City of Westminster

Monthly Financial Report

Period 4

July 2021/22

1. Introduction

1.1. In March 2021 Full Council approved the 2021/22 budget which included £16.9m of savings and £28.7m of growth. This budget was set within the context of the Covid-19 pandemic, with much of the growth items being related to income from sales, fees and charges. In setting the 2021/22 budget it has been anticipated that the Council will continue to be impacted by the pandemic – particularly with regards to reduced income across the City.

1.2. The period 4 monitoring report provides the year to date position and the forecast position for the rest of the year, based on activity trends reviewed over the last few months as lockdown restrictions slowly disappear. Income activity levels in some cases are still below pre-pandemic levels. How this unfolds over the coming months is yet to see seen but financial uncertainty continues and estimating the magnitude of what will happen by the end of the financial year continues to be challenging. The delay in lifting lockdown restrictions from 21 June to 19 July is an example of how quickly external factors can impact the Council's forecasting.

1.3. The past year has had a major adverse impact on council finances and the financial pressures were beyond what could have reasonably been planned for by local government. The Council benefited from Government support over the last year – particularly in relation to the various grants and income compensation scheme which reduced the pressure on general fund balances. However, this support is now being wound down, for example, Sales, Fees and Charges compensation ended on 30 June 2021 so any subsequent income losses will be fully borne by the Council.

1.4. Furlough and business rates relief tapers off over the financial year and there may be an impact on the demand for Council support. The budget contains some contingency budgets to mitigate any fluctuations that may arise from either demand increases or reductions in income.

1.5. The monitoring report assesses the impact of the restrictions on the Council's commercial income, Covid related expenditure and provides a gross and net full year forecast for the Council (taking account of central Government funding).

2. Executive Summary

Overview

2.4. At period 4 the Council forecasts a gross variance of £5.6m against the budget before taking into account the Government's sales, fees and charges (SFC) compensation scheme in place for Q1 of 2021/22 which has now discontinued by central government.

2.5. The General Fund shows a potential upper range variance of £11.950m which is inclusive of further identified risks and opportunities, but once the SFC compensation is taken into account the net variance reduces to between £3.3m and £8.150m.

General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P4 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	52.122	52.022	(0.100)	-	0.300	-	0.200
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	25.435	27.495	2.100	(17.800)	3.200	(1.900)	3.400
Finance and Resources	44.443	44.077	(0.400)	(0.300)	-	(0.400)	(0.800)
Environment and City Management	6.377	9.018	2.600	(0.300)	1.400	-	4.000
Children's Services	41.141	42.423	1.300	-	0.800	-	2.100
Innovation and Change	9.978	10.113	0.100	(0.100)	0.500	(0.100)	0.500
Other Corporate Directorates	4.278	4.278	-	-	-	-	-
Collaborative Savings	-	-	-	-	2.550	-	2.550
NET CONTROLLABLE BUDGET	**182.745**	**188.397**	**5.600**	**(18.500)**	**8.750**	**(2.400)**	**11.950**
Council Tax	(62.078)	(62.078)	-				-
Business Rates - Net of Tariff	(120.667)	(120.667)	-				-
CORPORATE FINANCING	**(182.745)**	**(182.745)**	**-**				**-**
SFC Compensation			**(2.300)**			**(1.500)**	**(3.800)**
Net (Surplus) / Deficit*			**3.300**		**8.750**	**(3.900)**	**8.150**

**The net figure is inclusive of the forecast compensation income of £2.3m the Council is expected to receive in 2021/22 for the SFC scheme.*

2.7. 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 which is still very unpredictable following the due to the on-going impact of the pandemic, particularly factors such as homeworking. The Council included a Covid-related risk budget in 2021/22 to help mitigate in income levels over the year.

2.8. The Council has committed to supporting the Afghan Relocations and Assistance Policy. Support for the programme will come from a number of areas of the Council's services, including; Housing, Adult Social Care, Children's Services and Westminster Employment Service. The Home Office announced funding support for this programme initially but have subsequently announced further funding streams. Details of how funding will be allocated are still to be determined and further updates will be incorporated into future monitoring reports.

3.0. Income Summary

3.1. The YTD income variance is currently £2.325m, while the full year forecast is projected with a £3.267m adverse variance, reflecting some degree of increasing demand as the year progresses, albeit still lower than pre-pandemic levels.

3.2. It should be noted that the adverse income variances are in comparison to budget adjustments made this financial year to take account of reduced activity following the pandemic. A total of £20m Covid adjustment was made in the 2021/22 budget, across all directorates to account for anticipated income losses. Therefore, the variance against pre-pandemic income levels is c£23m.

3.3. The key income streams impacted are summarised in the table below with indicative forecasts for the full year (favourable variances in red brackets). Further commentary on income variances are included in the directorate specific sections in section 5.

	Full Year				Year to Date			
ELT	Major Income Streams with Losses	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m	YTD Budget £m	YTD Actuals £m	Variance £m	Change From Last Month
Environment and City Management	Parking - Paid for Parking	39.721	38.721	1.000	13.287	12.749	0.538	↓
Environment and City Management	Paid for parking - Motorcycles	0.625	0.525	0.100	0.227	0.175	0.052	=
Environment and City Management	Parking Penalty charge notices - Marshals	14.929	14.929	0.000	4.976	4.808	0.168	=
Environment and City Management	Parking Penalty charge notices - Cameras	4.083	3.583	0.500	1.361	1.098	0.263	=
Environment and City Management	Parking - suspensions and dispensations	19.530	20.530	(1.000)	7.660	8.519	(0.859)	=
Environment and City Management	Parking - Resident Permits	4.562	4.562	0.000	1.538	1.542	(0.005)	↓
Environment and City Management	Parking - Trade Permits	1.320	1.395	(0.075)	0.520	0.487	0.032	↑
Environment and City Management	Commercial Waste	13.720	12.770	0.950	3.774	3.289	0.485	=
Environment and City Management	Licensing (top two income streams)	3.110	3.110	0.000	1.017	0.881	0.136	=
Environment and City Management	Road Management	9.102	9.102	0.000	3.034	3.303	(0.269)	=
Environment and City Management	Community Services	1.374	0.858	0.516	0.458	0.107	0.351	=
Children's Services	Registrars	2.252	2.651	(0.399)	0.751	1.075	(0.324)	↑
Growth, Planning & Housing	Planning	7.086	5.411	1.675	2.362	1.824	0.538	↑
Innovation and Change	City Promotions, Events and Filming	2.333	2.333	0.000	0.404	0.382	0.022	=
Other Corporate Directorates	Local Land Charges	1.444	1.444	0.000	0.496	0.406	0.090	=
Finance and Resources	Property Income - General Fund	24.847	24.847	0.000	9.065	8.597	0.469	=
Finance and Resources	Court costs recovery income	1.908	1.908	0.000	0.636	0.000	0.636	=
	Total	**151.944**	**148.677**	**3.267**	**51.565**	**49.241**	**2.325**	↓

4.0. Savings Summary

4.1. Details of progress against approved savings are outlined in the commentary for each directorate. The council has achieved £3.818m savings YTD, £14.905m is on track to be achieved, £3.583m has been reprofiled and £0.660m will not be achieved. Full details listed in Appendix 1.

4.2. Where savings are not on track, the directorate will consider mitigations to bring the budget back on target for this year.

Directorate (£000s)	Complete	Green	Amber	Red	Total
Adults	1,368	1,695	0	0	3,063
Children's	0	2,180	138	250	2,568
Environment & Highways	0	3,003	0	410	3,413
Growth, Planning & Housing	600	1,305	545	0	2,450
Innovation and Change	590	210	0	0	800
Finance & Resources	880	2,260	350	0	3,490
Collaborative Savings	0	4,074	2,550	0	6,624
HRA Savings	380	178	0	0	558
Total	**3,818**	**14,905**	**3,583**	**660**	**22,966**

4.3. Reprofiling of collaborative savings are as follows:

- Business Support Function Review - £2.050m reprofiled to 2022/23. Engagement across the Council continues to take place to agree the future operating model. This operating model is now anticipated to go live in early 2022/23
- CED strategy: contact centre review - £0.500m reprofiled to 2022/23. Project is currently being rescoped and will be considered later this year.

5.0. Summary by ELT

Adult Social Care

5.1. Despite the challenging pressures across Adult Social Care from an increase in demand and complexity the projected outturn at period 4 is an underspend of £0.100m against annual budget of £52.122m. This has remained unchanged from previous month's reported position.

5.2. As Covid restrictions have ended, the directorate is seeing an upward trend in demand for placements. The number of placements at the end of last year was 498, since then, a further 42 placements have been made, to date, an increase of 8.43. This is largely driven by an increase in activity from acute settings whereby more people are going to hospital and a backlog of medical treatments that were previously stopped or delayed which are now being carried out. At the end of July, the total number of placements made post discharge from hospital are 70 which is an increase of 29 compared to the pre-pandemic level for the same period. In terms of complexity, in some areas we are seeing the packages of care/duration continue to increase while the number of clients remain the same which indicates that more care provision is required to meet their needs. For example, the number of people receiving direct payments has remained at a stable level, however because of care needs increasing the value of direct payments is going up. The total value of direct payments made so far is £4.126m, which compared to the same period last year is an increase of £0.492m. This is largely driven by a deterioration of health while treatments or operations were stopped during the pandemic, increased isolation during lockdown and less support from family members.

5.3. The financial planning for this year anticipated an increase in costs and based on current throughput the extra demand is manageable. The directorate will continue to work hard to establish mitigating measures to offset any financial pressures. However, if the current upward trend on demand and complexity continues then it may put further pressure on ASC budgets that could subsequently result in a financial overspend at year end. This is difficult to quantify however the range could be between £0.300m to £0.600m, hence a pressure of £0.300m is being reported at this stage.

5.4. The current trend being experienced in Westminster is something that is being felt across London in particular the demand for nursing placements due to discharge from hospital driven by a need for capacity in acute settings.

5.5. There have been recent announcements on social care reforms with the introduction of a new upper limit of £100k, which is more than four times the current limit before an individual is required to pay for their care costs in full. People with assets between £20k and £100k will be means-tested for financial support on a sliding scale. However, there will be a cap on care costs across an individual's lifetime of £86k, excluding accommodation or food costs. The changes are expected to come into effect from October 2023 and so do not have any financial implications for the current year. As details emerge, further analysis and its implication for Westminster's MTFP will be appraised and stakeholders informed.

Public Health

Commissioned Services:

5.6. For the Behaviour Change service the forecast reflects continued reductions in demand for Health Checks and smoking cessation services accessed via GPs. Although services may return to normal capacity, it is still anticipated that demand will be lower than before the pandemic resulting in a forecast underspend of £0.157m.

5.7. For Families and Children the forecast overspend is £0.097m which is due to minor underspends in Oral Health and Healthy Start Vitamins, which are partly offset by increased expenditure in Community Based Initiatives and an inflationary increase in School Nursing.

5.8. Within Sexual Health, GUM is forecast to budget however, there is a forecast underspend of £0.024m in other Sexual Health services due to reductions in demand.

5.9. For Substance Misuse, the forecast underspend of £0.044m recognises a continued reduction in demand for Detox Placements, GP Shared Care and the Reducing Reoffending Pilot. These will be monitored closely as services return to normal capacity.

Non-Commissioned Services:

5.10. The annual Public Health grant allocations were announced in March 2021 and confirmed a level of grant for Westminster which is £0.420m more than budget. In addition to this core grant, the Council has brought forward unspent Covid grants received in 2020/21 for Test & Trace (£1.9m) and Rough Sleepers Drug and Alcohol Treatment (£0.9m); both of which will be fully spent in 2020/21. Asymptomatic Community Testing expenditure is being compensated for as spend is incurred (£0.740m up to June).

5.11. Salaries and Overhead is forecast to overspend by £0.091m; a continuing trend from 20/21 which is due to weekend working and the use of agency staff to increase the capacity for the Covid response.

5.12. The budget is planned to be balanced by a transfer to reserves of £0.305m. However, as a result of the variances listed above, the forecast transfer to reserves is now £0.762m.

Growth, Planning & Housing

Expenditure

5.13. Growth, Planning and Housing is forecasting an overspend of £2.060m this month (£2.783m in P3), driven mainly by expenditure on Temporary Accommodation (TA) and Private Rented Sector properties, with further risks of £3.178m partly offset by opportunities of £1.908m.

5.14. Westminster faces an on-going demand for over 2,600 units of accommodation for homeless households. Delivering this level of accommodation would cost £1.9m more (based on previous year's activity) than the existing TA budget allows. However, any overspend in TA will be offset by drawing down from the Homelessness Prevention grant (previously Flexible Housing Support Grant) - current commitments result in a forecast carry-forward balance of £12.1m at the end of 2021/22.

5.15. The TA reduction strategy (TAR) is addressing the deficit through a number of initiatives:

5.16. Acquisition of properties for TA use – a 4-5 year programme to purchase up to 223 properties. This will reduce the need to lease properties from the private rented sector, replacing them with assets owned by the Council. 35 properties are expected to be purchased in 2021/22 (Four have been purchased and another six due for completion. More purchasing expected to take place from September), generating savings of £0.167m (taking into account the time taken to identify, purchase, refurbish and let out each property). Once all 223 properties are let, savings of £3.4m per annum are anticipated.

5.17. The original timing for the entire acquisition programme (which comprises 7 separate programmes approved in the 21/22 capital strategy) over the next few years originally submitted was too optimistic. A re-profiling over the next four years has been proposed by the service which they believe is more realistic and achievable. The TA out-turn forecast is based on this re-profiling.

5.18. The Council is responding to negative homelessness decisions. There are c.200 tenants currently in TA properties who have received a negative homelessness decision but have not moved on due to the ban on evictions during the pandemic. Now that the eviction ban has ended, it is forecast that the majority of these will move on in 2021/22 resulting in a saving of £0.464m in 2021/22 and £0.924m overall.

5.19. Other initiatives – primarily reviewing the use of Council stock that is void through regeneration schemes – are due to be rolled out and will be reported on when the opportunities present themselves.

5.20. At period 4, a risk of £1.908m is reported in Temporary Accommodation as set out above, based upon a possible increase in demand projections. However, as previously described, the Temporary Accommodation risk will be offset by funding from the Homelessness Prevention reserve, subject to S151 Officer approval.

5.21. Place Shaping & Town Planning is forecasting a pay overspend of £0.340m. This is due to one-off redundancy costs linked to the planning review restructure.

5.22. A risk of £1.270m is also reported in the Westminster Employment Service. The service is mainly funded from external sources (including S106 income). However all historic s106 funds and reserves which have previously supported the service have now been fully utilised. Since 2019, and via the implementation of new s106 guidance for developers, over £6.4m has been committed to the service. To date only a small number of schemes committing funds have actually started – 7% - and there is no certainty as to when they will commence work, triggering the cash payment of these funds. This is therefore casting doubt on whether the service can be fully funded from external income this year.

Income

Housing Operations

5.23. Housing Operations forecasts a shortfall of £0.045m in rental income from intermediate housing (net budget is approx. £154k, 29% of budget). This is because not all of the 25 properties acquired for use will be let out until February 2022. This is therefore not expected to be a pressure next year.

Place Shaping & Town Planning

5.24. Place Shaping & Town Planning forecasts an income shortfall of £1.675m (24%) on fees and charges (YTD income is £0.538m/23% below budget). Income is showing some signs of recovery (the forecast has therefore been uplifted by £0.175m from last month) but activity levels are still below pre-pandemic levels.

Finance and Resources

5.25. A net favourable variance of £0.366m is reported for Finance and Resources at period 4 against the approved net budget of £24.621m (a net adverse movement of £0.048m from period 3).

5.26. The change in forecast since period 3 is a result of reprofiling an IT saving of £0.100m relating to a contract saving currently on hold while a service review takes place. This is offset by an increase in the favourable variance in investment income of £0.052m.

5.27. The overall variance of £0.366m is as a result of an adverse variance of £0.350m within IT from a delay to the ongoing service review. This is offset by a favourable variance of £0.716m within Treasury and Pensions for interest receivable, due to the average balances for the year to date achieving a higher return on investment.

5.28. Net opportunities of £0.380m have been identified in Corporate Property (no change from period 3). There is an opportunity of £0.400m from a one-off rebate on Year 1 Facilities Management contract costs. This is partially offset by the risk that as the Council seeks to reduce its carbon footprint and move away from gas usage, utility costs increase by £0.020m due to the differential in the cost of gas and electricity.

Treasury and Pensions

5.29. Within Treasury and Pensions there is a forecast a favourable variance for interest receivable for the year of £0.716m due to the average balances for the year to date achieving a higher return on investment.

Legal Services

5.30. In Legal Services the receipts to date on Local Land Charges income are on target with budget which was reduced by £0.360m from 2020/21 due to the impact of the pandemic.

Corporate Property

5.31. There is a reduction of £1.735m on budgeted property income since 2020/21 to reflect the greater level of risk that exists in the economy with a reduction in the number of people entering the City and spending money in local businesses, particularly in the retail, hospitality and service sectors as Government support for businesses is removed. If activity does not return to pre-Covid level fairly quickly a negative cashflow can only be survived by most businesses for a short period of time having not being able to trade fully over the last 15 months. The Government has recently announced that commercial tenants will continue to be protected from bailiffs and legal action for a further nine months. The nature and billing cycles of the portfolio means that there will always be fluctuations around the year-to-date position. This is due to expiries that are coming up and currently there is more of a risk that when tenants renew that the market has dropped or incentives for tenants have increased, which can mean that the amount that is collected can fluctuate. At this stage of the year and based on current information there are not expected to be any material full year variances from the budget. Income and debt repayment will continue to be monitored closely throughout the year.

Environment and City Management

5.32. As at Period 4, Environment and City Management is forecasting an adverse variance of £2.641m (a net adverse movement of £0.975m since last month).

5.33. The movement of £0.975m from last month is due to a projected shortfall from car clubs' income £0.250m, income shortfalls expected in paid for parking of £0.750m, which has been mitigated by net expenditure savings.

5.34. The adverse variance of £2.641m is due to the Covid pressures (£3.391m) offset by non-Covid related impacts (£0.750m). The variances and the drivers for changes in activity levels are detailed in the narrative below. A breakdown of the Covid and non-Covid forecast variances are shown below:

- Community Services - £0.716m (all Covid-related) consisting of £0.516m income shortfall at Sayers Croft due to slow recovery of residential visits after lockdown and £0.200m unbudgeted share of loss for Q1 2021/22 from a deed of variation on the leisure contract.

- Waste & Parks - £0.950m (all Covid) reduction in commercial waste income.

- Parking - £0.975m (£1.725m Covid and -£0.750m non Covid):
    a. Covid Impact - £1.725m - Paid for Parking income shortfall £1.100m, PCNs £0.500m, car clubs £0.250m offset by expenditure reductions of £0.125m.
    b. Non-Covid Impact - £0.750m favourable - increase in suspension income -£1.000m, offset by other net pressures of £0.250m

Commercial Income

5.35. The main variances on income are set out below:

- **Parking – Paid for Parking** - The forecast variance at Period 4 is £1.100m which is 2% of the FY budget (an adverse movement of £0.750m from Period 3). After a strong start to the year, activity fell throughout July averaging £0.720m per week against £0.750m in the last week of June.

  The number of transactions this year have increased from 471,000 in April to 550,000 in July, giving a year to date position of 2,060,000. This indicates a strong recovery from the Covid position last year (where the comparative for the same period was 1,200,000, 72% up), and only 9% down on the prior year (pre covid where the transactions were 2,250,000).

  The full year projection is assumed to be on a slower recovery than assumed in Period 3 which accounts for the significant shift in the adverse variance. The projection assumes activity for the remainder of the year is projected at 95% of budget in Aug, 98% September and October, 99% November and December, and 103% January to March, giving total 6,400,000 transactions for the year.

- **Parking – PCN's (Traffic Cameras)** - ticket issues this year have been around 3,500 a month, with 4,000 in May, giving the year to date position of of 14,000 tickets. This is 17% up from same period last year (covid), which was 12,000 and 16% down on pre covid levels (2019-20, which was approx. 17,000, an average of 4,200 a month.

  Projections for the full year assume ticket issues increasing to around 4,500 a month, giving a full year total of 52,000 partly from increased on-street vehicle activity post-lockdown, and partly from additional cameras due to come online shortly. The projection is maintained as reported in last month, a projected shortfall in income of £500k for the full year. This compares to 39,000 for full year 2020-21 and 46,500 for 2019-20.

- **Commercial Waste** - Income to date is £3.29m which is £0.49m (13%) below the 2021/22 approved budget to date of £3.77m. Pre-covid income in 2019/20 (pre covid) was £6.04m at Period 4 meaning that income has fallen significantly due to covid and the impact on businesses in Westminster. There has been some recovery as at P4 in 2020/21 the income was lower at just £2.16m due to the first lockdown and the high level of restrictions at the time. However, while income has increased slightly this year it is unlikely to reach close to pre-covid levels this year due to business trading levels and reduced footfall in Westminster.

- Commercial Waste Services consists of two main income streams; Container sales contracts which include ongoing hire costs and bin lifts, plus Pre-Paid Waste Bag sales. At P4 the Container sales income is £1.83m compared to £1.64m last year and £3.22m in 2019/20. Pre-paid Bag sales are £1.46m compared to £0.52m last year and £2.82m in 2019/20. Due to covid restrictions at the start of this year income to date has been lower than expected. While July had a greater income per week than June which is a sign of improvement, the amount received was lower than the July budget. As a result the forecast under-recovery of £0.95m will remain this month.

- **Sayers Croft** - now expects income in year of £932k, giving pressure of £516k against a budget of £1,448k. The centre has been open for residential customers since mid April, but orders are only slowly recovering; there is still uncertainty in schools around residential bookings which presents a risk of continuing income shortfalls in the current year.

MTFP Savings – 2021/22

5.36. The savings that are currently not on track total £0.410m. The service is seeking to mitigate these shortfalls and so is not currently projecting this to impact the forecast.

Risks and Opportunities:

5.37. The total risks included in period 4 are £1.400m (Potential shortfalls in Licensing income £0.500m; potential shortfall in public conveniences income £0.400m, Potential Impact of NSL Industrial Action £0.500m).

5.38. The directorate is working to mitigate these risks where possible.

Future Outlook

5.9. Work is underway to understand what options are available for ongoing leisure provision and what financial impact this might have.

5.10. There is also significant uncertainty on the impacts of Covid on commercial income. The current projections assume a certain level of recovery following the pandemic. The forward projections are based on a number of assumptions and these projections could significantly change should the impacts continue through the year or if there were any future lockdowns or delays to the economic recovery.

Children's Services

Expenditure

5.11. Reported overspend of £1.282m, including £0.333m relating to Covid.

Education - £0.792m overspend

5.12. SEN Transport is reporting a pressure (£0.287m) based on 75% of the total identified, with the remaining 25% being reported as a risk until more live data is available. 2020/21 was an anomalous year that saw a 25% reduction in the number of trips taken, however this year's forecast reflects the expectation that numbers will continue to rise beyond pre-pandemic levels.

5.13. The needs of new starters and the number of routes not served by minibuses resulting in an increased requirement for single occupancy taxi journeys continues to be a factor, and the service is scoping a range of proposals to deliver transport differently as part of the new MTFP. These include targeted reviews following changes to circumstances, growth in personal transport budgets, further promotion of independent travel training through the Local Offer and consideration of wider travel options.

SEN Transport	2021/22 (P3)	2020/21	2019/20	2018/19
Completed Trips	146,210	93,365	122,480	87,590
Spend (£m)	4.695	3.229	3.895	3.510
Variance (£m)	0.410	(0.620)	0.080	0.501

5.14. Short Breaks is also reporting a pressure (£0.467m) based on 75% of the total identified, with the balance flagged as a risk. Covid meant some families couldn't access their usual Short Breaks and the provision of alternative support means that annual data is not easily comparable, so this position will continue to be reviewed as more live data becomes available.

5.15. Staffing continues to be a factor as demand for Short Breaks increases significantly. Also included in the forecast are 40 Disabled Children's Team placements for those with more complex needs and costs reaching up to £95k per year after joint funding contributions have been applied.

Short Breaks	2021/22 (Q1)	2020/21	2019/20
Care Packages	192	185	168
Spend (£m)	1.322	1.190	1.022
Variance (£m)	0.153	0.508	0.415

5.16. The directorate is working to mitigate these pressures with a number of initiatives already underway. These include a directorate-wide review of commissioning arrangements and a move towards more targeted preventative services.

Family Services - £0.358m overspend

5.17. This month's improvement in variance is due predominantly to a review of S113 cost sharing arrangements in the Tri-Borough Fostering & Adoption team, following work undertaken by Westminster's Transformation & Innovation team to ensure that each borough's recharges are equitable.

5.18. The Council continues to face pressures arising from a shortfall in Home Office funding for Former UASC Care Leavers when compared to the cost of providing support. This is further exacerbated by the current age profile of UASC and the rate at which they are turning 18. Care Leaver numbers continue to increase, with growth in Former UASC Care Leavers accounting for a large part of this.

Care Leavers	2021/22 (P3)	2020/21	2019/20	2018/19
Former UASC	181	172	118	82
Local	120	121	102	101
Total	**301**	**293**	**220**	**183**

5.19. Former UASC Care Leaver numbers include those with no further entitlement to Home Office funding but whom the LA still supports until its statutory duties can be discharged. Around a quarter of Former UASC Care Leavers were not entitled to funding on 31st March 2021.

5.20. Funding is payable at £270 per week for those who are eligible. This compares to an average weekly placement cost of £800, and costs range from £525 to £3,600. The shortfall is mitigated in part by the overall Home Office grant; however, this position becomes less viable as increasing numbers of UASC turn 18 in-year resulting in a cliff edge reduction in funding, from £1,001 per week to £270. (The full package of support measures recently announced by the Home Office, which includes a £3m contingency fund for dealing with backlogs arising from the pandemic, is yet to be determined.)

5.21. There are some staffing pressures arising from increased costs associated with a more experienced workforce, and in-year pressures resulting from the impact of planned staffing savings. The former has so far been mitigated in part through held vacancies, which may present an on-going pressure. A full establishment review has been completed and options for managing these pressures in the longer term are being scoped.

WCC Registrars- £0.201m underspend

5.22. Staffing pressures arising from the need to cover increasing numbers of wedding and citizenship ceremonies are exceeded by an overachievement of income also arising from the backlog.

COVID-19 - £0.333m overspend

5.23. The reported position includes an early estimate of discretionary support for NRPF families and the cost of continuing support to match the government Universal Credit

increase for Former UASC and NRPF Care Leavers to September 2021. Delivery of the 1066 Project, which was designed and delivered in conjunction with Westminster Archives to help combat the detrimental impact of the pandemic on the mental health and wellbeing of children in Westminster schools, is also included.

5.24. The Covid Winter Grant (now the Covid Local Support Grant) and Holiday Activity Fund will be spent on providing support to vulnerable children most at risk due to the pandemic. This spend is reported separately from general Covid pressures and allocations will be spent in full.

Savings Pressures (included in the directorate forecast) - £0.388m

5.25. Undeliverable savings forming part of the forecast overspend include staffing pressures in Safeguarding (£0.100m) and a pressure in MASH (£0.050m) relating to partner activity. Savings relating to traded services with schools (£0.100m) are undeliverable both this year and going forward due to the longer-term impact of Covid on school budgets but have been achieved in part through education staffing savings. Independent Travel Training (£0.050m) has been delayed due to Covid and the saving will need reprofiling across future years as part of the initiative to deliver transport differently - and current IT Case Management savings (£0.088m) are also undeliverable and will be rescoped and reprofiled in line with the planned implementation date for the new system on 1st April 2023.

Innovation and Change

Expenditure

5.26. At period 4, Innovation and Change is reporting an overspend of £0.135m against the budget of £9.978m. This is a change of £0.135m from the nil variance reported last month.

5.27. The overspend is within Cabinet and Committee Services (£0.115m) and was mostly reported as a risk last month. The overspend is from salaries £0.175m from a recent restructure pressure, offset by underspends on allowances £0.040m and other non-pay budgets £0.020m. There is also an overspend on salaries in Policy £0.095m on a required post and £0.025m in CPMO, both of which had been reported as risks last month. These overspends are offset by reported underspends in Lord Mayor's Office £0.050m on part-year vacancies and also from net additional income of £0.050m in City Promotions, Events and Filming.

5.28. Net risks of £0.395m have been identified. This includes a £0.460m risk relating to additional posts within Strategy and Intelligence, for which the source of funding is yet to be identified. There is an opportunity reported on funding being explored for part of the salary overspend in Cabinet and Committee services £0.065m.

5.29. Within the MTFP savings targets totalling £0.945m, a total of £0.735m has already been achieved from a combination of post deletions and other non-pay budget reductions. The balance of £0.210m savings target relating to a review of the efficiency and cost effectiveness of the Communications function as a whole is currently on target to be achieved.

Income

5.30. There is a net reported additional income of £0.050m.

5.31. There is a reported under recovery of income of £0.050m from Outdoor Media. There were approved budget pressure adjustments to income targets in City Promotions, Events and Filming of £2.760m reflecting reduced income as a result of the pandemic on advertising and other service events. Currently the expected scenario for Outdoor Media is that there is guaranteed income until at least December 2021, business rates cover for nine months and for current contract income to resume from January 2022. For The Flame, the expected scenario is for the 50% revenue share to end in June 2021, for income from July 2021 to December 2021 to be at the same level as experienced in October 2020 and for an assumed 50:50 share in the last quarter year.

5.32. The Events and Filming budget was adjusted to take into account the cancellation of some large events. There is however forecast additional income in Events and £0.100m in one-off commercial income from events associated with the Euro 2020 competition fan zones and applications.

Other Corporate Directorates

Expenditure

5.33. A nil variance is being reported at period 4 against the approved budget of £4.278m from People Services and Chief Executive Office. This variance has not changed from the previous month forecast.

6. HRA

6.1. At the end of period 4 the Housing Revenue Account is forecasting a net nil variance to budget, with net risks of £0.709m.

Housing Revenue Account:	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance (£m)	Risks Identified P4 (£m)	Opps Identified P4 (£m)	Projected Variance inc. Opps and Risks P4 (£m)
Growth, Planning & Housing	0.855	0.855	-	1.983	(1.274)	0.709

6.2. The £0.709m risk forecast is made up as follows:

- Director of Housing £0.104m adverse variance (staff costs);
- Property Services £1.070m favourable variance (salary underspends offset by additional communal electricity and asbestos costs);
- Customer Services and Digital £0.203m favourable variance (salary underspend);
- Neighbourhoods £1.021m adverse variance (dwelling income under recovery and additional water / drainage / sewage costs offset by salary underspend alongside additional service charge and lease extension income);
- Housing Innovations and Improvements £0.009m adverse variance (salary overspend);
- General HRA £0.849m adverse variance (increased insurance premiums, IT and regeneration costs).

6.3. The potential dwelling income under-recovery risk identified as part of the business plan refresh is currently forecast at £1.244m. The additional leasehold service charge income is currently forecast at £0.114m.

6.4. The overall HRA staffing cost underspend is currently £1.942m, including salary capitalisation.

7. Capital Budget 2021/22

Overview

7.1. The table below summarises the Council's budget and forecast position on the 2021/22 capital programme, which reflects a projected £23.885m gross expenditure variance.

ELT	2021/22 Exp Budget £m	2021/22 Inc Budget £m	2021/22 Net Budget £m	2021/22 Exp Forecast £m	2021/22 Income Forecast £m	2021/22 Net Forecast £m	2021/22 Exp Variance £m	2021/22 Income Variance £m	2021/22 Net Variance £m
Adult's Services	1.669	(1.369)	0.300	0.937	(0.637)	0.300	(0.732)	0.732	0.000
Children's Services	28.126	(21.069)	7.057	22.189	(16.727)	5.462	(5.937)	4.342	(1.595)
Growth, Planning & Housing	108.415	(27.746)	80.669	87.007	(22.317)	64.690	(21.408)	5.429	(15.979)
Environment & City Management	87.994	(35.020)	52.974	78.514	(31.002)	47.512	(9.480)	4.018	(5.462)
Finance and Resources	41.758	(13.210)	28.548	39.228	(13.000)	26.228	(2.530)	0.210	(2.320)
Westminster Builds inc. Luton Street	46.460	0.000	46.460	63.199	(7.213)	55.986	16.739	(7.213)	9.526
Projects Funded from Flexible use of Capital Receipts	1.332	0.000	1.332	0.795	0.000	0.795	(0.537)	0.000	(0.537)
Total for Council	**315.754**	**(98.414)**	**217.340**	**291.869**	**(90.896)**	**200.973**	**(23.885)**	**7.518**	**(16.367)**

7.2. There is an overspend on the Marble Arch Mound project with the forecast outturn in the region of £6m (including the running costs) against a budget allocation of £3.3m. This will be funded from within the overall £150m provision for the Oxford St District programme. Further details on this will be reported to Members in due course, following conclusion of the thorough internal review.

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

Project	2021/22 Variance to Budget £m	Comments
Westminster Builds & Luton Street	16.739	Variance to budget of £16.739m relates to both the council investment in Westminster Builds (£13.881m variance) and the Luton Street LLP (£2.858m variance). The investment in Westminster Builds is driven by the speed of delivery of schemes in the pipeline of works. An updated version of the Westminster Builds Business Plan has been produced and approved by Cabinet since the budget was set. This has identified the following is required; • £7.132m of additional investment for acquisitions of intermediate rental units at Farm Street, West End Gate and Parsons North, in support of council commitments • £8.258m additional investment, to be offset by grant funding of £6.852m, for reprofiling of the 300 Harrow Road scheme to align with the current timelines in the Full Business Case.

		• £1.585m additional investment offset by grant income of £0.361m in the Jubilee scheme and £2.331m additional investment in the Luton Street scheme. These have both been re-aligned to reflect good progress on site. • A reduction of £5.545m due to the removal of out-of-borough schemes from the Business Plan, as requested by Cabinet. The additional investment by the Council directly to the Luton Street LLP of £2.858m relates to the back-to-back loan arrangement with Westminster Builds. £2.331m of this is the council directly matching WB's investment as per the loan agreements and reflects the good progress on site. The LLP also agreed an additional loan with the council of £0.640m to cover agreed variations on the scheme.
Church Street Acquisitions	(1.138)	GPH's strategic acquisition budgets are expected to underspend this financial year as acquisitions are reprofiled into future years reflecting possibility of a CPO (Compulsory Purchase Order).
Strand/Aldwych	(1.554)	Some works have been re-profiled due to the launch event in September, closing the Strand to two-way traffic. This means no construction work will take place for approximately 6 weeks.
Coroners Court Improvements	(1.799)	The coroners court improvements capital scheme is unlikely to start until Q4 due to a review of the procurement process so £1.799m spend is being reprofiled to 22/23. There is a review of the procurement process currently in place to allow for a thorough due diligence procurement process to take place before work can continue and suppliers can be paid.
Lisson Grove Programme	(2.026)	Forecast has been reduced to £1.304m (variance of £2.026m) for 2021/22 due to a revised programme and delayed appointment of the MDCT team (Multi-Disciplinary Consultancy Team). The budget was reprofiled to accommodate when the MDCT spending will start. Since the last period, there has been a delay in progressing the design works.
Oxford Street District	(2.137)	Variance due to, in part, a reduction in professional fees from original budget set last year. Some studies and design work on various workstreams such as wayfinding and landscaping masterplans will now be undertaken in 2022/23.
Public Conveniences Renovation Programme	(2.250)	The renovation programme was delayed due to Covid and is now likely to begin later this year, with many sites being refurbished next financial year.
Church Street Green Spine Public Realm	(3.133)	The Church St Green spine project is now expected to complete in Q1 22/23 due to contractor delays, resulting in slippage of £2.073m. The underspend of £1.060m is because the original estimate for a contractor activity has reduced by £0.700m with the remaining £0.300m being identified as revenue costs that will be absorbed within current revenue budgets

Parking - Business Processing and Technology	(3.250)	The procurement of the new parking contract has been delayed by 1 year because of the existing contract being extended. Therefore, this budget will be profiled to when the procurement commences.
King Solomon School Expansion	(3.855)	There is a variance of £3.855m relating to King Solomon Academy expansion project, in line with the latest cash flow forecast. Across all project years, the project is reflecting an overspend of £0.300m relating to the installation of a ramp.
Placeshaping Schemes	(4.117)	Reprioritisation of key staff resource within the Placeshaping Team to address the Council's response to the pandemic which has led to a reprofiling of activity.
Temporary Accommodation acquisition programme	(6.103)	The phasing submitted for this acquisition programme (which comprises 7 separate projects) over the next few years originally submitted was too optimistic. A reprofiling over the next 4 years has been proposed by the service which they believe is more realistic and achievable and the TA revenue outturn forecast is based on this reprofiling. The re-profiling has resulted in expenditure of £18.7m being forecast, a reduction of £6.1m from the original forecast. The majority of this reduction relates to the Acquisitions for vulnerable households project which is now being forecast to start in 2022/23.
Total	**(14.623)**	

7.4. As can be seen in the table above, twelve projects/programmes contribute to the majority (61%) of the expenditure variance. By way of comparison there are over 500 projects in the 2021/22 capital programme.

Housing Revenue Account – Capital

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

HRA Capital Programme	2021/22 Revised Budget £m	2021/22 P4 Forecast £m	2021/22 Budget Variance £m
Housing Planned Maintenance	46.787	43.041	(3.746)
Housing Regeneration	106.826	82.119	(24.706)
Other Projects	43.415	40.011	(3.404)
Total	**197.028**	**165.171**	**(31.857)**

7.6. The HRA is forecasting an in-year underspend on capital expenditure of £31.857m. This is mainly due to the knock-on consequences of the extended Covid-19 restrictions which have had more impact than had been anticipated, particularly on projects that are in community engagement stages. The impact of Covid-19 has until recently caused delays to project completion and prevented access to properties in line with Government guidelines. A number of HRA Planned Maintenance schemes have been re-profiled into future years. Housing Regeneration and Other Projects will be re-profiled in the coming months through the capital budget setting process. Key variances on individual projects are set out in the tables below.

7.7. The HRA Planned Maintenance Programme covers works to existing Council Housing. The table below summarises the £47m programme across its broad headings and sets out our latest spend projections for each of the areas:

Component	Full Year Budget £'000	Forecast P3 £'000	Forecast P4 £'000	Budget variance £'000	Forecast Movement £'000
Electrical & Mechanical Services	6,024	6,024	5,036	(988)	(988)
Voids and Aids & Adaptations	4,639	4,640	4,640	1	0
Fire Safety Programmes	9,384	8,214	8,104	(1,280)	(110)
Major Works	22,391	21,657	21,342	(1,049)	(315)
Other Schemes*	4,349	4,093	3,920	(429)	(174)
Total	**46,787**	**44,628**	**43,041**	**(3,746)**	**(1,587)**

5.6.4 At period 4 there is a projected underspend of (£3.746m) compared to budget on the Housing Planned Maintenance Programme. The reduction in the forecast has arisen from delays on the rolling programme of works following contract negotiations with the service provider during the pandemic.

7.8. However, there is a risk of overspend within Voids and Aids and Adaptation due to an increase in average cost, increases in referrals caused by the ageing population (Aids and Adaptation) and also due to the poor standard of returned property (Voids).

7.9. At Period 4 there is a forecast underspend against budget of £24.7m for regeneration schemes, this is largely due to programme delay. More specifically this position includes the following forecast variances:

- A £12.393m forecast underspend on the Ebury Regeneration scheme due to contractor negotiation for Ebury Phase 1.
- A £6.647m forecast underspend on Parsons North due to remaining project contingency being reprofiled into 22/23.
- A £4.229m forecast underspend on Lisson Arches due to delay in the construction programme.
- A £2.321m forecast underspend on Church Street Programme acquisitions due to slippage in the scheme, and
- A £0.627m forecast underspend on Carlton Dene due to a change in strategy for demolition which is now programmed to take place in 22/23.

7.10. At Period 4 there is a forecast underspend against of budget of £3.404m for Other Projects, again this is largely due to programme delay. This position includes the following scheme forecasts:

- A £2.820m forecast underspend on self-financing schemes due to reprofiling of acquisition costs.
- A £1.350m forecast underspend on 300 Harrow Road (Warwick Rd) due to delay in the start of scheme construction by Westminster Builds, and
- A corresponding delay in the planned buyback of social units into the HRA and a £0.140m forecast overspend on infills schemes, these revised forecasts reflect position set out in latest scheme cabinet member report.

Cross Cutting Development and Regeneration Schemes

7.11. There are a number of schemes where costs are budgeted to be incurred across both the general fund and the Housing Revenue Account (HRA). This section will be used to provide a view of the whole scheme picture and any major variances against the total scheme budget.

7.12. **Church Street:** There is a forecast variance of £3.459m on scheme acquisitions (£1.138m in the GF and £2.321m in the HRA). This is due to delay in the progress of the Church Street scheme.

7.13. **300 Harrow Road:** This scheme is the first development scheme being directly undertaken by Westminster Builds and as such it has taken longer than expected to agree the commercial structure, financing and other aspects of this complex scheme. Some of these elements are still to be finalised but overall this has resulted in a delay in the programme and an in year underspend of £1.350m in the HRA related to the planned expenditure for the buyback of social units.

In addition, the scheme review has resulted in some changes to how Affordable Housing Fund (AHF) has been applied to the scheme. The budgeted 21/22 general fund loan financing into Westminster Builds assumed that AHF would be used to apply against company expenditure on the scheme. This assumption has now changed increasing the loan financing required by the company for this scheme in 21/22 by £8.258m as shown in the Westminster Builds financing. The company will

benefit from a corresponding increase in the residual land payment that it receives from the council so scheme viability is not affected.

8. Council Tax and Business Rates

8.1. 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 up to the month May 2021 for unpaid bills and reduced cash receipts, from June 2021 the council have started recovery actions process and hope for a speedy stable recovery.

8.2. Collection Rates

- As at July 2021 Council Tax collection rate to date is 43.33% which is 0.04% higher than the same month last year. The Business Rates collection rate for July 2021 is 32.65%, which is 2.08% lower than the same month last year.

- The backlog surrounding courts 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 courts are fully functioning and restrictions are further eased.

8.3. 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): £111m
  - Gross Business Rates (Including GLA & Central Government share): £2.3bn

- However, the Council only retains £182m of this income (Council Tax £62m and Business Rates £120.5m) for its own use. If there is a reduced business rates income as witnessed through Covid the maximum the Council can lose is £6.8m, reducing the 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 July 2021.

	July 2021/22 Collection Rate	July 2020/21 Collection Rate	July 2019/20 Collection Rate
Business Rates	32.65%	34.73%	42.9%
Council Tax	43.33%	43.29%	47.0%

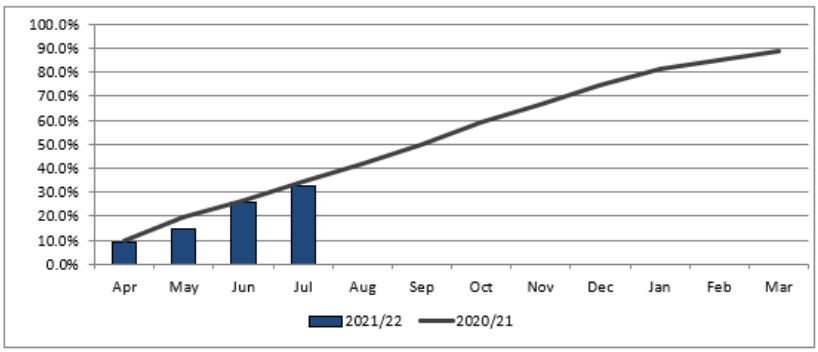
8.4. The collection for business rates and council tax is still below pre pandemic levels. However, the budget approved in March anticipated this and made an allowance for lower collection in the Council's budget.

BUSINESS RATES

Revenues Dashboard - July 2021

Current Year Bills - Collection Rates

	2020/21	2021/22
Apr	9.7%	9.0%
May	19.9%	14.6%
Jun	26.7%	25.5%
Jul	34.7%	32.7%
Aug	41.8%	
Sep	49.8%	
Oct	59.1%	
Nov	66.7%	
Dec	74.9%	
Jan	81.6%	
Feb	84.8%	
Mar	88.8%	



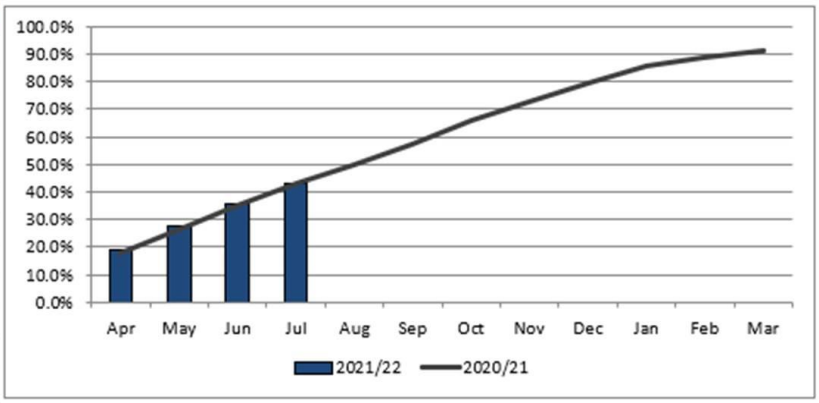
Collectable Balance	£1,746m	Amount Collected	£570m	Balance Owing	£1,176m	67.3%

COUNCIL TAX

Revenues Dashboard - July 2021

Current Year Bills - Collection Rates

	2020/21	2021/22
Apr	17.9%	19.0%
May	26.4%	27.8%
Jun	35.3%	35.6%
Jul	43.3%	43.3%
Aug	50.0%	
Sep	57.3%	
Oct	66.0%	
Nov	72.6%	
Dec	79.4%	
Jan	86.1%	
Feb	88.7%	
Mar	91.1%	



Collectable Balance	£115.8m	Amount Collected	£50.2m	Balance Owing	£65.6m	56.7%

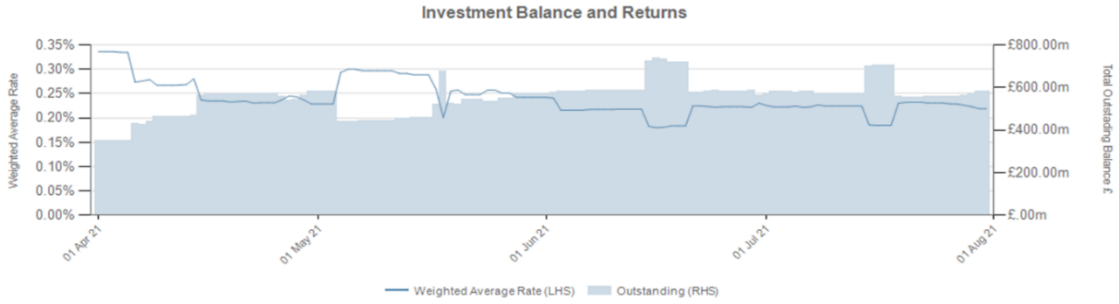
8.5. Business rates are still below pre pandemic levels and the signs are that the Council will be in a safety net position on its collection fund by the end of the year. Therefore the Council will need to absorb any loss up to 7.5% of its baseline budget and this will be considered as part of next year's budget setting process.

8.6. Council Tax recovery has surpassed the rates reported last year, especially in the first 3 months. As at Period 4 we are reporting the same collection rate as last year but still below pre-pandemic levels.

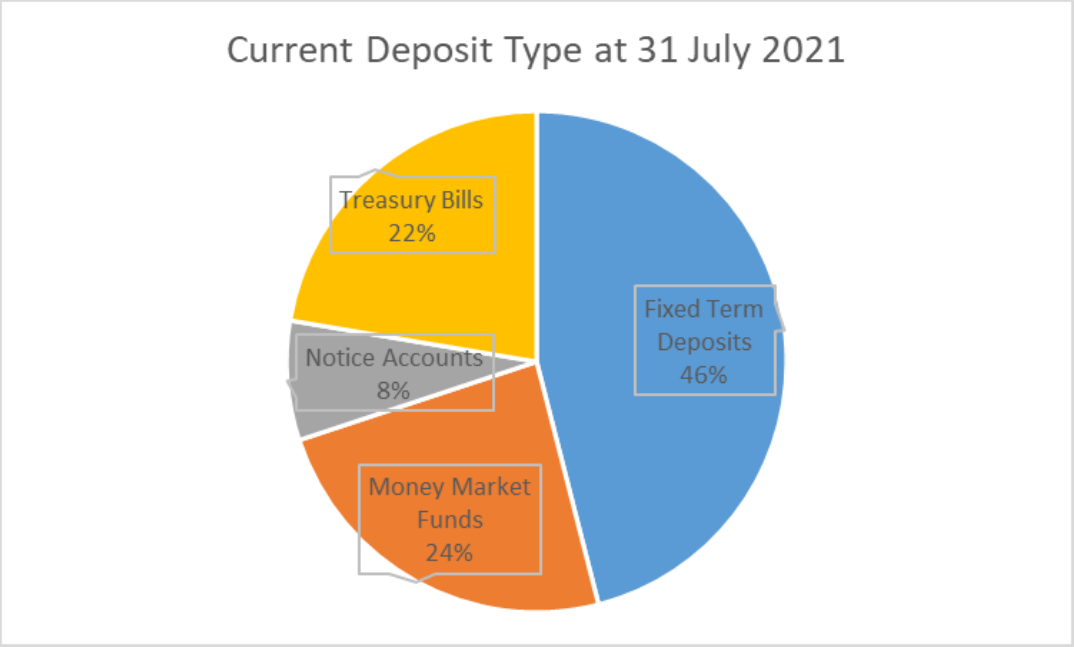
9. Treasury and Pensions

Treasury

9.1. Investment balances as at 31 July 2021 stood at £585.1m. The weighted average return in period 4 was 0.22%. This compared to an average investment balance of £612.4m in period 3, which generated an average return of 0.21%.



9.2. As at 31July 2021, these investments are placed in fixed term deposits (banks and local authorities), money market funds, UK government treasury bills and notice accounts.



9.3. The five largest holdings were:

Counterparty Name	Amount (£m)	%
UK Government Treasury Bills	130.87	22.37
Morgan Stanley Sterling Liquidity Fund	70.00	11.96
Deutsche Sterling Platinum Liquidity Fund	70.00	11.96
DMADF (Debt Management Account Deposit Facility)	56.20	9.61
Santander Bank	50.00	8.55
Total	**377.07**	**64.45**

9.4. Prudential indicators to 31 July 2021 have all been complied with.

9.5. All investments are currently within the limits set out in the 2021/22 Treasury Management Strategy Statement.

Pensions

9.6. The valuation of the City of Westminster Pension Fund at the end of period 4 increased by £32m from period 3 (£1.844bn) to £1.876bn. This was largely due to excellent performance within the Morgan Stanley and LGIM equity mandates alongside a £20m deficit recovery receipt from the Council, which was paid over to the custodian. The estimated funding level for the Westminster Pension Fund was 101.8% as at 30 June 2021 (102.3% at 31 March 2021). The funding level for Westminster City Council as an employer has remained stable, with a funding level of 91.0% as at 30 June 2021 (91.0% at 31 March 2021). The Council plans to pay off its deficit by 2022, with a final payment of £80.0m due during 2021/22.

Asset Values

9.7. The table below shows 12 months valuations to 31 July 2021.

	Aug-20 £m	Sep-20 £m	Oct-20 £m	Nov-20 £m	Dec-20 £m	Jan-21 £m	Feb-21 £m	Mar-21 £m	Apr-21 £m	May-21 £m	June-21 £m	July-21 £m
Market Value	1,612	1,593	1,575	1,672	1,707	1,689	1,692	1,749	1,805	1,788	1,844	1,876

Pension Fund Cash Flow

9.8. The balance on the Pension Fund bank account at the end of period 4 was £3.726m (£21.48m in period 3). 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 £3m was withdrawn from the custodian over the quarter. In addition to this, the Council made a £20m deficit recovery payment during June to the Pension Fund, this was paid over to the custodian for safeguarding.

Total Receipts and Payments in the quarter to 31 July 2021 (£000)

	Bank Opening Bal £000	**May-21 £000**	**Jun-21 £000**	**July-21 £000**
Total Receipts		5,531	26,289	5,052
Total Payments		(5,150)	(5,695)	(22,806)
Net Cash Flow		380	20,594	(17,755)
Cumulative Bank Balance	**506**	**886**	**21,480**	**3,726**

Update on the London CIV (LCIV)

9.9. The value of Pension Fund investments managed by the London CIV at the end of period 4 was £921m (£918m in period 3), a slight increase of £3m. The LCIV holdings represents 49% of the pension fund investments of £1.876bn at 31 July 2021. A further £433m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

Cash Management

9.10. Following the sale of the Hermes property mandate during January 2021, the cash balance held at Northern Trust was c. £60m. Cash balances held within Northern Trust accounts attract a nominal interest rate of 0.0% on Sterling balances, following the fall in Bank of England base rase to 0.1% in March 2020. On 24 June 2021, the Committee approved the account opening and use of the Northern Trust Sterling Conservative Ultra ESG Fund, as the main account for any future asset transitions involving cash receipts.

9.11. The Northern Trust Sterling ESG Fund seeks to provide a yield in excess of money market funds, with a lower volatility than short duration bond funds. The target duration of the fund is 0.5 years and is suitable for investors with a three to nine-month investment horizon. The fund invests within sterling denominated investment grade government, corporate and asset backed securities. An ESG exclusionary screening is integrated into the investment process to ensure sustainability of the investment. The fund is benchmarked against the Bloomberg Barclays Sterling Gilt 0 to 12 months GBP Unhedged and has returned 0.805% since inception in August 2019, outperforming the benchmark by 0.495%.

9.12. The Pension Fund placed a £50m subscription into the fund on 29 July 2021, with the intention of holding this investment for at least the next 6-9 months. As the infrastructure funds drawdown over the next year, cash will be withdrawn from the ESG short duration fund to finance these subscriptions.

10. Westminster Schools' – Period 4 (July) 2021/22

10.1.1 The Bi-Borough Schools' Finance team provides support to 40 maintained schools and nurseries in the borough of Westminster with total delegated budgets of £45.1m funded from the Schools Block of the Dedicated School's Grant (DSG).

10.1.2 The 2021/22 headcount for schools in the borough reduced by a net of 221 pupils as per the October 2020 census. Primary school numbers fell by 367 (to 9,039) and conversely secondary schools increased by 146 (to 9,079). Westminster's Schools Block funding increased by 2.7% per pupil.

10.2 Schools with Deficit Balances

10.2.1 Schools in Westminster face a number of challenges this year, particularly primary schools with falling rolls. There are thirteen schools (including two maintained nurseries) that ended 2020/21 in deficit. This compares with fourteen schools at the end of 2019/20.

10.2.2 The thirteen schools shown with revised deficits in table 1 below are all RAG rated as red to highlight the urgent need for a sustainable position to be maintained in order to return to a balanced budget position. Collectively, these schools had an aggregate deficit of £1.778m at 31st March 2021.

10.2.3 Of the thirteen schools, ten now have licensed deficit recovery plans in place and one will balance in year. Work is in progress to finalise plans with the remaining two schools. The recovery plans have also been checked to ensure they take account of the estimated September 2021 reception numbers which is covered in the separate section below. Monthly reporting to the LA is compulsory for schools with recovery plans in place and monitoring reports are being actively pursued.

Table 1 – Settings requiring Licensed Deficit Recovery Plans

School Name	Licensed Recovery Plan
Dorothy Gardner	Yes
Portman	Yes
All Souls' CE Primary School	Yes
Burdett Coutts CE Primary School	Yes
Soho Parish CE Primary School	Yes
St George's Hanover Square	No
St Luke's CE Primary School	Yes
St Mary Magdalene's CE Primary School	Yes
St Mary of the Angels Catholic School	Yes
St Saviour's CE Primary School	Yes
St Stephen's CE Primary School	Balances in year
St Vincent De Paul Catholic School	Yes
Westminster Cathedral Catholic School	No
Total	

10.3 **Schools at Risk – RAG Rating and Reserve Balances**

10.3.1 Schools RAG rated red (listed in Table 1 above) have no reserves or a deficit balance and require a deficit recovery plan.

10.3.2 Schools with amber RAG ratings are at risk of future financial difficulty due to their reserves having reduced by prior or in year deficits to the extent that a further reduction of similar magnitude would result in a deficit balance within 2 years and so need to take action to reverse the trend.

10.3.3 These schools have also been offered support with financial management, ranging from cross-departmental training delivered to staff and governors (involving School Standards and Finance colleagues) to assistance with producing recovery plans and budget monitoring and requests received vary according to the school's needs.

10.3.4 Green RAG rated schools have enough reserves to cover a future in year deficit equal in value to a current year deficit, should this occur.

Table 2 – RAG Ratings

RAG Rating	2020/21 Closing (Outturn)	2021/22 Closing (Forecast)
Red	13	11
Amber	1	13
Green	26	16
Total	**40**	**40**

10.4 **Supporting Schools**

10.4.1 A financial adviser is supporting schools with deficits in their production of robust deficit recovery plans and is also starting to review those at risk of going into deficit.

10.4.2 Schools are facing increasing and ongoing funding pressures particularly due to falling school rolls and with the agreement of the Schools' Forum, external consultants ISOS have taken a strategic review of school finances and pupil projections. The recommendations from the report are being taken forward by a schools' working group and meetings have been held with the 12 schools identified as having the highest risk.

10.4.3 Further meetings will take place with schools deemed to be at high risk into the autumn to help them develop plans to mitigate those risks, pending a meeting of the working group in September, a further report to Schools Forum and to the new Education Partnership Board in the autumn.

10.4.4 ISOS will also conduct some further analysis of school 3-year budget planning and the viability and risk factors associated with that work given falling pupil rolls.

10.5 **Reception 2021 Outcomes**

10.5.1 National offer day for reception 2021 entry was 16 April 2021. A second round of offers were made on 12 May 2021. Whilst the process of offers and withdrawals is an evolving process for several months, the declining resident application cohort and initial offers made provides an early indication of expected numbers that will start school in September.

10.5.2 The overall resident application cohort was down by 8% (1,126 applications compared to 1,221 in 2020). To put in context, London as a whole has seen an 8% decline in primary reception applications. The projected surplus capacity for reception in September 2021 is currently 25%. A reduction in reception numbers of 8% would result in a DSG reduction of about £0.560m (0.5%). The current year 6 bulge in pupil numbers leaving primary school in July is also estimated to result in a reduction of about £0.620m (0.5%). Primary school pupil led funding would reduce on average by £5,136 for each pupil reduction. These reduction in primary pupil numbers, while not finalised, will increase financial viability risks.

10.6 **School Forecasts**

10.6.1 The table below sets out year end balances as at 31/03/21 and forecasts for 2021/22 received from schools. Deficit schools are required to provide monthly updates, with other schools providing quarterly finance reports.

Schools	(Surplus)/Deficit @ 31/03/21 £000	In Year Movement £000	Forecast (Surplus) / Deficit @ 31/03/22 £000	Licensed Recovery Plan	School Type
Dorothy Gardner	75	(80)	(5)	Yes	Nursery
Mary Patterson	(10)	9	(1)		Nursery
Portman	57	11	68	Yes	Nursery
Tachbrook	(372)	98	(274)		Nursery
NURSERY SCHOOLS	**(250)**	**38**	**(211)**		
All Souls' CE Primary School	71	(18)	53	Yes	CE VA
Barrow Hill Junior School	(35)	(20)	(55)		Community
Burdett Coutts CE Primary School	149	(0)	149	Yes	CE VA
Christ Church Bentinck CE Primary School	(186)	83	(103)		CE VA
Edward Wilson Primary School	(328)	28	(301)		Community
Essendine Primary School	(87)	(23)	(110)		Community
George Eliot Primary School	(296)	226	(70)		Community
Hallfield Primary School	(276)	201	(75)		Community
Hampden Gurney CE Primary School	(140)	80	(60)		CE VA
Our Lady of Dolours Catholic Primary School	(235)	59	(175)		CATH VA
Queen's Park Primary School	(209)	14	(195)		Community
Robinsfield Infant School	(112)	31	(81)		Community
Soho Parish CE Primary School	256	(125)	131	Yes	CE VA
St Augustine's CE Primary School	(27)	(18)	(45)		CE VA
St Barnabas CE Primary School	(73)	26	(46)		CE VA
St Clement Danes CE Primary School	(90)	34	(56)		CE VA
St Edward's Catholic Primary School	(237)	117	(120)		CATH VA
St Gabriel's CE Primary School	(108)	26	(82)		CE VA
St George's Hanover Square	31	(8)	23	No	CE VA
St James' And St John CE School	(85)	33	(52)		CE VA
St Joseph's Catholic Primary School	(38)	13	(26)		CATH VA
St Luke's CE Primary School	151	(59)	91	Yes	CE VA
St Mary Magdalene's CE Primary School	114	(51)	63	Yes	CE VA
St Mary Of The Angels Catholic School	121	6	127	Yes	CATH VA
St Mary's Bryanston Square CE School	(37)	20	(17)		CE VA
St Matthew's CE Primary School	(64)	12	(52)		CE VA
St Peter's CE Primary School	(213)	104	(109)		CE VA
St Peter's Eaton Square CE School	(2)	(1)	(3)		CE VA
St Saviour's CE Primary School	390	(93)	297	Yes	CE VA
St Stephen's CE Primary School	15	(19)	(4)	Balanced in year	CE VA
St Vincent De Paul Catholic School	39	(2)	37	Yes	CATH VA
St Vincent's Catholic Primary School	(163)	113	(50)		CATH VA
Westminster Cathedral Catholic School	308	43	351	No	CATH VA
PRIMARY SCHOOLS	**(1,395)**	**831**	**(564)**		
St Augustine's CE High School	(689)	266	(423)		CE VA
SECONDARY SCHOOLS	**(689)**	**266**	**(423)**		
College Park	(378)	212	(166)		Community
QE2	(646)	241	(405)		Community
SPECIAL SCHOOLS	**(1,024)**	**453**	**(571)**		
ALL SCHOOLS TOTAL	**(3,357)**	**1,588**	**(1,769)**		

11 Subsidiaries

11.1 Overview

The Council owns several subsidiary companies including dormant entities planned for closure. This report provides a financial overview of the main trading entities of Westminster Builds (WB), Westminster Community Homes (WCH) and Westco Trading (WestCo) as at period 4.

11.2 Westminster Builds (WB)

11.2.1 WB (comprised of Westminster Housing Investments Ltd and Westminster Housing Developments Ltd) undertakes a number of strategic developments and acquisitions in order to unlock key regeneration sites of the Council and increase the number of homes in Westminster, particularly for affordable housing. It is wholly owned by the Council, and WB in turn owns a 50% share in Luton Street Development LLP.

Profit and Loss (YTD)	Budget	Forecast	Forecast variance	Actual YTD at P4	Budget v forecast variance comment
	000's				
Total Income	140	542	402	47	Rental Income from the following acquisitions (Farm Street, West End Gate & Parsons North) that will take place before financial year end are included in the forecast figure.
Total Expenditure	(704)	(715)	(11)	(144)	Higher than budget expenditure due to revenue costs of the acquisitions which were not budgeted at the start of the year.
Net Operating surplus/(Deficit)	(564)	(173)	391	(97)	
Net interest	310	161	(149)	24	Interest will flex with the scheme forecasting and is expected to deviate from budget during the year when further refinement of schemes and profiling occurs. The increase in interest payable is also down to the acquisition sites above scheduled to come into WB from September.
YTD Surplus/(deficit)	(254)	(12)	242	(73)	

11.2.2 As at period 4 WB is forecasting a year end loss of (£12k) which is an improvement of £242k on the budgeted position.

11.2.3 Total income is forecast at £402k above budget due to rent from the acquisition sites of Farm Street, West End Gate and Parsons North which were not anticipated. There is also additional income for the management fees from Luton Street Developments LLP. Within the £402k income variance above is £130k relating to savings identified below.

11.2.4 A projected overspend of £141k at year end of revenue costs linked to acquisitions will be offset by savings of £131k, giving a net forecast overspend of £11k.

11.2.5 Net interest is forecast (£149k) below budget due to an increase in interest payable arising from financing the unbudgeted acquisition schemes. This increase in interest payable is offset by the increased income from rental income from the acquisition schemes as highlighted in para 9.2.3 above.

11.2.6 At period 4 WB is reporting a loss of (£73k) which is £80k lower than the loss in the YTD budget. Key variances are:

- £13k underspend on consultants
- £20k saving as external resourcing has not been utilised as expected.
- £17k in the budget for WB website build which is currently on hold.
- £22k reduction in staff expenses. The forecast will be closely monitored in line with management changes within WB

11.3 **Westminster Community Homes (WCH)**

11.3.1 WCH provides affordable housing to Westminster residents, it currently owns and rents out approximately 500 properties to City Council nominees. In addition, it is also a housing development vehicle which assists in the delivery of WCC's strategic housing objectives. WCH is wholly controlled by the Council.

Profit and Loss (YTD)	Budget	Forecast	Budget v Forecast variance	P4 YTD Actual	Budget v forecast variance comment
	000's				
Total Income	4,270	4,469	199	1,490	Income is forecasted to be higher than budget mainly due to the prudent approach taken to setting the rent budget in 20/21.
Total Expenditure	(2,279)	(2,415)	(136)	(805)	Expenditure is forecasted to be higher than budget mainly due to the bad debt provision for tenant arrears following overall increases in rent arrears YTD. Additionally, YTD there have been higher than forecasted utility bills and the estimated service charge invoice from WCC Lessee services was considerably higher than budget.
Net Operating surplus/(Deficit)	1,991	2,054	63	685	
Amortisation and depreciation	(1,424)	(1,426)	(2)	(475)	Amortisation and depreciation are in line with budget as there have been no disposals and only one property acquisition in 20/21.
Gain on sale of net assets	(288)	(288)	-	-	There have been no sales in 20/21 and the component write off adjustment (which is the £288k) will not be completed until P12.
Net interest	(411)	(411)	-	(137)	These represent loan interest to WCC which will be paid in P12.
YTD Surplus/(deficit)	**(132)**	**(70)**	**62**	**73**	

Key points of note are as follows:

- As at period 4 WCH forecast an end of year loss of (£70k) which is a £62k improvement on budget.
- Total income is forecast £199k above budget. The approach to rent setting for the 20/21 budget has been revised in light of past overoptimistic budgeting leading to significant adverse variances.
- Total expenditure is forecast (£136k) overspent mainly due to the bad debt provision for tenant arrears and service charge invoices being higher than budget.
- Amortisation and depreciation, gain on sale of net assets and net interest are all forecast to be in line with budget.
- At period 4 WCH is reporting a YTD profit of £73k.

11.4 **Westco Trading (WestCo)**

11.5 WestCo provides communications support and business transformation programmes mainly to public sector clients including WCC. WestCo is also wholly owned by the Council.

Profit and Loss (YTD)	Budget	Forecast	Budget v Forecast variance	P4 YTD Actual	Budget v forecast variance comment
	000's				
Total Income	3,774	3,742	(33)	1,404	Income is forecasted to be marginally lower than budget as there is a expectation of reduced work completed by Westco for WCC. This has been largely offset by external clients with new work secured - particularly from the campaign hub.
Total Expenditure	(3,772)	(3,682)	90	(1,395)	Lower than forecasted expenditure mainly due to staff leavers whose roles are being backfilled by existing staff.
Net Operating surplus/(Deficit)	2	59	57	9	
YTD Surplus/(deficit)	**2**	**59**	**57**	**9**	

11.6. Westco is undergoing an internal restructure and therefore the 2021/22 budget has been set in line with commercial activities known at period 2. There is an expectation that WCC work will decline but will be partially offset by external client work. Additionally, there has been a focus on reducing overheads and costs and these savings are expected to materialise in the latter half of 2021/22.

11.7. Other key points of note are as follows:

- As at period 4 Westco is forecasting a profit of £59k which is £57k above budget.
- Income is forecast (£33k) below budget as work from WCC will reduce throughout 21/22. However, YTD there has been an overall increase in external work, particularly from the campaign hub and this is forecast to continue throughout the remainder of the year.
- Expenditure is forecast £90k below budget mainly as a result of staff leavers roles being covered by existing staff.
- At period 4 Westco is reporting a YTD £9k profit with surpluses in period 3 and period 4 offsetting losses in period 1 and period 2.

Appendix 1

Directorate	Description/Service	£000s	Shortfall of savings not on-track to be met (£000s)	RAG
	Adults			
Adults	Review of Contracts	150		B
Adults	Improved Market Management	300		B
Adults	Bi-Borough Process and Policy Review	75		B
Adults	Promoting Independence	200		G
Adults	Contract saving - Transition into Beachcroft	543		B
Adults	Contract saving - LD services	300		B
Adults	Staffing Review (restructure, agency spend and vacancy factor)	595		G
Adults	Review of Bed Capacity	600		G
Adults	Increased focus on prevention and greater utilisation of community strength and	300		G
	Adults Total	**3,063**	**-**	
	Childrens's			
Children's	Education Funding and Efficiencies:	75		G
Children's	EHCP/Joint Funding Strategy	250		G
Children's	MASH/LSCB	50	50	A
Children's	Joint Working Opportunities	130		G
Children's	Pre-Birth to Five Service Redesign	250	250	R
Children's	Passenger Transport Alternative Delivery Mechanisms	50		G
Children's	Libraries Transformation	300		G
Children's	Joint Funding with CCG	350		G
Children's	Traded Service Review - Additional Savings	100		G
Children's	Agency spend reductions / vacancy factor on salary budgets	300		G
Children's	Staffing Review	625		G
Children's	IT Case Management System	88	88	A
	Children's Total	**2,568**	**388**	
	Environment & City Management			
Environment & Highways	Future City Management	700		G
Environment & Highways	Parking	80		G
Environment & Highways	Highways Fees and Charges Review	40		G
Environment & Highways	Implementation of SMART Lighting	60		G
Environment & Highways	Championing Innovation in Highways Maintenance and Management	250	250	R
Environment & Highways	Strategic Review of Street Cleansing Provision	158		G
Environment & Highways	Parks - Surrender Leasehold Sites	30		G
Environment & Highways	Parking	315		G
Environment & Highways	Parking	70		G
Environment & Highways	Parking - Traffic-Sensitive Streets Kerbside Management	350		G
Environment & Highways	Public Protection and Licensing	100	60	R
Environment & Highways	Community Services	200	100	R
Environment & Highways	Highways Infrastructure & Public Realm	140		G
Environment & Highways	Highways Infrastructure & Public Realm	250		G
Environment & Highways	Highways Infrastructure & Public Realm	90		G
Environment & Highways	Public Protection and Licensing	250		G
Environment & Highways	Public Protection and Licensing	100		G
Environment & Highways	Public Protection and Licensing	110		G
Environment & Highways	Public Protection and Licensing	120		G
	EMC Total	**3,413**	**410**	

	Growth, Planning & Housing			
Growth, Planning & Housing	Rental income from Intermediate Housing	100	45	A
Growth, Planning & Housing	Place Shaping and Town Planning - Service Improvements	150		G
Growth, Planning & Housing	Reduce Planning overtime to support committee meetings and appeals.	26		G
Growth, Planning & Housing	Delete Head of Town Planning post (currently vacant)	110		G
Growth, Planning & Housing	Reduction in Regen spend with WestCo	100		B
Growth, Planning & Housing	Review of legal costs in Housing Solutions	50		G
Growth, Planning & Housing	Review use of transport and storage costs in Housing Solutions	50		G
Growth, Planning & Housing	Registered Providers - Grant Funding Review	500		B
Growth, Planning & Housing	Targeted Purchases for Vulnerable Households	70		G
Growth, Planning & Housing	Capital Letters - Pan London	50		G
Growth, Planning & Housing	Cost Recovery of drafting S106 agreements	20		G
Growth, Planning & Housing	Stop Press Notices for Planning Apps	30		G
Growth, Planning & Housing	TA Purchase Programme	94		G
Growth, Planning & Housing	Planning Income	500	500	A
Growth, Planning & Housing	Temporary Accommodation	600		G
	GPH Total	**2,450**	**545**	
	Innovation and Change			
Innovation and Change	City Promotions, Events and Filming - non-pay budget efficiencies	58		B
Innovation and Change	City Promotions, Events and Filming - post deletion	47		B
Innovation and Change	Policy and Projects - deletion of two posts	155		B
Innovation and Change	Policy and Projects - non pay budget efficiencies	100		B
Innovation and Change	Campaigns and Media - deletion of four posts	180		B
Innovation and Change	Operations - deletion of post	50		B
Innovation and Change	Review of the Communications function	210		G
	I & C Total	**800**	**-**	
	Finance & Resources			
Finance & Resources	Technology Refresh	90		G
Finance & Resources	Network and Telephony	300		B
Finance & Resources	Investment Property Growth	1,000		G
Finance & Resources	Legal Fee Charges for Corporate Management	50		B
Finance & Resources	Local Land Charges income	40		B
Finance & Resources	Repurposing Building	100		G
Finance & Resources	Bi-Borough IT Service Desk consolidation	95		B
Finance & Resources	Reduced use of multi functional devices	25		G
Finance & Resources	Further IT network savings	225		G
Finance & Resources	Review of Bi-Borough IT Service	250	250	A
Finance & Resources	CED Strategy: microsites	30		G
Finance & Resources	Corporate Finance vacancy saving	50		B
Finance & Resources	Realignment of Claimant Contact Facilities for the Council's Benefits service	90		G
Finance & Resources	Review of C&FM	100		B
Finance & Resources	Cabinet Secretariat, Member and Committee Services - transforming ways of wo	125		B
Finance & Resources	Member allowances - non pay efficiencies	20		B
Finance & Resources	Review of internal audit	100		B
Finance & Resources	Senior Management Review	700		G
Finance & Resources	Further IT Contract Savings	100	100	A
	Finance and Resources Total	**3,490**	**350**	
	Collaborative Savings			
Collaborative Savings	Staffing - agency spend	550		G
Collaborative Savings	Community Commissioning	90		G
Collaborative Savings	Automatic streaming of software licences	15		G
Collaborative Savings	Business support review	2,050	2050	A
Collaborative Savings	CED strategy: contact centre review	500	500	A
Collaborative Savings	Consolidating Common Areas of Expenditure	210		G
Collaborative Savings	Fees and Charges Increase for 2021/22	3,209		G
	Collaborative Total	**6,624**	**2,550**	
	TOTAL	**22,407**		
	HRA Savings			
HRA Savings	Savings on arrangements for Post Inspection of Repairs	380		B
HRA Savings	Savings on arrangements for Housing Communications	178		G
	HRA Total	**558**	**-**	
	Grand Total	**22,965**	**4,243**	