



City of Westminster

Monthly Financial Report

**Period 9 December
2020/21**

D I V A N I T

Introduction

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.

On 19 December 2020, the Government announced the tiering system had been extended to include a fourth tier to help manage the spread of Covid-19.

On 4 January 2021, the Prime Minister announced that a new national lockdown would be introduced starting 5 January 2021. From 5 January 2021 onwards there will be a Local Restrictions Support Grant (Closed) Addendum supporting rate-paying businesses during the lockdown. There will be a Closed Businesses Lockdown Payment (CBLP) scheme to support rate-payers with one-off grants. There will also be an Additional Restrictions Grant, given to councils to support businesses on a discretionary basis. The fund was unfortunately distributed based on number of residents rather than number of businesses.

The Government has offered local authorities financial support during the pandemic, in the following areas:

- more support for local test and trace
- more funding for local enforcement
- funding to support local businesses and residents
- funding to compensate for the loss in sales, fees and charges
- general grants to help with Covid-19 pressures

The Council will continue to monitor the impact of the new restrictions in London. 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.

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.

The Government continues to recognise the impact this has had on local authorities and has announced packages to support councils including compensating councils for the loss in income from sales, fees and charges and a fourth tranche of grant funding.

The Period 9 monitor reviews the Council's financial position as at the end of December 2020 and provides a gross and net full year forecast for the Council, taking account of the Government's emergency funding.

Government's Financial Support

The financial support the Government has provided is summarised in the table below. The total general Covid-19 funding received by the Council to date is £29.3m, excluding any amounts due from the income compensation scheme. In addition to various other grants there is also passported funding to support residents/businesses but this is not for the use of the Council to cover general costs.

The Government continues to 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 has been shared with councils. The Council received £15.4m for the first two returns. The council will continue to monitor the position and submit claims to compensate the loss in future months. The scheme has recently been extended until June 2021.

The Government's financial support so far 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 position on Government support is summarised below:

Scheme	National Funding	WCC Share	Purpose
General Support for Councils			
General Support	£4,600m	£29.3m	Un-ringfenced funding to help councils respond to the current crisis. Four tranches of payments have been made by Government.
New Burdens Grants	TBC	£0.246m	New burdens funding to help with the administration cost of processing the grants
New Burdens Allocation	TBC	£0.038m	New Burdens Payments for Council Tax Hardship Fund and Business Rate Reliefs.
High Street Funds	£50m	£0.233m	Reopening High Streets Safely Fund
Sales, Fees and charges scheme	TBC	£15.413m	Councils may claim 75p in the pound after absorbing the first 5% of losses against budget on reduced income from sales, fees and charges
Support for Test & Trace and Local Enforcement			
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.

Scheme	National Funding	WCC Share	Purpose
Contain Outbreak Management Fund	TBC	£2.874m	Set of payments for local authorities to help support and maintain proactive containment and intervention measures.
Track and Trace	£300m	£2.890m	Funding to support the test and trace service and to implement outbreak control plans.
Payments for Community Test Funding	TBC	£1.737m	Funding to support asymptomatic community testing in the City.
Other Specific Purpose Grants for Councils			
Support programme for extremely clinically vulnerable.	£32m	£0.121m	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.
Local authority Emergency Assistance Grant for Food and Essential Supplies	£63m	£0.284m	Help people struggling to afford food and other essentials
Emergency Support for Rough-Sleepers	£3.2m	£0.250m	Funding to help rough sleepers self-isolate during the pandemic.
Next Steps Accommodation Programme	£105m	£1.721m	For interim accommodation and support for the 15,000 vulnerable people accommodated during the pandemic.
Protect Programme: the next step in winter rough sleeping plan	£15m	£1.000m	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.
Rough Sleeping Drug and Alcohol Treatment Grant Scheme 2020-21	TBC	£1.125m	To provide additional support to people who are experiencing or have recently experienced rough sleeping.
Support for Care Providers			
Infection Control (2 Tranches)	£1,146m	£1.288m	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.

Scheme	National Funding	WCC Share	Purpose
Social Care Funding - Increased Care Home Testing	£149m	£0.148m	To support increased care home testing of residents and staff.
Social Care Funding - for local authorities to boost staffing levels	£120m	£0.662m	<p>This funding has been provided for local authorities to boost staffing levels. In particular:</p> <ul style="list-style-type: none"> Provide additional care staff where shortages arise Support administrative tasks so experienced and skilled staff can focus on providing care Help existing staff to take additional hours as overtime or help with covering childcare costs.
Support for Businesses and Council Taxpayers (Council distributes)			
Council tax Hardship Fund	£500m	£2.2m	Help residents with council tax payments by £150. The council has supported 1,413 households so far and is considering other schemes to support residents and fully utilise the fund.
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.
Business Rates Retail Relief	£10,000m	£945m	Retail relief given to businesses and fully supported by the Government. The relief is expected to be more than the grant paid but more funding will be paid by central Government to recognise the additional relief.
Small Businesses	£12,000m	£98.555m	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 5,612 businesses.
Discretionary Local Authorities Grants	£617m	£4.840m	Additional to the above £12bn to help businesses who did not benefit from the first round of business grants.
Additional Restrictions Support Grant allocations	TBC	£7.547m	Additional Grants to support local restrictions for lockdown period dating November 5th to December 2 nd and a top-up to this fund for the national lockdown commencing 5 th January.
Local Restrictions Support Grants (Open)	TBC	£7.208m	Two Grants to support the nation's economy and its businesses in response to Coronavirus and specifically for businesses that were still open but have been severely impacted by Local Covid Alert Levels and restrictions during 1 August to 4 November 2020 and 2 nd December to 18 th December.
Local Restrictions Support Grants	TBC	£54.806m	Three Grants to support local businesses closed by restrictions for lockdown period

Scheme	National Funding	WCC Share	Purpose
(Closed) Addendum			dating November 5th to December 2 nd , for tier restrictions entered into on 2 nd December and under the national lockdown from 5th January onwards.
Closed Business Lockdown Grant (January)	TBC	£65.565m	The Closed Businesses Lockdown Payment will be in addition to LRSG (Closed) Addendum: 5 January onwards scheme payments. Funding to deliver a one-off payment for businesses that have been required to close from 5 January 2021 due to the introduction of national restrictions. This funding is not retrospective.
Christmas Support Payment for wet-led pubs	TBC	£0.250m	To support the nation's economy and its businesses in response to Covid-19.
Cashflow support			
Deferred Rates	£2,600m	£192m	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	£1,800m	£90m	Up-front payment of business rates reliefs

Revenue Budget 2020/21

As at period 9 the Council has a year-to-date (YTD) variance of £50.4m. However, the indicative forecasts for the rest of the year estimate an adverse variance of £60m against budget before taking additional government funding into account. This is summarised in the table below and shows the potential upper range of £70m which is inclusive of further risks:

General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P9 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	54.705	56.105	1.400	1.400	-	(0.300)	1.100
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	24.383	32.407	8.000	3.900	0.800	-	8.800
Finance and Resources	52.699	57.160	6.800	3.400	10.300	(0.900)	16.200
Environment and City Management	(5.892)	32.393	38.300	34.500	0.200	-	38.500
Children's Services	40.768	44.378	3.600	3.000	-	-	3.600
Innovation and Change	5.961	8.936	3.000	3.200	-	-	3.000
Other Corporate Directorates	8.381	8.048	(0.300)	1.000	-	(0.100)	(0.400)
NET CONTROLLABLE BUDGET	179.977	238.399	60.800	50.400	11.300	(1.300)	70.800
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)				(29.383)
SFC Compensation			(21.413)				(21.413)
Net (Surplus) / Deficit*			10.004		11.300	(1.300)	20.004

*The net figure of £10.004m is inclusive of the first four tranches of Covid-19 emergency funding and the Council's first two returns for the income reimbursement scheme of £15.4m and an estimated third return of £6.0m.

It should be noted these forecasts are based on information known at the time and based on best estimates. However, the full year impact is dependent on the level of activity in the City in the last quarter of the year which is still very unpredictable. Therefore, there is the possibility of the variance to budget increasing or decreasing materially.

An approximate split of the variances by income and expenditure is given in the table below.

Income/Expenditure	Full Year	YTD Variance
Expenditure	£10-15m	£13.23m
Income	£50-55m	£37.13m
Total	£60-70m	£50.4m

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

Income

The biggest impact of the pandemic on the Council's finances is resulting from income reductions. The variance to date is £37.128m. As noted in the table above, the full year impact of this could range between £50-£55m 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.

Key income streams have been impacted by the Tier 4 restrictions announced in December, while the announcement of a national lockdown in January will have a longer lasting effect on actuals from P10 onwards. Income streams should now forecast lockdown/ tier 4 restrictions until the end of the financial year, as a result of this announcement and likely restrictions that will be in place for the rest of the financial year. The key income streams impacted are summarised in the table below with indicative forecasts for the full year:

ELT	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
Environment and City Management	Parking - Paid for Parking	40.491	30.740	9.751	30.472	23.328	7.144
Environment and City Management	Parking - PCNs	19.912	14.411	5.501	15.005	10.693	4.312
Environment and City Management	Parking - suspensions and dispensations	23.092	16.792	6.300	18.977	14.188	4.789
Environment and City Management	Parking - Resident Permits	4.471	4.621	-0.150	3.439	3.545	-0.106
Environment and City Management	Commercial Waste	18.199	7.549	10.650	12.892	5.855	7.037
Environment and City Management	Licensing (top two income streams)	3.650	1.435	2.215	2.737	1.198	1.539
Environment and City Management	Road Management	8.880	8.192	0.688	6.660	5.963	0.697
Environment and City Management	Community Services	5.995	0.065	5.930	4.481	0.104	4.377
Children's Services	Registrars	2.302	1.301	1.001	1.727	1.269	0.458
Growth, Planning & Housing	Planning	7.336	4.786	2.550	5.502	3.831	1.671
Innovation and Change	City Promotions, Events and Filming	4.810	0.940	3.870	3.691	0.558	3.133
Other Corporate Directorates	Local Land Charges	1.794	1.029	0.765	1.351	0.756	0.595
Finance and Resources	Property Income - General Fund	27.968	27.133	0.835	20.976	20.918	0.058
Finance and Resources	Court costs recovery income	1.900	0.000	1.900	1.425	0.000	1.425
	Total	170.800	118.994	51.806	129.334	92.206	37.128

Parking

The key income streams within Parking are:

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

Residents Permits remain the only income stream to perform well against profile, although activity was reduced in recent weeks, prompting a downgrade of the full year projection from a £225k surplus to £150k.

Other lockdown measures have meant that all other income streams within Parking have had to downgrade their full year forecasts also, this means that across Parking the forecast income variance has increased by £3.627m since P8.

Commercial Waste

The service is forecasting to under-recover due to Covid-19. The forecast income has been reduced based on the assumption that London will remain in lockdown restrictions until the end of the year and income is heavily dependent on the hospitality sector being open. Year to date income is circa 55% down on the prior year with this expected to worsen further with the latest lockdown. Weekly bags sales in particular have been hit, as can be seen from the chart on page 11.

Planning

The projected income shortfall is due to a reduction in planning application volumes during the pandemic.

Road Management

The projected shortfall in Road Management income is due to Covid-19 pressure on projected road management income shortfalls. This is as a result of activity levels being 24% below last year's levels in December and a more prudent approach to forecasting Road Management income in light of the new national lockdown measures.

Community Services

The full year forecast reflects national restrictions on leisure centres and residential outdoor activity centres which have heavily restricted activity since March 2020 and dramatically impacted their ability to generate revenue. The forecast recognises contract variations, support costs and ancillary costs of contract negotiations.

Registrars

Projected income shortfall due to lockdown measures and other Covid-19 restrictions on wedding ceremonies. As a result of the January to mid-February restrictions weddings are being re-scheduled to next financial year.

Public Protection and Licensing

Fees have been waived during the first lockdown (April to 1st June 2020 and Isolated Pitches 15th June 2020) and for the second and third lockdown. The increase in the shortfall is also due to a significant increase in the number of licences being surrendered and continuation of fees being waived for those who are vulnerable/shielding and in isolation. The introduction

of pavement licences with a fee of £100 has meant a reduction in premises applying for the standard Tables & Chairs licences. Also, concessions/discounts and enforcement are not being charged for.

City Promotions, Events and Filming

Under recovery of income £3.870m from Outdoor Media (£2.920m) and Events and Filming (£0.950m) due to the impact of the pandemic on commercial income. For outdoor media, the assumption is that only 16% of budgeted income is achieved following contract negotiations that now have revenue sharing agreements in place, and that due to theatre closures no banner/merchandise income is achieved. For events and filming, a partial recovery in December was lost with Christmas events cancelled and recovery from January onwards also potentially delayed.

Local Land Charges

The reported variance is an under recovery on Local Land Charges income due to an average 40% reduction in cash income in April to December against budget due to the impact of Covid-19. The £0.765m under recovery, which is an increase of £0.035m from last month, assumes a current 27% activity reduction year on year as a result of the lockdowns and restrictions impact on the property sales and construction market, which has changed in recent months due to loss of consumer confidence. By comparison in April 2019 to December 2019 there were 4,588 all official searches which decreased to 3,325 for April 2020 to December 2020.

Property

The forecast variance is based on the expected loss of income associated with Covid-19, excluding HRA. A review of service charge income is being undertaken for P10 to identify any potential opportunities for additional income. Public Convenience budgets are expected to be transferred to the Waste Team in P10. Service charges have been raised that relate to previous financial years that were not charged, there is a potential of £1.341m.

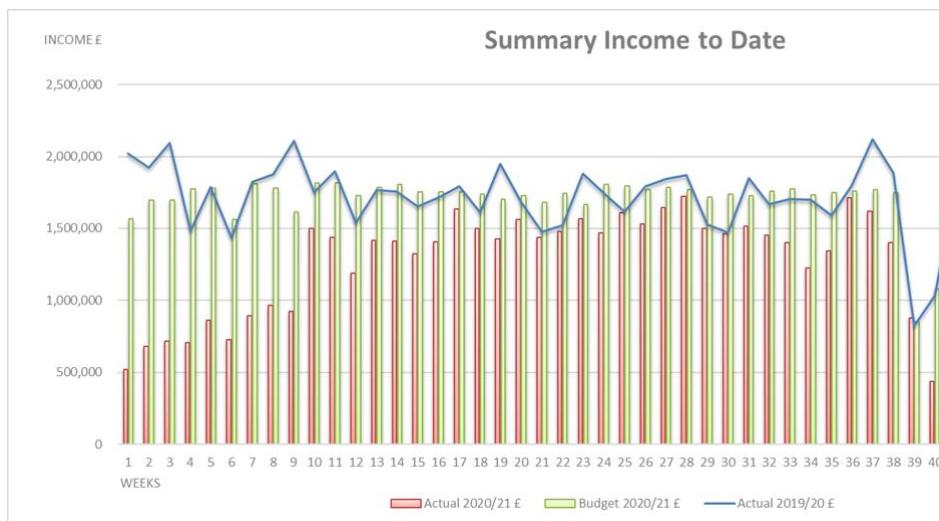
Court Costs Recovery

Courts are currently closed and will likely not be open until after March even in a virtual sense. It is therefore forecast that no income will be received this financial year.

Trend Analysis

At the beginning of December forecasts assumed the Christmas relaxation of restrictions would still occur, however, the Tier 4 restrictions were announced and imposed on London in December. The trend analysis below shows how both parking and commercial waste income levels dropped severely in the weeks following this decision.

Parking



Total income for week 40 is 51% down on the previous week, and 60% below the budgeted profile, a considerable reduction on the same week 2019/20. Week 40 income was the lowest reported for the whole of 2020/21 to date, although it did include two bank holidays. As at week 40 reported income is currently 25% below profile, however it is £17.1m below the cumulative income as at the same week in 2019/20. Paid for Parking had a decrease of 46% on previous week as a consequence of both Christmas/New Year and Tier 4 restrictions on street. There is now an expectation that Paid for Parking will continue to diminish now a new national lockdown has been announced.

Residents Permits remains the only income stream to perform well against profile, although the surplus to date has significantly diminished in recent weeks.

PCN receipts for week 40 had a decrease of 42% on week 39 but was at a similar level to Christmas/New Year 2019 weeks 39/40 combined. Suspensions experienced the lowest weekly level of the year to date at only £42k mainly due to Christmas and New Year.

Commercial Waste

Weekly Bag Sales

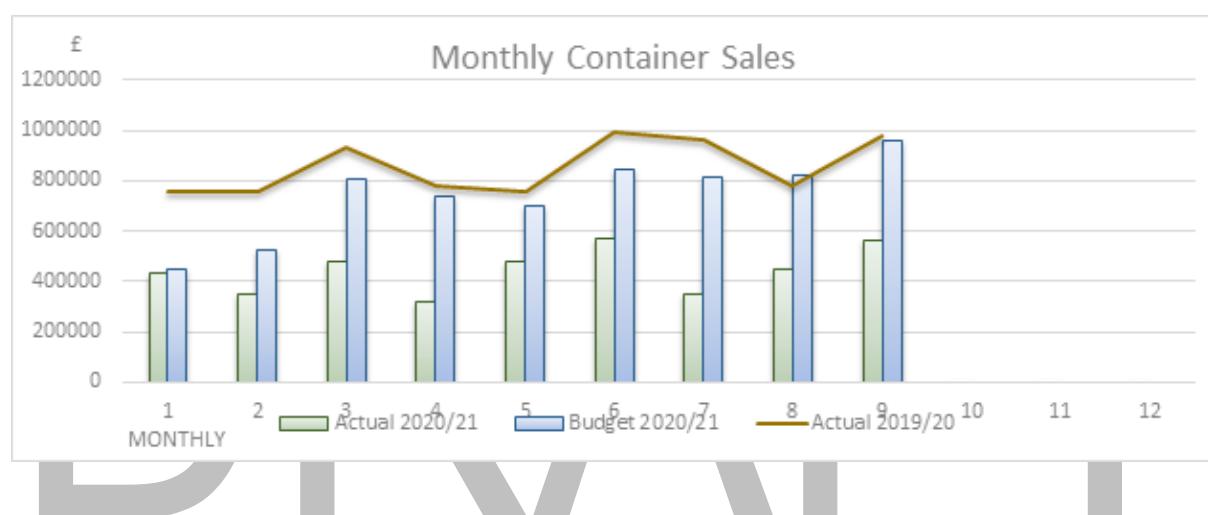


Total bag sales have dropped with each announcement relating to London's tier status in December and are 72% below last year's income to date. Sales in week 40 were below 10% of those from the equivalent week last year.

Standard pre-paid bag sales have plummeted to just £10k of sales this week during what should be a busy sales period. It is expected they will remain at a similar level to the first lockdown but with a slight increase to reflect the fact businesses are set up for takeaway and delivery services.

Sales of compactor bags vary greatly week by week, however the year to date has remained fairly consistent at between 65% and 68% below budget. However, this week there were no sales to report and very little is expected during lockdown.

Monthly Container Sales



As December is a 5 week reporting month (Waste reports on a 4, 4, 5 week basis each quarter), Commercial Waste would expect to see a proportionate increase in sales compared to November's sales (a 4 week reporting month), and as December is usually one of the busiest times of the year Commercial waste would usually see an even greater increase from November to reflect this. However, this was not the case and weekly income was comparable with the month before.

Containers and recycling collections are expected to fall during lockdown. There will also be an increase in credits in January relating to requests to suspend services.

Equipment Hire continues to exceed the YTD budget as well as sales this time last year.

Special collections remain low due to the reduction in events taking place this year.

Expenditure

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

Adult Social Care

Adult Social Care is projecting an underspend of £0.500m based on business as usual activities against an annual budget of £54.705m. This is a favourable movement of £0.200m compared to the previous month which is due to a downward trend in recent months in physical and dementia placements. However, this is partly offset by an increase in Homecare hours over the same period. In December, Homecare hours were 2.48% greater and placements were 3.51% lower than the previous month. In the current environment there is greater volatility which may change the position in the coming months however, the position reported is a prudent view and is expected to be achieved.

Overall, the main drivers for the underspend remain the same as reported previously which is lower placement and packages costs within physical support, dementia and learning disability services, however, this is partly offset by an overspend in mental health placements and packages activities.

As a result of Covid-19, additional spend of c£1.175m is still expected to be incurred in financial year 2020/21 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. However, there could be an opportunity for Covid spend to be lower by circa £0.300m if the projected spend on PPE does not materialise. The position is maintained for prudent purposes, but this may change in the coming months depending on the response required for Covid-19. In addition, financial savings of £0.725m are deferred into financial year 21/22 due to Covid-19.

Growth, Planning and Housing

Temporary Accommodation

Temporary Accommodation (TA) is forecasting a gross overspend of £4.3m against the base budget (excluding budgeted Flexible Housing Support Grant (FHSG)) by the end of the financial year.

This relates to BAU activity and the net overspend is £1.76m once the planned use of FHSG is utilised. The impact of Covid-19 is now not expected to lead to a rise in the number of households in TA until 2021/22 due the latest lockdown and the on-going restriction on evictions so this is no longer forecast.

TA: Business as usual (BAU) operations

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 2,799 households are being housed in TA, creating a financial pressure of £4.3m.

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.

Flexible Housing Support Grant

The Council has received FHSG 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. Government has recently confirmed that the 2021/22 allocation is £6.9m but as there has been no announcements on funding in future years, TA budgets and demand will have to be continually reviewed.

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.

Children's Services

At the end of period 9, the Executive Directorate is forecasting an adverse variance of £3.995m, of which £2.840m is attributable to Covid-19.

Children's - Business as usual operations

There are pressures in Education from increased levels of activity in Passenger Transport due to increases in pupils with EHCPs and Short Breaks placements totalling £0.664m. This is an upward trajectory in line with the national picture and budgets and assumptions around this have been included as part of the Council's Medium Term Financial Plan. Family Services are also reporting an adverse variance predominately due to staffing and placement pressures. Operations and Programmes are reporting an underspend of £0.053m due to vacancies within the service area.

Children's - Covid-19 impact

The £2.840m spend relates to SEN Transport operator relief; a delay in meeting MTFS targets; the cost of providing home care support for children who are not in school; and the Libraries, Archives and Registration Service income shortfall.

Progress on 2020/21 Savings

As part of the budget report presented to Full Council in March 2020, Council savings of £18.9m had been identified for 2020/21. It is currently estimated that c£6m of these savings will not be achieved in 2020/21 and forms part of the £60-70m variance at year end.

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

HRA

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 P8 (£m)	Opps Identified P9 (£m)	Projected Variance inc. Opps and Risks P9 (£m)
Contribution to/(from) HRA Reserves	(4.288)	(3.552)	-0.736	0.000	0.000	-0.736

At the end of period 9 the Housing Revenue Account is forecasting an underspend of £0.736m.

Summary

The overall position on the HRA is an underspend of £0.736m, a £1.957m favourable movement from P8. The variance is -0.63% of the gross expenditure budget. This movement is driven by a reduction of revenue repair costs of £1.386m, £0.398m of lower staff costs and £0.184m of lower regeneration costs, offset by £0.011m of various minor movements. The positive movement from the reported P7 position is due to a reduction in the rent bad debt provision.

Pressures due to Covid-19 account for £2.786m of costs / lower income.

The BAU variance is a £3.522m underspend. The main elements contributing to this are; £2.439m extra service charge income from leaseholders, staffing underspends of £1.999m across Housing Management and Repairs Management, reduced costs linked to the commercial portfolio within the HRA, an underspend of £0.811m, and the full release of contingency budget, £1.791m.

These underspends are offset by pressures across the HRA, including £1.916m lower rent and £0.201m lower tenant service charge income than budgeted due to voids, primarily those linked to regeneration schemes, £0.426m lower income from non-dwelling rents, a one-off increase in financing costs of £0.975m. There are also a number of smaller variances across the HRA which make up the balance.

2020/21 Funding

There is uncertainty about what the year-end outturn position will be, however the indicative potential range of the full year variance is in the region of £60-70m before Government support is taken into account.

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.

DRAFT

Capital Budget 2020/21

The table below summarises the Council's budget and forecast position on the 2020/21 capital programme, which reflects a projected £111.091m 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	0.335	(0.335)	0.000	(0.916)	0.916	0.000
Children's Services	20.998	(15.181)	5.817	13.004	(8.423)	4.581	(7.994)	6.758	(1.236)
Growth, Planning & Housing	83.279	(22.853)	60.426	35.149	(34.980)	0.169	(48.130)	(12.127)	(60.257)
Environment & City Management	81.567	(39.885)	41.682	59.769	(21.626)	35.143	(24.798)	18.259	(6.539)
Finance and Resources	22.883	0.000	22.883	14.958	0.000	14.958	(7.925)	0.000	(7.925)
Westminster Builds	45.521	0.000	45.521	24.943	(0.361)	24.582	(20.578)	(0.361)	(20.939)
Projects Funded from FCR*	1.783	0.000	1.783	1.033	0.000	1.033	(0.750)	0.000	(0.750)
Total for Council	257.282	(79.170)	178.112	146.191	(65.725)	80.466	(111.091)	13.445	(97.646)

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

Project	2020/21 Variance to Budget £m	Comments
Temporary Accommodation Acquisitions	(15.029)	Housing market uncertainty stemming from Covid-19, compounded by refocusing the team to support the Covid-19 response has reduced the expectation of the number of temporary accommodation acquisitions that can be achieved this financial year.
Westminster Builds	(11.947)	Expenditure relates to the Council investing its portion of senior debt into Luton Street LLP. See Luton Street commentary below regarding the underspend.
St Marylebone Bridge Special School	(8.687)	Delays in Wilberforce School refurbishments mean that St Marylebone Bridge special school project does not yet have vacant possession of the site. A 10-month delay is forecast with completion by April 2022.
Luton Street	(8.631)	The impact of Covid-19 closed the site for 7 weeks. Officers have recognised the potential for further Covid-19 delays and have reduced the forecast to build additional potential delays into the project. It is targeting a summer 2022 practical completion.
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 (£2.339m) and TfL LIP (3.112m) as result of Covid-19 and as such schemes will not be going ahead.
Public Realm Improvement Schemes	(5.248)	A large number of schemes within this spend category (General Developer Schemes £0.948m, Hyde Park Ward £0.578m, Royal Albert Hall £0.875m and Royal Opera House £0.750m) will be reprofiled or will be declared underspent in the current year due to delays in starting on site and developers putting schemes on hold.
Place Shaping's Enterprise Programme	(4.080)	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 outside of the Council's control.

Strategic Acquisition Huguenot House	(4.000)	Delays due to Covid-19 and the potential impact on residents mean no flats are likely to be sold this year. £4m is reprofiled to 21/22.
Church St Green Spine Project	(3.984)	This is due to a delay in undertaking a full review of the procurement routes and officer time devoted to Covid-19 emergency response. Start date moved from end of 2020 to February 2021. Completion is expected September 2022.
Piccadilly Underpass	(3.430)	Due to the complex nature of this scheme, the designers are struggling to design this scheme within the contract framework that WCC currently have. It has now been confirmed that we are going out to tender for this scheme and as a result, the design stage of this scheme will hopefully occur in Feb 2021 which results in £1.3m to be reprofiled with a further £0.125m reprofiled in P9.
Lisson Grove Programme	(2.570)	The variance in budget reflects the impact of Covid-19 on the property market this year. The Lisson Grove Programme's main budget forecast has been reduced for 2020/21 due to a delay in procuring a new MDCT team for the scheme. The programme has been updated in line with discussion at CRG for OBC 1 and now captures the Covid-19 impacts on the Clinical Commissioning's Group's OBC development.

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 71% of the expenditure variance.

The expenditure forecast movement has decreased between period 6 and period 9 by £12.990m. The majority of the changes are attributable to the following projects.

Project	Change P6-P9 £m	Comments
Temporary Accommodation	(2.119)	Forecasts for two TA acquisition programmes have reduced (20 in-borough purchases by £1.000m and Targeted purchases by £1.119m) due to the impact of the latest lockdown on WCC's ability to identify and purchase properties.
Public Realm Improvement Schemes	(2.048)	A number of schemes (Riding House Street, Royal Opera House, Princes Street, Grosvenor Square North) have been reprofiled into future years due to delays relating to Covid-19 or delays in securing the appropriate permissions to proceed with the scheme.
Enterprise	(1.886)	There was a forecast decrease due to delays with Crossrail project and time taken for the Council to acquire land from Network Rail.
Landlord Responsibilities	(1.061)	There has been a £1.061m reduction in planned expenditure on landlord responsibilities due to greater than anticipated complexities in stakeholder engagement.
Libraries Decoration Programme	(1.007)	Owing to Covid-19 restrictions from January to mid-February, and the Government's designation of Libraries as essential services, works at Church Street Library are on hold and estimated to commence late March/early April. Air conditioning and accessibility works have been rephased to 2021/22 to align with works across other Library sites.
Queensway Street Scape Improvement	(1.000)	Spend that was initially budgeted to be spent in 20/21 was incurred in 19/20 and as a result budget will not be needed.
Lisson Grove Programme	(0.842)	There was a reduction of £0.842m in Lisson Grove programme forecast due to reprofiling of the acquisitions budget, professional fees and survey into future years.
Hallfield Site Improvements	(0.822)	The contractor for Hallfield Site Improvements and the LA have come to mutual agreement to part ways on the project due to the contractor being unable to maintain the tender price. The forecast has been reduced to £0.015m with the expenditure forecast variance now £0.822m. The project is now delayed and will resume when an alternative contractor has been procured. The procurement process has now begun, and it is intended to slip the remaining budget into 2021/22.
Other	(2.205)	
Total	(12.990)	

Housing Revenue Account

The HRA capital budget and forecast position at Period 9 is summarised in the table below:

HRA Capital Programme	2020/21 Revised Budget £m	2020/21 P9 Forecast £m	2020/21 Budget Variance £m
Housing Planned Maintenance	54.057	36.027	(18.030)
Housing Regeneration	112.727	71.433	(41.294)
Other Projects	40.639	18.955	(21.684)
Total	207.423	126.414	(81.009)

The HRA is forecasting an in-year underspend on its capital expenditure of £81.009m. This is mainly due to the continued Covid-19 restrictions and lockdown which have had more impact than anticipated, particularly on projects that are in community engagement stages. The impact of Covid-19 has caused delays to project completion and prevented access to properties in line with the Government guidelines. The schemes have been re-profiled into future years. The five main 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	(11.908)	The difference between budget and forecast is due to the impact of Covid-19 on the property market, the team had reduced the unit to acquire this financial year due to restrictions and guidelines of Covid-19.
Cosway	(9.356)	Re-profiling of the scheme into the future years as contractors revise their work schedule to incorporate social distancing and the Government guidelines.
Small Sites (Infill)	(6.464)	All the small sites have been reprofiled into future years as some of the sites had procurement issues which cause delay.
Ashbridge	(5.482)	Decrease in forecast due to reprofiling of contract works reflecting the delay to start on site following the discovery of asbestos on the site.
Total	(45.527)	

Planned Maintenance Project	2020/21 Variance to Budget £m	Comments
Vale Royal House	(2.362)	Initially delayed due to Covid-19 with Service Provider staff furloughed. Thorough consultation with the resident association has slowed down the design process. Revision to the leases to more fairly represent resident leaseholders over commercial property further delayed progress.
Memo Externals	(2.190)	Leaseholder concern about the size of the bills led to extended consultation with residents which was prevented from taking place during Covid-19 restrictions. The project is now on site and progressing as forecast.
Avenue Gardens roof & balcony surfacing & ventilation	(1.962)	A delay arising from a change in safe systems of working in line with Government Covid-Secure practices increased costs after notice of estimates had been issued. The change in access increases scaffold costs and the Council has been working to mitigate this liability.
Fire Doors South	(1.577)	Initially delayed due to Covid-19 with Service Provider staff furloughed. Subsequently unclear legislation about the testing of fire doors and the 'field of variation' led to a delay in progressing with this project. The issue is now resolved has taken several months working with Building Control and the Fire Safety team.

Brunel Estate Ventilation	(1.360)	Project suspended pending a third-party design review as agreed with the Brunel Estate steering group. A tendering process to procure a consultant practice to undertake the review resulted in no returns from the market.
Total	(9.451)	

The forecast has decreased by £12.194m since period 6. This movement is made up of Housing Planned Maintenance of £(2.922)m, Regeneration of £1.493m and Other Projects of £(10.766)m.

The main reasons for the movement in forecast are shown below:

Planned Maintenance Project	2020/21 P9 vs P6 Forecast Variance £m	Comments
Fire Precaution -Major Work	(0.805)	Forecast reduction due to reprofiling of some project due to the impact of lockdown, project includes Little Venice Cladding(Y147), Fire door (Y142) and Gloucester Terrace (S147a).
Major Works	(0.718)	Forecast reduction due to reprofiling of some project due to the impact of lockdown, project includes Queens Park, Vale Royal and Jessel House.
Asset Management & Condensation	(0.361)	The reduction in forecast is due to reprofiling, PDHU boiler works transfer into the following year as work is scheduled to be complete by end of September 2021 also reduction in condensation budget due to lock up impact with works in-flat
Electrical Services	(0.332)	The reduction in forecast is due to reprofiling of scheme into next year due to Covid-19, projects includes Morris House and John Aired Court as there is unlikelihood of spend.
Other	(0.706)	The reduction in forecast in other components (Lifts, mechanical engineering and minor works) is primarily due to the re-profiling of projects due to Covid, such as Devonshire House Boiler works and Little Venice Tower lifts.
Total	(2.922)	

Housing Regeneration Project	2020/21 P9 vs P6 Forecast Variance £m	Comments
Parsons North	3.913	Increase due to Contractor made better than expected progress on site (due to Covid-19) which has enabled the recovery of some lost time. Cost b/fwd. from 21/22.
Lisson Arches	2.098	Increase due to Contractor made better than expected progress on site (due to Covid-19) which has enabled the recovery of some lost time. Cost b/fwd. from 21/22.
Ebury	1.573	Forecast increase due to Demolition Contractor and Design Consultants progressing better than expected (due to Covid-19). Costs b/fwd. from 21/22.
Ebury Acquisitions	(3.908)	Decrease in forecast due to lockdown which impacted on the leaseholder engagement - revised assumption for the remainder of 2021
Other	(2.183)	Reduction in forecast is due to delayed start on site for a number of other projects (Ashbridge, Cosway, Ashmill Street, Luton Street and Carlton Dene).
Total	1.493	

Other Project	2020/21 P9 vs P6 Forecast Variance £m	Comments
Contingency	(9.550)	Decrease in forecast as a result of underspend/reprofiling of all schemes with no shortfall hence the removal of the contingency
Kemp House/Berwick St	(0.722)	Decrease due to the continued Covid19 restriction and lockdown have had more of an impact than had been anticipated
Other	(0.494)	Decrease in the forecast in other projects, including in-fills, Churchill Gardens and Queens Park Court, primarily due to delayed contractor appointment.
Total	(10.766)	

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Council Tax and Business Rates

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 restriction on courts has in effect suspend recovery action for unpaid bills and reduced cash receipts.

Collection Rates

December council tax collection rate to date is 79.37% which is 5.86% lower than the same month last year. The business rates collection rate for December 2020 is 74.87%, 9.95% lower than the same month last year.

The restriction surrounding 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.

Overview

Council Tax and Business Rates are the Council's largest income sources and the Council has a responsibility to collect on behalf of the GLA and government. It collects and recognises in its account the following:

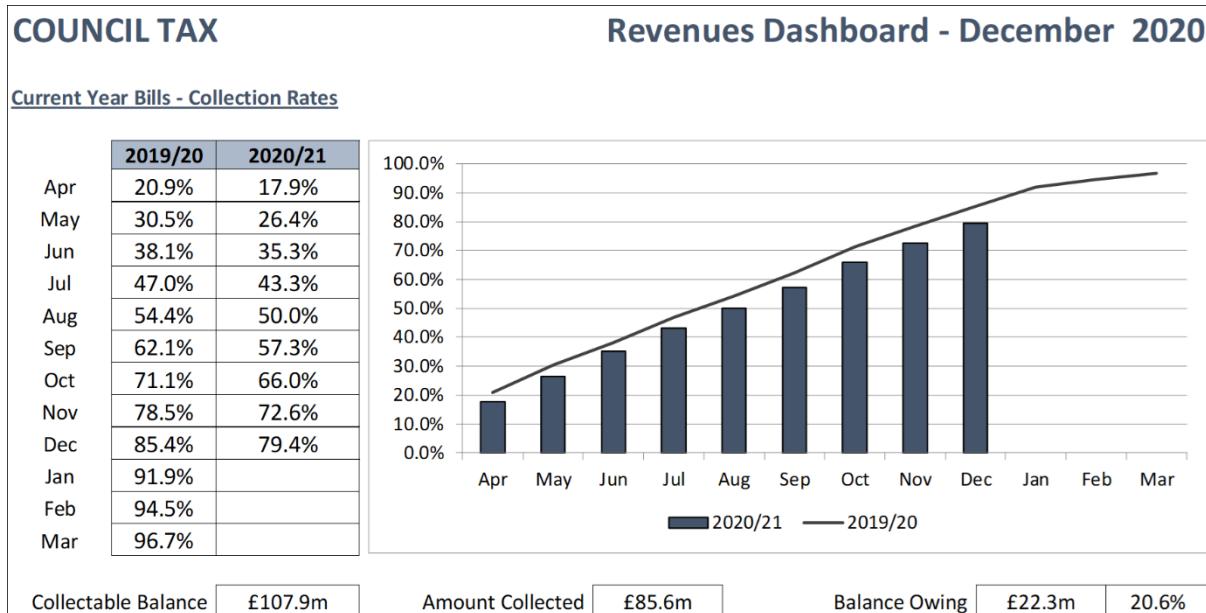
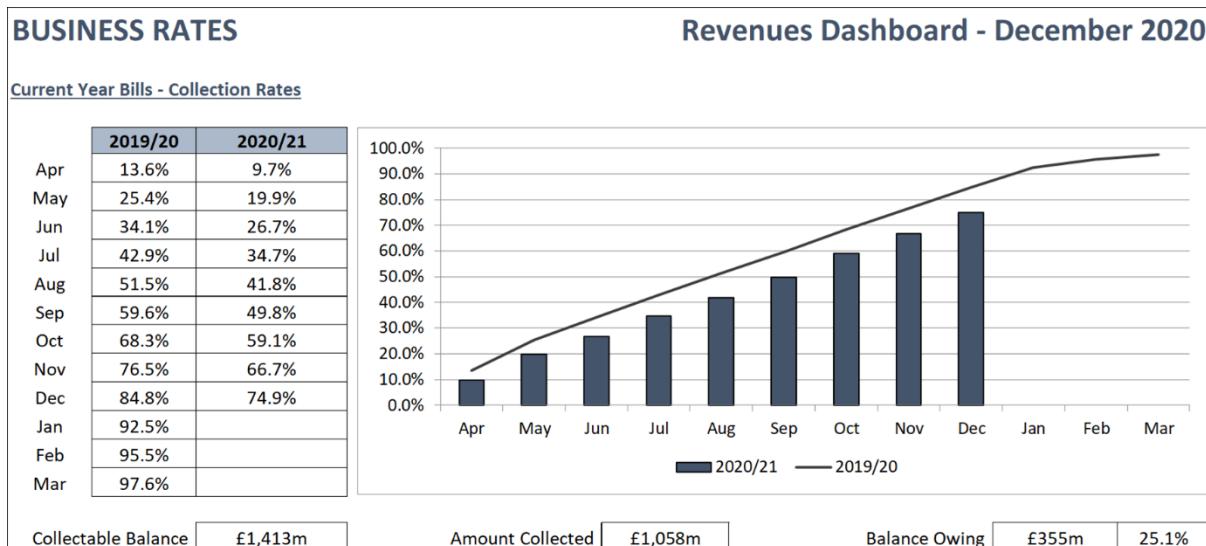
- Gross Council Tax (including GLA share): £98m
- Gross Business Rates (after retail relief given by government during COVID): £1.4bn

The Council only retains £185m of this income (Council Tax £60m & NNDR £120.5m) for its own use. If there is a reduced business rates income as witnessed through Covid the maximum the council will lose is £6.8m, reducing our recognised income from £120.5m to £113.7m.

Also it should be noted that the collection figures in this section are based on gross income and collection rates for December 2020 are summarised in the table below:

	December 2020 Collection Rate	December 2019 Collection Rate	Percentage Difference
Business Rates	74.87%	84.82%	-9.95%
Council Tax	79.37%	85.37%	-6.00%

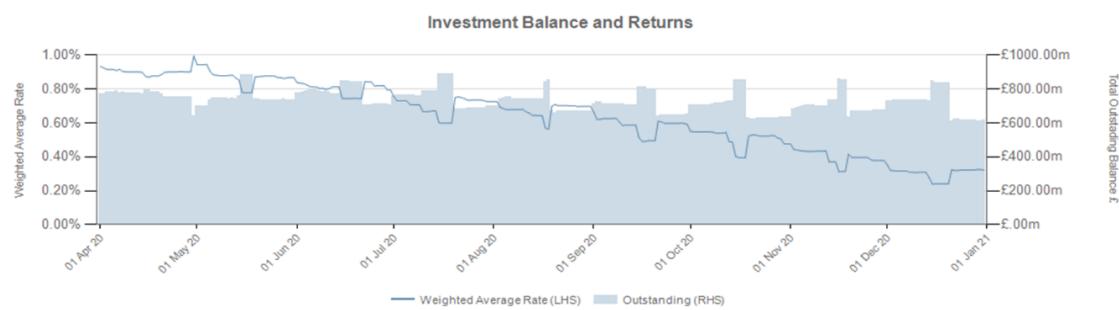
Council Tax Collection



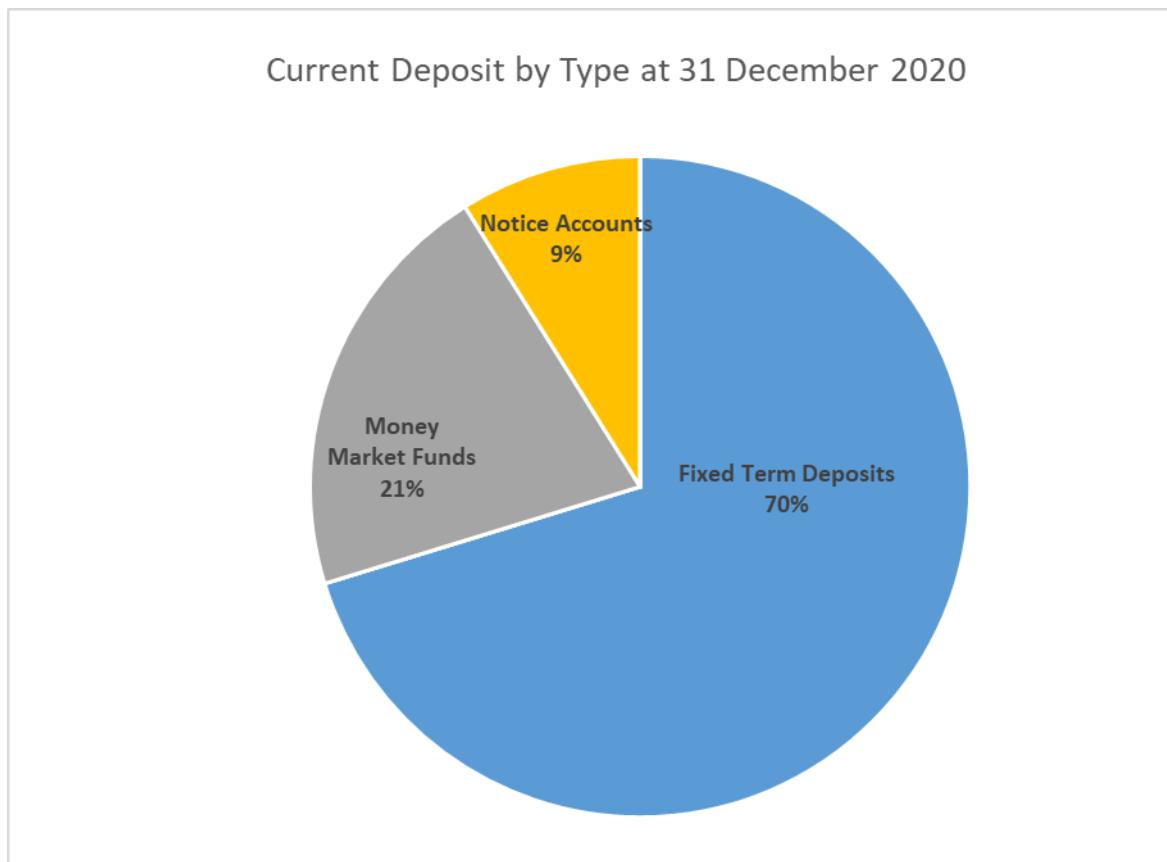
Treasury and Pensions

Treasury

Investment balances as at 31 December 2020 stood at £617.5m. The weighted average return in period 9 was 0.30%. This compared to an average investment balance of £703.7m in period 8, which generated an average return of 0.40%.



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



The five largest holdings were:

Counterparty Name	Amount (£m)	%
DMADF (Debt Management Account Deposit Facility)	115.90	18.77
JP Morgan Sterling Liquidity Fund	60.00	9.72
Morgan Stanley Sterling Liquidity Fund	60.00	9.72
Standard Chartered Bank	50.00	8.10
Santander Bank	50.00	8.10
Total	335.90	54.41

Prudential indicators to 31 December 2020 have all been complied with.

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

Pensions

The valuation of the City of Westminster Pension Fund at the end of period 9 increased by £35m from period 8 (£1.672bn) to £1.707bn. This was largely due to excellent performance within the Baillie Gifford and LGIM Future World equity mandates. The estimated funding level for the City of Westminster Pension Fund has increased by 1.3% to 98.5% as at 30 September 2020 (97.2% at 31 March 2020), this is as a result of positive performance within the Fund. The funding level for Westminster City Council as an employer has remained stable, with a funding level of 86% as at 30 September 2020 (86% at 31 March 2020).

Asset Values

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

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
	£m											
Market Value	1,546	1,481	1,320	1,425	1,487	1,527	1,556	1,612	1,593	1,575	1,672	1,707

Pension Fund Cash Flow

The balance on the Pension Fund bank account at the end of period 9 was £2.689m (£1.098m in period 8). Payments from the bank account will continue to exceed receipts on a monthly basis. During the year cash withdrawals from cash at custody are expected to take place to maintain a positive cash balance. A total of £4m was withdrawn from the custodian over the quarter.

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

	Bank Opening Bal £000	Oct-20 £000	Nov-20 £000	Dec-20 £000
Total Receipts		6,052	5,647	7,047
Total Payments		5,867	5,484	5,456
Net Cash Flow		184	162	1,591
Cumulative Bank Balance	752	936	1,098	2,689

Update on the London CIV (LCIV)

The value of Pension Fund investments managed by the London CIV at the end of period 9 was £851m (£835m in period 8), an increase of £16m as a result of positive performance within the Morgan Stanley and Baillie Gifford mandates. The LCIV holdings represents 50% of the pension fund investments of £1.707bn at 31 December 2020. A further £379m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

Investment Strategy Review

As agreed at the Committee meeting in June 2020, fund manager interviews for a new asset allocation to renewable infrastructure took place on 7 December 2020. The Committee explored the fund on offer at the London CIV alongside external fund manager offerings. A decision was made to appoint two renewable infrastructure managers, Macquarie and Quinbrook with each manager allocated a 3% holding of the Pension Fund assets.

Macquarie is one of the largest infrastructure managers in the world with c. €99bn in infrastructure assets under management. The Renewable Energy Fund 2 will focus on assets at the construction and operational stages of development, consisting of offshore and onshore wind assets and solar PV. The geographical location of the assets will primarily be allocated to Western Europe, alongside North America and Asia.

Quinbrook are a relatively new manager, founded in 2015, who focus entirely on low carbon and renewable energy products within the infrastructure sector. Their Renewable Energy Impact Fund will invest solely in UK assets at both the development and operational stage. Target assets include solar PV and onshore wind, alongside supporting infrastructure such as battery storage and connection assets.

The funds are due to be transitioned from the existing Hermes property mandate and residual Longview holdings, with the remaining funds to be taken from equities. The initial drawdowns are expected to take place during the first quarter of 2021.

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