



Decision Maker:	Audit and Performance Committee
Date:	Wednesday 2 nd December 2020
Classification:	General Release
Title:	P6 Budget Monitoring Report
Wards Affected:	ALL
Report of:	Gerald Almeroth – Executive Director of Finance and Resources

1. Introduction

- 1.1. 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. Initially, on 12 October, the Prime Minister introduced a three-tiered system of local Covid Alert Levels in England. The levels were set at medium, high, and very high. On 15 October 2020, it was announced that London would move into Tier 2 (high) from Saturday 17 October.
- 1.3. As a result, the Chancellor announced “...up to £0.5bn [£465m] to fund activities like enforcement, compliance and contact tracing”. Authorities were informed that they will receive £8 per head if they are in tier 3, £3 if they are in tier 2, and £1 for tier 1.
- 1.4. However, there have been further developments since these announcements, with new national Covid-19 restrictions that applied from 5 November until 2 December 2020. Pubs and restaurants have been required to close but takeaways and deliveries permitted to keep open. Non-essential shows, leisure and entertainment venues have been required close. Gyms were required to close, and people encouraged to work from home where possible. Businesses forced to close will be able to access grants of up to £3,000 per month (the Local Restrictions Support Grant) and one-off Additional Restrictions Grant distributed to enable councils to support businesses more broadly.
- 1.5. The Covid-19 support grants, such as Business Support (Additional Restrictions Grant) (£20 per head) and Local Restrictions Support Grants will be paid to councils to administer the grants and support closed businesses. The list of Covid-19 grants are included in the table below and will be updated each after we hear further announcements from the government.

1.6. The government has also offered local authorities financial support, in the following areas:

- more support for local test and trace;
- more funding for local enforcement;
- the offer of help from the armed services; and
- the job support scheme.

1.7. The Council will continue to monitor the impact of the three-tier system and the new national restrictions. For Westminster, this is particularly challenging as local businesses rely on commuter footfall, which will curtail the recovery further and may not reach pre-Covid levels for some time. The Council will assess the additional impact of the tier system and other restrictions on sales, fees and charges income.

1.8. 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; and
- saving proposals have been delayed or are considered no longer deliverable.

1.9. 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 fourth tranche of grant funding, in addition to previous announcements.

1.10. The Period 6 monitor reviews the Council's financial position as at the end of September 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 note the contents of the report.

3. Reasons for Decision

3.1. To inform members on how the Council is delivering against its budget.

4. Government's Financial Support

- 4.1. The financial support the government has provided is summarised in the table below. The total general funding received by WCC to date is £29.3m, excluding any amounts due from the income compensation scheme. This includes an allocation of £9.7m from the £919m fourth tranche recently announced.
- 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. The first payment from this scheme is due in Period 7 and the Council have claimed for £7.4m.
- 4.3. The Council has received update on billing authorities extending the period over which they can manage shortfalls in local tax income (Collection Fund deficits) relating to 2020/21, from 1 to 3 years which is mandatory and will prevent council recognise the full cost of the deficit next year.
- 4.4. The payments in relation to the tier funding "will be disbursed as soon as public health activities have been agreed with the relevant Regional Convenor", and "funding will be paid to upper tier authorities for onward disbursement."
- 4.5. 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.
 - Grants funding to help with Test & Trace and local enforcement.
 - Cashflow support for local authorities, including the deferral of certain payments to government and the bringing forward of grants.

The latest government support is summarised below:

Scheme	National Funding	WCC Share	Purpose
General Support	£4.6bn support	£29.3m	Unringfenced funding to help councils respond to the current crisis. Four tranches of payments have been made by government. The government's income support scheme has not been confirmed yet but £7.4m has been claimed.
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.
Rough Sleeping Transition Support	£105m	£1.7m	Support for rough sleepers and those at risk of homelessness into tenancies of their own.

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 (tranche 1)	£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	£97m	Grants paid to businesses of £10k or £25k each depending on their rateable value totalling £97m in Westminster. The Council has paid out all the funding it has received and paid approximately 5,000 businesses.
Business Rates Retail Relief	£10bn	£945m	Retail relief given to businesses and fully supported by the government
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.
Next Steps Accommodation Programme	£91.6m	£1.8m	To ensure that rough sleepers who were put into temporary accommodation during the pandemic do not return to the streets after the support is withdrawn.
Infection Control (tranche 2)	£546m	£0.690m	80% of this funding must be passed directly to care providers within Westminster, amounts given are based upon bed numbers or a per user basis. The remaining 20% is to be distributed to care providers on a discretionary basis within the borough.
Test and Trace Support Grants	£50m	£0.300m	This is to be paid to residents who need financial support when self-isolating due to either being infected or potentially being infected.
Local Authority compliance and enforcement grants	£30m	£0.192m	This is to support the council with the enforcement of COVID-19 restrictions or to encourage individuals within the borough to comply with the measures.
Contain Outbreak Management Fund	£500m	£2.091m	Set of payments for Local Authorities to help support and maintain proactive containment and intervention measures.
Additional Restrictions Support Grant allocations	£1.13bn	£5.226m	Additional Grants to support local restrictions for lockdown period dating November 5th to December 2nd.

Local Restrictions Support Grants (Closed) Addendum	£1.005bn	£21.856m	Grants to support local restrictions for lockdown period dating November 5th to December 2nd.
Local Restrictions Support Grants (Open)	TBC	£3.8m	The Grant is offered as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus (Covid-19) and specifically for businesses that were still open but have been severely impacted by Local Covid Alert Levels 'High' (LCAL 2) and 'Very High' (LCAL 3) restrictions since 1 August to 4 November 2020.
Protect Programme: the next step in winter rough sleeping plan	£15m	£1.00m	The £15 million funding is on top of the £91.5 million allocated to 274 councils in September to fund their individual plans for rough sleepers over the coming months.
Support programme for extremely clinically vulnerable.	£32m	£0.20m	New guidance over clinically vulnerable due to second lockdown has led government to pledge over £32 million funding for local councils in support.
Covid Winter Grant Scheme	£170m	£0.776m	Covid Winter Grant Scheme is intended to support children, families and the most vulnerable over winter during the second wave of the pandemic.
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 6, the Council has a year to date variance of £36.5m. However, the indicative forecasts for the rest of the year estimate an adverse variance of around £50m against budget before taking additional government funding into account. This is summarised in the table below and shows the potential upper range of £60m which is inclusive of further risks:

General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P6 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	0.400	-	-	1.600
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	19.157	27.275	8.100	3.600	-	(0.500)	7.600
Finance and Resources	57.742	60.672	6.100	4.300	7.600	(0.800)	12.900
Environment and City Management	(0.983)	26.084	27.100	24.800	3.100	-	30.200
Children's Services	39.377	42.948	3.600	0.400	0.600	-	4.200
Innovation and Change	5.769	8.904	3.100	2.300	-	-	3.100
Other Corporate Directorates	6.476	6.858	0.400	0.700	0.100	(0.100)	0.400
NET CONTROLLABLE BUDGET	179.977	226.780	50.000	36.500	11.400	(1.400)	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			(29.383)				
SFC Compensation			(7.389)				
Net (Surplus) / Deficit*			13.228				

5.2. *The net figure is inclusive of the first four tranches of Covid-19 emergency funding and the Council's first return for the income reimbursement scheme of £7.4m. It is estimated, based on current assumptions the Council will claim a total of £15-20m from the income reimbursement scheme.

5.3. It should be noted these forecasts are based on information known at the time but there can be no certainty at this point around what the full year financial impact of the pandemic will be there. Therefore, there is the possibility of the variance to budget increasing or decreasing materially and this is reflected by the lower and upper range outlined in the table above.

5.4. 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	£8.08m
Income	£40-50m	£28.43m
Total	£50-60m	£36.5m

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 £28.4m. 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 further government support through the income reimbursement scheme and emergency Covid-19 funding. 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			Year to Date		
	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	33.816	6.675	19.267	14.138	5.129
Parking - PCNs	19.912	15.912	4.000	9.908	5.156	4.752
Parking - suspensions and dispensations	23.092	18.142	4.950	12.653	8.934	3.718
Parking - Resident Permits	4.471	4.696	-0.225	2.275	2.434	-0.159
Commercial Waste	18.199	9.099	9.100	8.106	3.782	4.324
Licensing (top two income streams)	3.650	2.183	1.467	1.825	0.807	1.017
Road Management	8.880	8.254	0.626	4.440	4.008	0.432
Community Services	5.974	2.278	3.696	2.987	1.198	1.789
Registrars	2.302	1.056	1.246	1.151	0.888	0.263
Planning	7.336	4.936	2.400	3.668	2.450	1.218
City Promotions, Events and Filming	4.810	0.903	3.907	2.264	0.034	2.230
Local Land Charges	1.794	1.144	0.650	0.889	0.463	0.426
Property Income - General Fund	27.648	26.968	0.680	13.824	11.485	2.339
Court costs recovery income	1.900	0.900	1.000	0.950	0.000	0.950
Total	170.459	130.287	40.172	84.207	55.778	28.429

6.2. Parking

6.2.1. Parking income has improved slightly since period 5 with an increase of £0.350m forecast to be collected. This has increased mainly due to PCNs now matching pre-COVID levels of activity and the forecasts have been amended to show this. There has also been an increase in expenditure savings which is reducing the overall pressure to the service.

The key income streams within parking are:

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

6.3. Commercial Waste

6.3.1. Commercial Waste income has a YTD under-recovery of £4.32m to date (containers income received is 64% of budget and Bags is 29% of budget meaning total income to date is 41% of that received in 2019/20 (£5.43m shortfall compared to last year) and are forecasting to under-recover £9.1m which is a slight recovery during the year. Containers income has a YTD under-recovery of £1.44m. Bag sales have a YTD under-recovery of £2.88m. Sales of bag products will increase as businesses reopen but will be very dependent of how well these businesses trade as lockdown eases and once in the "new normal". The forecast assumes some recovery occurs, but it is unlikely this will return to pre-COVID monthly income levels this financial year with social distancing requirements and concerns about traveling on public transport into the capital.

6.4. Planning

6.4.1. Planning income is 30% below budget at period 6. It is forecast to remain about 30% below budget for the rest of the year due to the economic downturn. This forecast to remain the same as at period 5.

6.5. Road Management

6.5.1. Road Management income activity levels have declined by approximately 15% in the first six months of the year compared to 2019/20 activity, this is a slight reduction of 2% since period 5. This is due to the impact of Covid-19 a lower volume of licenses have been applied for and these declines could continue for the remainder of the year due to the many changing variables (uncertain recovery timeframes, potential for further lockdown, changing council priorities). The forecast assumes gradual recovery over the course of the year and this position will be monitored closely throughout the year.

6.6. Community Services

6.6.1. The Community Services variance is due to the leisure and Sayers Croft income being lost due to the services being shut by government guidance and reduced levels of activity to ensure that the businesses remain COVID secure.

6.7. Registrars

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

6.8. Public Protection and Licensing

6.8.1. The service is currently forecasting a £2.209m adverse variance largely due to reduction in income as a result of COVID-19, a net movement increase of £0.665m from previous month. The key changes were on street trading £0.509m and FPN's street litter income shortfalls £0.289m. This is due to the continuous effect the Covid-19 pandemic is having on the local economy. The increase of number of licenses being surrendered, as businesses continue to close, and the number of fees being waived for street traders due to vulnerability, shielding and isolation.

6.9. City Promotions, Events and Filming

6.9.1. City Promotions, Events and Filming has been impacted by recent changes to restrictions to audiences, such as the rule of 6 that has resulted in the further cancellation of some large events and also further losses on advertising income from banners. This therefore has led to an unfavourable variance compared to period 5 of £0.138m.

6.10. Local Land Charges

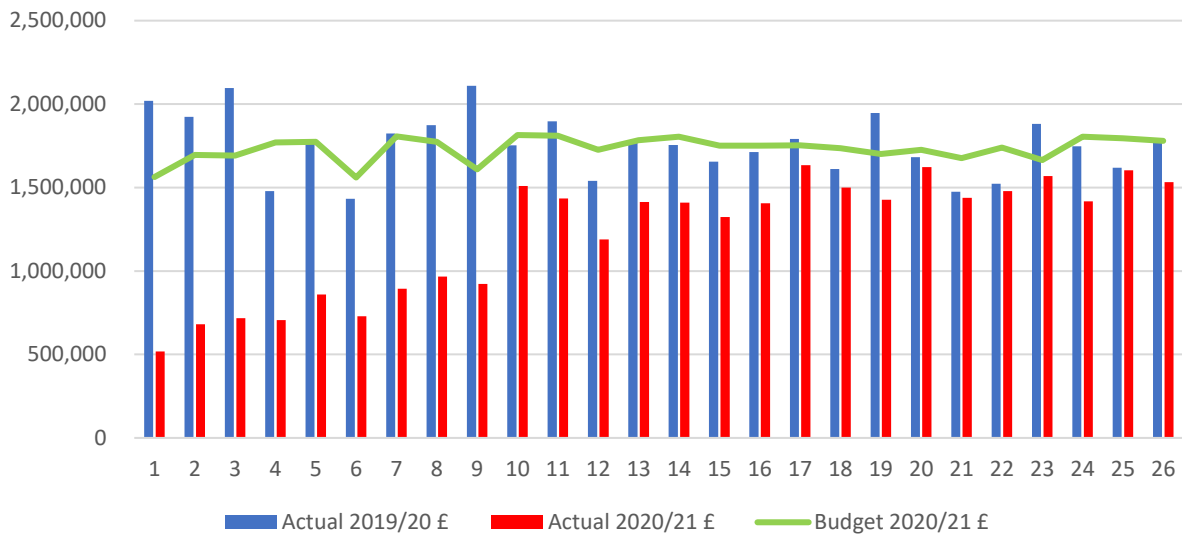
6.11. Lockdown and the considerable slowdown of the property market has resulted in a reduction in land charges activity since April. Previous forecasts were assuming a 7.5% increase in income month on month however, in the last two months it has only been 4%, therefore forecasts have been adjusted accordingly. This is seen to be due to an apparent lack of confidence in when the recovery from the pandemic will be seen, in particular in relation to working from home advice, as developers are not enquiring as much around the restructuring of office space as they had in previous years.

6.12. Trends in September

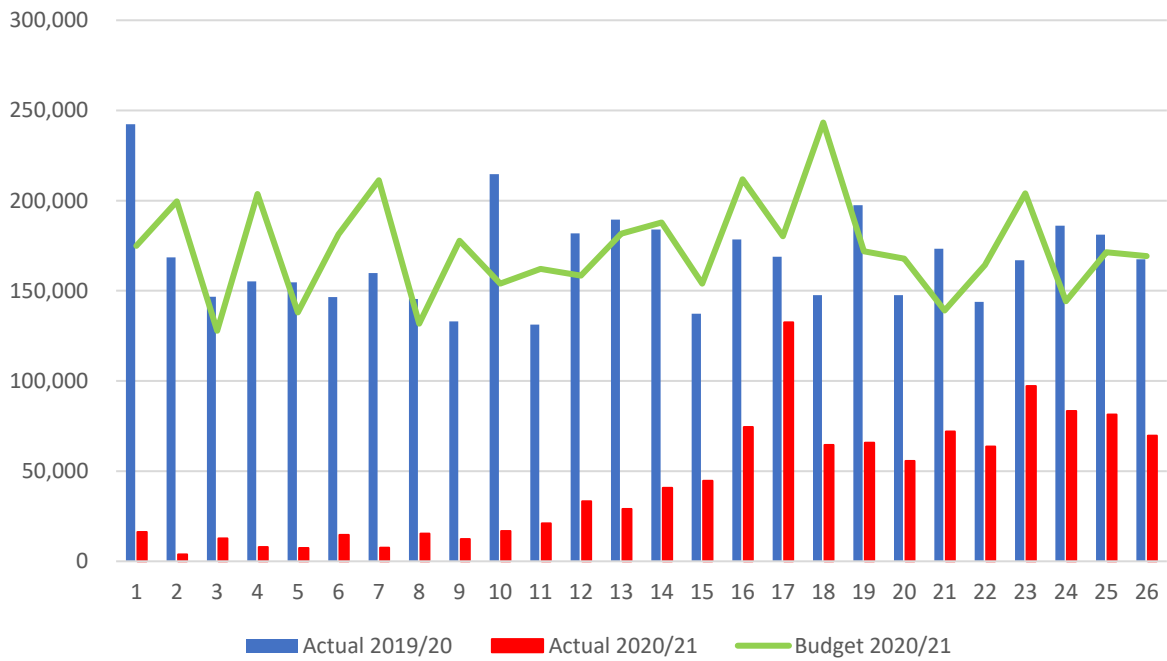
6.12.1. During September there was a slight increase in lockdown measures with the rule of 6 being introduced. Where individuals can only meet inside in a maximum group of 6, and to work from home where possible. During this month there had been no increase to lockdown measures locally in London.

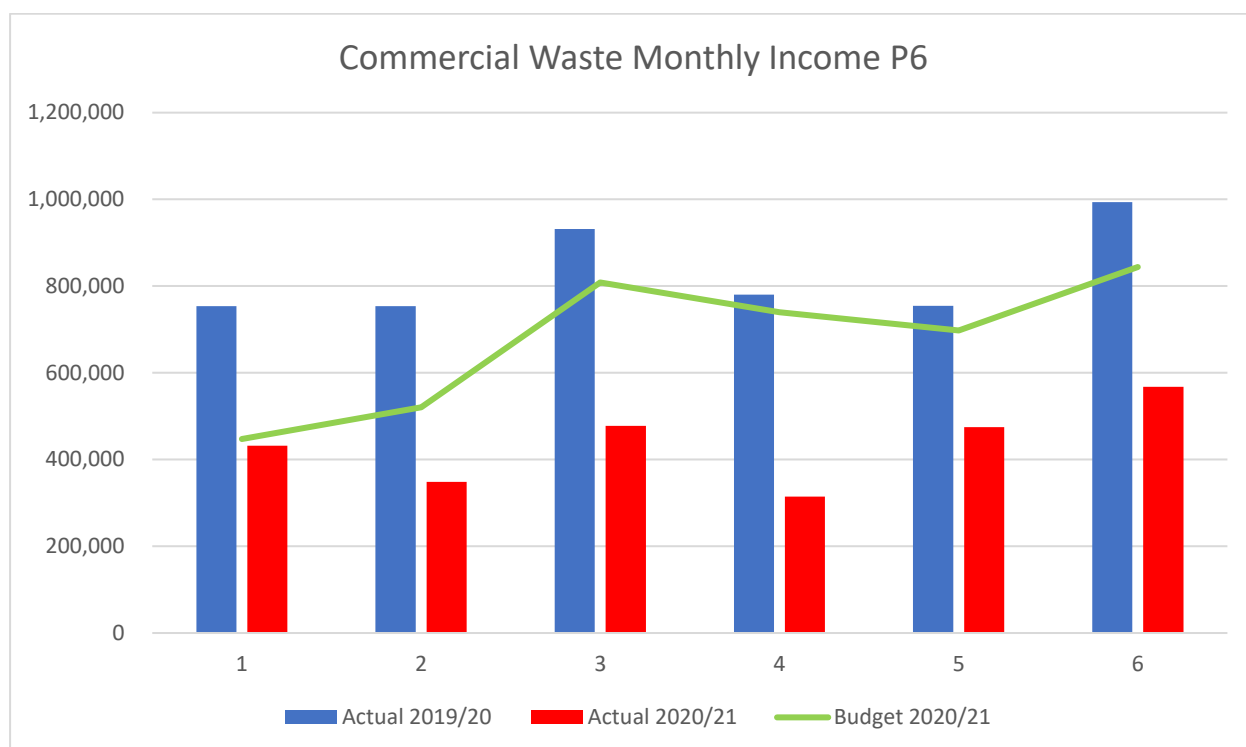
6.12.2. Parking income has slightly increased against budget, by 0.5%. The largest noticeable difference is in week 24 which was the week where the rule of 6 and the work from home directive were issued. This therefore again is showing the very short amount of time that lockdown measures take to affect this income stream. This is in contrast to the week before which was 95% of expected budgetary levels. With the rest of the month being 85% of expected levels. The main variance was on suspensions income, and other areas also see a decrease other than PCN income, which remained higher.

Parking Weekly Income trends



Commercial Waste Weekly Income P6





6.13. Commercial waste is seeing a different, less reactionary pattern, which is more delayed than parking. As there is less footfall around the borough commercial waste income is still considerably lower than in previous years and below budgetary expectations. Weekly commercial waste income has again increased on weekly collections, increasing by 12% on the previous month, monthly income has again increased however as a proportion of the profiled budget has decreased by 2%, however, this is encouraging given that lockdown measures have been heightened.

6.14. Both of the trends on these income streams are encouraging as it is showing that the recovery is still occurring, albeit at a much slower pace. It is unclear how income may be affected by the recently changed advice, although the recently changed advice that London is subject to tier 2 restrictions, it is very likely for there to be a downturn in income as a result.

6.15. While all income streams remain under review, the year-end position depends on how the economy and public health recovers. Currently the council are reviewing all fees and charges with a report to be brought to cabinet to ensure that all charges levied are fair and appropriate. The outcome of this review will mean that the council will be able to give an accurate forecast as to the amount available to the council under the government's income support scheme.

7. Expenditure

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

7.1. **Growth, Planning and Housing**

7.1.1. Temporary Accommodation

Temporary Accommodation is forecasting a gross overspend of £4.6m against the base budget (excluding budgeted Flexible Housing Support Grant (FHSG) by the end of the financial year. Approximately £4.2m relates to BAU activity and c£0.4m due to Covid-19. However, this is a net overspend of £2m once planned use of £2.6m of FHSG is utilised.

7.2. 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 £4.2m.

The majority of tenancies - 2,070 - are in properties rented from the Private Sector, 180 tenancies in Bed and Breakfast accommodation, 310 in Nightly Booked accommodation; 201 tenancies in properties acquired by WCC for use as TA and 56 in other properties.

7.3. 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. In previous months, it was reported that the impact of Covid-19 would lead to an increase in 10% on overall TA numbers but it is now assumed that this is unlikely to materialise until later than anticipated (quarter 4 20/21). Therefore, an overall increase of 5% is now assumed. This is forecasted to cost an additional c£0.4, thereby increasing the overall forecast overspend to £4.6m.

7.4. 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.

7.5. 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.

The Council has bid for and been successful in receiving £1.7m of the government's £105m transition funding for rough sleepers. The funding will be used to continue the Council's current strategy to actively move people off the street.

8. Adult Social Care

8.1. There is an additional cost 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.

8.2. 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 unchanged from the reported position in period 5. The underspend is primarily driven by contract and staffing savings. There are lower placement and packages costs within physical support, dementia and learning disability services, however, these are offset by an overspend in mental health placements and packages activities.

8.3. 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, c£0.704m, (this is an estimate and Adult Social Care share of PPE is 80%), support for the market c£0.249m and increased staffing c£0.222m. In addition, financial savings of £0.725m are deferred into financial year 21-22 due to Covid-19.

9. Children's Services

9.1. At the end of period 06, the Executive Directorate is forecasting an adverse variance of £3.6m, of which £2.392m is attributable to COVID.

9.2. BAU

9.2.1. Pressures in Education as a result of increased levels of activity in Passenger Transport due to increases in pupils with EHCPs and Short Breaks placements total £0.274m. 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. Family Services is reporting an adverse variance of £0.855m this month. The Looked After Children (LAC) placement forecast increased by £0.787m following a comprehensive review of client data captured on Mosaic. This review is ongoing and will result in far more robust processes for accurately capturing and reporting supplier and client data going forwards. This may result in further fine-tuning of the placement forecast between now and period 7. Operations and programmes are reporting an underspend of £0.029m due to vacancies within the service area.

9.3. Covid-19

9.3.1. The £2.392m spend relates to SEN Transport operator relief; a delay in meeting MTFS targets; and the cost of providing home care support for children who are not in school.

10. Progress on 2020/21 Savings

- 10.1. 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.
- 10.2. The majority of this is related to income generation across several income streams and delays in delivering expenditure efficiencies.

11. HRA

- 11.1. 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 P6 (£m)	Opps Identified P6 (£m)	Projected Variance inc. Opps and Risks P6 (£m)
Growth, Planning & Housing	0.000	0.000	0.817	0.000	0.000	0.817

- 11.2. At the end of period 6 the Housing Revenue Account is forecasting an overspend of £0.817m. Pressures due to COVID-19 account for £4.006m of costs / lower income.

11.3. Summary

11.3.1. The period 6 position has resulted in a £5.471m favourable movement from period 5. There are several items driving this movement, the most significant being: Actualisation of leasehold service charges has seen income projections increase by £2.4m. On-going work within finance to review projections for support service recharges has seen a reduction in the forecast in this area of £2.1m. Staff cost projections have reduced this month by £840k. This was due to correcting the automatic system projections which were being overstated by the impact of incentive payments.

11.3.2. The overall variance is 0.70% of the gross expenditure budget.

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

12.1. 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'.

13. 2020/21 Funding

13.1. The Council has a variation to date of £36.5m, which is partially offset by the additional general government funding of £29.4m 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 the full year variance is in the region of £50-60m before government support is taken into account.

13.2. 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.

14. Capital Budget 2020/21

14.1. The table below summarises the Council's budget and forecast position on the 2020/21 capital programme, which reflects a projected £98.37m gross expenditure variance.

	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
ELT									
Adult's Services	1.251	(1.251)	0.000	0.635	(0.635)	0.000	(0.616)	0.616	0.000
Children's Services	20.998	(15.181)	5.817	15.555	(9.911)	5.643	(5.443)	5.270	(0.173)
Growth, Planning & Housing	83.279	(22.853)	60.426	41.949	(36.648)	5.302	(41.330)	(13.795)	(55.125)
Environment & City Management	81.567	(39,885)	41.682	62.583	(29.505)	33.078	(18.984)	10.380	(8.604)
Finance and Resources	22.883	0.000	22.883	17.164	0.000	17.164	(5.719)	0.000	(5.719)
Westminster Builds	45.521	0.000	45.521	19.943	(4.256)	15.687	(25.578)	(4.256)	(29.834)
Projects Funded from FCR*	1.783	0.000	1.783	1.083	(0.500)	0.583	(0.700)	(0.500)	(1.200)
Total for Council	257.282	(79.170)	178.112	158.911	(81.455)	77.457	(98.370)	(2.285)	(100.655)

14.2. The majority of the expenditure variance is due to the following projects:

Project	2020/21 Variance to Budget £m	Comments
Westminster Builds	(14.710)	£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
Luton Street	(10.868)	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
Temporary Accommodation Acquisitions	(13.170)	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.
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	(5.500)	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 for Cycle Schemes (£2.338m) and TFL LIP (3.113m) as result of COVID and as such schemes will not be going ahead.
Strategic Acquisition Huguenot House	(4.000)	The effect of Covid-19 on the property market is causing delays in strategic acquisitions
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.
Public Realm Improvement Schemes	(3.057)	A number of schemes within this spend category (General Developer Schemes £0.878m, Sutton Row £0.454m, Royal Opera House £0.450m Albermarle Street £0.139m & Wellington Hotel £0.050m, Princes Street £0.100m and Paddington Place Plan £0.986m) will be reprofiled or underspent in the current year.
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.
Total	73.242	

14.3. As can be seen in the table above, twelve 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 2.4% of the projects are causing 79% of the expenditure variance.

14.4. The expenditure forecast movement has decreased between P4 and P6 by £13.596m.

15. Housing Revenue Account

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

HRA Capital Programme	2020/21 Revised Budget £m	2020/21 P6 Forecast £m	2020/21 Budget Variance £m
Housing Planned Maintenance	54.057	38.949	(15.108)
Housing Regeneration	112.727	63.939	(42.788)
Other Projects	40.639	29.721	(10.918)
Total	207.423	138.608	(68.815)

15.2. The HRA is forecasting an in-year underspend on its capital programme of £68.815m, 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	(12.317)	Underspend caused by impact of Covid-19 on the property market. The team has reduced the number of units that can be acquired this financial year due to restrictions and guidelines on Covid-19.
Ebury Acquisitions	(8.000)	Underspend caused by impact of Covid-19 on the property market. The team has reduced the number of units that can be acquired this financial year due to restrictions and guidelines on Covid-19.
Cosway	(8.759)	Underspend due to re-profiling of the scheme into future years as contractors reflect their work schedule to incorporate social distancing and government guidelines on Covid-19.
Parsons North	(5.082)	Delay due to impact of Covid-19, re-profiling of the scheme into future years
Small Site (Infills)	(5.725)	All the small sites have been reprofiled into future years as some of the sites had procurement issues which has delayed the projects.
Total	(39.833)	

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 administered with Russell House separately
Lisson Green decorations & EL (emergency lighting)	(1.119)	Due to government restrictions as a result of Covid-19.
Avenue Gardens roof & balcony surfacing & ventilation	(1.005)	This is part of the project on hold due to service provider issued a notice of termination and withdrawing services
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, works now planned to start Jan 2021
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	(5.953)	

15.3. The forecast for HRA capital has reduced by £18.891m since period 5. This movement consists of Housing Planned Maintenance - £3.353m, Regeneration - £13.261m and Other Projects - £2.277m.

15.4. The main reason for the variance in Housing Planned Maintenance is due to the impact of Covid-19 on projects within Major works including Lisson Green Decorations and Brunel Estate Ventilations, other projects including Memo External Phase 3 and Churchill Gardens Externals have seen delays due to extended consultation with residents.

15.5. Within Regeneration the underspend is mainly due to a reprofiling of spend from 20/21 to future years due to the impact of Covid-19 on building schemes due to the need for extra social distancing measures delaying completion. There has been a delay on starting the works on Lisson Arches due to Thames Water flooding.

15.6. In Other Projects, there has been an underspend due to lower house prices and a delay in procurement on the Small Sites programme and an underspend on Bayswater spend due to different risks with the site.

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

- 16.1. 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 £36m as at period 6.
- 16.2. 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 6, lost funding amounts to £5.451m.

17. Council Tax and Business Rates

17.1.1. The collection of business rates and council tax have been impacted by the Covid-19 outbreak as residents and businesses face an uncertain financial situation. The closure of courts has suspended recovery action for unpaid bills and reduced cash receipts.

17.1.2. September council tax collection rate to date is 57.27% which is 4.69% lower than the same month last year. By comparison, the business rates collection rate for September 2020 is 49.81%, 9.75% lower than the same month last year.

17.1.3. The closure of courts therefore continues 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.

17.2. **Overview**

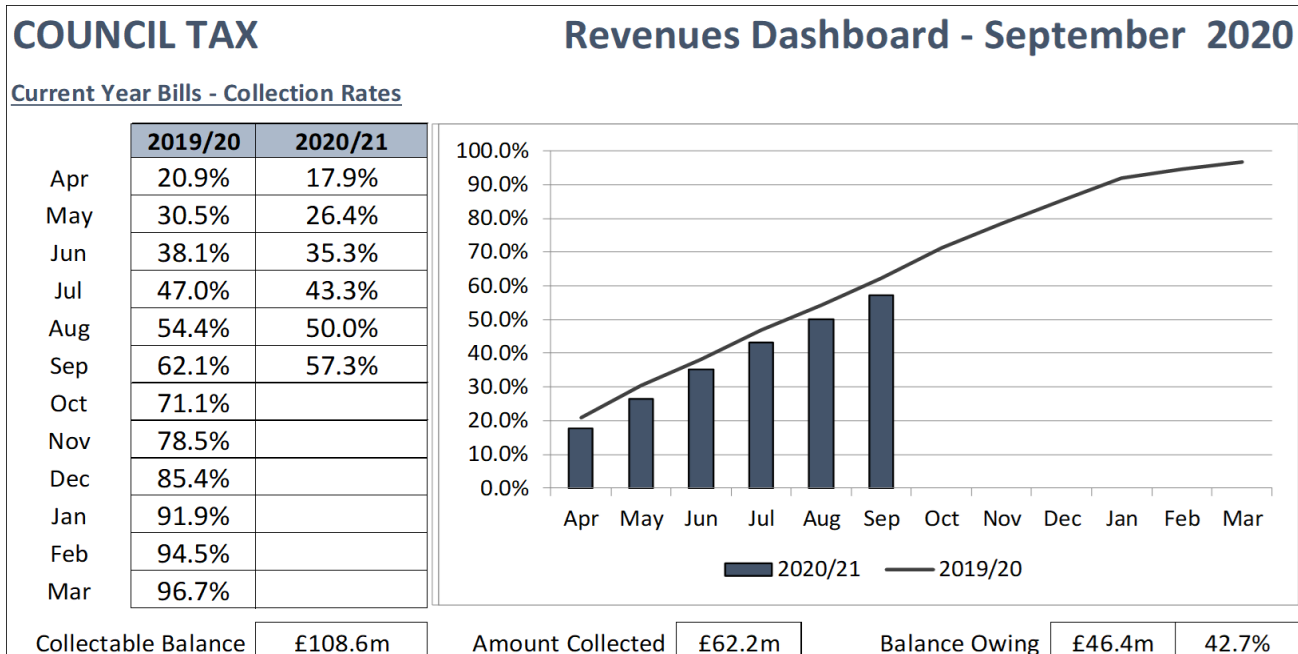
17.2.1. Council Tax and Business Rates are the Council's largest income sources and the Council has a responsibility to collect council tax and business rates on behalf of the GLA and government. In total, the Council should receive gross income of:

- Gross Council Tax (including GLA share): £98m
- Gross Business Rates (after retail relief given by government during COVID): £1.5bn

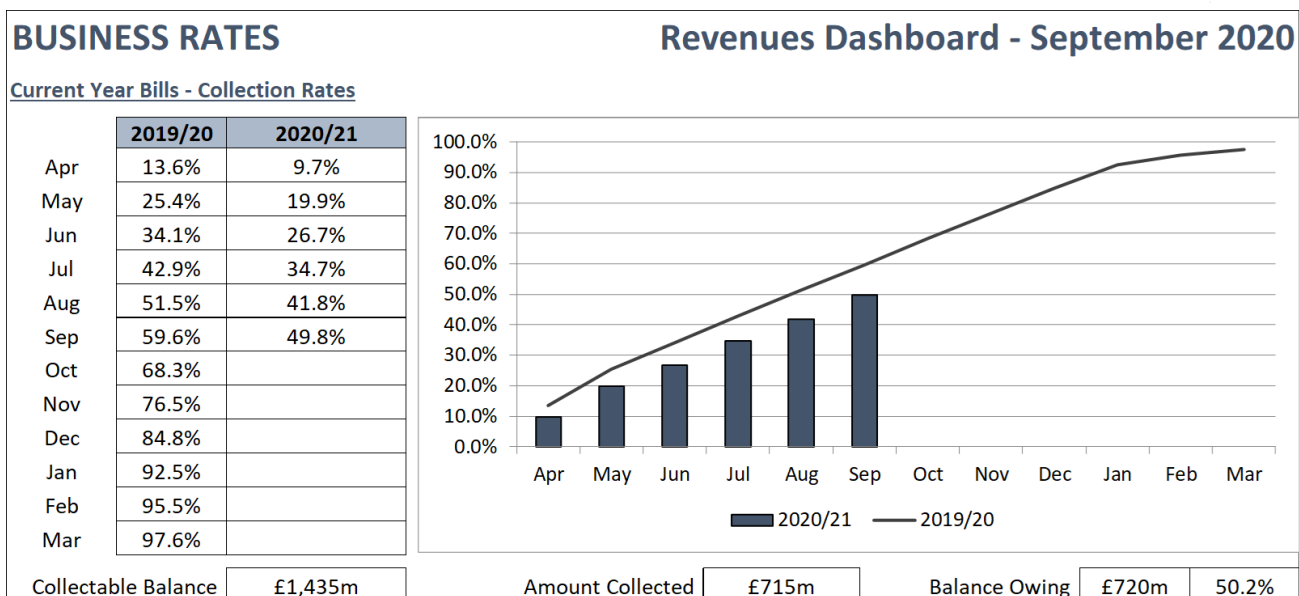
17.3. The Council only retains £180.5m of this income (Council Tax £60m & NNDR £120.5m) for its own use, however it should be noted that the collection figures in this section are based on gross income and collection rates for September 2020 are summarised in the table below:

	September 2020 Collection Rate	September 2019 Collection Rate
-		
Business Rates	49.81%	59.56%
Council Tax	57.27%	62.14%

Council Tax Collection



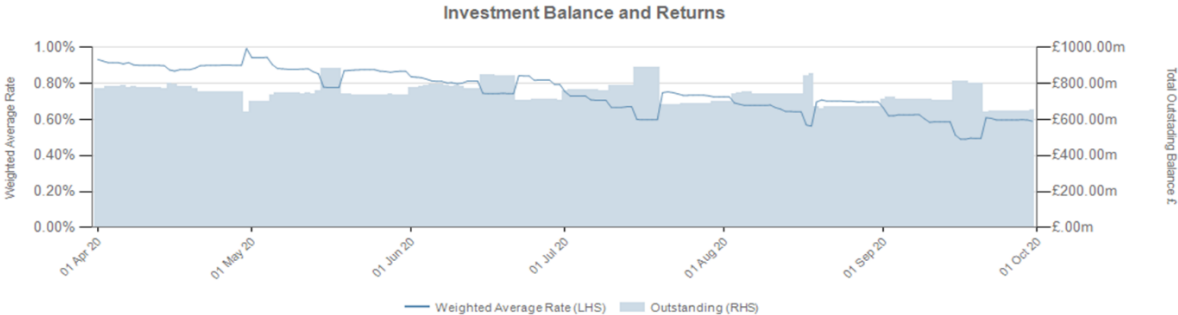
Business Rates Collection



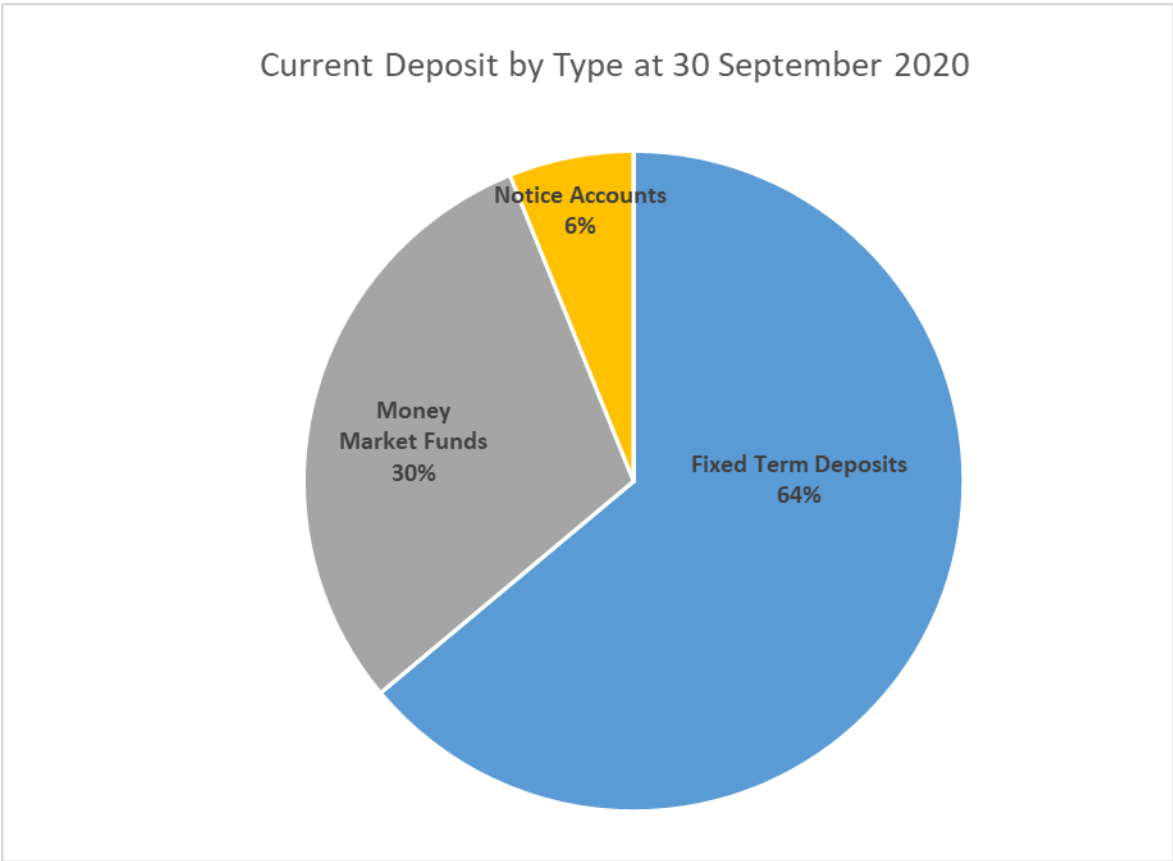
18. Treasury and Pensions

18.1. **Treasury**

18.1.1. Investment balances as at 30 September 2020 stood at £653.9m. The weighted average return in period 6 was 0.58%. This compared to an average investment balance of £715.6m in period 5, which generated an average return of 0.68%.



18.1.2. As at 30 September 2020, these investments are placed in fixed term deposits (banks and local authorities), money market funds and a notice account.



18.1.3. The five largest holdings were:

Counterparty Name	Amount (£m)	%
JP Morgan Sterling Liquidity Fund	60.00	9.18
Aberdeen Sterling Liquidity Fund	60.00	9.18
Morgan Stanley Sterling Liquidity Fund	59.30	9.07
Santander Bank	50.00	7.65
Standard Chartered Bank	50.00	7.65
Goldman Sachs Bank	50.00	7.65
Total	329.30	50.38

18.1.4. Prudential indicators to 30 September 2020 have all been complied with.

18.1.5. All investments are currently within the limits set out in the 2020/21 Treasury Management Strategy Statement.

18.2. Pensions

18.2.1. The valuation of the City of Westminster Pension Fund at the end of period 6 decreased by £17m from period 5 (£1.612bn) to £1.595bn. This was largely due to negative returns within the global passive equity portfolio, following the recovery up to 31 August 2020. The estimated funding level for the City of Westminster Pension Fund has increased slightly by 0.5% to 97.7% as at 30 June 2020 (97.2% at 31 March 2020). The funding level for Westminster City Council as an employer has also increased, with a funding level of 87% as at 30 June 2020 (86% at 31 March 2020), this is as a result of positive performance within the Fund.

18.2.2. Asset Values

The table below shows 12 months valuations to 30 September 2020.

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Market Value	1,495	1,525	1,545	1,546	1,481	1,320	1,425	1,487	1,527	1,556	1,612	1,595

18.3. Pension Fund Cash Flow

18.3.1. The balance on the Pension Fund bank account at the end of period 6 was £752k (£565k in period 5). 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 30 September 2020 (£000)

	Bank Opening Bal £000	Jul-20 £000	Aug-20 £000	Sep-20 £000
Total Receipts		4,745	4,846	5,782
Total Payments		4,928	5,423	5,595
Net Cash Flow		-183	-578	187
Cumulative Bank Balance	1,325	1,143	565	752

18.4. Update on the London CIV (LCIV)

18.4.1. The value of Pension Fund investments managed by the London CIV at the end of period 6 was £472m (£470m in period 5). The LCIV holdings represents 30% of the pension fund investments of £1.595bn at 30 September 2020. A further £658m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

18.5. Investment Strategy Review

18.5.1. As agreed at the Committee meeting in June 2020, fund manager interviews for a new active global equities' manager took place on 1 September 2020. The Committee explored the funds on offer at the London CIV alongside external fund manager offerings. A decision was made to appoint Morgan Stanley, via the LCIV, to manage their Global Sustain Active Equity fund. The fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, adult entertainment, gambling, civilian weapons, fossil fuels, and gas or electrical utilities. Funds will be transitioned from the Legal & General (LGIM) Global Passive Global mandate to finance the new active equity portfolio.

18.5.2. In addition to this, a decision was taken by the Committee to transition the remaining funds within the LGIM Global Passive into the LGIM Future World Fund. This fund will track the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance (ESG) screening of companies takes place to remove those companies which do not meet the required ESG criteria e.g. oil and gas stocks.