



Audit and Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	5 th February 2020
Classification:	General Release
Title:	Period 8 Finance Report
Key Decision:	Review and challenge officers on the contents of the report
Report of:	Gerald Almeroth, Executive Director of Finance and Resources.

1. Executive Summary

1.1 The Period 8 Performance Report presents detailed results for the period to November 2019 against the 2019/20 approved budget. The report provides explanations and commentary in respect of forecast variances to budget.

2. Recommendations

2.1 Committee notes the content of the report.

2.2 Committee indicate any areas of the report that require further investigation.

2.3 Committee highlights any new emerging risks that have not captured.

3 Reasons for Decision

3.1 To inform Members of how the City Council is delivering its approved budget.

4 Background, including Policy Context

4.1 This report sets out how the City Council is delivering on the City for All vision through effective management of the Council's financial affairs.

1. Key Messages

- 1.1 The period 8 monthly Revenue Monitoring report projects a £0.761m (0.4%) underspend.
- 1.2 If all risks and opportunities are realised against the budget the underspend will increase to £1.111m (0.6%).
- 1.3 The period 8 monthly capital monitor includes adjusted budgets as at the midway point of the financial year. These budgets adjustments are pending formal Cabinet Member sign off. However, if compared to the latest forecasts, there is a variance of £24.252m on expenditure and £2.493m against income, representing a net underspend of £21.759m.
- 1.4 At the end of period 8 the Housing Revenue Account is forecasting an overall surplus of £4.057m. This is an adverse variance of £5.736m compared to budget.
- 1.5 At the end of period 8, the forecast gross capital expenditure outturn for the HRA is £142.771m resulting in a total variance of £7.083m compared to the budget of £149.854m.

2. Revenue – Forecast Outturn

- 2.1 The period 8 monthly Revenue monitoring report projects a £0.761m underspend against budget with net opportunities of £0.350m. These continue to be monitored closely.
- 2.2 The table below shows a summary of forecast variances, risks and opportunities by Cabinet portfolio.

Cabinet Portfolio	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Leader of the Council	8.861	8.915	0.054	0.000	0.000	0.054
Deputy Leader, Environment and City Management	(14.349)	(14.269)	0.080	0.500	(0.650)	(0.070)
Customer Services and Digital	12.634	12.376	(0.258)	0.100	0.000	(0.158)
Economic Development, Education and Skills	7.823	8.805	0.982	0.000	0.000	0.982
Family Services and Public Health	78.636	78.172	(0.464)	0.000	(0.250)	(0.714)
Finance, Property and Regeneration	46.355	44.780	(1.575)	0.600	(0.800)	(1.775)
Housing Services	23.284	23.384	0.100	0.200	0.000	0.300
Deputy Leader Place Shaping and Planning	1.411	1.411	0.000	0.000	(0.350)	(0.350)
Public Protection and Licensing	9.283	9.283	0.000	0.000	0.000	0.000
Sports, Culture and Community	8.046	8.366	0.320	0.300	0.000	0.620
NET CONTROLLABLE BUDGET	181.984	181.223	(0.761)	1.700	(2.050)	(1.111)
Council Tax*	56.674	56.674	-			
Business Rates - Net of Tariff*	125.310	125.310	-			
CORPORATE FINANCING	181.984	181.984	0.000			
NET (SURPLUS) / DEFICIT	-	(0.761)	(0.761)			

Housing Services (Housing Revenue Account)	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
(Housing Revenue Account)	(9.793)	(4.057)	5.736	-	(1.000)	4.736

2.3 Period 8 Forecast Outturn by Cabinet Portfolio

Leader of the Council (Councillor Nickie Aiken)

- 2.3.1 At the end of period 8, the portfolio is reporting an overspend of £0.054m against a £8.861m annual budget.
- 2.3.2 Some of the main drivers for the overspend are one-off design fees of £0.154m to support various campaigns and council initiatives, an under recovery in income target for events, filming and park hire of £0.350m and other net overspends of £0.130m. These are offset by underspends in the Policy and Projects service of £0.381m and a reduction of pay expenditure across the portfolio due to careful management of staff costs of £0.307m.
- 2.3.3 No opportunities or risks are reported within this portfolio as at period 8.

Environment and City Management (Councillor Tim Mitchell)

- 2.3.4 At the end of period 8, the portfolio is reporting an overspend of £0.080m, an improvement of £0.520m since period 6.
- 2.3.5 This reflects a shortfall on Parking of £1.400m partially offset by Roads Management income £0.400. This is also offset by the forecast over recovery of income from Commercial Waste of £0.920m - reflecting an improvement of £0.620m from the reported position at period 6. This is due to revised forecasts for special events and container collections.
- 2.3.6 There is a risk of £0.500m still held against a potential downward turn in suspensions income which is currently offsetting the under recovery in other income streams for parking.
- 2.3.7 There is a reported opportunity of £0.650m within this portfolio.
- 2.3.8 An opportunity on the Road Management income (£0.300m) based on volumes of temporary traffic orders and temporary structure licences processed continue to match expectations.

2.3.9 A potential opportunity of (£0.150m) due to the existing rollout of LED lighting is now being highlighted while a further review of spend takes place.

2.3.10 An opportunity (£0.200m) relating to further over-recovery of commercial waste income in the Waste and Parks service.

Economic Development, Education and Skills (Councillor Timothy Barnes)

2.3.11 At the end of period 8, the portfolio is forecasting an overspend of £0.982m to the annual budget of £7.823m. The adverse variance in Education relates to increased activity above that budgeted for, in relation to Short Breaks Respite Placements £0.328m and Passenger Transport totalling £0.309m. The Education Service also has a pressure of £0.345m against the employees' budget.

2.3.12 No risks or opportunities reported at period 8.

Customer Service and Digital (Councillor Paul Swaddle)

2.3.13 At the end of period 8, the portfolio is now forecasting an underspend of £0.258m against a budget of £12.634m. Mainly driven by contract expenditure with Agilisys being less than budget by £0.152m and offset by £0.062m due to one-off additional project resource costs incurred primarily to help embed the new Customer Relationship Management (CRM) system that went live in April 2019. Careful management of staff costs has also contributed £0.168m.

2.3.14 The portfolio has a reported risk of £0.100m at period 8 largely due to using external contractors to support increased demands on the Information service.

2.3.15 No reported opportunities within this portfolio.

Family Services and Public Health (Councillor Heather Acton)

2.3.16 At the end of period 8, the portfolio is forecasting an underspend of £0.464m against a budget of £78.636m.

2.3.17 At the end of period 8, Adult Social Care is forecasting a £0.320m underspend against the core budget of £54.256m. This is after allocation of one-off funding received such as the Winter Pressures Funding of £1.323m and Improved Better Care Fund (iBCF) of £15.807m for 2019/20.

2.3.18 The Public Health (PH) service is reporting an overall nil variance. The service is fully-funded by a Department of Health (DoH) grant, in addition to the budgeted drawdown from the accumulated Public Health reserve. This is because the PH funding is ringfenced. The budget for 2019/20 includes an in year DoH grant of £30.425m plus £1.425m from the PH earmarked reserve. As at period 8, the amount required from the reserve has been forecast at £0.155m less than budgeted due to an underspend in commissioned services.

2.3.19 Most of the budgeted expenditure is commissioned from third party providers on block and activity driven contracts. The department regularly reviews and updates

contract performances and spending patterns to identify current trends as and when more activity information is received.

2.3.20 Children's Services are forecasting an underspend of £0.144m. Further details are set out below.

2.3.21 The Family Services team are reporting an underspend of £0.068m

2.3.22 Operations and Programmes team is forecasting a net underspend of £0.096m

2.3.23 These underspends are being offset by some minor overspends of £0.020m within the Children's Commissioning and the Operations and Programmes services.

2.3.24 There is a reported opportunity of (£0.250m) within Adult Social care relating to a potential increase in recharges to Health with regard to a specific cohort of clients. The data is currently being reviewed and this is therefore an estimated amount until the review is completed. The outcome of this should become clearer by early 2020.

2.3.25 There is no reported risk at period 8

Finance, Property and Regeneration (Councillor Rachael Robathan)

2.3.26 At the end of period 8, the portfolio is reporting an underspend of £1.575m against a budget of £46.355m.

2.3.27 This is primarily attributable to the £1.100m reported underspend from interest earnings due to a further increase in average cash balances available for investment and yields being higher than the assumptions in the budget.

2.3.28 Projected reductions in cash balances in future years and the general uncertainty over future yields mean that this over recovery is expected to be one off rather than recurring.

2.3.29 Underspends of £0.540m are being reported in the Revenue and Benefits service relating to savings on their contracts now confirmed by their service providers.

2.3.30 Some other minor overspends in the Coroner's, Local Land Charges and Electoral Services of £0.065m offset the above underspends.

2.3.31 There is a reported risk of £0.600m within the portfolio,

2.3.32 A risk of £0.500m from increased card payment charges which is primarily driven by large NNDR payments being made by credit card. Mitigations are being investigated.

2.3.33 Within Legal Services a risk is being reported relating to an under recovery of the internal trading target £0.100m to fully recover all Legal direct and indirect service costs.

2.3.34 Total opportunities of £0.800m have been identified in period 8 made up as below;

2.3.35 A new opportunity of £0.600m as a result of continuing higher than anticipated cash balances.

2.3.36 An opportunity of £0.200m within Procurement services relating to an over recovery of a management charge for the Matrix contract. The charge to council services is linked to spend on temporary staff.

Housing Services – General Fund (Councillor Andrew Smith)

2.3.37 At the end of period 8, the portfolio is forecasting £0.100m overspend against a budget of £23.284m. This was previously reported as a risk.

2.3.38 Due to £0.055m of prior year invoices being charged within Rough Sleeping / Commissioned Support, and the recently reported withdrawal of a £0.045m payment from CCG to part-fund a rough sleeping activity.

2.3.39 Housing Operations also includes an overspend on TA of £1.687m due to an increase in clients housed in TA properties, higher supplier costs and Private Sector Rent costs. This overspend is offset by an additional draw down from the Flexible Housing Support Grant reserve.

2.3.40 There is a reported risk of £0.200m owing to staffing recharges from IT to the Homelessness contract which is still under investigation.

2.3.41 No opportunities are identified at period 8.

Housing Services – Housing Revenue Account (HRA) (Councillor Andrew Smith)

2.3.42 At the end of period 8 the Housing Revenue Account is forecasting an overall surplus of £4.057m. This is an adverse variance of £5.736m compared to budget.

Underspends - £5.647m

2.3.43 The breakdown of the underspends of £5.647m is as below:

2.3.44 A £0.428m net underspend across the service - £0.528m permanent staffing underspends offset against additional £0.351m agency costs and £0.082m increase in the Housing Options recharge, while a £0.332m underspend is forecast across other service areas.

2.3.45 Due to the slippage of the capital programme £2.512m less contribution will be required from revenue.

2.3.46 The General Fund recharge to the HRA has seen a reduction of £1.298m through a detailed analysis of recharges and assessment of the GF position.

2.3.47 £0.500m reduction in capital financing costs as the capital programme is not expecting to borrow in the current financial year

2.3.48 Release of balance sheet reserves £0.909m.

Overspends - £11.382m

2.3.49 Resident Services is reporting an adverse £1.185m variance to budget, due to a net overspend of £1.098m from less rental income (dwelling and non-dwelling) following detailed analysis of income generating properties.

The budget was based on a higher number of rent generating units than identified in the analysis undertaken. The breakdown of dwelling pressure and non-dwelling pressure is £0.765m and £0.333m respectively. Contact centre net overspend £0.225m relates to ongoing Agilisys agency costs, which are higher than budgeted. Estate Services overspend £0.185m mainly due to outstanding CWH Castle Water invoices that were not provided for in 2018/19. Net Salary underspends £0.241m (salary underspend £0.469m against £0.227m agency staff overspend). A net underspend across the remainder of the service totals £0.082m.

2.3.50 Property services is reporting an adverse variance of £3.113m made up of:

2.3.51 Net overspends of £3.965m relating to additional repairs carried out broken down as follows: Planned repairs £0.639m overspent; Reactive repairs £3.103m overspent; Void properties overspend £0.223m; Net salary underspend £0.691m across the service; Professional services (Broadband income) over recovery £0.200m; Thames Water overspend £0.064m other net underspends of £0.135m; Under recovery of Tenant Service income £0.110m.

2.3.52 Asset Strategy is reporting an adverse variance of £7.084m made up as follows: Leaseholder Services for Major works are forecasting a £4.760m overspend to budget as a result of detailed billing analysis carried out on Major Works. This has been reported since period 6. A reduction to the Leaseholder service charge income forecast £0.575m due to the calculation of actual service charge costs to leaseholders based on more accurate review of leaseholder numbers. An additional £0.350m of costs associated with Fire Risk assessment has been identified. Net Staffing overspend £1.005m; a reduction in income rechargeable to capital of £0.240m; an additional £0.074m of costs for the Westminster on Wheels service; net overspend across residual areas total £0.080m.

Place Shaping and Planning *(Councillor Richard Beddoe)*

2.3.53 At the end of period 8, the portfolio is forecasting to a budget of £1.411m with a nil variance.

2.3.54 An identified opportunity of £0.250m at period 8 relating to projections of Planning Income and a new opportunity of £0.100m has been included this month for pay costs

Public Protection and Licensing *(Councillor Ian Adams)*

2.3.55 At the end of period 8, the portfolio is forecasting a budget of £9.283m with a nil variance.

2.3.56 There are no risks or opportunities identified in period 8.

Sports, Culture and Community *(Councillor Ian Bott)*

2.3.57 At the end of period 8, the portfolio is reporting an overspend of £0.320m against a budget of £8.046m. This is within the Libraries and Registrars service due to the disaggregation of Hammersmith and Fulham from the shared service, a shortfall in income from the Schools Library and historic unachieved savings.

2.3.58 Total risks of £0.300m reported within this portfolio at period 8, as follows:

2.3.59 There continues to be a risk of £0.150m, relating to uncertainty on the VAT position within Registrars (£0.080m) and the ongoing discussions with Pimlico Academy to resolve queries over the SLA (£0.070m).

2.3.60 A new risk of £0.150m has emerged in period 8 in relation to Moberly Leisure Centre, where the actual energy costs after first year of operation are substantially in excess of the estimates made in the contract.

2.3.61 No opportunities identified in period 8.

3. Capital – Forecast Outturn

3.1. The Council's General Fund capital projects are currently reporting a forecast gross expenditure of £210.958m and gross income of £69.017m. Capital budgets have been adjusted at the midway point of the financial year and are pending formal Cabinet Member sign off. The variances to original and revised budgets are summarised below:

	Original Budget Apr 2019 £m	Revised Budget Oct 2019 £m	Change in Budget £m
Expenditure Budget	314.393	235.211	79.182
Income Budget	(100.442)	(71.511)	(28.931)
Net Forecast as at P8	141.941	141.941	0.000
Variance - Forecast to Budget	72.010	21.759	50.251

3.2. During the year the capital monitor has identified a number of changes to scheme delivery and budget variances. Adjusting the budget position allows project managers to more effectively monitor their expenditure using more relevant target budgets.

3.3. As noted in the table above expenditure budgets have been reprofiled by £79.182m of which six projects make up the majority of this difference:

- Oxford Street District – £17.5m
- Capital Contingency - £9.6m
- Ceremonial Streetscape - £5.8m
- Lisson Grove Refurb - £4.4m
- Piccadilly Underpass - £3.5m
- Seymour Leisure Centre - £3.4m

3.4. If considered in the context of the Council's overall capital programme, in 2019/20 the Council has over 400 capital projects and six projects (1.5%) account for 55% of the reprofiled budgets across the programme.

The table below summarises the capital programme by directorate and shows the original budget, revised budgets and latest forecasts.

	Original Expenditure Budget	Original Income Budget	Revised Expenditure Budget	Revised Income	Expenditure Forecast	Income Forecast	Expenditure Variance Revised Budget vs. Forecast	Income Variance Revised Budget vs. Forecast	Previous Expenditure Forecast	Expenditure to Date
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Economic Development, Education and Skills	17,957	(15,957)	12,145	(8,213)	12,521	(9,014)	377	(802)	12,519	5,386
Customer Services and Digital	1,503	-	903	-	896	-	(7)	-	903	1,308
Deputy Leader, Environment and City Management	34,313	(9,481)	24,999	(6,847)	25,149	(7,781)	150	(934)	25,564	12,899
Family Services and Public Health	1,606	(1,183)	700	(500)	609	(409)	(91)	91	700	197
Finance, Property and Regeneration	117,166	(7,950)	95,313	(4,081)	82,681	(2,778)	(12,632)	1,303	83,515	23,659
Housing Services	27,411	(18,849)	39,561	(31,001)	38,263	(29,701)	(1,298)	1,300	38,263	23,408
Deputy Leader Place Shaping and Planning	35,394	(1,441)	12,325	(801)	6,532	(1,108)	(5,793)	(307)	10,532	2,743
Deputy Leader, Environment and City Management/Deputy Leader Place Shaping and Planning	51,711	(43,546)	28,514	(18,858)	24,199	(17,015)	(4,315)	1,843	26,965	12,219
Public Protection and Licensing	1,759	(1,162)	1,759	(1,162)	1,759	(1,162)	-	-	1,759	876
Sports, Culture and Community	9,042	(873)	5,484	(48)	4,822	(49)	(662)	(1)	5,423	1,838
Service Area Total	297,862	(100,442)	221,703	(71,511)	197,431	(69,017)	(24,271)	2,493	206,143	84,533
Projects Funded from Flexible use of Capital Receipts	16,531	-	13,508	-	13,527	-	19	-	13,508	1,438
Grand Total	314,393	(100,442)	235,211	(71,511)	210,958	(69,017)	(24,252)	2,493	219,651	85,971

Funding

	Revised Funding Budget	Funding Forecast	Variance
	(£,000's)		
Grants	(71,511)	(69,017)	2,493
Contributions			-
Revenue Account			-
External Funding Total	(71,511)	(69,017)	2,493
Internal Funding*	(163,700)	(141,941)	21,759
Grand Total	(235,211)	(210,958)	24,252

* This is by capital receipts or borrowing

Period 8 Forecast Outturn by Cabinet Portfolio

The key movements between the revised budgets and the latest forecasts for each portfolio are outlined below.

Economic Development, Education and Skills (Councillor Tim Barnes)

- 3.5.1 As at period 8, the capital programme for this portfolio is forecasting a positive variance of £0.376m compared to a revised budget of £12.145m. This is primarily due to CIL funding that has been approved for 470 Harrow Road and an accelerated programme for this site.
- 3.5.2 Other variances include the Schools Minor Works projects and the Reactive Capitalised Maintenance Works.

Customer Service and Digital (Councillor Paul Swaddle)

- 3.5.3 At period 8, the projected expenditure outturn is a minor variance of £0.007m against the revised budget of £0.903m.

Deputy Leader, Environment and City Management (Councillor Tim Mitchell)

- 3.5.4 Deputy Leader, Environment and City Management is forecasting a positive variance of £0.150m compared to a revised budget of £24.999m. This is due to a number of variances with some of the key projects highlighted below.
- 3.5.5 Waterloo and Golden Jubilee Bridge - £0.608m – this has been reprofiled into 2020/21 due to an ongoing review of the works. A new start date has subsequently been planned in early 20/21.
- 3.5.6 LED Lighting - £0.269 reprofiled into 2020/21 due to a longer than anticipated lead time in delivery of items.
- 3.5.7 The remaining variances are due to a number of schemes being brought forward or reprofiled into 2020/21. Included within this is reprofiling of budgets within the Public Realm Improvements Schemes programme.

Family Services and Public Health (Councillor Heather Acton)

- 3.5.8 At period 8, Family Services and Public Health is forecasting a £0.091m variance compared to a revised budget of £0.700m.

3.5.9 The variance is due to the Barnard and Florey project and the protracted negotiations with the landlord NHS Property Services, to establish the leases and secure the required permission to undertake the refurbishment.

Finance, Property and Regeneration *(Councillor Rachael Robathan)*

3.5.10 At period 8, Finance, Property and Regeneration is projecting a variance of £12.632m against a revised budget of £95.313m.

3.5.11 The key drivers of variances in this portfolio are the acquisitions budgets for Church Street and Huguenot House.

3.5.12 There is an underspend of £7.816m in Church Street acquisitions. The provision in the budget included sites A, B and C. However, as site A acquisitions will be held vacant for redevelopment, these units will be purchased directly by the HRA and therefore is not reflected as part of the General Fund budget.

3.5.13 Huguenot House acquisitions have reprofiled £1.999m into future years, reflecting the expected acquisitions achievable in 2019/20.

3.5.14 The remaining £2.817m is reprofiling across the portfolio.

Housing Services *(Councillor Andrew Smith)*

3.5.15 At period 8, Housing Services is forecasting a variance of £1.298m against a revised budget of £39.561m.

3.5.16 The Affordable Housing Fund Budget is projecting to reprofile £1.298m into future years. This expenditure is fully funded through Affordable Housing Fund income. Westminster Community Homes (WCH) acquisitions, funded by this budget - at Dolphin Square and Lanark Road have slipped into the next financial year. This is due to the developer being unlikely to reach practical completion of the sites by March. Other allocations have slipped, owing to WCH's decision to focus on the purchase of studio and 1-bedroom properties for which an additional budget of £15.000m has been provided this financial year.

Deputy Leader, Place Shaping and Planning *(Councillor Richard Beddoe)*

3.5.17 At period 8, Deputy Leader, Place Shaping and Planning is forecasting a variance of £5.793m against an original budget of £12.325m.

3.5.18 Oxford Street District accounts for the majority of the variance which is projecting to reprofile £6.000m compared to the budget and has slipped following a delay in appointing the design and the build contractor.

3.5.19 The Harrow Road Place Shaping scheme has brought forward budget of £0.357m in line with the latest programme.

Deputy Leader Environment and City Management / Deputy Leader Place Shaping and Planning *(Councillor Tim Mitchell/Councillor Richard Beddoe)*

3.5.20 At period 8, Environment and City Management/Place Shaping and Planning jointly monitor projects, which are projecting a variance of £4.315m to a revised budget of £28.514m. This is due to a number of schemes which are outlined below.

3.5.21 Christchurch Gardens - £1.000m - Issues in access to the site due to protesters. Court injunction sought and granted which has delayed the start of the programme.

3.5.22 Queensway Streetscape - £0.700m - Phases 3, 4 and 5 will be delivered in the current and the next financial year, which is later than originally planned. The delay in the delivery is due to an extended stakeholder engagement process.

3.5.23 Berkeley Square North - £0.500m – Due to adjacent site works impacting on our phasing of works, this scheme has been reprofiled into 2020/21.

3.5.24 Public Realm Improvement Schemes - £1.547m due primarily to Riding House Street variance of £0.390m as the consultation process is starting later than originally planned. Various other schemes account for the remainder of the variance within this programme.

3.5.25 The remaining £0.568m is reprofiling across the portfolio.

Public Protection and Licensing *(Councillor Ian Adams)*

3.5.26 At period 8, Public Protection and Licensing is forecasting to budget.

Sports, Culture and Community *(Councillor Ian Bott)*

3.5.27 At period 8, Sports, Culture and Community is forecasting a variance of £0.662m against a revised budget of £5.484m. The key driver behind this variance is ongoing delays due to commencement of redecoration works for Church Street, Paddington and Victoria libraries.

3.5.28 The remaining reprofiling variance relates to capital works at Paddington Recreation Ground.

4. HRA CAPITAL EXPENDITURE – 2019/20 Budget and Projected Expenditure

4.1 At the end of period 8, the forecast gross capital expenditure outturn for the HRA is £142.771m resulting in a total variance of £7.083m compared to the budget of £149.854m. This reflects the expenditure forecast for Major Works of £45.867m, Housing Regeneration of £70.081m and Other Projects of £26.823m.

Variances within each category as per the original budget are set out in the table below:

Description	Full Year Budget (£'000's)	Forecast P8 (£'000's)	Variance (£'000's)
Major Works	49,353	45,867	(3,486)
Housing Regeneration	66,187	70,081	3,895
Other Projects	34,314	26,823	(7,491)
Total Capital Expenditure	149,854	142,771	(7,083)

Major Works

4.2 At period 8 the forecast outturn is an underspend of £3.486m.

4.3 Reprofiling of £3.486m for Major works project is due to the delay in the start of a project which enables communications to leaseholders to prevent issue of Notice of Estimate and engage the residents about projects. The delay will increase the risk of the project slipping into next financial year.

Housing Regeneration

4.4 At period 8 there is a forecast overspend of £3.895m.

4.5 A review of anticipated expenditure was conducted during the period to enable development managers to provide a realistic forecast outturn at the end of the year.

4.6 There is reprofiling into future years for Parsons North (£2.975m), Cosway (£2.183m) and Ashbridge (£1.608m) schemes. Parsons North reflects a reprofiling of the scheme in line with the full business case. For Cosway and Ashbridge, the forecast reduction in-year is due to ongoing negotiations relating to the repeater station causing delay to the programme, in addition to anticipated slippage on contract payments with the main contract works unlikely to start in 2019/20.

- 4.7 There is reprofiling into future years of £5.652m for the Ebury acquisitions programme, representing a realistic target to be achieved by the end of the year with the new phasing agreed. There is a forecast overspend on Ebury of £6.491m, which relates to the profile changing from a developer model to self-delivery. In addition to this, increased meanwhile use costs previously unbudgeted for and demolition works brought forward have increased the forecast. Further increases relate to UKPN tranche payment based on drawdown schedule now confirmed, ground source heat pump well tests brought forward, and regeneration-base fit out costs.
- 4.8 Lisson Arches forecasts an overspend of £1.023m as a result of revised utility costs and requirements to complete the enabling works on site. Reduction from period 7 forecast is due to a deferral of the FM Conway enabling works package to next year.
- 4.9 Church Street acquisitions are now being forecast within the HRA for Site A at £10.000m. An increase in professional fees for surveys on the Church Street site has resulted in a forecast overspend of £0.384m.
- 4.10 Luton Street reprofiling into future years of £2.232m reflects the programme changes now confirmed by agreement between the contractors and development team. Improvement works to surrounding blocks are now expected to take place next financial year. Further movements have resulted in a forecast overspend of £0.647m on other schemes.

Other Projects

- 4.11 At period 8, the forecast underspend is £7.491m for other projects.
- 4.12 Reprofiling of £1.194m for West End Gate, reflecting a revision in the developer's construction profile moving payments based on valuations forward into 2019/20. The overall cost of the scheme has increased owing to a revision in estimates on the purchase price per unit given similar acquisitions within the area and increased construction costs.
- 4.13 In addition to this, there is reprofiling of £5.976m within the Small Sites programme. This relates to reprogramming of Lapworth Court, Senior Street and Wellington road in phase two of the Infill programme in addition to a tender extension on the packages for the Estate offices. In addition to this, Adpar and Torridon professional fees have been reprofiled into future years to reflect the current programme. Further movements on other schemes have resulted in a net decrease of £0.321m.

5. Schools' Balances

Overview

- 5.1. The Bi-Borough Schools' Finance team provides support to 40 maintained schools and nurseries in the borough of Westminster with total delegated budgets of £44.5m funded from the Schools Block of the Dedicated School's Grant (DSG). In addition, there are 18 academies which have total budgets of £67.6m
- 5.2. The responsibility for school budget management transferred to school governing bodies when Local Management of Schools was introduced in 1988 which was fully implemented in 1992. All school governing bodies are responsible for setting and approving the annual budget plan for their school, including the development of deficit recovery plans (where necessary) which officers review and determine whether to approve recovery plans.
- 5.3. The 2020/21 pupil headcount reduced by a net of 61 (-0.3%) pupils as per the October 2019 census. Primary school numbers fell by 272 (-2.5%), and conversely secondary schools increased by 211 (+2.3%). 76% of school funding is based on pupil numbers. Per pupil funding increased by an average of 3.5%.
- 5.4. 2020/21 Dedicated Schools Grant (DSG) allocations were provided by the Education and Skills Funding Agency (ESFA) in December 2019. The Schools Block figure shows an increase of £3.494m (3.1%) compared to 2019/20.

Schools with Deficits

- 5.5. Schools in Westminster face a number of challenges this year – particularly primary schools with falling rolls. There were eleven schools (including one maintained nursery) who ended 2018/19 in deficit. This compares with eight schools at the end of 2017/18.
- 5.6. All of the eleven schools with deficits at the end of 2018/19 have received support to develop deficit recovery plans where necessary, to bring their budgets back to a balanced position within an agreed timescale. Collectively, these schools had an aggregate deficit of £1.128m at 31st March 2019 which is 7% of the total budgets for those schools. The total of all school balances is a net surplus of £3.289m, within that the total of surplus balances in schools is £4.417m.
- 5.7. Of the eleven schools, the five below have licensed deficit recovery plans in place or a plan under review (as is the case with Portman). Monthly reporting to the Council is compulsory for schools with deficits and monitoring reports are actively pursued.

Settings with Licensed Deficit Recovery Plans

School Name	Deficit (£)	Deficit Recovery Plan Received
Essendine	87,417	Yes
Portman Early Childhood Centre	167,425	Plan under review
St Luke's	397,456	Yes
Westminster Cathedral	188,835	Yes
All Souls	75,479	Yes
Total	916,612	

5.8. The six remaining schools with deficits at the end of 2018/19 are listed below. Each school planned to eliminate its deficit by reducing 2019/20 in-year expenditure accordingly. However this will not be achieved by four of the schools (marked as *) who are now required to revisit their deficit recovery plans.

Settings managing deficits in-year

School Name	Deficit (£)
St George's Hanover Square*	27,376
St Mary of Angels*	52,262
Robinsfield	28,724
St Augustine's	26,648
St Mary Bryanston Square *	14,000
St Vincent de Paul *	62,577
Total	211,587

Schools at Risk

- 5.9. Of the eleven schools with a deficit at the end of 2018/19, nine expect to still be in deficit at the end of 2019/20 – and for those with deficit recovery plans this is in line with their plans for this year. On the basis of the latest monitoring information a further six schools are expected to be in deficit at the end of 2019/20 which would result in 15 schools in deficit.
- 5.10. We have ensured that the quality and timeliness of monitoring information from schools has improved significantly and we regularly review monthly monitoring returns, provide training sessions to Governors and headteachers and work closely with Schools Standards and Governor Services to ensure that all schools develop a sustainable medium-term budget to support schools with identifying and implementing mitigating actions. Work on a number of schools has required deep dives into the financial issues so that the school and LA can agree the deficit position while also working on future plans.
- 5.11. Additional support is provided to all schools to implement staffing restructures and maximise income opportunities and ensure value for money in the receipt of

services. We also liaise with both dioceses on: school pupil projections; forecast deficits; financial management; exploring opportunities for joint working between schools and to influence the future strategic direction of schools. and deep dives to deal with specific issues arising

Managing the Risk

- 5.12. In addition to the support detailed in paragraph 5.10 & 5.11 the following paragraphs detail further action that has or will be taking place to help manage the risks faced.
- 5.13. The Schools Finance team have met and continue to meet with schools with deficits and have worked with them to establish changes required for implementation of sustainable licensed deficit recovery plans. The team also provide Finance training and updates at termly School Business Managers meetings.
- 5.14. An additional fixed term member of staff, with experience of supporting schools with deficit, will commence within the next month, to provide additional challenge and support to those schools without deficit recovery plans as a priority and then those at risk of going into deficit.
- 5.15. As part of the DfE's £2.3m initiative to support struggling schools, the Council has been allocated the services of a school resource management advisor (SRMA) from MLG Education Services. The advisor was to spend two days working on two schools (Portman and St Barnabas), with the remit of providing impartial and expert business advice on making the best use of resources and dealing with financial challenges in the face of current and future deficits. The advisor has been chased for his final report and recommendations. The DfE have also been contacted to pursue the outcome of this work.
- 5.16. Schools resource management is part of the DfE's toolkit comprising of information, training and guidance that aims to help schools with financial planning and resource management. Schools Finance have shared the link to the online toolkit on Gov.uk with all Westminster Schools and also promoted schools use of the DfE's Integrated Curriculum Financial Planning toolkit through Schools Standards.
- 5.17. A number of schools applications to the Council for support with meeting the cost of redundancies as a result of necessary restructurings to ensure schools are financially sustainable have been supported. In line with Westminster's Scheme for Financing, support may be provided to schools, which is funded from the Dedicated Schools Grant (DSG) if a number of conditions are met, including the following:
- The school does not have reserves greater than £200,000.
 - The changes are not as a result of the school experiencing financial issues that are within their control.
 - There is a resulting headcount reduction in the school's staffing establishment.

5.18. Regarding falling rolls, action has been taken to reduce primary forms of entry by six (180 places per year) since 2018 and further reductions building on existing informal capping arrangements may be agreed for September 2020. Officers from the Admissions team are working in partnership with schools and both dioceses, and discussions about further school organisation changes such as sharing of headteachers, administrative support and school sites to ensure financial viability are also being held.

Appendix 1 – Capital Programme by Project Category

Project Categorisation	Cabinet Member	Original Expenditure Budget	Original Funding Budget	Revised Expenditure Budget	Revised Funding Budget	Expenditure Forecast	Funding Forecast	Expenditure Variance	Funding Variance	Net Variance
		(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Operational	Customer Services and Digital	1,503	-	903	-	896	-	(7)	-	(7)
	Deputy Leader, Environment and City Management	31,769	(8,158)	24,111	(6,097)	24,092	(7,031)	(19)	(934)	(953)
	Deputy Leader, Environment and City Management/Deputy Leader Place Shaping and Planning	27,823	(23,876)	20,130	(10,595)	16,857	(9,794)	(3,273)	801	(2,472)
	Economic Development, Education and Skills	17,957	(15,957)	12,145	(8,213)	12,521	(9,014)	377	(802)	(425)
	Family Services and Public Health	1,606	(1,183)	700	(500)	609	(409)	(91)	91	-
	Finance, Property and Regeneration	17,336	(1,490)	11,003	(39)	10,102	-	(901)	-	(901)
	Housing Services	20,421	(11,859)	20,419	(11,859)	20,421	(11,859)	2	-	2
	Deputy Leader Place Shaping and Planning	3,981	(1,250)	1,375	(610)	1,582	(917)	207	(307)	(100)
	Public Protection and Licensing	1,759	(1,162)	1,759	(1,162)	1,759	(1,162)	-	-	-
	Sports, Culture and Community	9,042	(873)	5,484	(48)	4,822	(49)	(662)	(1)	(663)
Operational Total		133,197	(65,808)	98,029	(39,123)	93,661	(40,235)	(4,367)	(1,152)	(5,519)
Development	Deputy Leader, Environment and City Management	2,544	(1,323)	888	(750)	1,057	(750)	169	-	169
	Deputy Leader, Environment and City Management/Deputy Leader Place Shaping and Planning	23,888	(19,670)	8,384	(8,263)	7,342	(7,221)	(1,042)	1,042	-
	Finance, Property and Regeneration	79,830	(6,460)	64,310	(4,042)	52,579	(2,778)	(11,731)	1,264	(10,467)
	Housing Services	6,990	(6,990)	19,142	(19,142)	17,842	(17,842)	(1,300)	1,300	-
	Deputy Leader Place Shaping and Planning	31,413	(191)	10,950	(191)	4,950	(191)	(6,000)	-	(6,000)
Development Total		144,665	(34,634)	103,674	(32,388)	83,770	(28,782)	(19,904)	3,606	(16,298)
Investment	Finance, Property and Regeneration	20,000	-	20,000	-	20,000	-	-	-	-
Investment Total		20,000	-	20,000	-	20,000	-	-	-	-
Efficiency	FCR	16,531	-	13,508	-	13,527	-	19	-	19
Efficiency Total		16,531	-	13,508	-	13,527	-	19	-	19
Grand Total		314,393	(100,442)	235,211	(71,511)	210,958	(69,017)	(24,253)	2,494	(21,759)