

Decision Maker:	Cabinet
Date:	12 July 2021
Classification:	Open
Title:	2020/21 Outturn and Statement of Accounts
Wards Affected:	ALL
Key Decision:	Yes – on the forward plan
Financial Summary:	The report summarises the Council's 2020/21 year-end financial position and requests approval for unspent 2020/21 capital budgets to be reprofiled into future years – as per section 8.
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Background

- 1.1. This report presents the Council's 2020/21 outturn position 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 report also includes a summary of the 2020/21 draft accounts that have been submitted for external audit. The audit of the draft accounts began on 28 June 2021 and are anticipated to be signed off and approved at Audit and Performance Committee in September 2021.

2. Executive Summary

- 2.1. The General Fund (GF) revenue position is a net outturn of £3.8m (2.1%) overspend against an approved budget of £180m. This compares to a P9 overspend forecast of between £10-20m. This improvement was primarily due to some additional application of specific Covid grants, a release of funding from

the insurance reserve and some smaller improvements in income. The Council has used its general reserve balance to absorb this final year-end position.

The Council has built up its general reserve position over a number of years to allow it to manage any unforeseen circumstances particularly for any economic shock. While the 2020/21 revenue overspend reduces the Council's general reserve to £59.5m, this accounts for 6% of the total balance.

2.2. It has always been acknowledged that the Council is particularly sensitive to recessions due to its reliance on fees and charges, but the current level of general reserves remains robust which should enable it to withstand any short-term volatility while the UK moves through the roadmap out of lockdown. Reserves will be important to ensure the Council can maintain resources for its services over the medium term as the national and local economic conditions remain uncertain over this period.

2.3. The HRA outturn is a surplus of £2m against a budgeted deficit of £4.3m. Further details of the variations are given later in this report.

2.4. The general fund capital outturn is a gross expenditure variance of £122m against a budget of £257m. The HRA capital outturn is an expenditure variance of £68m, against a budget of £207m.

3. Recommendations

3.1. That Cabinet note the summary of the draft 2020/21 statement of accounts subject to the public inspection period and the audit currently underway.

3.2. That Cabinet notes the Council's outturn position for 2020/21.

3.3. That Cabinet approves slippage from the 2020/21 capital programme into future years.

4. Background to 2020/21 Outturn Position

4.1. Over the course of 2020/21, the Council has been agile in responding to the pandemic, ensuring that the most vulnerable are protected and that businesses received support as quickly as possible. Since the first lockdown in March 2020 the Council has:

- supported vulnerable communities and those shielding in line with government regulations, through the creation of Westminster Connects – which has supported 27,000 residents with the help of over 4,000 volunteers;
- supported rough sleepers off the streets;
- led on the pan London Mortality Management Group (MMG);

- supported our care homes and care home providers throughout the pandemic;
- supported the City's schools through the various Covid-19 restrictions;
- created new community forums to engage with key stakeholders, and;
- paid Government grants and reliefs to businesses throughout the year.

4.2. The financial impact of the pandemic on Westminster has been considerable whereby the Council has:

- Incurred additional costs supporting the most vulnerable people in our communities;
- Been negatively impacted by reduced activity in the City which has led to significant reductions in income from sales, fees and charges, and;
- Needed to review and delay saving proposals that are no longer considered deliverable.

5. Government's Financial Support

5.1. The financial support the Government has provided is summarised in appendix 1. The total general Covid-19 funding received by the Council in 2020/21 is £29.3m, excluding any amounts due from the income compensation scheme. In addition to various other grants there is also passported funding to support residents and businesses.

5.2. The Government continued to reimburse authorities for 75% of Covid-related income losses in 2020/21 (after the first 5% of losses is absorbed by local authorities). To qualify, income losses must be related to the delivery of services. The compensation scheme excludes commercial and rental income. The Council is estimated to receive £28m for 2020/21 (with £15.4m already received), reducing the overspend in this year's outturn and is higher than previously expected.

5.3. The Government's financial support so far can be categorised into the following areas:

- grant funding, both general and specific, for local authorities to cover expenditure and income losses arising from the pandemic;
- grant funding provided to local authorities as intermediary that then needs to be passed on to businesses and individuals;
- grants funding to help with Test & Trace, contain outbreak management and local enforcement, and;
- cashflow support for local authorities, including the deferral of certain payments to Government and the bringing forward of grants.

5.4. The level of Government support is summarised as follows:

- Support for businesses - £1.2bn
- General support - £57m
- Support for Test and Trace and Local Enforcement - £11m
- Other Specific Grants - £5.5m
- Support for Care Providers - £3.4m
- Support for residents - £2.7m

6. Revenue Budget

General Fund

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

ELT	2020/21 Net Budget £m	2020/21 Net Outturn £m	2020/21 Net Variance £m
Adults Services	54.550	55.823	1.273
Public Health	(1.029)	(1.029)	0.000
Children's Services	41.800	44.030	2.229
Environment & City Management	(3.380)	34.278	37.658
Growth, Planning & Housing	24.440	29.676	5.236
Finance and Resources	19.208	18.632	(0.576)
Innovation & Change	6.006	8.324	2.318
Chief Executive and People Services	8.408	7.855	(0.553)
Corporate Items*	29.973	(13.760)	(43.733)
Total	179.977	183.829	3.851

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

6.2. In gross terms the outturn can be summarised as follows:

Item	£m
Gross Variance	61.068
General Covid Grant	(29.210)
SFC Compensation	(28.007)
Net Variance	3.851

6.3. The gross variance for the year of £61m is broadly within the range anticipated during the year with approximately £50m due to income losses and the remainder from additional expenditure in response to the pandemic.

6.4. The final position means the Council will be required to drawdown £3.8m from its unallocated reserves – reducing the balance to £59.5m. This is positive compared to early estimates this year and leaves the Council's general fund reserve in a relatively healthy position. This enables the Council to weather the impact of any further restrictions and/or possible medium-term ongoing impact on Council budgets resulting from the pandemic.

Income

6.5. The biggest impact on the Council's 2020/21 position has been due to reductions in income. The year-end variance based on the largest income streams is £49.1m. However, a number of income losses have been mitigated by the Government's 75% Sales, Fees and Charges (SFC) compensation scheme through which the Council received £28m in 2020/21.

6.6. A summary of the Council's top income variances can be found in the table below:

ELT	Major Income Streams with Losses	Full Year Budget £m	Full Year Actuals £m	Full Year Variance £m
Environment and City Management	Parking - Paid for Parking	39.866	30.456	9.410
Environment and City Management	Parking - PCNs	19.912	12.473	7.439
Environment and City Management	Parking - suspensions and dispensations	23.092	18.643	4.449
Environment and City Management	Parking - Resident Permits	4.471	4.491	(0.021)
Environment and City Management	Commercial Waste	18.199	7.684	10.515
Environment and City Management	Licensing (top two income streams)	3.650	1.641	2.009
Environment and City Management	Road Management	8.810	8.644	0.166
Environment and City Management	Community Services	5.974	0.113	5.861
Children's Services	Registrars	2.302	1.261	1.041
Growth, Planning & Housing	Planning	7.336	4.867	2.469
Innovation and Change	City Promotions, Events and Filming	4.704	0.830	3.874
Other Corporate Directorates	Local Land Charges	1.794	1.105	0.689
Finance and Resources	Property Income - General Fund	30.333	30.946	(0.613)
Finance and Resources	Court costs recovery income	1.908	0.000	1.908
	Total	172.349	123.155	49.194

- 6.7. While the compensation scheme has extended into the first quarter of 2021/22, income losses represent a significant risk to the Council's finances in the near future as they are dependent on footfall and activity returning to the City.

Business Rates and Council Tax (Collection Fund)

- 6.8. Council Tax and Business Rates are the Council's largest income sources and the Council has a responsibility to collect on behalf of the GLA and government. It collects and recognises in its account the following:

- Gross Council Tax (including GLA share): £98m
- Gross Business Rates (after retail relief given by government during COVID): £1.4bn

- 6.9. However, the Council only retains £185m of this income (Council Tax £60m & NNDR £120.5m) for its own use. If there is a reduced business rates income as witnessed through Covid the maximum the council will lose is £6.8m, protected by Government, reducing our recognised income from £120.5m to £113.7m.

- 6.10. The Council was compensated during 2020/21 for the business rates reliefs provided to businesses following the first lockdown. This compensation (known as s31 grant) is to cover losses in the Collection Fund but is recognised in the General Fund upon receipt. However, due to accounting regulations Collection Fund losses are realised the year after they occur. Therefore, this will increase earmarked reserves by £361m in 2020/21, but this reserve will then be used in 2021/22 to cover the corresponding Collection Fund loss.

- 6.11. The collection of business rates and council tax has been impacted by the Covid-19 outbreak as residents and businesses face an uncertain financial situation. The restriction on courts has in effect suspended recovery action for unpaid bills and reduced cash receipts. The 2020/21 council tax collection rate for the year is 91.1% which is 5.6% lower than last year.

Expenditure

- 6.12. As the Council redirected its services towards supporting the City during the pandemic, most expenditure variances were Covid-related. The key expenditure variances are summarised as follows:

- In Adults Services, there was additional spend of £0.987m mainly on PPE, increased staffing and support for the provider market. Furthermore, financial savings of £0.725m were deferred into financial year 2021-22. However, business-as-usual activities resulted in a £0.439m underspend, thereby mitigating the overall pressure;
- Children's Services experienced Covid-related additional expenditure regarding short breaks for children and social care across Families Services. There was also a BAU overspend of £2.2m due to

increased numbers of Unaccompanied Asylum-Seeking Children (UASC) care leavers, a cohort which attracts lower Home Office funding than UASC Looked After Children.

- Temporary Accommodation (TA) reports a net £1.9m overspend. As at the end of March 2021 there were 2,770 tenancies but it should be noted that this is a slight reduction compared to the same time last year. The TA reduction strategy seeks to address this on-going pressure.
- Rough Sleeping incurred gross costs of £1.5m during the year supporting rough sleeps off the streets. However, this was largely offset by specific government grant funding, resulting in a net overspend of £0.100m

2020/21 Savings

- 6.13. In March 2020 (prior to the pandemic) Full Council approved savings of £18.9m to be delivered in 2020/21. However, the impact of the pandemic has meant that a number of these savings have been delayed or are no longer considered deliverable.
- 6.14. A total of £5.6m of savings which were due in 2020/21 were not delivered due to the pandemic. This represents approximately a third of all savings – therefore two thirds of savings were still delivered.
- 6.15. The majority of these undelivered savings were related to income from the Council's leisure management contract, growth in property income and outdoor media advertising.
- 6.16. As part of the Council's Medium-Term Financial Plan approved by Full Council in March of this year, the pressures from these undeliverable/delayed savings were included in 2021/22 budget.

Housing Revenue Account (HRA)

- 6.17. The HRA outturn is a surplus of £2m against a budgeted deficit of £4.3m, a variance of £6.3m.
- 6.18. The main variances contributing to this underspend are:
 - £3.3m extra service charge income from leaseholders,
 - £1.2m staffing underspends across Housing Management and Repairs Management
 - £1.4m lower than budgeted support service charges
 - £2.2m lower interest charges to the HRA, and
 - £1.3m one-off benefit from the Council's insurance fund.

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

- £2.1m lower rent and tenant service charge income than budgeted due to voids, primarily those linked to regeneration schemes,
- £0.4m lower income from non-dwelling rents,
- £1m more expenditure on the commercial portfolio than budgeted

7. Capital

General Fund Capital Programme

7.1. The table below summarises the General Fund capital outturn position for 2020/21. In total the general fund capital programme has gross expenditure slippage of approximately £122m. The majority of slippage is related to the following reasons:

- Acquisitions not becoming available
- Covid-19 related delays
- External factors – e.g. Crossrail
- Delays in internal decisions
- On site issues and delays

ELT	2020/21 Expenditure Budget £m	2020/21 Income Budget £m	2020/21 Net Budget £m	2020/21 Expenditure Outturn £m	2020/21 Income Outturn £m	2020/21 Net Outturn £m	2020/21 Expenditure Variance £m	2020/21 Income Variance £m	2020/21 Net Variance £m
Adult's Services	1.251	(1.251)	0.000	0.830	(0.830)	0.000	(1.168)	1.168	0.000
Children's Services	20.998	(15.181)	5.817	9.294	(6.898)	2.396	(11.704)	8.283	(3.421)
Growth, Planning & Housing	76.273	(22.853)	53.420	38.484	(7.752)	30.732	(37.789)	15.101	(22.688)
Environment & City Management	81.567	(39.885)	41.682	52.069	(25.756)	26.313	(29.498)	14.129	(15.369)
Finance and Resources	31.672	0.000	31.672	14.210	(0.390)	13.820	(17.462)	(0.390)	(17.852)
Westminster Builds	45.521	0.000	45.521	21.169	(4.256)	16.913	(24.352)	(4.256)	(28.608)
Total for Council	257.282	(79.170)	178.112	135.309	(45.135)	90.174	(121.973)	34.035	(87.938)

7.2. The Council's capital programme was approved by Council in March 2020, with an expenditure budget of £257m (including slippage from the previous year). The delivery of schemes and capacity for planning projects were significantly affected by the pandemic and the response to it, further details follow in this report.

7.3. 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 - LED Lighting Rollout, Lisson Grove Refurbishment, Corporate Property Landlord Responsibilities, Footway Programme Maintenance and the LED Lighting Rollout.

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

Project	Variance to Budget £m	Comments
Westminster Builds	(15.425)	<p>Acquisitions from Council developed schemes have not taken place this financial year and reflects £7.6m of underspend.</p> <p>The remaining underspend relates to the company's pipeline programme, the impact of Covid-19 and the Jubilee acquisitions budget.</p> <p>The pipeline programme is live, but no suitable sites have been identified yet and therefore the budget has slipped.</p>
Temporary Accommodation Acquisitions	(14.765)	Due to Covid-19 no activity took place on two of the Council's acquisition programmes.
St Marylebone Bridge Special School	(9.403)	There was a delay in the start date of construction caused by issues of disconnecting gas and electrics, amplified by Covid-19.
Luton Street	(8.926)	A new plan was agreed with the Limited Liability Partnership (LLP) after the budget was set and some element of delay was caused by Covid restrictions and uncertainty at the start of the first lockdown.
Ceremonial Streetscape	(4.433)	A revised programme of works has identified that some of the largest schemes will start in 2021/22 rather than the earlier planned start dates as legal agreements have not yet been secured with landowners.

Huguenot House - Strategic Acquisition	(4.000)	There has been a reduced level of acquisitions compared to what was originally anticipated.
Oxford Street District	(4.399)	The original budget of £10.5m was based on a delivery programme which has since been re-prioritised. As a result, some work packages which were expected to be delivered in 2020/21 have been moved to future years, with the focus for 2020/21 being on the economic recovery of the District. Some work packages have entered the implementation stage, including the Showcase Scheme and Ramillies Place.
Place Shaping's Enterprise Programme	(4.017)	The majority of the budget was to cover works to create Enterprise Space along the Grand Union Canal. These works have been delayed as the land is required for Crossrail works by Network Rail. Discussions are ongoing with them over the best course of action going forward. Other smaller pots of funding were due to be utilised on schemes such as Somerset House, but these discussions have been postponed due to the pandemic. Additionally, the Street Markets Wi-Fi scheme has also underspent this year as there was a delay in getting the procurement process started.
Piccadilly Underpass	(3.529)	There have been discussions about the design costs which has delayed the scheme this year. As a result, any planned start date will not be until 2021/22 at the earliest.
Church St Green Spine Project	(3.518)	The programme was revised early on in 2020/21 after delays in planning the scheme. Final expenditure was more than forecast at P10 because utility companies billed earlier than anticipated.
Queensway Streetscape	(3.314)	When reconciling the overall scheme costs to date, it was identified some costs had already been paid for in previous or will be invoiced in future stages of the scheme when works have been completed.
TfL Local Improvement Plan Scheme & Cycle Schemes	(3.089)	As a result of the Covid-19 pandemic TfL Reduction in TfL LIP funding and cycling funded compared to what was built into the budget.
Total	(78.818)	

Housing Revenue Account – Capital

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

HRA Capital Programme	Revised Budget	Outturn position	Budget Variance
	£m	£m	£m
Housing Planned Maintenance	54.057	31.309	(22.748)
Housing Regeneration	112.727	80.547	(32.180)
Other Projects	40.639	27.750	(12.889)
Total	207.423	139.607	(67.816)

7.6. The HRA outturn reports an underspend of £67.816m. This is mainly due to the continued Covid-19 restrictions and lockdown, particularly on projects that are in community engagement stages. The impact of Covid-19 has caused delays to project completion and prevented access to properties in line with the Government guidelines. The schemes have been re-profiled into future years, however there was some pick up in the final months of the year on some regeneration projects that were already on site.

7.7. The main variances on individual projects are set out in the tables below:

Regeneration Project	Variance £m	Comments
Church Street Acquisitions	(11.414)	Underspend caused by impact of Covid-19 on the property market. The team saw a reduced number of units that could be acquired this financial year due to restrictions and guidelines on Covid-19.
Ebury Acquisitions	(10.170)	The out-turn position has been affected in a similar way to the Church Street project, in that Covid-19 has resulted in a reduction in the number of units that could be acquired.
Cosway	(8.194)	Re-profiling of the scheme into future years as contractors revised their work schedule to incorporate social distancing and the Government guidelines.
Small Sites (Infill)	(5.561)	All the small sites have been reprofiled into future years as some of the sites had procurement issues which caused delays.
Ashbridge	(4.711)	The discovery of asbestos at this site delayed the start on site date.
Total	(40.049)	

8. Capital Slippage

8.1. The tables below outline the reprofiling of capital slippage from 2020/21 into future years. Officers will monitor slippage during the year to inform the upcoming capital budget monitoring cycle

ELT Area	Slippage from 20.21 to 21.22	Slippage to 20.21 from 21.22	Slippage from 20.21 to 22.23	Slippage from 20.21 to Other Future Years	Total Slippage	(Under)/Over spends	Total 20.21 Outturn Variance
Adult's Services	(1,169)	0	0	0	(1,169)	0	(1,169)
Children's Services	(13,203)	21	(318)	0	(13,500)	1,795	(11,705)
Environment & City Management	(15,503)	4,902	(13,873)	0	(24,474)	(5,027)	(29,501)
Finance and Resources	(7,704)	393	(8,447)	0	(15,758)	0	(15,758)
Growth, Planning & Housing	(22,461)	3,196	(18,855)	(100)	(38,220)	429	(37,791)
Westminster Housing Investments Limited	(15,425)	0	0	(8,926)	(24,351)	0	(24,351)
FCR	(1,257)	0	0	0	(1,257)	0	(1,257)
	(76,722)	8,512	(41,493)	(9,026)	(118,729)	(2,803)	(121,532)

8.2. The HRA re-profiling is summarised below:

ELT	Slippage from 20.21 to 21.22	Slippage to 20.21 from 21.22	Slippage from 20.21 to 22.23	Slippage to 20.21 from 22.23	Slippage from 20.21 to Other Future Years	Slippage to 20.21 from Other Future Years	Total Slippage
HRA -Planned Miantenance	(648)	14,738	(11,115)	72	(26,794)	1,000	(22,747)
HRA -Regeneration	(49)	0	(38,023)	5,892	0	0	(32,180)
HRA - Other Project	0	2,820	(21,253)	5,544	0	0	(12,889)
	(696)	17,558	(70,391)	11,508	(26,794)	1,000	(67,816)

9. Treasury

Investments

9.1. As at 31 March 2021, net cash invested was £127.2m, a decrease of £280.3m on the position at 31 March 2020 as shown below:

	31 March 2021 (£m)	31 March 2020 (£m)
Total Borrowing	(206.1)	(221.2)
Total Cash Invested	333.3	628.7
Net Cash Invested	127.2	407.5

9.2. The Council's Annual Investment Strategy which forms part of the Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by the Council on 4 March 2020. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.

9.3. The table below provides a breakdown of investments, together with comparisons for the previous financial year end.

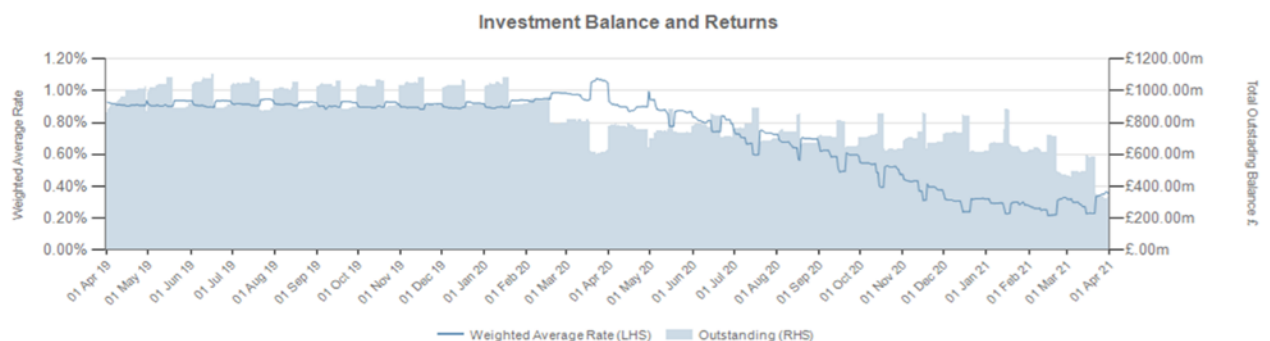
	Investment Balance 31 March 2021 (£m)	Investment Balance 31 March 2020 (£m)	Movement (£m)
Money Market Funds	77.8	30.1	47.7
Notice Accounts	20.0	18.6	1.4
Term Deposits	235.5	580.0	-344.5
Total:	333.3	628.7	-295.4

9.4. Liquid balances are managed through Money Market Funds, providing same day liquidity. Cash has been invested in less liquid instruments, particularly term deposits. The average level of funds available for investment in 2020/21 was £695.1m.

9.5. Daily investment balances have steadily decreased from £628.7m at 31 March 2020 to £333.3m at 31 March 2021.

9.6. On 4 August 2016, the Bank of England reduced the bank rate to 0.25%, staying at this level until 2 November 2017 when there was an interest rate increase to 0.50%. On 2 August 2018, there was another rate rise to 0.75% where it stayed until 11 March 2020 when it reduced to 0.25%. This was followed by a second decrease on 19 March 2020 to 0.10%. The bank rate has remained at 0.10% throughout 2020/21.

9.7. Surplus cash for investment and the weighted average rate has reduced. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Council's capital programme. Investment returns which had been low during 2019/20, reduced further during 2020/21 to near zero or even into negative territory, though the Council avoided placing any investments at a negative rate in the year.



9.8. All investment/overdraft limits specified in the 2020/21 investment strategy have been complied with except for one instance of cash received after close of banking business

➤ £8.490m on 4th May 2020.

9.9. The table below shows the forecast investment income to be achieved in the year: budget versus actual and the variance. The Council's budgeted investment return for 2020/21 was £5.743m, and performance for the year is £0.526m below budget.

Year 2020/21	Budget £000	Actual £000	Variance £000
Investment Income	5,743	5,217	-526

Borrowing

9.10. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital expenditure activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources

9.11. At £206.1m, the Council's borrowing at 31 March 2021 was within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated CFR for 2020/21 of £934m. The final CFR for 2020/21 was £892m.

9.12. During 2020/21, the Council maintained an under-borrowed position of £686m. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on the placing of treasury investments also needed to be considered.

9.13. The table below shows the details around the Council's external borrowing as at 31 March 2021, split between the General Fund and HRA.

Total Borrowing	31 March 2020 (£m)	31 March 2021 (£m)
HRA	196.0	181.0
General Fund	25.2	25.1
Total Borrowing	221.2	206.1

9.14. The breakdown of the existing loans is shown below:

Borrowing Type	Loan Balance 31 March 2020 (£m)	Loan Balance 31 March 2021 (£m)	Movement (£m)
PWLB	151.0	136.0	-15.0
LOBO	70.0	70.0	0.0
Mortgage Annuity	0.2	0.1	-0.1
Total:	221.2	206.1	-15.1

9.15. During 2020/21, the Council repaid £15.045m of loans using investment balances. These consisted of a £15m PWLB long term loan issued in December 2000 and £0.045m principal of mortgage annuity loans.

Forward Borrowing

9.16. As anticipated in the TMSS 2020/21, the Council took no additional borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). The monitoring process includes the setting of various trigger points, the breaking of which will require officer consideration of borrowing requirements and market conditions.

9.17. Due to the overall financial position and the underlying need to borrow for capital purposes, it is prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, whilst maintaining some forward flexibility as projects may or may not proceed within the expected timeframes.

9.18. In the financial year 2019/20, the Council arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the “cost of carry”, that is, the difference between loan interest cost and the rate of return on cash investments.

9.19. An analysis of these loans can be found in the table below.

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2066	2.751	Annuity
Rothsay Life Plc	200.0	08 May 2023	08 May 2063	2.887	Equal Instalment of Principal
Weighted average interest rate				2.579	

10. Draft Statement of Accounts 2020/21

Balance Sheet

10.1. The balance sheet in the table below shows the Council has net assets of £2.598bn. A decrease of £77.2m in comparison to 2019/20.

31 March 2020	Note	31 March 2021
£'000		£'000
ASSETS		
<u>Non-current</u>		
2,677,424	Property, plant and equipment Note 18c	2,781,226
44,578	Heritage assets Note 19	44,578
499,382	Investment property Note 20	467,386
1,313	Intangible assets	2,861
88,104	Long-term investments Note 21a	47,261
70,623	Long-term debtors Note 27	89,957
3,381,424	Total long-term assets	3,433,269
<u>Current</u>		
543,945	Short-term investments Note 21a	237,853
116	Inventories	130
97,970	Short-term debtors Note 27	560,869
35,522	Cash and other cash equivalents Note 22	80,402
-	Assets held for sale	2,202
677,553	Current assets	881,456

31 March 2020	Note	31 March 2021
£'000		£'000
LIABILITIES		
(16,828)	Short-term borrowing	(7,128)
(349,341)	Short-term creditors	(556,886)
(687)	Short-term provisions	(971)
(11,484)	Revenue receipts in advance	(10,643)
(378,340)	Total current liabilities	(575,628)
<u>Long term</u>		
(52)	Long-term creditors	(7,317)
(72,299)	Long-term provisions	(108,988)
(206,143)	Long-term borrowing	(200,696)
(642,316)	Other long-term liabilities	(722,126)
(84,541)	Capital receipts in advance	(101,890)
(1,005,351)	Long-term liabilities	(1,141,017)
2,675,286	Net assets	2,598,080
(831,306)	Total Usable Reserves	(1,241,678)
(1,843,980)	Total Unusable Reserves	(1,356,402)
(2,675,286)	Total Reserves	(2,598,080)

- 10.2. There has been a significant increase in current liabilities, mainly relating to £197.1m of s31 grants made by Government to the Council. These need to be paid back to CLG in line with Collection Fund accounting.
- 10.3. The draft statement of accounts carries an additional £444m in earmarked reserves. This is due to the receipt of s31 grant which compensated authorities for business rates reliefs given during the Covid pandemic. This reserve will be discharged against any Covid-related business rates deficits in 2021/22 in line with accounting regulations.
- 10.4. Current assets have increased by £203.9m including a £462m increase in short-term debtors. £400.3m of which is due to the large WCC share of the collection fund deficit and year end arrears. This is offset by £306.1m decrease in short-term investments, due to fewer funds available.
- 10.5. Despite of an overall decrease in the net assets, there is an increase in long term assets which have increased by £51.8m resulting from property plant and equipment assets increasing by £103.8m, this reflects the expenditure outlined in the Council's ambitions capital programme.

- 10.6. This decrease in net asset position is further enhanced by an increase in long term liabilities – due to an increase in the Council's pension liability and long-term provisions.

Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (MiRS)

- 10.7. Local government accounting requires the production of a comprehensive income and expenditure statement and movement in reserves statements, using International Financial Accounting Standards (IFRS). The movement in reserves statement is designed to adjust for technical transactions such as depreciation which does not impact the bottom line of local authority accounts.
- 10.8. A reconciliation of the CIES with budget monitoring is shown below.

	General Fund Balance	Housing Revenue Account	Total
	£m	£m	£m
Surplus of Provision of Services (CIES)	35,446	(23,286)	12,160
Technical Accounting Adjustments (MiRS)	(501,634)	23,077	(478,557)
Use of Earmarked Reserves	470,068	(1,808)	468,260
Net surplus Against Budget	3,880	(2,017)	1,863

- 10.9. The technical accounting adjustments consist of movements for:

- Neutralisation of depreciation
- Revaluation gain/losses for the Council's property portfolio
- The transfer of capital grants to be capital grants reserve
- Revenue expenditure funded from capital under statute
- Adjustments to the pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charge to council tax

Cash Flow Statement

10.10. There was a £44.880m increase in the Council's cash and cash equivalents (investments that mature in no more than three days) rising to £80.402m.

2019/20		Note	2020/21
£'000			£'000
(57,085)	Net (surplus)/deficit on the provision of services		12,160
(62,759)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	Note 32	(201,332)
138,880	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	Note 32	122,059
19,036	Net Cash Flows from Operating Activities		(67,113)
36,825	Net Cash Flows from Investing Activities	Note 33	(233,787)
(41,479)	Net Cash Flows from Financing Activities	Note 34	256,020
14,382	Net (increase)/decrease in cash and cash equivalents		(44,880)
49,904	Cash and cash equivalents at the beginning of the reporting period		35,522
35,522	Cash and cash equivalents at the end of the reporting period		80,402

10.11. The increase in the Council's cash position is mainly due to current need for cash liquidity, due to current financial climate, which is obtained through investments in Money Market Funds which are instant access.

Objections

10.12. At the time of writing the auditors have not received any objections in relation to the 2020/21 statement of accounts.

11. Conclusion

11.1. The impact of Covid-19 has had a significant impact on the complex operations of the Council. However, financial support throughout the year in the form of grants and compensation has mitigated much of the financial risk in 2020/21 and leaves the Council in a healthy position to mitigate any financial risks in the short- to medium-term future.

12. Financial Implications

12.1. The content of this report is financial in nature.

13. Legal Implications

13.1. 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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Background papers

The 2020/21 draft statement of accounts can be found at the following link:

[2020 to 2021 annual accounts | Westminster City Council](#)

Appendix 1 – Government Grants 2020/21

Scheme	National Funding	WCC Share	Purpose
General Support for Councils			
General Support	£4,600m	£29.3m	Un-ringfenced funding to help councils respond to the pandemic. Four tranches of payments have been made by Government.
New Burdens Grants	Unknown	£0.246m	New burdens funding to help with the administration cost of processing the grants
New Burdens Allocation	Unknown	£0.038m	New Burdens Payments for Council Tax Hardship Fund and Business Rate Reliefs.
High Street Funds	£50m	£0.233m	Reopening High Streets Safely Fund
Sales, Fees and charges scheme	Unknown	£28.007m	Councils may claim 75p in the pound after absorbing the first 5% of losses against budget on reduced income from sales, fees and charges.
Support for Test & Trace and Local Enforcement			
Local Authority compliance and enforcement grants	£30m	£0.192m	This is to support the council with the enforcement of Covid-19 restrictions or to encourage individuals within the borough to comply with the measures.
Contain Outbreak Management Fund	Unknown	£6.310m	Set of payments for local authorities to help support and maintain proactive containment and intervention measures. Circa £2m of funding will be used in 2021-22.
Track and Trace	£300m	£2.890m	Funding to support the test and trace service and to implement outbreak control plans.
Payments for Community Test Funding	Unknown	£1.737m	Funding to support asymptomatic community testing in the City. Rolling forward from previous year.
Other Specific Purpose Grants for Councils			
Support programme for extremely clinically vulnerable.	£32m	£0.309m	New guidance for clinically vulnerable residents at second lockdown has led Government to pledge over £32m funding for local councils in support.

Scheme	National Funding	WCC Share	Purpose
Covid Winter Grant Scheme	£170m	£0.776m	Covid Winter Grant Scheme used to support children, families and the most vulnerable over winter during the second wave of the pandemic.
Local authority Emergency Assistance Grant for Food and Essential Supplies	£63m	£0.284m	Help people struggling to afford food and other essentials
Emergency Support for Rough Sleepers	£3.2m	£0.250m	Funding to help rough sleepers self-isolate during the pandemic.
Next Steps Accommodation Programme	£105m	£1.721m	For interim accommodation and support for the 15,000 vulnerable people accommodated during the pandemic.
Protect Programme: the next step in winter rough sleeping plan	£15m	£1.000m	The £15 million funding is on top of the £91.5 million allocated to 274 councils in September to fund their individual plans for rough sleepers over the coming months.
Rough Sleeping Drug and Alcohol Treatment Grant Scheme 2020-21	Unknown	£1.125m	To provide additional support to people who are experiencing or have recently experienced rough sleeping. Rolling forward from previous year.
Support for Care Providers			
Infection Control (2 Tranches)	£1,146m	£2.576m	Infection Control in care homes. 75% of the funding must be passed straight to care homes within our geographical area – even if the Council does not have a contract with them. Councils can decide how to allocate the remaining 25% based on needs, but it must be used for infection control.
Social Care Funding - Increased Care Home Testing	£149m	£0.148m	To support increased care home testing of residents and staff.

Scheme	National Funding	WCC Share	Purpose
Social Care Funding - for local authorities to boost staffing levels	£120m	£0.662m	This funding has been provided for local authorities to boost staffing levels. In particular: <ul style="list-style-type: none"> - Provide additional care staff where shortages arise - Support administrative tasks so experienced and skilled staff can focus on providing care - Help existing staff to take additional hours as overtime or help with covering childcare costs.
Support for Businesses and Council Taxpayers (Council distributes)			
Council tax Hardship Fund	£500m	£2.2m	Help residents with council tax payments by £150. The council has supported 1,413 households so far and is considering other schemes to support residents and fully utilise the fund.
Test and Trace Support Grants	£70.53m	£0.538m	This is to be paid to residents who need financial support when self-isolating due to either being infected or potentially being infected.
Business Rates Retail Relief	£10,000m	£945m	Retail relief given to businesses and fully supported by the Government. The relief is expected to be more than the grant paid but more funding will be paid by central Government to recognise the additional relief.
Small Businesses	£12,000m	£98.555m	Grants paid to businesses of £10k or £25k each depending on their rateable value. The Council has paid out all the funding it has received and paid approximately 5,612 businesses.
Discretionary Local Authorities Grants	£617m	£4.840m	Additional to the above £12bn to help businesses who did not benefit from the first round of business grants.
Additional Restrictions Support Grant allocations	Unknown	£7.547m	Additional Grants to support local restrictions for lockdown period dating 5 th November to 2 nd December and a top-up to this fund for the national lockdown commencing 5 th January.

Scheme	National Funding	WCC Share	Purpose
Local Restrictions Support Grants (Open)	Unknown	£7.208m	Two Grants to support the nation's economy and its businesses in response to Coronavirus and specifically for businesses that were still open but have been severely impacted by Local Covid Alert Levels and restrictions during 1 st August to 4 th November 2020 and 2 nd December to 18 th December.
Local Restrictions Support Grants (Closed) Addendum	Unknown	£103.012m	Grants to support local businesses closed by restrictions for lockdown period dating 5 th November to 2 nd December, for tier restrictions entered into on 2 nd December and under the national lockdown from 5 th January onwards.
Closed Business Lockdown Grant (January)	Unknown	£65.565m	The Closed Businesses Lockdown Payment will be in addition to LRSG (Closed) Addendum: 5 th January onwards scheme payments. Funding to deliver a one-off payment for businesses that have been required to close from 5 th January 2021 due to the introduction of national restrictions. This funding is not retrospective.
Christmas Support Payment for wet-led pubs	Unknown	£0.250m	To support the nation's economy and its businesses in response to Covid-19.
Cashflow support			
Deferred Rates	£2,600m	£192m	The deferral of local authority Q1 payments of the Central Share of retained business rates until the second half of the financial year.
Advance payment of reliefs	£1,800m	£90m	Up-front payment of business rates reliefs