU activity and c£1m due to Covid-19. However, this is a net overspend of £3.2m once £2.6m of FHSG is utilised.

7.1.2. TA: BAU

The current base budget for TA would allow the Council to house 1,400 number of households in temporary accommodation but current BAU activity shows 2,835 households are being housed in TA, creating a financial pressure of £4.8m.

The majority of tenancies - 2,085 - are in properties rented from the Private Sector, 185 tenancies in Bed and Breakfast accommodation, 316 in Nightly Booked accommodation; 194 tenancies in properties acquired by WCC for use as TA and 55 in other properties.

7.1.3. TA: Covid-19

It is anticipated that the number of tenancies in TA will increase once the ban on evictions takes place and the furlough scheme ends. If this increases TA numbers by 10% then this is forecast to cost an additional c£1m, thereby increasing the overall forecast overspend to £5.8m.

7.1.4. Flexible Housing Support Grant

The Council has received the flexible housing support grant over the last three years and surplus balances from this grant have been held in reserve to fund homelessness prevention activity and future TA pressure. The Council estimates that after the budgeted £2.6m is drawn down as above there will be a balance of £10m for future years. There has been no confirmation from government of the continuation of this grant and therefore TA budgets and demand will have to be reviewed as part of the Medium-Term Financial Plan.

7.1.5. Rough Sleeping

To date the Council has incurred costs of £1.4m 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. About 266 rough sleepers were housed in hotels in response to Covid-19 during phase 1 and by the end all hotel residents had been offered a solution and left hotel accommodation with the Council fully funding all accommodation costs. 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. Funding has been agreed with MHCLG to continue working with a group of 30 highly complex immigration cases.

Phase 2 began in late July and is expected to be fully funded by the MHCLG £105m transition fund announced on 24 June for which a bid is being prepared for submission. The full impact on the rough sleeping service is estimated to be in the region of £1.5m, an increase of £0.3m previously reported due to food and sundry costs.

7.1.6. Westminster Adult Education Service (WAES)

WAES is forecasting an overspend of c£0.4m due to additional tutor input for virtual classes and the impact of pandemic, which has led to additional costs for protective screens, and more frequent cleaning of the WAES sites.

7.2. Adult Social Care

There is a variance of £1.6m against the base budget in Adult Social Care related to underspends on BAU activities and additional expenditure as a result of Covid-19.

7.2.1. BAU

Adult Social Care is projecting an underspend of £0.300m based on business as usual activities against an annual budget of £53.467m. This is primarily driven by contract and staffing savings and lower placement and packages costs within physical support and dementia services. This is offset by an overspend in mental health placements and packages activities. The projection is £0.100m more favourable than period 3 due to community care package spend, which is anticipated to be lower than previous assumptions within the learning disability service.

7.2.2. Covid-19

As a result of Covid-19, additional spend of c£1.175m is expected to be incurred in financial year 20/21 largely due to the projected spend on PPE, £0.704m (this is an estimate and Adult Social Care share of PPE is 80%), support for the market £0.249m and increased staffing £0.222m. In addition, financial savings of £0.725m are deferred into financial year 21-22 due to Covid-19.

7.3. Children's Services

7.3.1. The forecast overspend is £1.470m - £1.150m due to additional Covid-19 expenditure and £0.320m relating to the support offer for children with special educational needs and disabilities.

7.4. Children with SEND

7.4.1. There is an overspend of £0.320k on BAU activities within Children's Services. Approximately £0.180m is due to Short Breaks as a result of a significant increase in demand from families with children with special educational needs and disabilities; and £0.115m is related to pressures in SEN Transport due to increases in pupils with EHCPs. This is an upward trajectory in line with the national picture and budgets will need to be reviewed as part of the Medium-Term Financial Plan.

7.5. Covid-19

7.5.1. Children's Services are forecasting to incur additional expenditure of £1.150m during the course of the year due to Covid-19. This is summarised below:

Area of Expenditure	£m	Commentary
SEN Transport	£0.410m	Additional costs related to social distancing from September 2020.
Savings not achievable in 2020/21	£0.230m	Covid-19 priorities have delayed the work required to deliver these
Domestic Violence Project	£0.170m	Additional support provided for increased cases / risk due to Covid-19
Additional social care costs	£0.250m	Including placements and home care support
Other minor variances	£0.090m	Loss of income and support for schools
Total	**£1.150m**	

8. Progress on 2020/21 Savings

8.1. As part of the budget report presented to Full Council in March 2020, savings of £18.9m had been identified for 2020/21. It is currently estimated that c£8m of these savings will not be achieved in 2020/21 and forms part of the £50-60m variance at year end.

8.2. The majority of this is related to income generation across a number of income streams and delays in delivering expenditure efficiencies.

9. HRA – Revenue

9.1. 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 P4 (£m)	Opps Identified P4 (£m)	Projected Variance inc. Opps and Risks P4 (£m)
Growth, Planning & Housing	0.000	0.000	4.435	0.000	0.000	4.435

9.2. At the end of period 4 the Housing Revenue Account is forecasting an overspend of £4.435m.

9.3. Pressures due to COVID-19 account for c£4.2m of this deficit.

9.4. HRA Income

9.4.1. The most significant impact of Covid-19 has been on the HRA income streams resulting in £1.7m for the loss of commercial income as a result of a 3 month rent free period. The negative impact on rent collection has also seen an increase in projections for a contribution to the bad debt provision of £1.3m. There has also been a delay in letting units at new properties, for example Tollgate House, which further reduces rent income projections by £0.3m.

9.5. HRA Expenditure

9.5.1. The most significant impacts of Covid-19 on expenditure budgets are £0.5m of staffing costs that can no longer be charged to delayed capital schemes, and as such result in a cost to the HRA, and £0.4m of additional costs associated with estate cleaning.

9.6. BAU

9.6.1. Revenue repairs costs are now forecast to be c£0.2m over budget.

9.6.2. The overall variance is 4% of the gross expenditure budget.

9.6.3. The period 4 position has resulted in a £1.5m favourable movement to period 3. This is mainly due to a £1m increase in rent income following a more positive projection of when rental income will be generation from new build units such as Tollgate House.

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

10.1. As previously reported the Council has supported 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 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'.

11. 2020/21 Funding

11.1. The Council has a variation to date of £23.3m, which is largely offset by the additional general government funding of £19.6m 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.

11.2. The government have also announced an income support scheme whereby the government will cover 75p in the pound of all income losses after the first 5% of planned income is absorbed by the council. Details have now emerged about the scheme and officers are working through the details of this. There are a wide range of possible outcomes which are dependent on which income streams qualify. It is difficult to predict how much the Council will receive at this stage but the scheme is likely to further reduce the Council's net deficit for the financial year.

11.3. 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.

12. Capital Budget – 2020/21

12.1. The table below summarises the Council's budget and forecast position on the 2020/21 capital programme, which reflects a projected £85m gross expenditure variance.

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	1.251	(1.251)	0.000	0.822	(0.822)	0.000	(0.429)	0.429	0.000
Children's Services	18.594	(15.181)	3.413	11.857	(8.655)	3.201	(6.737)	6.526	(0.211)
Growth, Planning & Housing	83.279	(22.853)	60.426	45.530	(23.953)	21.577	(37.749)	(1.100)	(38.849)
Environment & City Management	83.971	(39,885)	44.086	71.966	(34.688)	37.278	(12.055)	5.197	(6.808)
Finance and Resources	22.883	0.000	22.883	18.487	0.000	18.487	(4.396)	0.000	(4.396)
Westminster Builds	45.521	0.000	45.521	22.763	0.000	22.763	(22.758)	0.000	(22.758)
Projects Funded from FCR*	1.783	0.000	1.783	1.083	0.000	1.083	(0.700)	0.000	(0.700)
Total for Council	**257.282**	**(79.170)**	**178.112**	**172.507**	**(68.118)**	**104.389**	**(84.774)**	**11.052**	**(73.722)**

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

Project	2020/21 Variance to Budget £m	Comments
Westminster Builds	14.059	£7.500m for Out of Borough schemes is awaiting opportunities to be brought to the WB board and is not forecast to spend this year. The remaining variance is due to Covid-19 leading to 3-week site closures for construction projects and social distancing causing slower construction. Parsons North will now complete in March 2021, meaning HRA Acquisition budget (£2.100m) will not be spent until Q1 2021/22
Temporary Accommodation Acquisitions	12.380	Housing market uncertainty stemming from Covid-19, compounded by refocusing the team to support the Covid-19 response and has reduced the expectation of the number of temporary accommodation acquisitions that can be achieved this financial year.
Luton Street	8.699	The council's loan to Luton St LLP will underspend as a result of cashflow optimisation by WB officers, pushing back the first drawdown to August 2020
St Marylebone Bridge Special School	7.938	Delays in Wilberforce School refurbishments mean that St Marylebone Bridge special school project does not yet have vacant possession of the site. A 9-month delay is forecast with completion by March 2022
Oxford Street District	6.000	There were delays last year in the appointment of the main contractor. Three work packages are expected to commence in Q4.
TfL Local Improvement Plan Scheme & Cycle Schemes	5.451	TfL Funding has been withdrawn as a result of Covid-19 and the scheme will not be going ahead. However, there are ongoing discussions with TfL about possible funding from September
Church St Green Spine Project	3.984	This is due to delay in undertaking a full review of the procurement routes and officer time devoted to Covid-19 emergency response. Start date moved from end 2020 to Feb 2021. Completion is expected Sep 22.
Strategic Acquisition Huguenot House	3.000	The effect of Covid-19 on the property market is causing delays in strategic acquisitions
Capital Contingency	2.370	This will be re-profiled into 2021-22 but will be available if required
Place Shaping's Enterprise Programme	2.194	This results from delays securing the site for work on the Grand Union Canal, which is currently owned by Network Rail. This is a direct result of delays to Crossrail and is outside of the Council's control.
Piccadilly Underpass	2.005	The complex nature of the scheme gives rise to problems in designing the scheme within the contract framework. Start will not be at least until Q3 of 2020/21
Total	**68.080**	

12.3. As can be seen in the table above, eleven 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, just 2.2% of the projects are causing 80% of the expenditure variance.

13. HRA Capital Budget

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

HRA Capital Programme	2020/21 Revised Budget £m	2020/21 P4 Forecast £m	2020/21 Budget Variance £m
Housing Planned Maintenance	54.057	41.952	(12.105)
Housing Regeneration	112.727	66.171	(46.556)
Other Projects	40.639	31.863	(8.776)
Total	**207.423**	**139.987**	**(67.436)**

13.2. The HRA is forecasting an in-year underspend on its capital programme of £67.436m, due to the impact of Covid-19 which caused delays in project completion and prevented access to properties in line with the government guidelines. The schemes are re-profiled into future years. Some of the key variances on individual projects are set out in the tables below:

Regeneration Project	2020/21 Variance to Budget £m	Comments
Church Street Acquisitions	9.317	Due to the impact of Covid-19 on the property market
Ebury Acquisitions	8.000	Due to the impact of Covid-19 on the property market
Cosway	7.822	Re-profiling of the scheme into the future years by the contractor and a future impact due to site working at reduced capacity
Parsons North	5.347	Delay due to impact of Covid-19 as the site has only been running at 70% capacity
Ashbridge	5.158	Re-profiling of the scheme into the future years by the contractor and a future impact due to site working at reduced capacity
Ebury	3.305	Re-profiling of the scheme into the future years to reflect the impact of Covid-19
Total	38.949	

Planned Maintenance Project	2020/21 Variance to Budget £m	Comments
Churchill Gardens Externals Phase 6 TC	1.121	Due to some blocks within the project under review which will be repackaged and administer with Russell House separately
Lisson Green decorations & EL (emergency lighting)	1.119	Due to government restrictions as a result of Covid-19.
Memo external Phase 3 & 4	0.968	Due to extended consultation with residents of each block within the project
Brunel Estate Ventilation	0.635	Re-profiling of the project into next year pending third party review.
Vale Royal House externals/windows/ventilation/laterals	0.621	Due to delay in design and development but working closely with resident association to ensure expectations are achieved
Stairwell Jessel House (T158 - remedial) & works to doors	0.484	The variance is due to contractors' under-resource as a result of Covid-19 impact.
Total	4.948	

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

14.1. 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£36m as at period 4.

14.2. 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 site 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. At period 4, lost funding amounts to £5.451m. However, discussions with TfL are taking place about possible funding later in the year.

15. Council Tax and Business Rates

15.1. As reported in previous months, 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.

15.2. July's council tax collection rate to date is 43.3% which is 3.7% lower than the same month last year but shows some signs that it is picking up. By comparison, the business rates collection rate for July 2020 is 34.7%, 8.2% lower than the same month last year.

15.3. 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 therefore continue to have 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.

15.4. Overview

15.4.1. 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

15.4.2. 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 July 2020 are summarised in the table below:

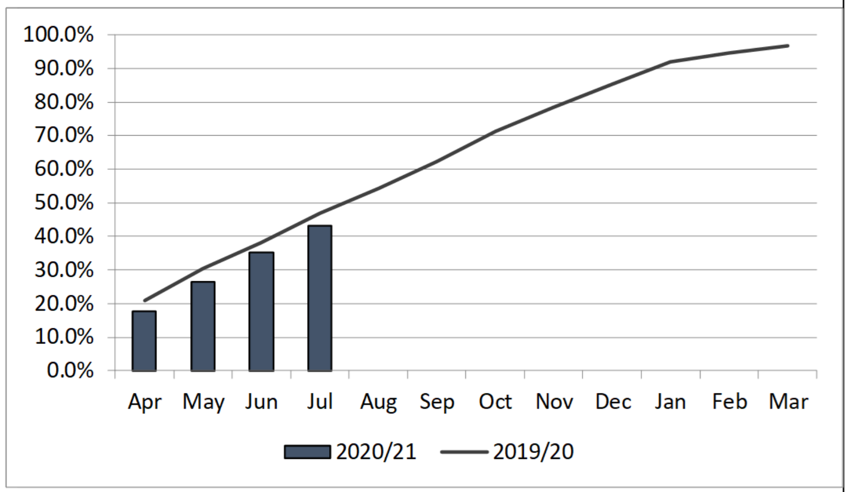
	July 2020 Collection Rate	**July 2019 Collection Rate**
Council Tax	43.3%	47.0%
Business Rates	34.7%	42.9%

15.5. Council Tax Collection:

COUNCIL TAX — Revenues Dashboard - July 2020

Current Year Bills - Collection Rates

	2019/20	2020/21
Apr	20.9%	17.9%
May	30.5%	26.4%
Jun	38.1%	35.3%
Jul	47.0%	43.3%
Aug	54.4%	
Sep	62.1%	
Oct	71.1%	
Nov	78.5%	
Dec	85.4%	
Jan	91.9%	
Feb	94.5%	
Mar	96.7%	



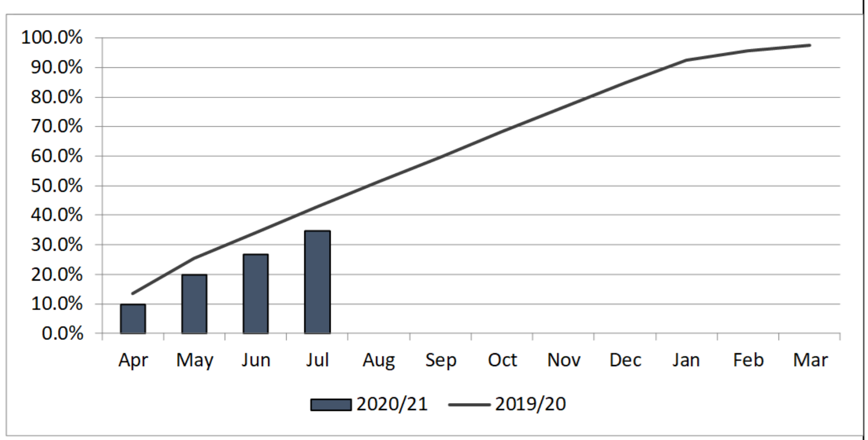
Collectable Balance	£108.1m	Amount Collected	£46.8m	Balance Owing	£61.3m	56.7%

15.6. Business Rates Collection:

BUSINESS RATES — Revenues Dashboard - July 2020

Current Year Bills - Collection Rates

	2019/20	2020/21
Apr	13.6%	9.7%
May	25.4%	19.9%
Jun	34.1%	26.7%
Jul	42.9%	34.7%
Aug	51.5%	
Sep	59.6%	
Oct	68.3%	
Nov	76.5%	
Dec	84.8%	
Jan	92.5%	
Feb	95.5%	
Mar	97.6%	

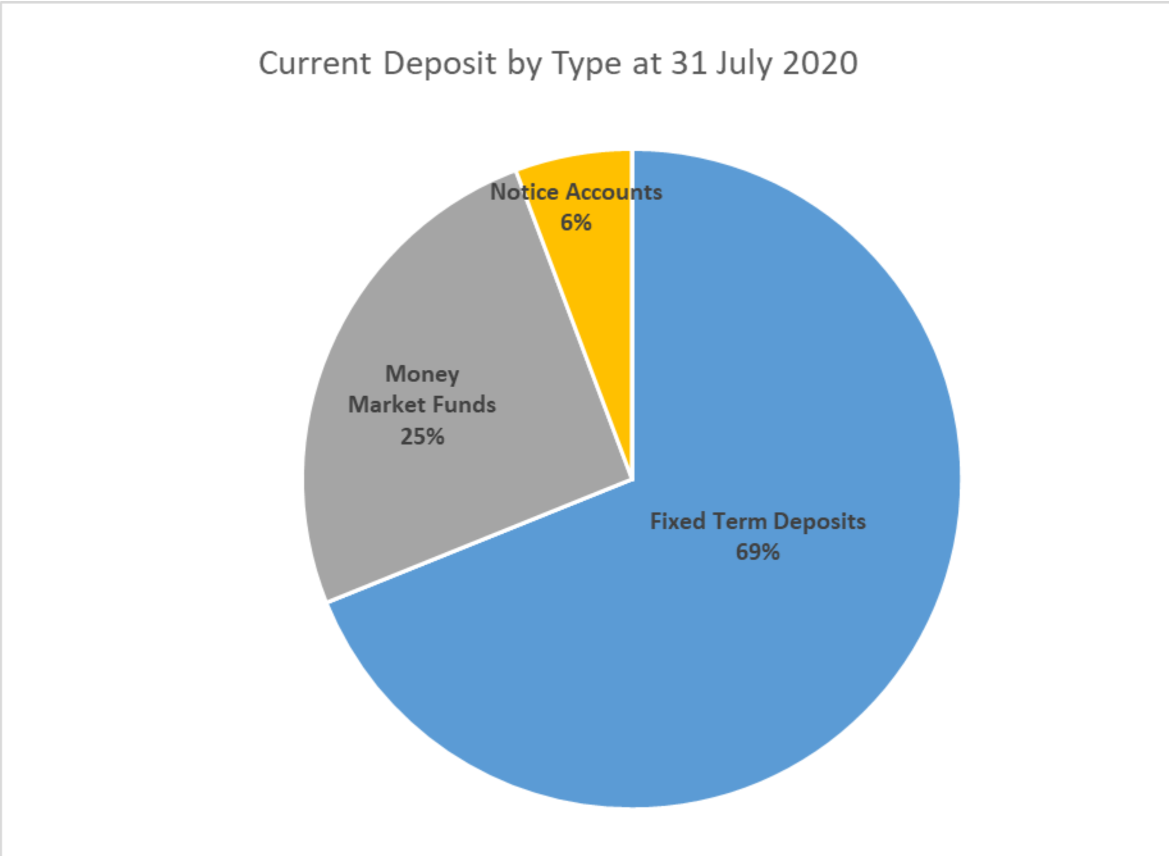


Collectable Balance	£1,478m	Amount Collected	£513m	Balance Owing	£965m	65.3%

16. Treasury

16.1. Investment balances as at 31 July 2020 stood at £696.7m. The weighted average return in period 4 was 0.69%. This compared to an average investment balance of £774.2m in period 3, which generated an average return of 0.80%.

16.2. As at 31 July 2020, these investments are placed in fixed term deposits (banks and local authorities), money market funds and a notice account.



- Fixed Term Deposits – 69%
- Money Market Funds – 25%
- Notice Accounts – 6%

16.3. The five largest holdings were:

Counterparty Name	Amount (£m)	%
JP Morgan Sterling Liquidity Fund	60.00	8.61
Aberdeen Sterling Liquidity Fund	60.00	8.61
Federated Sterling Liquidity Fund	56.50	8.11
Standard Chartered Bank	50.00	7.18
Goldman Sachs Bank	50.00	7.18
Total	**276.50**	**39.69**

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

17. Pensions

17.1. The valuation of the City of Westminster Pension Fund at the end of period 4 increased by £29m from period 3 (£1.527bn) to £1.556bn. This was largely due to positive returns within the equity mandates and the buy and maintain bond fund. 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). 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.

17.2. <u>Asset Values</u>

The table below shows 12 months valuations to 31 July 2020.

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Market Value	1,480	1,499	1,495	1,525	1,545	1,546	1,481	1,320	1,425	1,487	1,527	1,556

17.3. <u>Pension Fund Cashflow</u>

17.3.1. The balance on the Pension Fund bank account at the end of period 4 was £1.143m (£1.325m in period 3). Payments from the bank account will continue to exceed receipts on a monthly basis. During the year cash withdrawals from fund managers (LGIM passive fund) are expected to take place to maintain a positive cash balance. A total of £4m was withdrawn from fund managers over the quarter.

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

	Bank Opening Bal	**May-20**	**Jun-20**	**Jul-20**
	£000	**£000**	**£000**	**£000**
Total Receipts		4,644	5,734	4,745
Total Payments		5,779	5,149	4,928
Net Cash Flow		-1,135	586	-183
Cumulative Bank Balance	**1,875**	**740**	**1,325**	**1,143**

17.4. Update on the London CIV (LCIV)

17.4.1. The value of Pension Fund investments managed by the London CIV at the end of period 4 was £450m (£442m in period 3), this increase was largely due to positive performance within the Baillie Gifford mandate. The LCIV holdings represents 29% of the pension fund investments of £1.556bn at 31 July 2020. A further £639m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

17.4.2. Following an e-mail sent by the London CIV Investment Team during July 2020, followed by a Teams briefing for officers by the London CIV senior managers, a decision has been taken to consult London clients reference the addition of additional complementing managers to CQS within the MAC sub-fund in order to provide a more robust performance and better risk profile.

17.4.3. The LCIV MAC Fund is currently invested in a single investment manager: CQS. LCIV has commented that the sub-fund's performance in 2020 Q1 and Q2 this year has shown that the investment opportunity set within the CQS portfolio could be regarded as being too restrictive to protect the fund adequately in all market events.

17.4.4. Therefore, the London CIV believes it to be prudent to increase the investment opportunity set which they believe will provide better long-term, risk-adjusted returns for clients. They propose to achieve this with the addition of other complementing investment managers.

17.5. Investment Strategy Review

17.5.1. As agreed at the Committee meeting in June 2020, fund manager interviews for a new active global equities' manager will take place on 1 September 2020. The Committee will explore the funds on offer at the London CIV alongside external fund manager offerings. Funds will be transitioned from the Legal & General Global Passive Global mandate to finance the new active equity portfolio.

17.6. Surrey County Council Pensions Administration Update

17.6.1. Surrey County Council advised officers on 2 July that they intended to increase the annual pension administration charge from £166,324 to £429,024 with effect from 1 September 2020. They advised that a new contract would be required for 1 September 2020 and that, if the Fund could not achieve that deadline, they wanted to discuss Westminster's exit and the Fund would be given 12 months to action that.

17.6.2. The Pension Fund is currently looking at moving the pension administration service to alternative providers, with negotiations with interested parties at a very early stage.

17.6.3. No decision/proposal has been made yet on a definite route as the Pension Fund is still trying to get the necessary data to make a fully informed decision and comply with an optimum procurement route.