



City of Westminster

Audit and Performance Committee

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| Decision Maker: | Audit and Performance Committee |
| Date: | 21 July 2022 |
| Classification: | General Release |
| Title: | Revenue and Capital Outturn 2021/22 |
| Wards Affected: | ALL |
| Key Decision: | No |
| Financial Summary: | The report summarises the Council's 2021/22 year-end financial position |
| Report of: | Gerald Almeroth, Executive Director – Finance and Resources |

1. Executive Summary

- 1.1. This report presents the Council's 2021/22 outturn positive for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA). As well as a summary of the pension fund and the Council's treasury management for the year.
- 1.2. The General Fund (GF) revenue position is an outturn of £2m (1.1%) overspend against an approved budget of £183m. The council used its general reserve balance to absorb the final year-end position. It should be noted that this was a favourable position compared to P9 forecasts of £3.4m overspend due to use of Covid specific grants.
- 1.3. The Council has built up its general reserve position over several years to allow it to manage any unforeseen circumstances and economic volatility. Whilst the use of general reserve in 2021/22 reduces the Council's balance to £57m, this accounts for 3.5% of the total balance.
- 1.4. The Council is particularly sensitive to recessions due to its reliance on fees and charges; however, the Council currently holds £57m in unallocated General Fund reserves as risk mitigation, which may be utilised to fund any net overspend this financial year. This is considered a robust level of reserves to manage any in-year pressures that may arise from either reduced income levels

beyond those factored into the 2022/23 budget or from inflationary pressures. It will also help manage the positive delivery of savings over the medium term and cover one-off shortfalls in the annual budget process.

1.5. The HRA outturn is a surplus of £2.1m the HRA budget had been set on the basis that a drawdown of £0.855m from the HRA reserve was required to balance planned expenditure, but this was not required.

1.6. The general fund capital outturn is a gross expenditure variance of £57.8m against a budget of £271.2m. The HRA capital outturn is an expenditure variance of £2.8m against a revised budget if £165.2m.

2. Recommendations

2.1. That Committee notes the outturn position for 2021/22

3. Revenue Budget

General Fund

3.1. The table below summarises the year end revenue position:

| ELT | 2021/22 Net Budget £m | 2021/22 Net Outturn £m | 2021/22 Net Variance £m |
|---------------------------------|--|---|--|
| Adults Services | 52.982 | 52.675 | (0.307) |
| Children's Services | 40.379 | 41.799 | 1.420 |
| Environment and City Management | 6.756 | 9.686 | 2.930 |
| Growth, Planning and Housing | 24.107 | 23.869 | (0.238) |
| Finance and Resources | 28.047 | 27.124 | (0.923) |
| Innovation and Change | 13.593 | 13.175 | (0.418) |
| CEX and People Services | 4.347 | 4.207 | (0.140) |
| Public Health | (1.029) | (1.029) | 0.000 |
| Corporate Items* | 13.577 | 13.297 | (0.280) |
| Total | 182.759 | 184.803 | 2.044 |

* Corporate Items includes non-specific grants and compensation i.e., general Covid grant and Sales, Fees and Charges compensation.

3.2. The final position means the Council will be required to drawdown £2.0m from its unallocated reserves, reducing its balance to £57m. This is a positive position compared to previous forecasts at P9 where the overspend was forecast to be £3.4m. The key movements from the P9 position are shown in the table below:

| Movements | £'m |
|---|--------------|
| Period 9 Forecast (Underspend) / Overspend | 3.430 |
| In-year application of Housing Prevention Grant (one-off top up payment) in GPH | (2.500) |
| Interest receivable from Treasury investments | (0.800) |
| Combination of improved income streams across ECM | (0.300) |
| Central contribution to Pension Fund Deficit* | 1.210 |
| One-off centrally funded items** | 0.701 |
| Lower than anticipated UASC grant from Home Office (Children's Services) | 0.300 |
| Sub-Total | 2.213 |
| Draft (Underspend) / Overspend | 2.044 |

*Contributions to the Pension Fund are made via payroll throughout the year. The final amount payable toward the deficit is calculated at year end, based on these contributions and is funded centrally. Following an up-front payment, there will be a change of process in 2022/23 and beyond.

**These one-off transactions include accounting provision set ups / shared service review costs/historic write-offs from the balance sheet

Key Variances

3.3. The key expenditure variances across the Council services are explained in further detail below.

Adult Services (ASC)

3.4. Adult Social Care is an underspend of £0.307m, representing 0.6% of the net budget of £52.982m. Key drivers for this underspend are primarily in line with what was previously reported with a range of variances across placement and packages budgets. The main movement is due to unused direct payments which was not anticipated when compiling the last forecast.

3.5. The position is supported by additional income from discharge to assess claims made to health partners, which mitigated much of the pressure. Furthermore, additional one-off grants such as Infection Control and Workforce Capacity were received during the year to support its providers. However, it should be noted that these will not be available in the coming years.

3.6. The key challenges facing the directorate are ASC reforms, funding arrangements for discharge to assess pathways, continued demand and complexity and market frailty challenges.

- 3.7. This year saw an increase in placement levels and the continuous increase in complexity of care needs for people in the community. These challenging factors are amplified by the discharge to assess process. There is a strong likelihood that this trend will continue in future years. Furthermore, the current economic challenges with inflation will pose challenges to market frailty and supporting providers with increasing costs. The directorate is in continuous dialogue with providers and exploring options at how support can be offered.

Children's Services

- 3.8. In Children's Services the final outturn position was an overspend of £1.420m.

Education - £1.232m overspend

- 3.9. The Short Breaks overspend is driven by staffing pressures arising largely from the Tresham Centre (£0.440m) but also across the wider service (£0.150m). Care package and direct payment pressures (£0.310m) account for the balance.
- 3.10. Remaining pressures include undeliverable staffing (£0.100m) and independent travel training savings (£0.050m) – both of which have been reversed in 2022/23, with the latter being reprofiled for delivery in the new year.
- 3.11. The position also includes Covid grant income (-£0.173m) that offsets pandemic-related agency staff costs in Short Breaks.

Family Services - £0.713m overspend

- 3.12. The Family Services outturn is driven by net placement pressures arising from a combination of rate changes and fluctuating placement numbers, further impacted by a reduction in income. The Home Office grant award for exceptional costs relating to UASC and Former UASC was substantially lower than anticipated, creating a further pressure (£0.300m).
- 3.13. Undeliverable savings contributing to the overspend include staffing pressures in Safeguarding (£0.100m) and Pre-Birth to Five Redesign (£0.065m) – both of which have been reversed in 2022/23. IT Case Management (£0.088m) and MASH savings (£0.050m) have been reprofiled.
- 3.14. The position includes Covid grant income (-£0.535m) that offsets pandemic-related costs across Family Services.
- 3.15. Registrars - £0.709m underspend
- 3.16. The Registrars position includes an overachievement of income (-£1.050m) from ceremonies, offset by additional staffing costs (£0.280m) and lesser pressures across the service (£0.070m).

Libraries and Archives – £0.129m overspend

- 3.17. The Libraries and Archives position includes savings-related income pressures (£0.260m) that have been reflected in part against the Covid position (-£0.130m).

Environment & City Management

- 4.8. The Environment and City Management Directorate outturn position for 2022/23 was an adverse variance of £2.930m.

Sports, Leisure & Active Communities - £0.304m overspend

- 4.9. The outturn consisted of £0.569m income shortfall at Sayers Croft due to slow recovery of residential visits after lockdown, and £0.025m favourable variance from the deed of variation on the leisure contract, Parks favourable position of £0.240m due to additional cemeteries income.

Waste & Cleansing - £0.012m underspend

- 4.10. Key income outturn consists of an under recovery in Commercial Waste (£0.556m) and Public Conveniences (£0.347m) and over recovery on Special Collections (£0.055m). The under recoveries continue to be offset by lower spend on stock for Commercial Waste service (£0.287m),
- 4.11. Disposal costs (£0.083m favourable movement from a forecast to budget) and underspends in Public Conveniences (£0.618m, £0.137m favourable movement due to additional grant income and reduced premises costs due to site closures and the upcoming renovation programme) driven by the business rates saving following legislation change. Employee cost savings of £0.093m and the overspend on Collection & Street Cleansing of £0.221m.

Public Protection & Licensing - £1.075m overspend

- 4.12. This variance was driven primarily by under recovery of income: HMO Licensing income (£0.537m); Street Trading income £0.335m; Pavement Licensing (£0.164m); Primary Authority (£0.141m), additional legal costs £0.511m, additional staffing costs £0.10m, offset by over recovery in Street Litter & Waste Fixed Penalty Notices (£0.139m) plus additional new burdens grant funding of £0.577m in relation to the changes to Pavement Licensing.

Parking - £2.574m overspend

- 4.13. Covid-19 Impact £3.667m – This is comprised of Paid for Parking income shortfall £2.705m, Traffic Camera PCN's £0.997m, Motorcycle Parking £0.069m, and Car Clubs £0.313m offset by expenditure reductions -£0.416m.

4.14. Non Covid-19 Impact -£1.095m – This is comprised of Suspensions income - £1.483m, Marshal-issued PCNs -£0.639m, a pressure on Resident Permits £0.266m, and other net pressures £0.761m

Commercial Income

- 4.15. **Parking – Paid for Parking** - The outturn is an adverse variance of £2.704m which is a reduction of £0.05m from the P9 forecast. Weekly numbers fell in February, increasing negative variances, but these were recovered during March when performance improved, particularly in the first two weeks of the month, with variances only 4-6% off budget.
- 4.16. **Parking – PCNs (Traffic Cameras)** - The Camera PCNs deficit increased a further £0.197m to £0.997m at year end. Ticket issues were up by 500 in March compared with February (3,024 / 2,524), but not yet at the level anticipated given the additional cameras and increased activity in the City.
- 4.17. **Commercial Waste** – The Commercial Waste income outturn was an adverse variance of £0.556m, an increase of £0.056m from P9. This movement is a minor change of 0.41% of the £13.72m budget and was the result of a lower than expected recovery in February and March from the impact of the Omicron wave and covid restrictions during winter. The outturn of £13.16m shows a significant recovery from the prior year where the income totalled £7.68m, showing an increase of 71%.
- 4.18. **Roads Management** – There was an overall favourable outturn variance of £0.948m against the budget, which was an improvement of £0.148m since P9. This stems from increased income activity levels which are 23% higher compared to what was previously projected, with increases on temporary structures and Temporary Traffic Orders.
- 4.19. **Street Trading and Tables & Chairs** – Income under recovery of £0.498m due to licensing fee waivers to traders who were categorised vulnerable or caring for vulnerable individuals in quarter 1; and to the two thirds of traders who in the past 18 months have surrendered their licences. Additionally due to the introduction of the Government’s Pavement Licensing regime during lockdown continuing to September 2022, under which the price of new/renewal applications is significantly reduced for Tables and Chairs.

Innovation & Change

- 4.20. Innovation and Change reported a £0.418m underspend, which includes a £0.203m net over recovery of income from City Promotions, Events and Filming plus further service efficiencies.

Growth, Planning and Housing

4.21. Growth, Planning and Housing reported a £0.238m underspend for the year, outlined below:

Housing Operations - £2.390m underspend

4.22. Housing Operations has come in significantly below budget, with a £2.390m underspend. The main driver for this is the multiple grant awards in the final quarter of 21/22, combined with the policy change on HPG that required the Council to certify that anything in the claim had been fully spent "in-year".

4.23. At the end of March 2022 there were 2,793 TA tenancies, a small increase from the 2,770 at the end of March 2021. Most tenancies (2,010) are within properties rented from the private sector; each tenancy costs WCC on average £4.2k/annum net although this figure varies widely according to location. There are 168 tenants in B&B properties (net cost to WCC £4.9k) and 323 in Nightly booked properties (net cost to WCC £10.8k), with the rest in properties owned by WCC, either in regeneration areas or properties purchased specifically for use for Temporary Accommodation.

Place Shaping & Town Planning - £2.3m overspend

4.24. The final outturn shows a £2.3m pressure. The bulk of this relates to the shortfall in Planning income projected through the year, which was ultimately £2.4m lower than the income expectation built into the budget. This has been partially offset by small underspends across the service.

4.25. The Council's MTFP position included a target for a significant increase in Planning income. Since the approval of that target, the pandemic hit, resulting in a significant reduction in activity levels. In 19/20, the service saw 9,869 applications (67 "Major"), whereas in 2021/22 this had dropped to 8,035 of which only 37 were "Major" applications. Furthermore, Pre-Planning Apps had also dropped from 1,272 in 19/20 to 843 in 21/22.

Finance and Resources

4.26. The Finance and Resources Directorate reported a £0.923m underspend in year which is due to a combination of factors both in terms of income and expenditure across Property and Treasury.

4.27. Income budgets in Property were reduced by £1.7m for 2021/22 to meet anticipated pressures from the pandemic. However, Property achieved £1.8m more income than the budget.

4.28. Treasury and Pensions also generated more income than budgeted. This was related to increased investment income as interest rates rose during the year.

Housing Revenue Account (HRA)

4.29. The HRA outturn is a surplus of £2.156m. The HRA budget had been set on the basis that a drawdown of £855k from the HRA reserve was required to balance planned expenditure, but this was not required.

4.30. The HRA surplus was diverted to fund capital HRA expenditure and thereby reduce the level of new borrowing required to fund the capital programme in 2021/22.

4.31. The main variances contributing to this surplus are:

- £1.9m staff underspend on staff across the HRA
- £0.5m lower interest charges to the HRA
- £2.2m contingency not fully utilised

4.32. These underspends are partially offset by pressures across the HRA, the main ones being:

- £1.2m lower return on the Commercial Property Portfolio than budgeted
- £0.7m more recharges for support services than budgeted
- £1.4m more provision for bad debt than planned

5. Capital

5.1. The table below summarises the General Fund capital outturn position for 2021/22. In total the general fund capital programme has gross expenditure slippage of approximately £81m. The majority of slippage is related to the following reasons:

- Procurement issues
- Delayed acquisitions
- On site issues and delays

| ELT | 2021/22 Expenditure Budget £m | 2021/22 Income Budget £m | 2021/22 Net Budget £m | 2021/22 Outturn Expenditure £m | 2021/22 Outturn Income £m | 2021/22 Net Outturn £m | 2021/22 Expenditure Variance £m | 2021/22 Income Variance £m | 2021/22 Net Variance £m |
|-------------------------------|--|--------------------------------|-----------------------------|---|------------------------------------|------------------------------|--|-------------------------------------|-------------------------------|
| Adult's Services | 0.568 | (0.468) | 0.100 | 0.101 | (0.101) | 0.000 | (0.467) | 0.367 | (0.100) |
| Children's Services | 18.417 | (14.814) | 3.603 | 10.757 | (9.249) | 1.508 | (7.660) | 5.565 | (2.095) |
| Growth, Planning & Housing | 74.733 | (22.859) | 51.874 | 60.416 | (12.745) | 47.671 | (14.317) | 10.114 | (4.203) |
| Environment & City Management | 75.918 | (31.613) | 44.305 | 48.963 | (23.763) | 25.200 | (26.955) | 7.850 | (19.105) |
| Finance and Resources | 42.053 | (14.677) | 27.376 | 21.327 | (12.486) | 8.841 | (20.726) | 2.191 | (18.535) |
| Westminster Builds | 58.596 | 0.000 | 58.596 | 45.116 | 0.000 | 45.116 | (13.480) | 0.000 | (13.480) |
| Projects Funded from FCR* | 0.905 | 0.000 | 0.905 | 0.568 | 0.000 | 0.568 | (0.337) | 0.000 | (0.337) |
| Total for Council | 271.190 | (84.431) | 186.759 | 187.248 | (58.344) | 128.904 | (83.942) | 26.087 | (57.855) |

5.2. The Council's capital programme was approved by Council in March 2021, with an expenditure budget of £315.754m and an income budget of £98.414 (including slippage from the previous year). This budget was reprofiled in P4, representing a net change of £17.148m.

5.3. Although the level of slippage is significant, there were also several projects that spent within a reasonable tolerance of the original budget. These included the following projects – IT Information Security Management; Parks and Open Spaces Infrastructure; Parks and Open Spaces Noticeboards; Footway Programme Maintenance and Thames Riverfront.

5.4. The tables below summarise the slippage by directorate. A breakdown of these movements by project are detailed in Appendix 1.

| Expenditure | | | | | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------------|-----------------|--------------------|------------------------------|--|
| ELT Area | Slippage from 21.22 to 22.23 | Slippage from 21.22 to 22.23 | Slippage from 21.22 to 23.24 | Slippage from 21.22 to 23.24 | Slippage from Other Future Years | Total Slippage | (Under)/Overspends | Total 21.22 Outturn Variance | |
| Adult's Services | (467) | - | - | - | - | (467) | - | (467) | |
| Children's Services | (7,845) | - | - | - | - | (7,845) | 184 | (7,661) | |
| Environment & City Management | (30,932) | 2,187 | (2,002) | - | - | (30,747) | 3,792 | (26,955) | |
| Finance and Resources | (14,514) | 414 | - | - | - | (14,100) | (6,625) | (20,725) | |
| Growth, Planning & Housing | (27,703) | 13,671 | (553) | 75 | 205 | (14,305) | (8) | (14,313) | |
| Westminster Housing Investments Limited | (13,481) | - | - | - | - | (13,481) | - | (13,481) | |
| FCR | (337) | - | - | - | - | (337) | - | (337) | |
| | (95,279) | 16,272 | (2,555) | 75 | 205 | (81,282) | (2,657) | (83,939) | |

| Income | | | | | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------------|----------------|-----------------------|------------------------------|--|
| ELT Area | Slippage from 21.22 to 22.23 | Slippage to 21.22 from 22.23 | Slippage from 21.22 to 23.24 | Slippage to 21.22 from 23.24 | Slippage from Other Future Years | Total Slippage | Under/(Over)-recovery | Total 21.22 Outturn Variance | |
| Adult's Services | 367 | - | - | - | - | 367 | - | 367 | |
| Children's Services | 5,749 | - | - | - | - | 5,749 | (184) | 5,565 | |
| Environment & City Management | 13,571 | - | 456 | - | - | 14,027 | (6,176) | 7,851 | |
| Finance and Resources | 1,979 | - | - | - | - | 1,979 | 211 | 2,190 | |
| Growth, Planning & Housing | 11,024 | (119) | 385 | - | - | 11,290 | (1,177) | 10,113 | |
| Westminster Housing Investments Limited | - | - | - | - | - | - | - | - | |
| FCR | - | - | - | - | - | - | - | - | |
| | 32,690 | (119) | 841 | | | 33,412 | (7,326) | 26,086 | |

5.5. The table below summarises the projects with the largest variance to budget. Fifteen projects contribute towards over two thirds of the total slippage for the year:

| Project | FY Variance to Budget £m | Comments |
|---|--------------------------|---|
| Westminster Housing Investments Limited | (12,020) | The underspend was as a result of delay in transfer of affordable units at Parsons North to WHIL and a delay in the transfer of 300 Harrow Road as legal is still being finalised. |
| 20 In-Borough Acquisitions for Temporary Accommodation | (5,419) | Of the projected 35 acquisitions this year we have completed on 26 IBB properties, the remaining properties are due to complete in 2022-23. |
| Ceremonial Streetscape Grouping | (8,147) | Issues outside of the control of WCC 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. |
| St Marylebone Bridge Special School | (4,153) | Slippage against the St Marylebone Bridge Special School project, due to major defects found on the foundations |
| Westminster Community Homes Development Loan and Affordable Housing Fund | (3,773) | Loan will not be drawn down until 22/23 when properties are potentially acquired. |
| 300 Harrow Road | (2,926) | The total spend on the scheme will remain in HRA until the legal terms are agreed. |
| Oxford Street District | (2,396) | Total OSD spend of £12,097 is lower than forecasted mainly due to Citywide contractor costs as delivery on some schemes such as Manchester Square have slipped and as a result have been reprofiled to 22/23. Further discussions are |

| | | |
|---|-----------------|--|
| | | currently taking place to discuss the short-term delivery of Work packages and a Business Case review is also underway by an external 3rd party. |
| Investment Portfolio Income Security | (2,216) | Works on Huguenot House were delayed as a result of the procurement. The procurement has recommenced in April 2022. Works at Orange Street have been delayed whilst the scope of works was agreed. These works increased significantly from what was initially thought to be required following surveys at the site. |
| Strategic Acquisition Huguenot House | (2,000) | It was thought that the project would see a small number of flat acquisitions. These acquisitions have yet to take place |
| Seymour Leisure Centre | (1,869) | The underspend is because there has been a delay in the appointment of the structural/services consultants and the associated surveys that require the consultants' technical briefs before additional services can be procured (that have not incurred spend). |
| Villiers Street Public Realm | (1,653) | Because of a longer than expected consultation period this has led to a delay in the programme delivery which will now begin in April 22. |
| Jubilee Sport Centre Redevelopment | (1,495) | The overall programme for the residential units was 5 months late and then this had a knock-on effect on the fit-out contract which has resulted in this underspend |
| TOTAL | (48,067) | |

Housing Revenue Account - Capital

5.6. The HRA capital budget and outturn position is summarised in the table below:

| Overall HRA Capital Programme | Budget £m | Outturn £m | Variance £m |
|--------------------------------------|----------------------|-----------------------|------------------------|
| Planned Maintenance | 43.042 | 40.143 | (2.899) |
| Development | 114.948 | 114.433 | (0.515) |
| Self-Financing | 7.180 | 7.811 | 0.631 |
| HRA Capital TOTAL | 165.170 | 162.387 | (2.783) |

5.7. The HRA outturn reports an underspend of £2.783m, this mainly due to slippage in HRA Planned Maintenance of £1.9m and a £0.1m positive slippage in Housing Regeneration. Major Works and Fire Precaution programmes reported a slippage of £3.2m due to minor delays on some schemes; offset by a £1.5m

overspend on Voids driven by higher volumes and higher average costs per void turnaround.

6. Financial Implications

6.1. The financial implications are set out in the main body of the report

7. Legal Implications

7.1. There are no legal implications arising from this report

**If you have any queries about this Report or wish to inspect any of the
Background Papers please contact:**

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