



<b>Decision Maker:</b>	<i>Audit and Performance Committee</i>
<b>Date:</b>	<i>1 December 2021</i>
<b>Classification:</b>	<i>General Release</i>
<b>Title:</b>	<i>Period 6 budget monitoring report 2021/22</i>
<b>Wards Affected:</b>	<i>All</i>
<b>Report of:</b>	<i>Gerald Almeroth – Executive Director of Finance and Resources</i>

## 1. Executive Summary

1.1 In March 2021 Full Council approved the 2021/22 budget which included £16.9m savings and £28.7m investment and pressures.

1.2 At the end of September (Period 6 – middle of the financial year) the following variances have been identified compared to the budget approved in March 2021:

- Revenue: General Fund - £4.6m overspend
- Revenue: Housing Revenue Account - £2.7m underspend
- Capital: General Fund – £52.4m underspend
- Capital HRA - £26.1m underspend

1.3. The General Fund revenue variances are due to several under and overspends across all directorates. Primarily the overspend is a result of reduced income in comparison to budget. The three income streams with the highest variances are:

- Planning - £2.1m
- Commercial Waste - £0.8m
- Parking (all streams) - £0.8m

1.4. The HRA is forecasting an underspend of £2.7m. Salaries are the main contributor to this underspend and further details are provided in section 4.

1.5. The General Fund and HRA capital programmes are forecasting a net variance compared to budget of £33.2m and £26.1m respectively. Further details on individual projects are provided in section 5.

1.6. Council tax and Business Rates collections are still below pre-pandemic levels. The Council's MTFP had made allowances for lower collection rates and the budgetary impact is limited or capped in the case of business rates. There are signs of improvement in collection rates compared to last year, in particular for Council Tax but still not at the levels we have seen before the pandemic. Business Rates collection rate is improving each month though not at the level seen before pandemic. However, improvements are likely towards year end as court-based recovery increases.

## 2. Spending Review 2021

2.1 On Wednesday 27 October, the Chancellor of the Exchequer announced the budget and spending review for the UK. Key highlights include:

- Core Spending Power (CSP) will increase by £8.5bn (3% real terms growth), of which £4.8bn is new grant and £3.7bn is from additional council tax (equivalent to an increase of 3.95% per year in Band D and taxbase).
- Local government in England will receive a £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
- Additional funding will be made available for social care reform (£3.6bn over 3 years to implement “the cap on personal care costs and changes to the means test”).
- There is a transfer of funding for social care back to grant funding. The Chancellor has capped local authority’s ability to charge a social care precept at 1% and Council Tax increase is expected to be capped at 2%.
- Core Spending Power (CSP) will increase by £8.5bn (3% real terms growth), of which £4.8bn is new grant and £3.7bn from additional council tax (equivalent to increase of 3.95% per year in Band D and taxbase).
- Additional funding will also be provided for the UK’s commitment to welcome up to 20,000 Afghan citizens over the coming years, including £20,520 per person for local authorities who settle Afghan families, with an additional £17 million available to top-up housing costs and an extra £20 million pot of flexible funding.
- An additional £458 million by 2024-25 for asylum and refugee support will also be made available, helping protect vulnerable people in the asylum system.
- There has been no announcement about local government funding reforms (Fair Funding Review or business rates changes). We assume these have been pushed back to at least 2023-24.
- There are changes to business rates but no decision yet on their long-term future. There will be reliefs, discounts and cuts in the multiplier that will be worth £7bn over 3 years. The multiplier freeze and 50% discount for the hospitality sector will support many businesses that continue to experience financial difficulties post-Covid-19.
- From April 2023, there will be a new 100% business rates relief to support investment in property improvements. Any property improvement businesses make, will not lead to a rateable increase for 12 months. This is being pitched as supporting green investment, so could help our net zero targets.

### 3. Revenue

#### Overview

- 3.1 At period 6 the Council forecasts a gross variance of £4.6m against the budget after taking into account the Government's sales, fees and charges (SFC) compensation scheme. This was only in place for Q1 of 2021/22.
- 3.2 The General Fund shows a potential upper range variance of £9.750m which is inclusive of further identified risks and opportunities.
- 3.3 Excluding the SFC compensation scheme would create a variance of between £7m to £12.150m which highlights the continuing fragility of key income streams.
- 3.4 The main reasons for the forecast overspend are:
- Parking and commercial waste income (ECM)
  - Planning income (GPH)
  - Education and Covid-19 expenditure (Children's)

- 3.5 The table below summarises the General Fund revenue position

#### General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P6 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	52.122	52.022	(0.100)	-	0.300	-	0.200
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	25.379	27.864	2.500	(17.800)	3.500	(2.200)	3.800
Finance and Resources	44.291	44.268	-	(0.100)	-	(0.400)	(0.400)
Environment and City Management	6.377	9.287	2.900	0.500	0.500	-	3.400
Children's Services	41.156	43.157	2.000	-	0.600	-	2.600
Innovation and Change	10.171	9.916	(0.300)	(1.000)	0.400	(0.100)	-
Other Corporate Directorates	4.278	4.278	-	0.100	-	-	-
Collaborative Savings	-	-	-	-	2.550	-	2.550
<b>NET CONTROLLABLE BUDGET</b>	<b>182.745</b>	<b>189.763</b>	<b>7.000</b>	<b>(18.300)</b>	<b>7.850</b>	<b>(2.700)</b>	<b>12.150</b>
Council Tax	(62.078)	(62.078)	-				-
Business Rates - Net of Tariff	(120.667)	(120.667)	-				-
<b>CORPORATE FINANCING</b>	<b>(182.745)</b>	<b>(182.745)</b>	-				-
<b>SFC Compensation</b>			<b>(2.400)</b>				<b>(2.400)</b>
<b>Net (Surplus) / Deficit*</b>			<b>4.600</b>		<b>7.850</b>	<b>(2.700)</b>	<b>9.750</b>

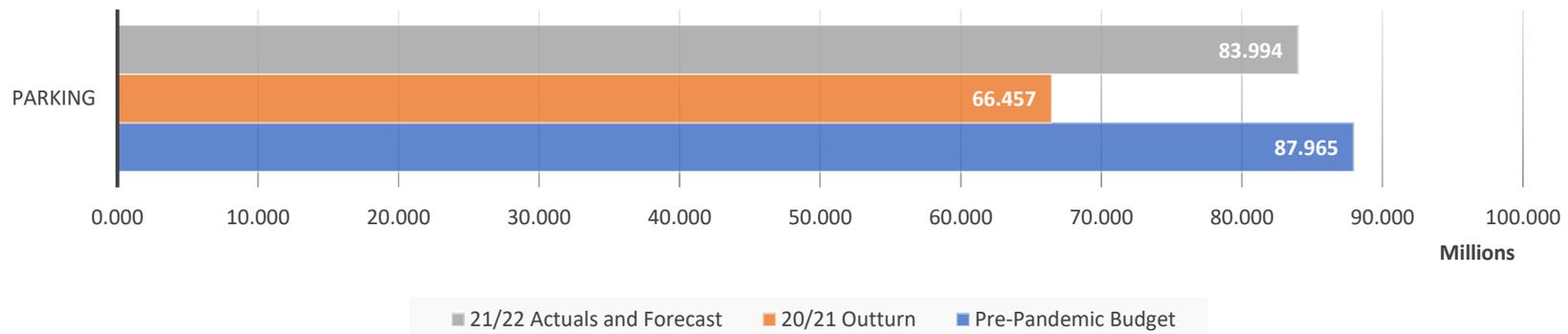
\*The net figure is inclusive of £2.4m the Council has submitted and is expected to receive in 2021/22 for the SFC compensation scheme.

- 3.6 The Council maintains a corporate pressures budget as set out in the March budget report to mitigate any ongoing economic risks associated with the pandemic. This will be used to reduce the any residual overspend at year end.

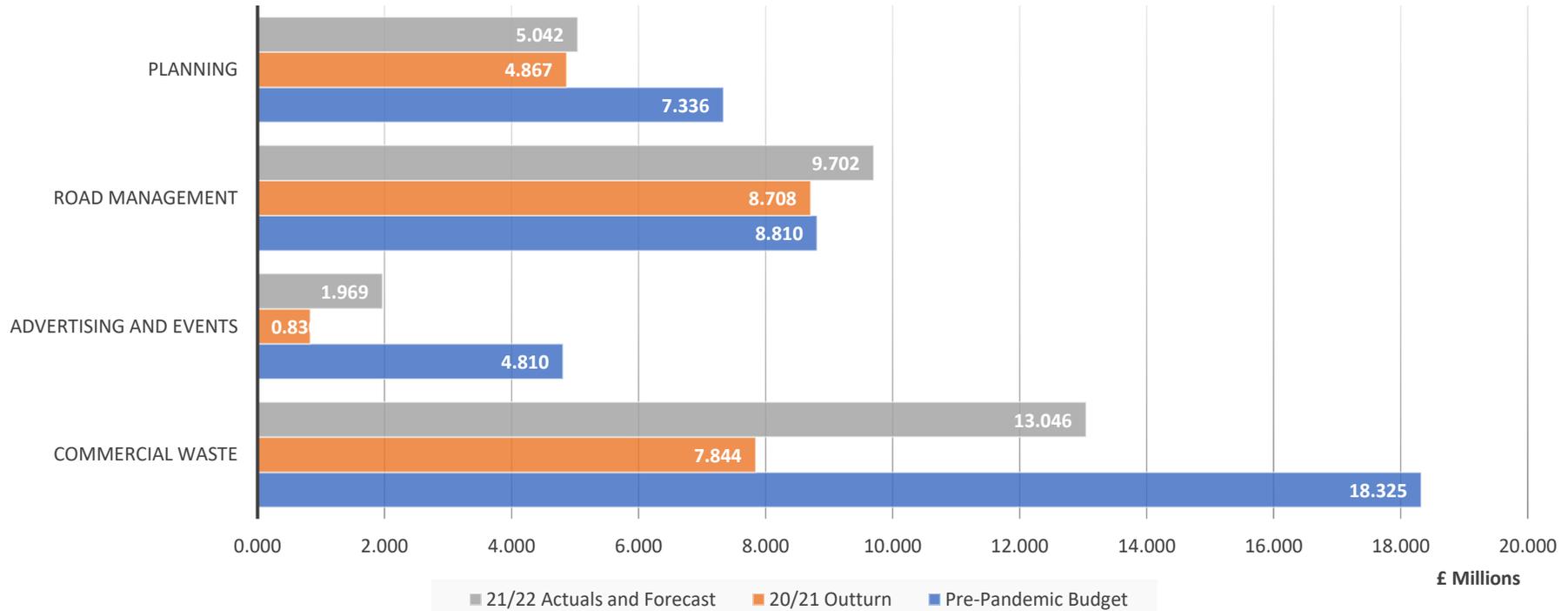
### 3.7 **Income Summary**

- 3.7.1 The Council's income streams continue to fluctuate as the City emerges from the pandemic. Daytime population numbers for both commuters and tourists, are expected to be low for some time. Many of the Council's income sources are dependent on the transient population in the City.
- 3.7.2 The Council has already anticipated this in the 2021/22 budget. Income budgets were adjusted to reflect a reduction in line with the Government's economic forecasts.
- 3.7.3 The year to date (YTD) income variance is £0.616m, while the full year forecast is £3.875m adverse variance. The variance has improved over the last two months which reflects some increasing demand as the year progresses. A further breakdown is given in appendix 1.
- 3.7.4 A comparison of the forecast for key income streams against pre-pandemic budgets is highlighted in the graph below:

### Comparators of Parking Income to Pre-Pandemic Levels



### Comparators of Other Key Income Categories to Pre-Pandemic levels



### 3.8 Savings Summary

- 3.8.1 Details of progress against approved savings are outlined in the commentary for each directorate.
- 3.8.2 Where savings are not on track, the directorates will consider mitigations to bring the budget back on target for this year.
- 3.8.3 In 2021/22 the Council had a target of £22.965m worth of savings to achieve across all services. It has currently achieved £4.028m of these savings, £14.036m are on track to be achieved, £3.928m has been reprofiled to be achieved in future years and £0.974m of savings is now at risk of not being achieved.

Directorate (£000s)	Complete	Green	Amber	Red	Total
Adults	1,368	1,695	0	0	3,063
Children's	0	1,591	913	64	2,568
Environment & Highways	0	3,003	0	410	3,413
Growth, Planning & Housing	600	1,250	100	500	2,450
Innovation and Change	800	0	0	0	800
Finance & Resources	880	2,260	350	0	3,490
Collaborative Savings	0	4,059	2,565	0	6,624
HRA Savings	380	178	0	0	558
<b>Total</b>	<b>4,028</b>	<b>14,036</b>	<b>3,928</b>	<b>974</b>	<b>22,965</b>

- 3.8.4 The total savings of £974k which are at risk of not being achieved is made up of the following:

Directorate	Description/Service	Shortfall of savings not on-track to be met
Childrens	Pre-Birth to Five Service Redesign	64
Environment & Highways	Championing Innovation in Highways Maintenance	250
Environment & Highways	Public Protection and Licensing	60
Environment & Highways	Community Services	100
Growth, Planning & Housing	Planning Income	500
	<b>Total</b>	<b>974</b>

#### Reprofiling of savings are as follows:

##### Collaborative Savings

- 3.8.5 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 2022/23.
- 3.8.6 CED strategy: contact centre review - £0.500m reprofiled to 2022/23. Project is currently being rescoped and will be considered as part of the medium-term financial plan.

## 4. Summary by ELT

### 4.1 Adult Social Care

#### Expenditure

Adult Social Care forecasts a year-end underspend of £100k. The service continues to experience a significant challenge from an increase in demand and complexity. This has broadly led to an increase in placements for the following areas:

- Residential Care: 11% increase (57 placements) due to accelerated discharges from hospital.
- Homecare: 7% increase (80 placements) due to accelerated discharges from hospital.

The current demand can be met within existing budgets and includes funding from Health for the first four weeks of accelerated discharge up to March 2022. However, if the upward trend continues this could result in an overspend at year end. To ease the financial burden on the Council of an upward trend officers are negotiating with the CCG for additional funding, along with other North West London boroughs experiencing similar issues.

### 4.2 Public Health

#### Expenditure

Public Health is expected to be within budget but there are some over- and underspends leading to this position as outlined below. This is split between commissioned (services provided through the NHS) and non-commissioned services.

#### Commissioned Services

There are reductions in demand for the following:

- Behaviour Change: forecast reflects reductions in demand for Health Checks and smoking cessation accessed via GPs. **Underspend of £232k.**
- Sexual Health: reduction in general demand with an increase in use of E-services. **Underspend of £158k.**
- Substance Misuse: reduction in demand for Detox Placements, GP Shared Care and the Reducing Reoffending Pilot. **Underspend of £15k.**

This is offset increased demand in Community Based Initiatives, Domestic Violence, Healthy School and an inflationary increase in School Nursing leading to an **overspend** in these areas of **£142k.**

#### Non-Commissioned Services

More staff capacity has been needed for the response to Covid-19, with additional staffing costs leading to an **overspend of £141k.**

The service has also benefited from Covid-19 grants which will be fully spent this year. These are:

- Test and Trace - £1.9m
- Rough Sleepers Drug and Alcohol Treatment - £0.9m

- Community Testing - £1.4m (up to September 2021)

### Public Health Reserve

The Public Health budget balances at the end of the year as any unspent funds are transferred to the ring-fenced PH reserve. At the start of the year this transfer **was expected** to be **£305k** but is now **forecast at £867k**.

## 4.3 Growth, Planning & Housing

### Temporary Accommodation (TA)

Westminster has a demand for over **2,600 units** of accommodation for homeless households. This level of demand is creating a pressure of **£2.18m** on the TA budget. However, any potential overspend will be offset by drawing down unused Homelessness Prevention Grant, subject to s151 officer sign-off.

The main cost drivers in TA are nightly rates for bedsits and private rented accommodation. To reduce reliance on these the TA reduction strategy is looking to:

- Acquire new council owned properties – up to **223** over the **next 4-5 years**.
- Action negative homelessness decisions. Tenants who have been assessed as **not requiring TA** will be moved on now that the Covid-19 eviction ban has ceased.
- Review Council social housing stock that is void due to regeneration schemes.

### Place Shaping and Town Planning

Two factors are causing an **overspend of £2.440m** for the Planning Service.

There is a 39% reduction on pre-2019 levels of demand for major planning applications which has led to a projected reduction in income of £2.1m. This could pose a continuing pressure into 2022/23 which will be considered as part of the budget setting process.

Redundancies related to the Planning restructure have presented a further £340k pressure. It is anticipated that these one-off costs will be funded from earmarked reserves.

### Westminster Employment Service

External sources of funding that are normally used to cover cost of the service have been impacted due to reduced activity following the pandemic. Since 2019, s106 policy required all major developments to contribute to the service. This has led to a total of £6.4m being committed but a number of current applications have not commenced meaning that funds have yet to be received. The service is currently reviewing its funding arrangements to put it on a sustainable footing post-pandemic and will report on those plans in due course.

## 4.4 Finance and Resources

- 4.4.1. There is a net favourable variance in Finance and Resources of £0.023m in period 6 (a net adverse movement from period 5 of £0.268m. The favourable variance is as a result of: £0.518m within Treasury and Pensions for interest receivable, due to the average balances for the year to date achieving a higher return on investment (reduced from period 5 by

£0.198m); offset by adverse variances of: £0.350m within IT from a delay to the ongoing service review; an overspend in Procurement of £0.100m due to reduced capitalisation of costs, and; a net £0.045m overspend in Coroner, Land Charges and Electoral Services.

4.4.2. There are net opportunities of £0.380m in Corporate Property. This is largely due to an opportunity of £0.400m from a one-off rebate on Year 1 Facilities Management contract costs slightly offset by a small risk of £0.020m. There is some work being undertaken as a result of recent electricity and gas wholesale prices which have risen to 10-year highs. Impact is expected to be minimal in 2021/22 due to the Council using forward purchasing, but there may be a significant increase in 2022/23 of around 30% which is being reviewed as part of the budget setting cycle.

#### 4.5 Environment and City Management

4.5.1 As at period 6, the Environment and City Management Directorate is forecasting an adverse variance of £2.910m (A net adverse movement of £0.058m since last month).

4.5.2 The overall movement is driven by a further £0.500m forecast under recovery in Paid for Parking and an overspend of £0.250m on legal costs in Public Protection and Licensing, which are in part offset by £0.300m additional Road Management Income and other net favourable movements including Waste & Cleansing and Community Services as detailed below.

4.5.3 The adverse variance of £2.910m is due to the Covid-19 pressures (£4.178m) offset by non-Covid-19 related underspends of £1.268m). The variances and the drivers for changes in activity levels are detailed in the narrative below against each service area. A breakdown of the Covid-19 and non-Covid-19 forecast variances are shown below:

4.5.4 **Community Services - £0.608m** (£0.688m Covid-19 and -£0.080m non-Covid-19) consisting of £0.488m 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 deed of variation on leisure contract. These are partially offset by an employee cost underspend of £0.050m in Parks and an income over recovery in Cemeteries of £0.030m.

4.5.5 **Waste & Cleansing - £0.756m** (£0.780m Covid-19 and -£0.024m non-Covid-19) Reduction in Commercial Waste income £0.800m and surplus recovery £0.044m on Special Collections. Waste & Cleansing shows an overspend of £0.250m due to food waste trial and consultants, however this is offset by a reduced spend in Commercial Waste stock. The under recovery of Public Conveniences income previously reported is now offset by an underspend on business rates due to a change in legislation.

4.5.6 **Parking - £1.596m (£2.710m Covid-19 and -£1.114m non-Covid-19):**

- Covid-19 Impact £2.710m - (Paid for Parking income shortfall £1.750m, Traffic Camera PCN's £0.650m, car clubs £0.300m offset by expenditure reductions - £0.065m.
- Non Covid-19 Impact -£1.114m - (suspension income -£1.500m, Marshal-issued PCNS -£0.150m and other net pressures £0.536m)

## Commercial Income

4.5.7 The main variances on income are set out below:

- **Parking – Paid for Parking** - The forecast variance at P6 is £1.75m which is 4.4% of the FY budget (an adverse movement of £0.500m from Period 5). This reflects a year to date deficit running at just over £1.3m. Activity had recovered to 96% of profile however has declined again following the fuel shortages. The YTD transactions are now 3,175,000. Activity shows strong recovery from the Covid position last year (P6 2020/21 YTD 2,170,000, 46% up), and only 6% down on the prior year (P6 2019/20 YTD 3,350,000). Activity for the remainder of the year is projected at 97% of budget to December, then 99% for the rest of the year, giving a total projection of 6,350,000 transactions for the year.
- **Parking – PCNs (Traffic Cameras)** - The Camera PCNs forecast deficit remains at £0.650m. Ticket issues in September were just under 4,000, 82% of profile & 17% up on August's figure of 3,400. This is a significant improvement on the trend for this year to date, which has been relatively stable, around 3,300 issues a month, increasing to 4,000 in May. The P6 YTD is 21,400. This is 2% down on the same period last year (21,900 at P6 YTD), because of exceptionally high issues in July and August 2020 (4,300 and 5,700 respectively). The service now forecasts gradual increase for the rest of the year, derived from additional contraventions as traffic picks up and more people return to the office, and from additional cameras coming online. This year's position is 16% down on P6 YTD 2019/20, approx. 25,400, which was an average around 4,200 a month. Projections for the full year 2021/22 assume ticket issues increasing to around 4,400 a month, giving a full year total of 50,600. This compares to 39,000 for full year 2020/21 and 46,500 for 2019/20.
- **Commercial Waste** - Commercial Waste income to date is £5.46m which is £0.66m (13%) below the 2021/22 approved budget to date of £6.12m. Pre-pandemic income in 2019/20 was £9.26m at this point in the year meaning that income has fallen significantly due to Covid and the impact on businesses in Westminster. There has been some recovery as in 2020/21 the income was lower at just £3.78m 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.
- **Sayers Croft** - now expects income in year of £0.960m, leading to a forecast pressure of £0.488m against a budget of £1.448m. This is an improvement of £0.028m compared to the period 5 position. Residential activity has recovered steadily through the summer months, and the orders for the remainder of the year are expected to recover to similar levels achieved before the pandemic and this is projected to be around February and March.

## MTFP Savings - 2021-22

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

## Risks and Opportunities:

4.5.9 The total risks included in period 6 are £0.500m. This represents the potential shortfalls in licensing income and is unchanged from last month.

## 4.6 Children's Services

### Expenditure

4.6.1 Reported overspend of £2.001m, including £0.580m relating to Covid-19.

### Education - £1.270m overspend

4.6.2 The position within the directorate has increased on account of staffing savings pressures previously reported as a risk (£0.141m) now reflected in the forecast.

4.6.3 SEN Transport pressures (£0.417m) have increased and now include an estimate of the impact of September's starters and leavers. The position also includes 32 personal transport budget (PTB) clients, which is an increase of nine since period 5.

SEN Transport	P6	P5	P4	P3	2020/21
Completed Trips	144,252	145,630	145,630	146,210	93,365
Spend (£m)	4.767	4.667	4.667	4.695	3.229
<b>Variance (£m)</b>	<b>0.417</b>	<b>0.382</b>	<b>0.382</b>	<b>0.410</b>	<b>(0.620)</b>

4.6.4 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 a range of proposals to deliver transport differently are being scoped 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.

4.6.5 Short Breaks pressures also increased this month. Staffing continues to be a factor both across the service (£0.101m) and in direct relation to growing demand for care packages, with the latter evidenced by the increasing need for sessional staff at the Tresham Centre (£0.332m). Pressures arising from care packages and direct payments (£0.159m) and building and equipment costs (£0.084m) account for the balance.

4.6.6 The service is working to mitigate pressures through a review of the universal (core) and targeted preventative services offer. Options for delivering overnight accommodation locally or in-house for children with more complex care needs for whom finding suitable packages can be difficult and costly are also being scoped, along with a proposal to increase take up of Direct Payments.

### Family Services - £0.401m overspend

4.6.7 The Council continues to face budget pressures arising from a shortfall in Home Office funding for Former UASC Care Leavers when compared to the cost of providing support (£0.749m). This is further exacerbated by the current age profile of UASC and the rate at which they are turning 18. Former UASC Care Leavers include those with no further entitlement to Home Office funding but whom the LA still supports until its statutory duties can be discharged.

4.6.8 Funding is payable at £270 per week for eligible Former UASC Care Leavers – however the average weekly placement cost is £800, and costs range from £525 to £3,600. This 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.

- 4.6.9 The full package of support measures announced by the Home Office, which includes a £3m contingency fund for dealing with backlogs arising from the pandemic, is yet to be allocated - however an estimate of anticipated grant income (£0.390m) based on associated legal pressures is included in the forecast. For prudence this income is also reported as a risk.
- 4.6.10 Staffing pressures continue to be a factor across the service (£0.826m) and have increased this month due to maternity cover arrangements. Maintaining a staffing complement that supports sufficient levels of intervention is key to reducing risk and keeping the cost of supporting Looked After Children down. A review of budgets against establishment costs across the service has highlighted some shortfall which will be reviewed as part of the budget setting process.
- 4.6.11 Staffing pressures, along with other variances (£0.202m) – of which the above Former UASC position is part - are mitigated by one-off placement-related underspends across the wider service area (£0.627m).
- 4.6.12 **WCC Registrars - £0.250m underspend**
- 4.6.13 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 - £0.580m overspend**

- 4.6.14 The reported position includes an early estimate of discretionary support for NRPF families and the cost of continuing support to match the Government's 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 along with the income shortfall in Libraries and Archives resulting from ongoing restrictions and low footfall.
- 4.6.15 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-19 pressures and allocations will be spent in full.

#### **Savings Pressures**

- 4.6.16 Undeliverable savings forming part of the forecast overspend total £0.388m. This position is made up of 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-19 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 1 April 2023.

## 4.7 Innovation and Change

### Expenditure

- 4.7.1 At period 6, Innovation and Change is reporting an underspend of £0.225m against the budget of £10.171m. This is a change of £0.185m from the £0.040m underspend variance reported last month.
- 4.7.2 The £0.255m underspend is from an over-achievement of non-pay efficiencies in Communications £0.090m and an underspend on salaries £0.045m after a recent review of the service, £0.205m net over-recovery of income from City Promotions, Events and Filming, an underspend of £0.090m in Lord Mayor's Office from part year vacancies, a net underspend in Policy £0.050m.
- 4.7.3 These are offset by a one-off overspend on publications £0.105m, other small net overspends £0.010m and a net overspend of £0.110m reported in Cabinet and Committee Services which is largely as a result of an overspend on staffing of £0.170m from additional posts added to the structure after a recent review offset by an underspend on allowances £0.040m and on other non-pay underspends £0.020m.
- 4.7.4 Net risks of £0.373m have been identified. This includes a £0.445m risk relating mainly to additional posts within Strategy and Intelligence. There is an opportunity reported on funding being explored for part of the salary overspend in Cabinet and Committee services £0.072m.
- 4.7.5 Of the MTFP savings targets totalling £0.945m, all have been achieved from a combination of post deletions and other non-pay budget spend reductions.

### Income

- 4.7.6 There is a net forecast additional income of £0.267m across Innovation and Change.
- 4.7.7 There is a reported net under-recovery of income of £0.030m 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 £0.455m as part of the revenue share agreement and for current contract income to resume from January 2022. For 'The Flame', the scenario is 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.
- 4.7.8 The Events and Filming budget was adjusted to take into account the predicted cancellation of some large events. There is however forecast additional income in Events and £0.230m in mostly one-off commercial income from events associated with the Euro 2020 competition fan zones and applications.

## 5. HRA

5.1 At period 6 the Housing Revenue Account is forecasting a surplus of **£1.889m** (which includes the removal of a budgeted drawdown from the HRA reserve of £0.855m). However, a **£0.500m** risk to commercial property income has been identified due to the ongoing impact of Covid-19 on this element of the portfolio.

	Full Year Budget	Full Year Forecast	Full Year Variance	Risks Identified at P6	Opps Identified at P6	Projected Variance (inc. Opps and Risks)
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Housing Revenue Account (HRA)	0.855	(1.889)	(2.744)	0.500	-	(2.244)

5.2 One of the key drivers of the favourable variance is a staff underspend of **£2.935m** across the HRA as a whole. This has mostly occurred as a result of the service restructure. Redundancy costs of £0.500m are expected as a further consequence of the restructure and will offset some of this underspend (as they can only be met within the HRA).

5.3 A breakdown of the main HRA variances by service are summarised below. These combine to generate the **£2.744m** overall budget variance that is being used to offset the £0.855m drawdown from reserves and leave the HRA with a remaining surplus of £1.889m.

- Property Services - £1.780m favourable variance (contribution to overall salaries underspend noted above, as well as an underspend on repairs offset by increased costs in relation to communal electricity and asbestos)
- Customer Services and Digital - £0.169m favourable variance (contribution to overall staff underspend and minor underspend on TMO allowances)
- Neighbourhoods - £2.130m favourable variance (additional water / drainage / sewage and security costs are being offset by corresponding increases in service charge income totalling £1.260m, alongside salaries underspend and increased lease extension income)
- Housing Innovations and Improvements - £0.030m favourable variance (salaries)
- Regeneration - £0.235m overspend caused by Ebury council tax losses and additional revenue costs associated with the regeneration
- General HRA - £1.131m adverse variance (under recovery of commercial property income, additional legal fees, and redundancy costs arising from the restructure)

## 6. Capital Budget 2021/22

### 6.1 Overview

6.1.1 The table below summarises the Council's budget and forecast position on the 2021/22 capital programme, which reflects a projected £33.249m net variance. By comparison, the net forecast variance at Period 6 in 2020/21 was £100.655m.

ELT	2021/22 Expenditure Budget £m	2021/22 Income Budget £m	2021/22 Net Budget £m	2021/22 Expenditure Forecast £m	2021/22 Income Forecast £m	2021/22 Net Forecast £m	2021/22 Expenditure 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	21.230	(15.843)	5.387	(6.896)	5.226	(1.670)
Growth, Planning & Housing	108.415	(27.746)	80.669	76.801	(18.776)	58.025	(31.614)	8.970	(22.644)
Environment & City Management	87.994	(35.020)	52.974	67.481	(23.583)	43.898	(20.513)	11.437	(9.076)
Finance and Resources	41.758	(13.210)	28.548	33.729	(13.210)	20.519	(8.029)	0.000	(8.029)
Westminster Builds inc. Luton Street	46.460	0.000	46.460	62.719	(7.213)	55.506	16.259	(7.213)	9.046
Projects Funded from FCR*	1.332	0.000	1.332	0.456	0.000	0.456	(0.876)	0.000	(0.876)
<b>Total for Council</b>	<b>315.754</b>	<b>(98.414)</b>	<b>217.340</b>	<b>263.353</b>	<b>(79.262)</b>	<b>184.091</b>	<b>(52.401)</b>	<b>19.152</b>	<b>(33.249)</b>

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

Project	2021/22 Variance to Budget £m	Comments
Westminster Builds (WB)	16.259	<p>Variance to budget of £16.259m relates to both the council investment in Westminster Builds (£14.005m variance) and the Luton Street LLP (£2.204m 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 since the budget was set. This has identified the following is required to be brought forward:</p> <ul style="list-style-type: none"> <li>£7.132m of additional investment for acquisitions at Farm Street, West End Gate and Parsons North)</li> <li>£9.260m 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</li> <li>£1.585m additional investment offset by grant income of £0.361m in the Jubilee scheme and £1.677m additional investment in the Luton Street scheme. These have</li> </ul>

		<p>both been re-aligned to reflect good progress on site</p> <ul style="list-style-type: none"> <li>Investment of £5.545m no longer required due to the removal of out-of-borough schemes from the Business Plan</li> </ul> <p>The additional investment by the Council directly to the Luton Street LLP of £2.204m relates to the back-to-back loan arrangement with Westminster Builds.</p> <p>£1.564m of this is the Council directly matching WB's investment as per the loan agreements. The LLP also agreed an additional loan with the Council of £0.640m to cover agreed variations on the scheme.</p>
Rough Sleepers Accommodation Programme	2.184	A request for new budget has been recently submitted. This project is part-funded by GLA/MHCLG grant and will allow it to be used in 2021/22.
Queensway Streetscape Improvement	(1.550)	The funding has not yet been received and unless this funding will be released further phases will not proceed in this financial year. The scheme is therefore assumed to slip into 2022/23 subject to the funding being received.
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 took 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 further due diligence on the procurement process. Therefore £1.799m spend is being reprofiled to 2022/23.
Lisson Grove Programme	(2.020)	The Lisson Grove Programme forecast has been reduced to £1.310m (variance of £2.020m) for 2021/22 due to a revised programme and delayed appointment of the consultancy team to 2022/23.
Public Conveniences Renovation Programme	(2.250)	The renovation programme was delayed due to Covid-19 and is now likely to begin later this year, with many sites being refurbished next financial year.
Landlord Responsibilities	(2.500)	Condition Surveys have been commissioned which will inform the programme of future Landlord Responsibilities works. Until this is completed the majority of works that are being taken forward are those that were already underway at the end of 2020/21 or those that considered to require urgent attention. It is therefore considered prudent to re-profile £2.5m of the current allocation into 2022/23.
Church Street Green Spine Public Realm	(3.133)	The Church St Green spine project is now expected to complete in Q1 2022/23 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 service revenue budgets

Parking – Business Processing and Technology	(3.250)	The procurement of the new parking contract has been delayed by one year as the existing contract has been extended. Therefore, this budget will be profiled to when the procurement commences.
King Solomon School Expansion	(3.855)	There is an in-year underspend of £3.855m relating to King Solomon Academy expansion project, in line with the latest cash flow forecast.
Ceremonial Streetscape	(4.555)	External factors such as access to land to commence works and material availability due to general shortage in the construction industry has resulted in re-profiling of this scheme to future years.
Placeshaping Schemes	(5.278)	Placeshaping Schemes are forecasting an underspend of £5.278m due to 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. These works are being reviewed as part of the current capital programme update for 2022/23.
Temporary Accommodation acquisition programme	(6.103)	The phasing submitted for this acquisition programme (which comprises 7 separate projects) over the next few years have been realigned in order to reflect market conditions
Oxford Street District	(13.787)	Oxford Street District is forecasting an underspend of £13.787mm. The delivery programme has been refreshed and work on piazzas has been paused. Forecast for 2021/22 now only includes contract wide costs, professional fees and design and construction on live work packages. The budget will be reprofiled to 2023/24.
<b>Total</b>	<b>(34.613)</b>	

## 6.2 Housing Revenue Account – Capital

6.2.1 The HRA capital budget and forecast position at period 6 is summarised in the table below.

HRA Capital Programme	2021/22 Revised Budget £m	2021/22 Forecast at P6 £m	2021/22 Budget Variance £m
Housing Planned Maintenance	46.787	43.268	(3.519)
Housing Regeneration	106.825	85.812	(21.013)
Other Projects	43.415	41.874	(1.541)
<b>Total</b>	<b>197.027</b>	<b>170.955</b>	<b>(26.072)</b>

6.2.2 The HRA is forecasting to spend **£26.072m** less than budgeted on its capital programme. This is mainly due to elements of the programme being reprofiled into future years as a result of programme adjustments. By comparison, the net variance at Period 6 in 2020/21 was £68.815m which reflected a fewer number of schemes under contract and Covid-19 having a much greater impact on site productivity (reducing by as much as 25-30% across some schemes).

6.2.3 The Planned Maintenance Programme covers works to existing Council Housing in order to maintain the condition of the stock. The table below summarises the £46.787m programme across its broad headings and sets out the latest spend projections for each area if investment.

Component	Full Year Budget £'000	Forecast P5 £'000	Forecast P6 £'000	Budget variance £'000	Forecast Movement £'000
Electrical & Mechanical Services	6,024	5,036	5,035	(989)	(0)
Voids and Aids & Adaptations	4,639	4,640	5,864	1,225	1,225
Fire Precaution Programmes	9,384	8,104	7,613	(1,771)	(491)
Major Works	22,391	21,342	20,620	(1,771)	(722)
Other Schemes*	4,349	3,920	4,135	(214)	216
<b>Total</b>	<b>46,787</b>	<b>43,041</b>	<b>43,268</b>	<b>(3,519)</b>	<b>227</b>

\*Includes Minor Works, PDHU, Climate action, Asset management & Condensation

6.2.4 At period 6 there is a projected underspend of **£3.519m** versus budget, which is occurring primarily within the Fire Precaution Programme and Major works.

6.2.5 The Fire Precaution programme includes delays during the design stage of the façade works at Torridon House due to the complex nature of removing the front elevation of an occupied building. There have been similar design delays of fire-related works at Regency & Semeley.

6.2.6 Generally, the programme is experiencing a squeeze on delivery capacity due to availability of labour. The Major Works scheme at Westbourne Park, for example, has experienced material delays within the contractor supply chain resulting in a revised programme of works.

6.2.7 The Planned Maintenance programme also includes a projected overspend on Voids and Aids & Adaptation. This is due to an increase in average cost of void works (driven by the poor standard of returned property) and increases in OT referrals.

### 6.3 Regeneration

6.3.1 At period 6 there is a forecast underspend of **£21.0131m** compared to budget. This is due to programme reprofiling across a number of schemes. However, there has been a slight reduction in planned slippage since P5 due to an increased number of unit acquisitions from Westminster Community Homes.

6.3.2 Schemes with budget reprofiled to future years include Parsons North (slippage of **£6.663m**) due to project contingency re-alignment and Carlton Dene (slippage of **£0.625m**) following a reprofiling of construction costs into future years. Lisson Arches is reporting slippage of **£4.222m** due a 6-week delay.

6.3.3 There is slippage on Ebury of **£15.841m** due to a delay in early works commencement and changes in the scope of demolition in Ebury. There is positive slippage (i.e. greater spend than estimated) of **£1.320m** on Church Street Acquisition due to increased number of acquisition units from Westminster Community Homes.

### 6.4 Other Projects

6.4.1 Warwick Community Hall (Harrow Road) construction costs for the delivery of social units are currently included in the forecast, although all costs incurred by the HRA will be transferred to Westminster Housing Investment Ltd.

## 7. Council Tax and Business Rates

### 7.1 Council Tax and Business Rates

7.1.1 The collection of business rates and council tax continues to be impacted by the Covid-19 pandemic and is reflected in the forecast for 2021/22. The restriction on courts had suspended recovery action up to the month May 2021 for unpaid bills and reduced cash receipts. The Council restarted the recovery actions process in June and recovery for Council Tax is slowly improving but still not at the level we have seen before the pandemic.

### 7.2 Collection Rates

7.2.1 As at September 2021 Council Tax collection rate to date is 57.6% which is 0.3% higher than the same month last year. The Business Rates collection rate for September 2021 is 49.2%, which is 0.6% lower than the same month last year.

### 7.3 Overview

7.3.1 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-19 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 September 2021
- The difference reported below is between 2020 and 2021

	September 2021 Collection Rate	September 2020 Collection Rate	September 2019 Collection Rate	Difference
Business Rates	49.2%	49.8%	59.6%	-0.6%
Council Tax	57.6%	57.3%	62.1%	0.3%

## BUSINESS RATES

## Revenues Dashboard - September 2021

### Current Year Bills - Collection Rates

	2019/20	2020/21	2021/22
Apr	13.6%	9.7%	9.0%
May	25.4%	19.9%	14.6%
Jun	34.1%	26.7%	25.5%
Jul	42.9%	34.7%	32.7%
Aug	51.5%	41.8%	40.5%
Sep	59.6%	49.8%	49.2%
Oct	68.3%	59.1%	
Nov	76.5%	66.7%	
Dec	84.8%	74.9%	
Jan	92.5%	81.6%	
Feb	95.5%	84.8%	
Mar	97.6%	88.8%	



Collectable Balance £1,738m      Amount Collected £855m      Balance Owing £883m      50.8%

## COUNCIL TAX

## Revenues Dashboard - September 2021

### Current Year Bills - Collection Rates

	2019/20	2020/21	2021/22
Apr	20.9%	17.9%	19.0%
May	30.5%	26.4%	27.8%
Jun	38.1%	35.3%	35.6%
Jul	47.0%	43.3%	43.3%
Aug	54.4%	50.0%	50.6%
Sep	62.1%	57.3%	57.6%
Oct	71.1%	66.0%	
Nov	78.5%	72.6%	
Dec	85.4%	79.4%	
Jan	91.9%	86.1%	
Feb	94.5%	88.7%	
Mar	96.7%	91.1%	



Collectable Balance £116.2m      Amount Collected £67.0m      Balance Owing £49.3m      42.4%

- 7.3.2 The table above shows that there are improvements in collection rates for business rates and council tax compared to previous months.
- 7.3.3 Business rates collection has shown signs of improvement, albeit not at the level seen in 2020/21. However major improvements have been recorded compared to the first two months of this financial year where there was an adverse difference in rates compared to last year of 10.4%, whereas the year-on-year reduction at Period 6 has reduced to 0.6%.
- 7.3.4 Council Tax recovery has surpassed the rates reported last year, especially in the first 3 months. As at Period 6 we are reporting an increase of 0.3% compared to collection rate last year.

## Appendix 1 – Key Income Streams

The table below highlights the 2021/22 forecast variance. Also included is the variance against the 2020/21 (pre-pandemic) budget, which outlines a £19.918m true loss of income.

ELT	Major Income Streams with Losses	20/21			21/22			21/22 Forecast v 20/21 Budget Variance £m	Change from Last Month
		Budget £m	Outturn £m	Variance £m	Full Year Budget £m	Full Year Forecast £m	2021/21 Variance £m		
Environment and City Management	Parking - Paid for Parking	39.866	30.456	9.410	39.721	37.971	1.750	1.895	
Environment and City Management	Paid for parking - Motorcycles	0.625	0.394	0.231	0.625	0.550	0.075	0.075	
Environment and City Management	Parking Penalty charge notices - Marshals	14.429	9.558	4.871	14.929	15.079	(0.150)	(0.650)	
Environment and City Management	Parking Penalty charge notices - Cameras	5.483	2.915	2.568	4.083	3.433	0.650	2.050	
Environment and City Management	Parking - suspensions and dispensations	21.772	17.564	4.208	19.530	21.030	(1.500)	0.742	
Environment and City Management	Parking - Resident Permits	4.471	4.491	(0.021)	4.562	4.562	0.000	(0.091)	
Environment and City Management	Parking - Trade Permits	1.320	1.079	0.241	1.320	1.370	(0.050)	(0.050)	
Environment and City Management	Commercial Waste	18.199	7.684	10.515	13.720	12.920	0.800	5.279	
Environment and City Management	Licensing (top two income streams)	3.650	1.641	2.009	3.110	3.110	0.000	0.540	
Environment and City Management	Road Management	8.810	8.644	0.166	9.102	9.402	(0.300)	(0.592)	
Environment and City Management	Community Services	5.974	0.113	5.861	1.374	0.886	0.488	5.088	
Children's Services	Registrars	2.302	1.261	1.041	2.252	2.651	(0.399)	(0.349)	
Growth, Planning & Housing	Planning	7.336	4.867	2.469	7.142	5.042	2.100	2.294	
Innovation and Change	City Promotions, Events and Filming	4.810	0.830	3.980	2.350	1.969	0.381	2.841	
Other Corporate Directorates	Local Land Charges	1.794	1.105	0.689	1.444	1.414	0.030	0.380	
Finance and Resources	Property Income - General Fund	30.333	30.946	(0.613)	29.866	29.866	0.000	0.467	
Finance and Resources	Court costs recovery income	1.908	0.000	1.908	1.908	1.908	0.000	0.000	
	<b>Total</b>	<b>173.080</b>	<b>123.549</b>	<b>49.531</b>	<b>157.036</b>	<b>153.161</b>	<b>3.875</b>	<b>19.918</b>	