



City of Westminster

# Audit and Performance Committee

<b>Decision Maker:</b>	<b>Audit and Performance Committee</b>
<b>Date:</b>	<b>29 November 2022</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>2022/23 Quarter 2 Financial Monitor</b>
<b>Wards Affected:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>No</b>
<b>Financial Summary:</b>	<b>The report summarises the Council's 2022/23 Quarter 2 financial position</b>
<b>Report of:</b>	<b>Gerald Almeroth, Executive Director – Finance and Resources</b>

## 1. Executive Summary

- 1.1 This monitoring report presents the Council's summarised 2022/23 quarter 2 financial position to date and the forecast for the remainder of the year, based on activity trends and analysis to date.

### ***Revenue Summary***

- 1.2 The forecast revenue outturn at the end of quarter 2 is an overspend of £5.762m compared to a reported overspend of £4.465m at quarter 1.
- 1.3 The main changes since quarter 1 are:
- £9.82m of further inflationary pressures above the corporate allowance arising from the national pay award, contracts and utilities;
  - £5.8m overspend on Temporary Accommodation due to rising rents mainly caused by a significant contraction of supply and increases in rental rates;

- £1.3m further reduction in planning income as activity continues to be well below pre-pandemic levels;

These are partially offset by:

- £13.0m improved treasury management income arising mainly from further and more significant interest rate rises by the Bank of England rate;
- £1.8m improved net income from commercial waste as the service emerges from the pandemic.

### ***Capital Summary***

- 1.4 The quarter 2 Capital Programme forecast position is £107.330m gross expenditure variance and £86.383m net variance. A key movement since Q1 is a £20m slippage on Oxford Street following the review of the programme. Variances are outlined in Section 15 of this report.

### ***Inflation***

- 1.1 Inflation in September 2022 rose to 10.1% which was an increase on the August 2022 inflation rate of 9.9%. At quarter 1 inflation pressures were reported at £3.172m over the £6.8m budgetary provision made at the beginning of the year, this has increased to £9.82m in quarter. This increase is predominately due to additional contract inflation requests from suppliers and the conclusion of contract negotiations.

### ***Savings***

- 1.2 Savings achieved year to date are now reported as £4.341m which is an increase of £1.466m from quarter 1; 81% of savings are on target or achieved.

## **2. Recommendations to Audit and Performance Committee**

- 2.1 That APC notes the current monitoring and forecast position at Quarter 2 for 2022/23.

### 3. Revenue Budget Overview

3.1 In March 2022 Full Council approved the 2022/23 budget which included £16.671m of savings and £5.789m of investment and pressures. As at Quarter 2 of the 2022/23 financial year the General Fund revenue position is reporting a forecast overspend of £7.877m against a budget of £184.862m.

3.2 The table below summarises the Quarter 2 General Fund position.

**Table 1.**  
**Revenue Finance Position and Forecast – Quarter 2 Financial Year 2022-23**  
**(£'m)**

Executive Directorate	2022/23 Budget £m	2022/23 Forecast £m	2022/23 Variance £m	Risks Identified £m	Opportunities Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	50.570	50.470	(0.100)	2.000	-	1.900
Public Health	(1.141)	(1.141)	0.000	-	-	0.000
Growth, Planning & Housing	19.596	28.712	9.116	2.944	(0.450)	11.610
Finance and Resources	29.213	13.848	(15.365)	0.910	(1.500)	(15.955)
Corporate Items (including inflation)	31.451	41.271	9.820	-	-	9.820
Environment and City Management	(0.667)	0.130	0.797		(1.400)	(0.603)
Children's Services	38.279	40.088	1.809			1.809
Innovation and Change	13.530	13.215	(0.315)	-	-	(0.315)
Other Corporate Directorates	4.032	4.032	0.000	-	-	0.000
<b>NET CONTROLLABLE BUDGET</b>	<b>184.863</b>	<b>190.625</b>	<b>5.762</b>	<b>5.762</b>	<b>(3.350)</b>	<b>8.266</b>

## 4 Inflation

- 4.1 Inflation continues to remain a significant challenge across the public sector in 2022/23, with the CPI rate reported at 10.1% in September 2022. CPI inflation at Q2 is now nearly double the 5.4% level experienced at the point of setting the budget. The sharp rise in inflation presents the biggest financial risk to the Council's budgets.
- 4.2 Inflation forecasts for the remainder of 2022/23 and 2023/24 are uncertain at present. Updated forecasts are due to be published by the Office of Budget Responsibility on 17 November, this will provide the OBRs latest outlook on the UK economy and public finances. Details of this publication will be used to support the Council's Medium Term Financial Plan development.
- 4.3 The table below summarised contract inflation pressures currently identified by directorates.

### Table 3 details the directorates identifying impact of inflation increases in 2022/23

- 4.4 The inflation forecasts for all service areas have not been included in the Revenue outturn summary. At the beginning of the financial year a corporate provision was made for inflation increases of £9.307m across all services, however due to the rate in which inflation has risen there will be impacts on service budgets in addition to the corporate provision. Set out in the table below are the forecast impacts of inflation by directorate against the budget set aside, as at the end of Quarter 2 a £9.82m overspend is forecast against the corporate budget that will need to be met within directorate budgets.

Directorate	Forecast Impact of Contract Inflation £'m	Forecast Impact of Pay Award Inflation £'m	Total Inflation Pressure £'m
Adults Social Care	2.113	0.779	2.892
Children's	0.465	1.453	1.918
Environment and City Management	6.001	1.234	7.235
Finance & Resources	2.220	1.401	3.621
Growth, Planning and Housing	1.701	1.036	2.737
Innovation and Change	0	0.548	0.548
Other Corporate Directorates	0	0.176	0.176
<b>Total Forecast</b>	<b>12.500</b>	<b>6.627</b>	<b>19.127</b>

<b>Budget Provision for Inflation (at March 2022, £m)</b>	9.307
<b>Forecast Inflation Pressure (£m)</b>	19.127
<b>Overspend</b>	<b>9.820</b>

- 4.5 **Finance and Resources** are forecasting an inflation increase of £2.2m with £1.850m being in corporate property. The inflation pressures are due to unprecedented utilities inflation and additional increased in other contract inflation within Finance and Resources.
- 4.6 **Adults Social Care** are forecasting £2.113m, with the largest pressures within homecare markets with workforce pressures and uplifts to various suppliers. Negotiations to reduce inflationary exposure have taken place but the costs are still above the budget provision made at the time of setting the budget,
- 4.7 **Children’s Services** are forecasting inflation increases of £0.465m, this figure does not include a potential increase to Family Services – Placement and Accommodation. The other areas for Children’s relate to the increases in SEN transport. Inflation increases have also been agreed within commissioning and short breaks.
- 4.8 **Environment and City Management** reported an inflation increase of £6.001m at the end of quarter 2, this is based on the contract inflation within Parking and Waste. Some of the increase relates to introduction of the full London Living Wage. The Council has a clear commitment for its supplier to pay London Living Wage on its contracts.
- 4.9 **Growth, Planning and Housing** have identified further increases in costs of Temporary Accommodation which has been reported in the revenue outturn. The impact of these inflation increases is £1.701m.
- 4.10 Inflationary pressures and subsequent costs are a significant risk to the Council’s financial position for 2022/23 and future years. Each contract has a different inflationary uplift metric (e.g. CPI or RPI), but on average each 1% increase could add a further c£1.6m cost to the current adverse variance. Discussions are being held with suppliers to reduce the impact of inflationary uplifts, where possible.
- 4.11 This year’s pay award has now been agreed. The majority of staff will receive an additional flat rate increase of £2,355 and this represents an average pay increase of 5%. The total increase of on the general fund element of the salary budget is £4m and this is included in the £9.820m inflation pressure overspend.

## 5. Medium Term Financial Plan Monitoring – Savings

- 5.1 Details of progress against approved savings are outlined in the commentary for each directorate in the table below. Where savings are not on track, the directorates continue to consider mitigations to bring the budget back on target for this year.
- 5.2 Of the total savings targets Innovation and change have reported a slight over achievement against their targets. Of the savings 81% are either achieved or on target.

**Table 4 Approved Savings Progress**

ELT	Saving Achieved £000	Part Achieved/ On Track £000	Part or Completely Reprofiled £000	Part or Completely Unachievable £000	Total £000
Adult Social Care	460	2,150	-	-	2,610
Children's Services	-	1,133	-	800	1,933
Environment and City Management	1,670	3,198	900	100	5,868
Finance and Resources	575	1,100	400	-	2,075
Growth, Planning and Housing	1,040	1,370	-	1,100	3,510
Innovation and Change	596	16	-	-	612
<b>Total</b>	<b>4,341</b>	<b>8,967</b>	<b>1,300</b>	<b>2,000</b>	<b>16,608</b>

- 5.3 Further information relating to reprofiled and unachievable savings, as well as the mitigating actions can be found in Appendix 1.

## Revenue Summary

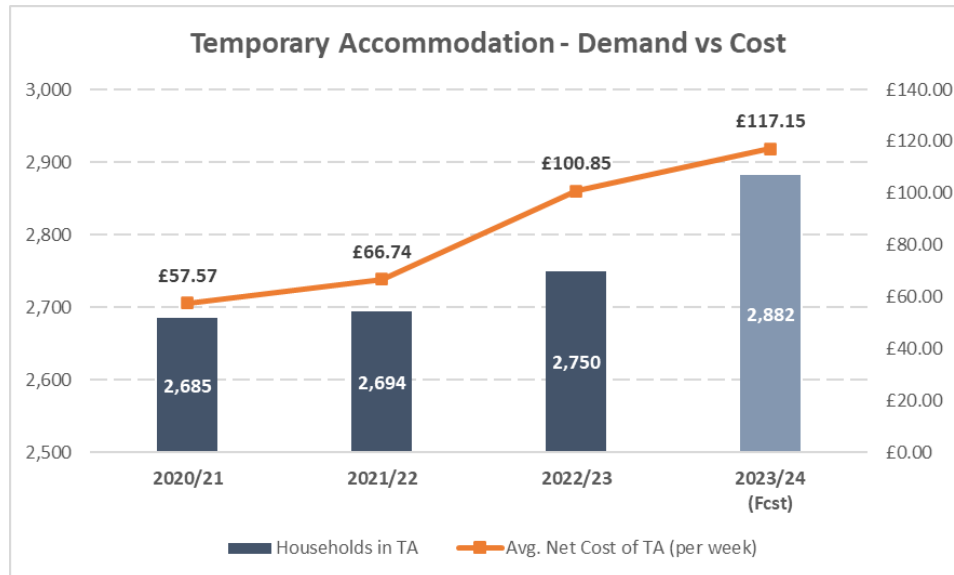
### 6. Growth, Planning & Housing (GPH)

Overspend £9.116m

- 6.1 The increased Quarter 2 overspend forecast is because of significant cost pressures on Temporary Accommodation of £7.517m, combined with income projections in Development Planning being a further £1.300m lower than reported at Q1.

#### *Temporary Accommodation*

- 6.2 The key driver of the £5.816m overspend forecast on Temporary Accommodation (TA) relates predominantly to an uplift in the average weekly cost of TA supply. There has been a small increase in demand in 2022/23 (with 56 more households in TA), as shown in the table below, but the main driver of the budget pressure is an increase in the average net cost per week of a unit of TA.



- 6.3 The net cost of TA is defined as the difference between the cost of sourcing accommodation and the rent that can be recovered by the Council. One of the challenges facing all local authorities is that TA rent is mostly received via Housing Benefit but the amount that can be recovered has been capped at the same rate for a decade (at 90% of 2011 LHA rates). Meanwhile the cost of procuring accommodation has steadily increased in line with the private rental market.
- 6.4 WCC sources accommodation through a range of different providers. Roughly 27% of WCC supply is directly owned or supplied by Registered Providers (RP) which provides security over cost. The remaining 73% is sourced from private providers. More than half of this supply has been subject to re-negotiation in

2022/23, with a scarcity of available supply in the market driving prices up. This is why there has been such a pronounced spike in the average cost of supply in the current financial year (with many landlords recovering market increases over multiple years where they had previously committed to longer-term fixed price arrangements). With some providers also opting to leave the market, the service has also had to start using higher cost hotel accommodation in order to meet need in some cases.

- 6.5 The net cost of TA has been steadily rising over the last 2-3 financial years. However, the Council has largely been able to mitigate these cost increases using residual grant (particularly during the pandemic). However, the balance of surplus grant from prior years is heavily depleted and projected to be fully exhausted at the end of 2022/23. This means that the pressure on TA spend will need to be carefully considered as part of the 2023/24 budget setting process given that the increases in the cost of supply are unlikely to ease.

### ***Planning***

- 6.5 Planning income remains significantly lower than budget (forecasting a £3.300m adverse variance at Q2) which has remained the case since Covid. The position is primarily driven by a continued reduction in the number of “major applications” which carry significant fees. Major applications activity to Quarter 2 is 67% lower than the same period in 2019/20 (pre-pandemic year).



## 7. Children's Services

**Overspend £1.809m**

7.1 Children's Services is reporting a forecast overspend of £1.809m at Quarter 2. This represents an adverse movement of £0.263m when compared to Quarter 1, due to changes in Education, Family Services and Libraries as set out below.

### **Education**

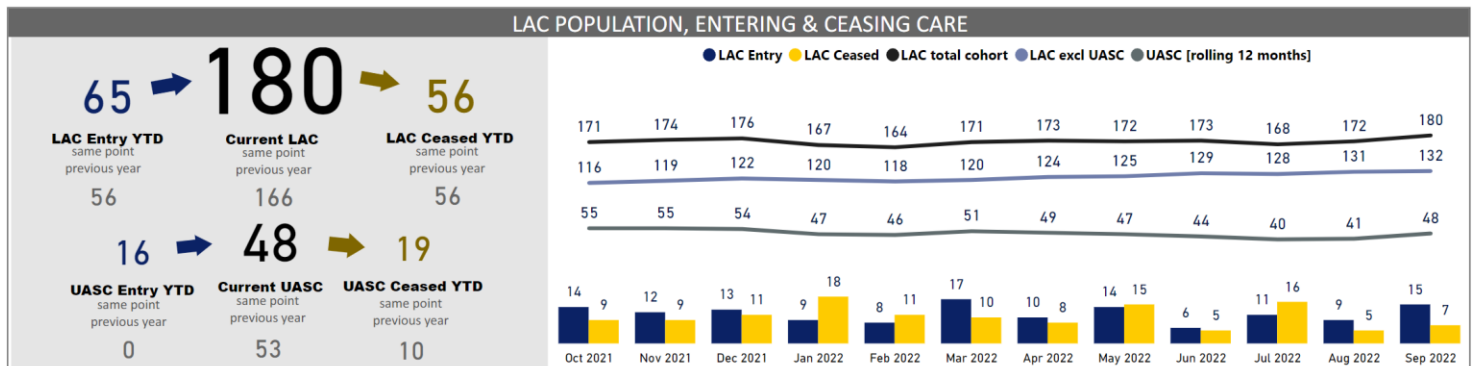
7.2 Education is forecast to overspend by £1.471m at quarter 2. The Short Breaks overspend continues to increase and is the main driver for the movement in Education this month, having increase by a further 32 provisions since Quarter 1. Care Package and Direct Payment pressures (£0.635m) – which relate in part to the cost of social care cases reported in Short Breaks, are further exacerbated by the impact of reduced Integrated Care Board (ICB) joint-funding contributions.

7.3 Staffing pressures (£0.330m) have doubled this month as additional agency staff were needed to provide additional cover relating to the current multi-site arrangement linked to Tresham Centre building issues. This represents a four-fold increase in spend on cover arrangements when compared to 2021/22. Additional premises cost pressures (£0.042m) are also impacting the forecast.

### **Family Services**

7.4 Family Services is forecast to overspend by £0.086m at quarter 2. The position has improved following a review of Unaccompanied Asylum Seekers (UASC) act of rising child protection numbers on placement expenditure coupled with reduced ICB joint-funding contributions and the increasing cost of supporting families with no recourse to public funds continues to cause pressures (£0.640m).

7.5 Numbers of LAC (non-UASC) increased by 16 when compared to the same period last year. This presents the risk of further pressures on placement budgets.



- 7.6 Pressures are further exacerbated by the rate at which UASC are ageing into the Care Leaver population – with Former UASC numbers increasing by 18 over the last 12 months.



### ***Registrars***

- 7.7 Registrars is forecast to underspend by £0.322m at quarter 2. Registrars is reporting an overachievement of income from ceremonies (£0.624m improvement), partly offset by increased staffing expenditure (£0.222m) and other running costs incurred in meeting the high demand (£0.080m).

- 7.8 Birth registrations and certificates, notices, ceremonies and new citizen numbers have reduced - by 13%, 4%, 18%, 9% and 10% respectively - compared to Q2 21/22, with only the number of death notices increasing - by 5%.

### ***Libraries and Archives***

- 7.9 In Libraries, income pressures arising from undeliverable savings (previously reported as a risk) are now included in full and the service is reporting an overspend of £0.574m. The service is reviewing other cost saving measures in order to reduce this.

## 8. Environment and City Management

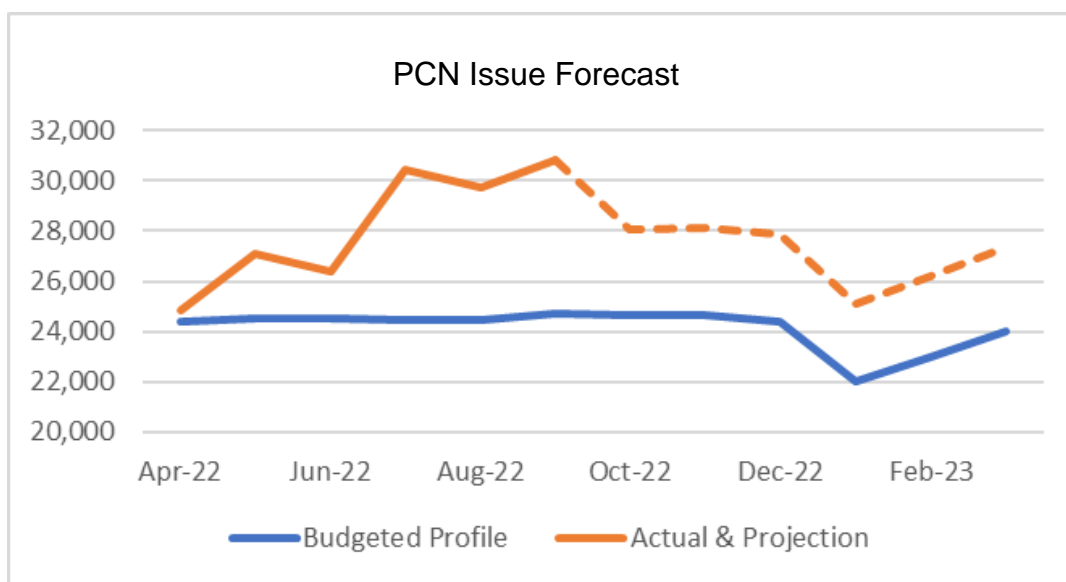
Overspend £0.797m

8.1 ECM reports an overspend at Quarter 2 of £0.797m against the budget of (£0.667m), comprised of offsetting variances within individual services as below.

### ***Parking***

8.2 At the end of Quarter 2 parking is forecasting an adverse variance of £1.935m compared to a nil variance at Quarter 1.

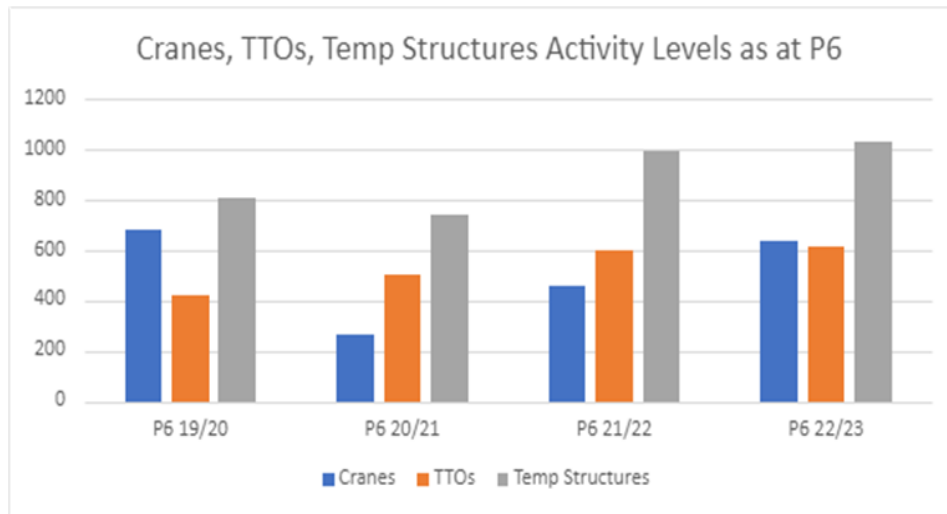
8.3 Parking's primary income streams are forecast to under-recover by £1.325m at Quarter 2, albeit a favourable movement of £1.090m from Quarter 1. PCN income is forecast to increase by £1.500m following additional targeted enforcement on street, with the assumption that activity will continue above budgeted profile as shown in chart:



8.4 Increased enforcement brings additional costs for on-street hours and related activity. These costs are forecast at £0.875m overspend, an increase of £0.725m on the Quarter 1 forecast.

### ***Highways Infrastructure & Public Realm***

8.5 Highways forecast overspend has reduced by £0.032m to £0.140m as more information has become available on the TFL precept for traffic signals maintenance. Roads Management income is now forecast to over recover by £0.600m, improved by £0.400m from Quarter 1 and reflecting activity levels at Quarter 2 which are 13.4% higher compared to 21/22 (2,744 vs 2,419) and are 27.6% higher (2744 vs 2150) than pre-pandemic levels.

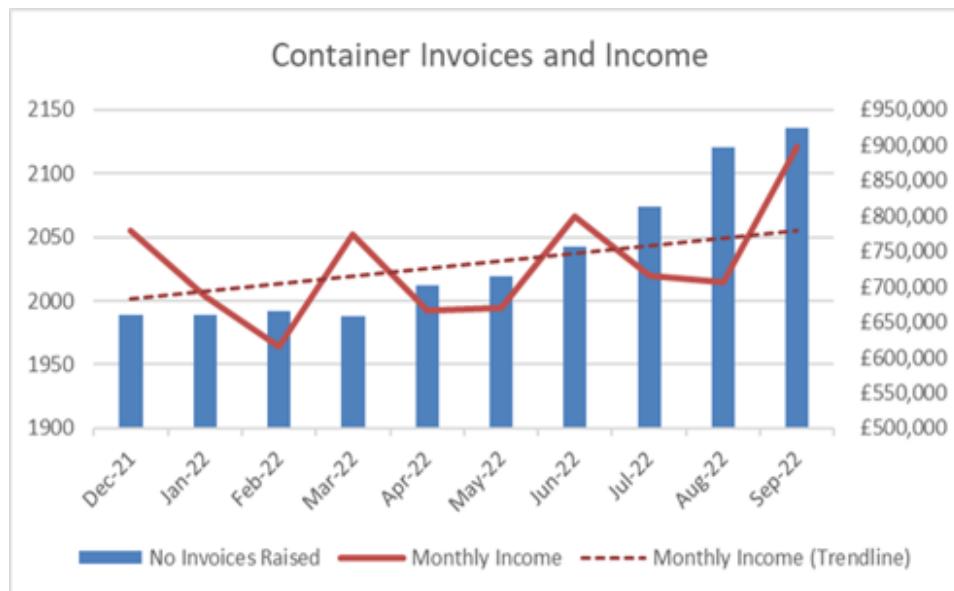


### ***Public Protection and Licensing (PP&L)***

- 8.6 As at Quarter 2, PP&L forecast £0.900m employee cost overspend due to delayed delivery of service redesign savings, now expected to be in place from 1 April 2023.
- 8.7 There is a £0.661m adverse movement in forecast relating to income streams which are now forecast to under-recover including Massage, Street Trading and advice giving and inspection services. This is driven by a reduction in the number of operators and Street traders, and generally the current business environment adversely impacts the levels of discretionary business expenditure for advice work.
- 8.8 The risk reported at Quarter 1 in respect of Tables and Chairs income has been realised and included in the forecast, an under-recovery of £0.330m. A Government New Burden grant of £0.270m has offset the majority of the income shortfall for this income stream.

## **Waste and Cleaning**

- 8.9 Commercial waste forecasts to over-recover by £2.500m, increased by £1.800m since Quarter 1. There is a YTD over-recovery of £1.500m which is a 23% variance over the YTD Budget, and income to Quarter 2 is 48% higher this year than last. This increase is due to there being no covid restrictions in place this financial year resulting in higher footfall into Westminster along with growth in new business. As activity rises, the cost of collection rises too, with £0.380m additional costs forecast.



- 8.10 Additional disposal income of £0.500m is forecast due to the unusually high income being generated by the sale of recyclable material this year. Material prices are typically volatile, with mixed paper reaching a high of £135 per tonne and a low of £35 per tonne in the past 4 months.

## **Sports, Leisure & Active Communities**

- 8.11 A net overspend of £0.260m is now forecast in respect of the Leisure Contract current Deed of Variation, resulting from increased energy and other cost pressures faced by the provider. This realises the risk presented at Quarter 1.
- 8.12 Cemeteries income forecasts to over-recover by £0.230m, primarily due to higher activity levels.
- 8.13 Other smaller cost pressures of £0.070m are primarily linked to Sayers Croft, however the site forecasts to slightly over-recover against income budgets in this first full operating year since the pandemic. The Council is currently exploring options to improve the offer at Sayers Croft as well as all costs are recovered.

**9 Finance and Resources Underspend £15.376m**

- 9.1 Finance and Resources is reporting a favourable variance of £15.663m against the budget of £29.213m at Quarter 2.

***Treasury and Pensions***

- 9.2 Investment income is expected to be £15.767m greater than budget.

Increased cash balances alongside increasing Bank of England base rates (increasing from 0.75% to 2.25% by 30 September) have improved the investment position which has partly mitigated the overall Council pressures arising from inflation.

***Revenues and Benefits***

- 9.3 This service is reporting a variance to budget of £0.300m due to staff resource pressures and increased postage costs.

**10. Adult Social Care (ASC) Underspend £0.100m**

- 10.1 ASC is projecting an underspend for Quarter 2 of £0.100m, which is more positive than the previous breakeven projection for Quarter 1, as discharge to assess processes were initially anticipated to continue for the full year. However, following agreement with health services to revert to pre-pandemic care act assessments, a reduction in placements and packages is anticipated.
- 10.2 During Quarter 2, demand for homecare services increased higher than previous assumptions with expenditure increasing by £1m, mainly due to 15 more clients and complexity increasing with more hours of care being delivered. However, this is offset by favourable movements in other areas. Overall, ASC is forecasting higher income from Health, other local authorities, and client contributions. This is estimated to be in the region of £0.500m. Furthermore, a net reduction in projected spend of £0.600m is anticipated on a range of different care services.
- 10.3 The forecast continues to assume funding from health partners is received to offset expenditure, as is, the financial risk reported previously is £2m. If the Council is not in receipt of this funding, then this will likely have a negative impact on the financial position. The claim for the first two quarters of the financial year is £0.945m. Currently, there is uncertainty as to the level of funding ASC will get, and no monies have been received to date but dialogue continues with the ICB to agree our claim.
- 10.4 There is a potential of additional funding from central government, however, this is not reflected as details of the allocations are yet to be announced. In September, the Department of Health and Social Care (DHSC) announced a

£500m ASC Discharge Fund that is expected to offset cost pressures from hospital discharges for local authorities. There is some concern as to the split of funding between LAs and Health services and the impact on LAs as result of NHS waiting list and winter pressure.

- 10.5 Implementation of the ASC reforms is continuing to build momentum. A key milestone was reached in mid-October with the completion and submission to the DHSC of the Fair Cost of Care exercise. The results of the exercise indicated a care gap of 24% for domiciliary care and an average of 40% for 65+ care homes. If this is accepted, this would see an increase of £13m. However, due to the sample size and data quality issues, the output of this exercise should not be seen as fully complete and any uplift to care costs cannot be underpinned by this exercise. The concerns regarding the limitation of this exercise are shared across London and discussions are due to take place with DHSC and London Councils about the next steps. The key point being lobbied now with DHSC is that any final care gap should be fully funded. In 2023/24, there is an expectation that £600m will be distributed to local authorities to help bridge this care gap. However, currently the methodology to distribute this fund is still to be published. Recent events within the UK economy and political landscape may result in the Government postponing the reforms as part of their spending reviews.

## **Public Health**

## **£nil variance forecast**

- 10.6 The service is reporting a net underspend of £0.105m which will be taken to reserves, leaving a net nil variance. Within the commissioning services, there is £0.365m net underspend due to activity levels being lower than what had been anticipated and budgeted for. This drop is prevalent across several demand-led services such as GUM, Health Checks and Smoking Cessation services and is a continuation from last year, where actual activity levels being lower than the maximise usage that is anticipated and budgeted each year.
- 10.7 This was a direct result of the COVID-19 pandemic, and it is anticipated that the uptake of these services will continue to improve in 2022/23. The service will continue to encourage for the uptake of services. This is offset by a £0.260m overspend within the non-commissioned services, which include Cross-Council investments and all other overheads.
- 10.8 The department has made a commitment to invest in Cross-Council initiatives which address health inequalities in the local population. These programmes will target key vulnerable groups to offer increased winter resilience and support with mental health and wellbeing.

**11 Innovation and Change Underspend £0.315m**

11.1 Innovation & Change is reporting a favourable variance of £0.315m against a budget of £13.530m at Quarter 2. This is the result of a £0.050m underspend in Executive Director and Business Support, a £0.200m underspend in Corporate PMO and a £0.065m underspend in Governance & Councillor Liaison on allowances and part year vacancies and secondments not being backfilled. Income to date is on target and being closely monitored.

**12 Other Corporate Directorates £nil variance forecast**

12.1 There is currently a forecast favourable variance of £0.060m in People Services linked to an underspend on part year vacancies and secondments.

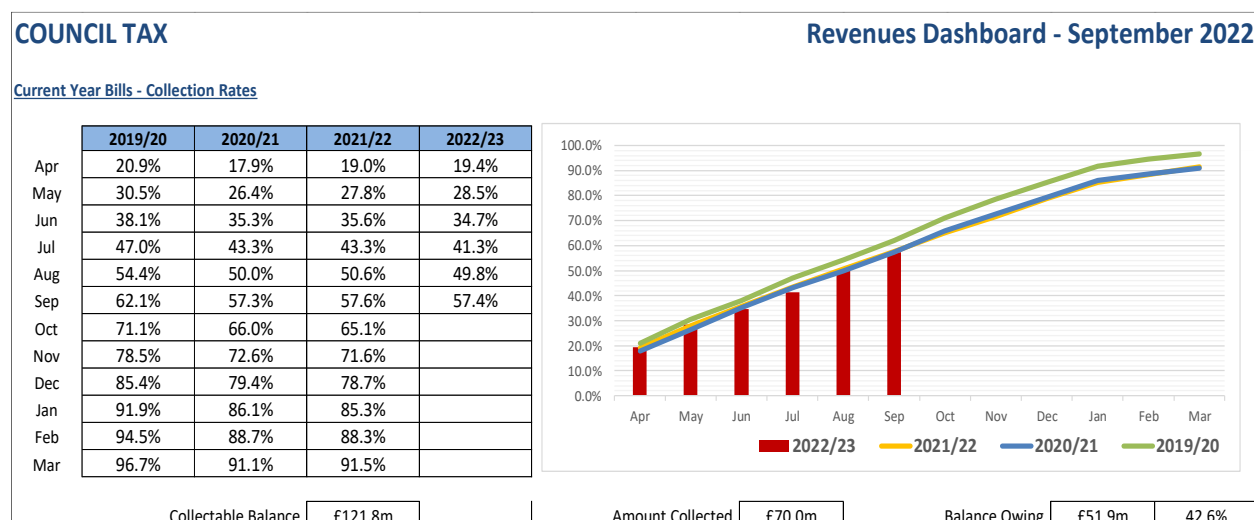
**13 Housing Revenue Account £nil variance forecast**

13.1 At Quarter 2 the Housing Revenue Account (HRA) is forecasting a balanced outturn despite some significant challenges in relation to the cost of repairs and maintenance (£4.460m). This variance is driven by an increase in job costs linked to the rising rate of inflation and the impact on materials.

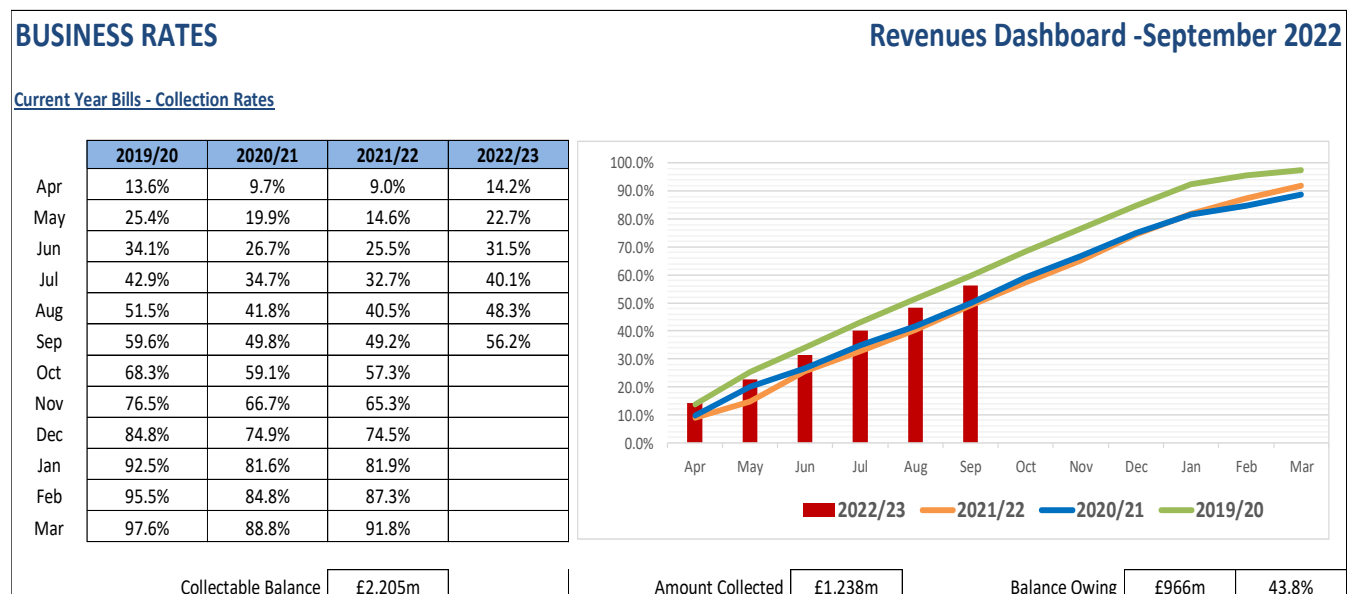
13.2 A favourable variance has been reported in relation to staff spend (£1.395m), recruitment has been taking place over the first six months of the year with fewer vacancies forecast for the remainder of 2022/23 with more staff in post than at the start of the year.



## 14 Council Tax and Business Rates



- 14.1 At the end of Quarter 2 the Council Tax collection rate is 57.4% which is 0.20% lower than the same month last year, this is an improvement on the Quarter 1 deficit of 0.9%. The full statutory recovery process for 2022 non-payers is pending until such time as the £150 energy rebate/refund programme has been cleared and this is likely to be in the ensuing quarter. A further improvement is therefore expected next quarter once the current year summons recovery programme has commenced.



- 14.2 The Business Rates collection rate continues to improve post-COVID, for September 2022 it was 56.2% which is 7.0% higher than the same month last year.

## 15 Capital Budget 2022/23

15.1 The table below summarises the Council's budget and forecast position on the 2022/23 capital programme, which reflects a projected £107.330m gross expenditure variance and £86.383m net variance.

ELT Directorate	2022/23 Expenditure Budget £m	2022/23 Income Budget £m	2022/23 Net Budget £m	2022/23 Expenditure Forecast £m	2022/23 Income Forecast £m	2022/23 Net Forecast £m	2022/23 Expenditure Variance £m	2022/23 Income Variance £m	2022/23 Net Variance £m
Adult's Services	0.980	(0.880)	0.100	0.960	(0.960)	0.000	(0.020)	(0.080)	(0.100)
Children's Services	10.466	(8.049)	2.417	10.333	(8.567)	1.766	(0.133)	(0.518)	(0.651)
Growth, Planning & Housing	138.667	(28.107)	110.560	107.740	(25.659)	82.081	(30.927)	2.448	(28.479)
Environment & City Management	125.404	(36.514)	88.890	81.302	(18.250)	63.052	(44.102)	18.264	(25.838)
Finance and Resources	54.752	(5.960)	48.792	55.737	(5.127)	50.610	0.985	0.833	1.818
Westminster Builds	50.633	0.000	50.633	17.500	0.000	17.500	(33.133)	0.000	(33.133)
<b>Net Controllable Budget</b>	<b>380.902</b>	<b>(79.510)</b>	<b>301.392</b>	<b>273.572</b>	<b>(58.563)</b>	<b>215.009</b>	<b>(107.330)</b>	<b>20.947</b>	<b>(86.383)</b>

15.2 As can be seen in the table below, 12 projects contribute to the majority of the expenditure variance. By way of comparison there are over 250 projects in the 2022/23 capital programme, and therefore, just 5% of the projects are causing 53% of the expenditure variance.

Project	2022/23 Forecast Variance to Budget £m	Comments
<b>Westminster Builds</b>	(31.320)	There is lower investment required in Westminster Builds due to Truly Affordable Housing changes which impacts some schemes including 300 Harrow Road and Westmead.
<b>300 Harrow Road</b>	17.945	This is primarily due to the decision to remove private sale units on the 300 Harrow Road & Westmead schemes, meaning the scheme will now be delivered in the General Fund rather than through Westminster Builds (£17.945m overspend). This is offset by an underspend in the loans made to Westminster Builds, as the Council will no longer need to invest funds in Westminster Builds to finance the development.
<b>Oxford Street</b>	(20.449)	£20.449m is being reprofiled to 2023/24 as the programme is currently under review. A full business case is being prepared with a Cabinet Member Report to follow in early 2023.
<b>Rough Sleeper (RS) Programme</b>	(9.465)	The acquisitions are being affected by market conditions. The Rough Sleeper Acquisition programme of 30 homes (15 x In Borough, 15 x Out of Borough) will be delayed and funding of £9.465m will be slipped from 2022/23 into 2023/24. Spend will commence when external market factors have settled.
<b>Temporary Accommodation</b>	(7.850)	<p>The variance at Quarter 2 primarily reflects conveyancing timeframes which are expected to complete in 2023/24. WCC purchased 26 in-borough TA units in 2021/22. The authority has completed 17 additional acquisitions so far in 2022/23, with terms agreed on a further 33 properties (bringing the total number of committed acquisitions to 76).</p> <p>The average conveyancing period for purchases is currently running at 3-6 months, and the variance at Quarter 2 reflects an expectation that about 12 of the properties with terms agreed may not complete until the new financial year (albeit in April or May). The programme is now entirely focussed on in-borough purchases (reducing the overall target for the current budget approval from 227 to 168) and the team continues to work at pace with the aim of having terms agreed on a high percentage of the 168 target purchases by the end of the financial year (with completions to follow next year).</p>
<b>Ceremonial Streetscape</b>	(7.767)	£7.767m is being reprofiled and due to occur in early to mid-2023/24. Issues outside of the control of WCC such as access to land to commence works and specialised material availability due to general shortage in the construction industry has resulted in re-profiling of this scheme to future years.

Project	2022/23 Variance to Budget £m	Comments
Placeshaping schemes	(6.810)	£6.810m is to be reprofiled into 2023/24. This is mainly due to pauses in the Paddington, Victoria and Pimlico place strategies while the current administration ambitions/priorities are worked through.
Main Fleet Replacement Programme – Electric Refuse Vehicles	(5.761)	Negotiations with securing a revised lease agreement have taken longer than expected and this has resulted in a delay in some of the site infrastructure works. Therefore £5.761m will be reprofiled into 2023/24.
Zero Emissions Street Cleansing Vehicles	(5.510)	Acquiring a suitable site has taken longer than anticipated, therefore infrastructure works cannot begin until a lease is finalised. Site infrastructure works and orders for vehicles will take place next financial year resulting in the forecasted slippage.
Stimulating the Economy	(3.955)	£3.955m will be slipped into 2023/24 as the priorities of the current administration are worked through to delivery.
Public Conveniences Renovation Programme	(3.061)	£3.061m will be reprofiled into 2023/24. The change in leadership required a further review of public convenience priorities which has resulted in a number of changes to the programme. Once design proposals and site specifications are agreed works will proceed next financial year.
Property Investment Acquisitions	27.094	£27.094m is being brought forward into 2022/23 from 2024/25. Purchases of properties in Vauxhall Bridge Road and the head lease in Berwick Street were completed in Q1 which requires the acquisitions budget to be brought forward.
<b>Total</b>	<b>(56.909)</b>	

## 16 Housing Revenue Account

16.1 The HRA capital budget and forecast position is summarised in the table below:

HRA Capital Programme	2022/23 Budget (£m)	2022/23 Forecast (£m)	2022/23 Variance (£m)
Planned Maintenance	57.826	49.985	(7.841)
Regeneration & Development	125.823	128.683	2.860
Other Projects	18.153	17.103	(1.050)
<b>Total</b>	<b>201.802</b>	<b>195.771</b>	<b>(6.031)</b>

16.2 The HRA is forecasting an outturn position for the year that is marginally below the in-year budget (resulting in an expenditure variance of **£6.031m** overall). The 2022/23 budget includes £4.294m of slippage from 2021/22 (due to be approved in October 2022).

16.3 The HRA is forecasting an in-year underspend on its capital expenditure of (£6.031m). This is mainly due to the programme reprofiling into future years due to contractors work schedule and resource plan which caused delays to project completion date. Some of the key variances on individual projects are set out in the tables below.

16.4 The Council is currently experiencing some cost pressures in respect of schemes at Ashmill, Ashbridge and Cosway. These predominantly relate to additional costs and the cost of delay from the installation of Air Source Heat Pumps and enhanced fire safety installation as a result of the change in building safety legislation. The Council is currently working with its consultants to understand the nature and extent of these claims before entering into further negotiations with its contractor. Any additional payments agreed to the contractor would result in an overall overspend for the scheme.

16.5 Key variances within **HRA Planned Maintenance:**

Project	2022/23 Variance to Budget (£m)	Comments
Delivery Adjustment	(8.889)	<p>Each element of the programme has an agreed schedule of projects and the cashflows for each have been reviewed in detail with contractors. Despite this careful planning, delays are inevitable for which a delivery adjustment has been applied to the overall programme (in lieu of knowing which projects might be affected at Q2). This reduces the outturn estimate versus what was included in the HRA business plan but would still result in an outturn that is 25% higher than 2020/21. This will be updated throughout the year as forecasts are adjusted to reflect known delays across the different programmes of work.</p>
Voids	1.700	<p>There is an anticipated increased number of voids in 2022/23 (329 vs 297 in 2021/22). In addition, there are a further 28 voids that had been earmarked for disposal but will now be put back into operation (bringing the total to 357 for 2022/23 - a 20% year-on-year increase). These voids are generally in worse condition and are therefore more expensive to repair (up to £39k in some cases). This has increased the average cost per void from £14,500 in 2021/22 to £15,700 in 2022/23.</p>

16.6 Key variances within HRA regeneration and development:

Project	2022/23 Variance to Budget (£m)	Comments
Ebury Acquisitions	4.983	Forecast increase to reflect the estimated number of acquisitions in 2022/23
Church Street Phase 2 Acquisitions	3.400	Forecast increase to current estimates for direct acquisitions on Site A and increase in the average property price.
Ashbridge	1.613	Forecast increase due to approval for the air source heat pumps for the scheme to be installed
Queen's Park Court	(1.909)	A revised cost plan is being worked through due to cost inflation affecting viability of the current plan. This will delay the scheme by up to nine months.
Churchill Gardens (Pimlico)	(1.821)	Forecast increased due to new cost plan received for variations which is now being reflected. This scheme will be delayed due to the current cost plan being affected by inflation and affecting affordability.
Lisson Arches	(1.744)	Project reprofiling due to delay in practical completion date resulting in delay in construction cost
Paddington Green	(1.537)	The scheme is currently under review and reprofiled into 2024/25
Contingency	(1.050)	It is anticipated that the HRA contingency will be needed to manage inflation across the programme (with a detailed piece of analysis being undertaken to assess the level of exposure, which will be largely felt on schemes that are not yet in contract) suggest to Cabinet Approval, however there was an approval for increased budget for Ashbridge associated to the Air source Heat pump
Other Minor Variances	(0.777)	
<b>Total</b>	<b>(6.031)</b>	

## 17 Subsidiaries Overview

17.1 This report provides a financial overview of the wholly owned Westminster Builds, Westminster Community Homes (WCH) and Westminster Communications (WestCo) up to August 2022/23.

### Westminster Builds

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	150	280	(130)	934	1,122
Total Expenditure	(114)	(478)	364	(814)	(1,178)
<b>Operating Surplus/(Deficit)</b>	<b>36</b>	<b>(198)</b>	<b>234</b>	<b>120</b>	<b>(56)</b>
Net Interest	(154)	(99)	(55)	(658)	(619)
<b>Profit/(Loss) Before Tax</b>	<b>(118)</b>	<b>(297)</b>	<b>179</b>	<b>(538)</b>	<b>(675)</b>

17.2 The operating surplus of £234k is mainly due to: (£130k) lower than forecasted income due to delays in attaining full occupancy in Jubilee, Parsons North and West End Gate offset by £364k lower than forecasted expenditure mainly due to lower than forecasted staff and agency costs of £135k, zero expenditure against the contingency budget of £117k which is available to grow the business and lower than forecasted housing related expenditure of £77k as a result of the delays mentioned above.

### Westminster Community Homes

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	1,800	1,876	(76)	4,301	4,301
Total Expenditure	(1,084)	(1,158)	74	(2,793)	(2,793)
<b>Operating Surplus/(Deficit)</b>	<b>716</b>	<b>718</b>	<b>(2)</b>	<b>1,508</b>	<b>1,508</b>
Net Interest	(150)	(161)	11	(360)	(385)
Gain on Sale of Assets	333	-		45	(288)
Amortisation & Depreciation	(518)	(593)	75	(1,424)	(1,424)
<b>Profit/(Loss) Before Tax</b>	<b>381</b>	<b>(36)</b>	<b>417</b>	<b>(231)</b>	<b>(579)</b>

17.3 The operating deficit of £2k is mainly due to:

- (£76k) adverse to budget income is primarily due to £28k favourable to budget income from miscellaneous income. These are offset by (£105k) lower than forecasted rental income



- £74k lower than budgeted expenditure is primarily due to (£60k) overspends in service charges and (£13k) overspends in miscellaneous expenditure being offset by the favourable variance of £118k for refurbishment expenditure.

## Westco

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	1,260	1,900	(640)	3,024	3,800
Total Expenditure	(1,414)	(1,754)	340	(3,136)	(3,508)
Operating Surplus/(Deficit)	(154)	146	(300)	(112)	292
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	(154)	146	(300)	(112)	292

- 17.4 The operating deficit of £154k is mainly due to (£640k) lower than forecasted income due to:
- Some projects ending before new workstreams have begun to replace them causing a drop in billable hours. A key area of income in the past year is the Campaigns Hub. This area of work has been significantly less than in the current financial year but there has still been resources deployed there. The resources put towards the Campaigns Hub partnership will be significantly reduced from September 22 onwards

## 18 Financial Implications

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

## 19 Legal Implications

There are no legal implications arising from this report.

## 19 Carbon Implications

There are no carbon implications arising from this report.

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

**Jake Bacchus ([jbacchus@westminster.gov.uk](mailto:jbacchus@westminster.gov.uk))**

## **Appendix 1 – Schools Forecast**

- 1.1 The Bi-Borough Schools' Finance team provides support to 40 maintained schools and nurseries in the borough of Westminster. Schools in Westminster face a number of challenges, particularly, primary schools with falling rolls. The 2022/23 headcount for schools in the borough reduced by 241 pupils; primary school numbers fell by 212 (to 8,828) and secondary schools numbers fell by 30 (to 9,050).

### **Dedicated Schools Grant**

- 1.2 Westminster City Council receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure.
- 1.3 Westminster's Schools funding has increased by 5.7% per pupil for 2022/23, including the schools supplementary grant funding.
- 1.4 The DSG reserve deficit is £1.167m as at 31 March 2022. This is a decrease in reserve of £3.554m from the £2.387m surplus as at 31st March 2021, due to a net in year overspend mainly attributable to the significant and increased spend pressures in the High Needs Block (which relates to children with Special Educational Needs and Disabilities), as well as school restructures.
- 1.5 The Council's Deficit Management Plan was agreed by the Schools Forum in September 2022 and the deficit should be cleared within two years before going back into deficit in 2025/26 due to the estimated increase in Education Health Care Plans (EHCPs), and will recover again in 2026/27 as a result of planned new provision and related capital investment.

### **Schools with Deficit Balances**

- 1.6 There are eleven schools (including one maintained nursery) that ended 2021/22 in deficit. This compares with thirteen schools at the end of 2020/21.
- 1.7 The eleven schools shown with deficits in table 1 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 £1.779m at 31 March 2022.

Table 1 – Schools requiring licensed deficit recovery plans

School Name	Licensed Recovery Plan
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	Yes
St Luke'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	No
St Vincent De Paul Catholic School	Yes
Westminster Cathedral Catholic School	N/A (amalgamation)

- 1.8 Of the eleven schools, nine have licensed deficit recovery plans in place and one is being pursued. The remaining school, Westminster Cathedral, has amalgamated with St Vincent de Paul from September 2022 and their deficit will not be recovered. As this deficit is chargeable to the Council and not the DSG, a provision of £270k was made in the 2021/22 accounts for this liability; the latest forecast is predicting a deficit of £278k and should be finalised soon.

### Schools at Risks – risk rating and reserves balances

- 1.9 Schools RAG rated red have no reserves or a deficit balance and require a deficit recovery plan. 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.
- 1.10 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.
- 1.11 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.
- 1.12 Table 2 shows a summary of the RAG rating and school balances for both 2021/22 outturn and 2022/23 forecast.

Table 2 – RAG Ratings and Balances Summary

RAG Rating	2021/22 Outturn	2021/22 Balance (surplus) / deficit	2022/23 Forecast	2022/23 Forecast Balance (surplus) / deficit
Red	11	1,779	11	1,914
Amber	6	-686	10	-192
Green	23	-5,177	19	-4,624
<b>Total</b>	<b>40</b>	<b>-4,085</b>	<b>40</b>	<b>-2,902</b>

### Schools Forecasts

1.13 Table 3 sets out year end balances as at 31/03/22 and the forecasts for 2022/23 received from schools. Deficit schools are required to provide monthly updates, with other schools providing quarterly finance reports.

Schools	Ward	(Surplus)/Deficit @ 31/03/22 £000	In Year Movement £000	Forecast (Surplus) / Deficit @ 31/03/23 £000	Licensed Recovery Plan	School Type
Dorothy Gardner	Queen's Park	(21)	(33)	(53)		Nursery
Mary Patterson	Harrow Road	(6)	(99)	(105)		Nursery
Portman	Church Street	44	(5)	40	Yes	Nursery
Tatchbrook	Tatchbrook	(328)	93	(234)		Nursery
<b>NURSERY SCHOOLS</b>		<b>(310)</b>	<b>(43)</b>	<b>(353)</b>		
St Augustine's CE High School	Maida Vale	(1,188)	(62)	(1,251)		CE VA
<b>SECONDARY SCHOOLS</b>		<b>(1,188)</b>	<b>(62)</b>	<b>(1,251)</b>		
College Park	Bayswater	(416)	137	(279)		Community
QE2	Harrow Road	(898)	404	(494)		Community
<b>SPECIAL SCHOOLS</b>		<b>(1,314)</b>	<b>540</b>	<b>(773)</b>		

Schools	Ward	(Surplus)/Deficit @ 31/03/22 £000	In Year Movement £000	Forecast (Surplus) / Deficit @ 31/03/23 £000	Licensed Recovery Plan	School Type
All Souls' CE Primary School	West End	110	(62)	48	Yes	CE VA
Barrow Hill Junior School	Regent's Park	(43)	13	(30)		Community
Burdett Coutts CE Primary School	Vincent Square	221	(21)	199	Yes	CE VA
Christ Church Bentinck CE Primary School	Church Street	(155)	50	(105)		CE VA
Edward Wilson Primary School	Westbourne	(515)	(122)	(637)		Community
Essendine Primary School	Maida Vale	(155)	(3)	(158)		Community
George Eliot Primary School	Abbey Road	(192)	152	(40)		Community
Hallfield Primary School	Lancaster Gate	(379)	6	(373)		Community
Hampden Gurney CE Primary School	BDS	(110)	109	(1)		CE VA
Our Lady of Dolours Catholic Primary School	Westbourne	(129)	75	(54)		RC VA
Queen's Park Primary School	Queen's Park	(220)	90	(130)		Community
Robinsfield Infant School	Abbey Road	(90)	82	(8)		Community
Soho Parish CE Primary School	West End	234	(30)	204	Yes	CE VA
St Augustine's CE Primary School	Maida Vale	(63)	(31)	(95)		CE VA
St Barnabas CE Primary School	Churchil	(49)	29	(20)		CE VA
St Clement Danes CE Primary School	St James	(75)	15	(60)		CE VA
St Edward's Catholic Primary School	BDS	(222)	67	(155)		RC VA
St Gabriel's CE Primary School	Churchil	(67)	13	(54)		CE VA
St George's Hanover Square	West End	20	167	187	Yes	CE VA
St James' And St John CE School	Lancaster Gate	(100)	12	(87)		CE VA
St Joseph's Catholic Primary School	Little Venice	(38)	20	(18)		RC VA
St Luke's CE Primary School	Queen's Park	240	(45)	195	Yes	CE VA
St Mary Magdalene's CE Primary School	Westbourne	(5)	5	0		CE VA
St Mary Of The Angels Catholic School	Bayswater	171	(59)	112	Yes	RC VA
St Mary's Bryanston Square CE School	BDS	(116)	(26)	(142)		CE VA
St Matthew's CE Primary School	St James	(19)	14	(5)		CE VA
St Peter's CE Primary School	Harrow Road	(93)	41	(52)		CE VA
St Peter's Eaton Square CE School	Warwick	(11)	(5)	(16)		CE VA
St Saviour's CE Primary School	Little Venice	334	(60)	274	Yes	CE VA
St Stephen's CE Primary School	Bayswater	85	63	148	No	CE VA
St Vincent De Paul Catholic School	Vincent Square	81	148	230	Yes	RC VA
St Vincent's Catholic Primary School	Marylebone High St	(160)	0	(160)		RC VA
Westminster Cathedral Catholic School	Tachbrook	238	40	278	N/A (amalgamation)	RC VA
<b>PRIMARY SCHOOLS</b>		<b>(1,273)</b>	<b>748</b>	<b>(525)</b>		
<b>ALL SCHOOLS TOTAL</b>		<b>(4,085)</b>	<b>1,184</b>	<b>(2,902)</b>		

## Appendix 2 - Savings

- 2.1 Of the £17m savings target 81% are either achieved or on target. Reprofiled and under achievable savings have been reflected in the medium term financial plan.
- 2.2 The total reprofiled savings of £1.300m have been reflected in the 2022/23 medium term financial plan.

Directorate	Description/Service	Re-profiled (£000's)	Mitigating Actions
Environment and City Management	Future City Management	200	Safe Cities transformation programme of which the saving for Public Protection and Licensing is included are still being discussed and it is anticipated that these will be implemented from 1st April 2023 therefore achievement of the 2022/23 saving of £900k will be delayed.
Environment and City Management	Public Protection and Licensing	700	
Finance and Resources	Planned move of ASC from NHS premises	400	The service will see to mitigate this in 2022/23 through an agreement to reduce the number of desks before the end of the financial year and the identification of one off savings or income.
<b>Total</b>		<b>1,300</b>	

- 2.3 In the total there are £2.m of savings not achievable which are also reflected in the medium term financial plan

Directorate	Description/Service	Unachievable Savings in 2022/23 (£000's)	Mitigating Actions
Children's	Libraries Transformation	450	Service is reviewing feasibility into commercial revenue streams.
Children's	Pre-Birth to Five Service Redesign	350	Working with public health to determine if any funding available.
Environment and City Management	Public Protection and Licensing	100	No demand for this advice service. Service is reviewing other income budget lines to determine whether mitigating actions can be taken. Please note that this advice was previously provided free of charge by the Licensing team.
Growth, Planning and Housing	Planning Income	1000	The drop in planning applications is due to the pandemic and current wider economic climate. This is being closely monitored to understand if this is a longer term position. A review is also on-going regarding charges but there are concerns about the impact this may have on activity volumes.
Growth, Planning and Housing	Procurement efficiency savings	100	We are currently reviewing the regen and development programmes in response to general economic pressures. This planned saving will need to be reviewed in conjunction with this.
<b>Total</b>		<b>2,000</b>	