City of Westminster

Decision Maker:	**Audit and Performance Committee**
Date:	**06 September 2023**
Classification:	**General Release**
Title:	**2023/24 Quarter 1 Financial Monitoring**
Wards Affected:	**ALL**
Key Decision:	**No**
Financial Summary:	**The report summarises the Council's 2023/24 Quarter 1 financial position**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1 This monitoring report presents the Council's summarised 2023/24 Quarter 1 financial position and that any known and significant factors up until the report submission have been considered in the forecasts together for the remainder of the year. The forecast has been based on activity trends and analysis to date.

Revenue Summary

1.2 The forecast General Fund revenue outturn is a projected overspend of £3.258m (1.7% of net budget £193.611m). The Housing Revenue Account (HRA) is projecting a balanced outturn position at Quarter 1.

Capital Summary

1.3 The Quarter 1 Capital Programme forecast position is £56.144m gross expenditure underspend and £33.781m net variance. Further details are included in section 16 of this report.

Savings

1.4 Savings achieved year to date are now reported as £2.235m; with 98.4% of savings (£21.909m) either on target to be achieved in year or achieved (£21.559m).

2. Recommendations to Audit and Performance Committee

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at Quarter 1 for 2023/24.

3. Revenue Budget Overview

3.1 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings and £34.188m of investment and pressures to the General Fund. As at Quarter 1 of the 2023/24 financial year the General Fund revenue position is reporting a forecast overspend of £3.258m against a budget of £193.611m.

3.2 Primarily this is due to the following reasons:

- Temporary Accommodation (TA) adverse variance which is experiencing high demand combined with a significant squeeze on available supply.
- Finance and Resources favourable variance due to interest earnings – the projected return on cash balances is driven by higher average interest rates and higher average balances than anticipated when budget setting.
- Children's adverse variance on short breaks/family services – the short breaks overspend relates to the service needing to run across two sites until works at the Tresham site are complete (scheduled to be completed by March 2024). The family services variance is due to increasing demand in relation to families with no recourse to public funds.

3.3 The Housing Revenue Account (HRA) is projecting a balanced outturn at Quarter 1. The rental income forecast is currently running below budget, although this is due to an expectation in the business plan that new build units will be handed over in 2023/24 (for which the in-year timing may slightly differ). This is offset by underspends elsewhere (staff).

3.4 Table 1 summarises the Quarter 1 General Fund position.

Table 1 - Revenue Finance Position and Forecast – Quarter 1 Financial Year 2023/24 (£m)

Executive Directorate	2023/24 Budget £m	2023/24 Forecast £m	2023/24 Variance £m	Risks Identified £m	Opportunities Identified £m	Projected Variance inc Opps and Risks £m
Adults Social Care	53.025	53.025	-	3.100	(1.000)	2.100
Public Health	(1.141)	(1.141)	-	-	-	-
Growth and Planning	4.387	5.987	1.600	-	-	1.600

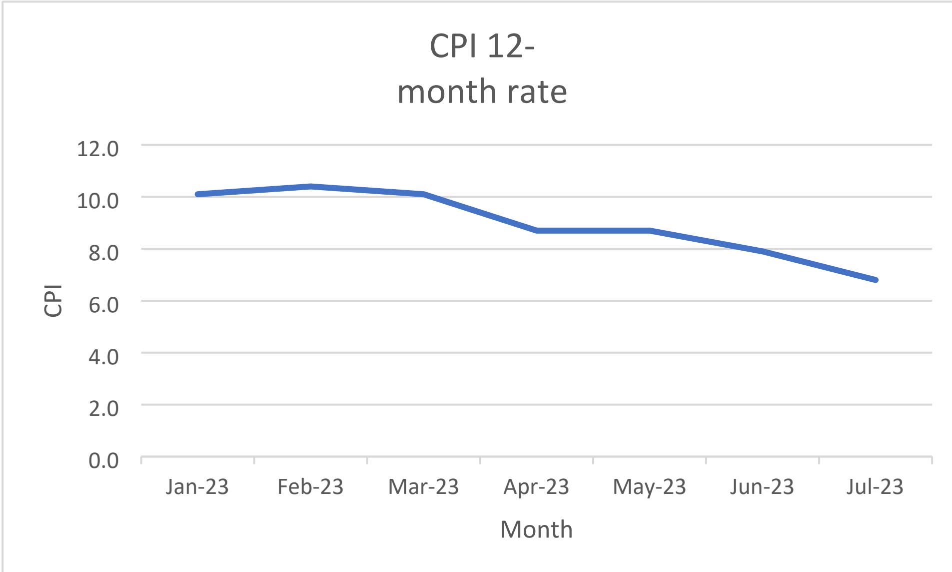
Housing and Commercial Partnerships	26.756	36.300	9.544	3.281	-	12.825
Finance and Resources	10.073	0.528	(9.545)	0.120	(3.500)	(12.925)
Corporate Items	40.753	40.753	-	-	-	-
Environment, Climate and Public Protection	(3.400)	(3.080)	0.320	1.500	(0.500)	1.320
Children's Services	40.396	41.735	1.339	1.150	-	2.489
Innovation and Change	19.464	19.464	-	0.500	(0.200)	0.300
Other Corporate Directorates	3.298	3.298	-	-	-	-
NET CONTROLLABLE BUDGET	**193.611**	**196.869**	**3.258**	**9.651**	**(5.200)**	**7.709**

Inflation

3.5 The biggest threat to the Council's financial position this year continues to be inflation which has remained higher in recent months than originally forecast. Although it is worth noting inflation has steadily fallen and currently stands at 6.8% at July 2023. At Quarter 1 pay and contract inflation pressures are now reported at £19.853m. This increase is predominately due to additional contract inflation requests from suppliers.

- **Pay:** The Council budgeted for 5% for 2023/24 pay inflation. The 2023/24 pay award is still under negotiation with Local and Central Government. The Government announced that public sector workers (including teachers, nurses, doctors and police) will be given a pay rise of at least 6%. It is currently estimated that each additional 1% would equal a £1.4m unbudgeted pressure for the Council.

- **Non-Pay:** Services continue to work closely with suppliers to reduce the impact of non-pay contract inflation where possible. Pressures remain across all services that need to be reflected across all service budgets.



Medium Term Financial Plan Monitoring – Savings

3.6 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings.

3.7 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. Of the savings, 98.4% are either achieved or on target.

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

Table 2 - Approved Savings Progress (£m)

Executive Directorate	Saving Achieved £m	Part Achieved/ On Track £m	Part or Completely Reprofiled £m	Part or Completely Unachievable £m	Total £m
Adult Social Care	140	1,815	-	-	1,955
Children's Services	190	1,568	-	-	1,758
Environment, Climate and Public Protection	1,233	10,420	-	-	11,653
Finance and Resources	-	3,778	-	-	3,778

Growth and Planning	-	850	-	-	850
Housing and Commercial Partnerships	75	415	-	100	590
Innovation and Change	397	478	-	-	875
Other Corporate Directorates	200	-	-	-	200
Total	**2,235**	**19,324**	**-**	**100**	**21,659**

General Fund Revenue Summary

4. Adult Social Care (ASC) £nil variance forecast

4.1 Adult Social Care is forecasting a break-even budget position against a net budget of £53.025m.

4.2 There are several challenges that are a continuation from last year. Increased cost pressures from greater complexity in care needs across homecare, placements, and hospital discharge. Demand continues to increase within homecare with an upturn in the number of clients anticipated and hours of care prescribed. The budget assumed a total of 1,210 clients during the year, however the current forecast is at 1,319 which is 109 or 9% above those budgeted.

4.3 The forecast position captures the additional government funding linked to discharge and one-off grant funding from North West London Integrated Care Board (NWLICB) £1m to cover the cost of hospital discharge. Financial pressures will be exacerbated in future years if the additional funding is not available.

4.4 The position is reporting a possible financial risk of £3.1m linked to demand led services where anticipated expenditure across placement and packages could be higher than forecast due to an increase in care provision focused on maintaining independence. This risk is just a supplement and does not form part of the overall reported financial position. The directorate will continue to keep this risk under review.

Public Health £nil variance forecast

4.5 Public Health is forecasting a break-even position. The department has made a commitment to invest in cross-council initiatives and public health interventions which address health inequalities in the local population. This programme will target key vulnerable groups to offer increased resilience and support with mental health and wellbeing.

4.6 The expenditure commitments are captured within the forecast outturn position. Of the commitments projected, some projects are cross-council initiatives and will demonstrate alignment with Fairer Westminster.

5. Growth and Planning Overspend £1.600m

5.1 The Directorate is reporting an overspend of £1.600m against the approved net budget of £4.387m.

Planning

5.2 The overspend is a result of income levels in Planning remaining below the budgeted level (with the projection staying consistent with the 2022/23 levels, although there has been a drop-in activity relating to major developments). Planning fee income remains challenging to forecast as it is variable and highly dependent on demand driven by national and regional economic conditions. Budgets will be monitored closely during the year to see if there are any savings to be found elsewhere but it will be difficult to mitigate £1.6m.

5.3 The table below shows a comparison of activity levels for planning and pre-planning applications:

Table 3 - Activity Levels for Planning and Pre-planning Applications

	2022/23 Quarter 1	2023/24 Quarter 1	Change
Major	7	1	-86%
Minor	737	727	-1%
Other	1,204	1,321	10%
Pre Apps	241	190	-21%

Economy

5.4 Another key area of focus in quarter 1 has been the external funding projection for the Economy service. The service is projecting to spend £4.900m in 2023/24 but only £1.893m of funding is supported directly by the General Fund. The remainder comes from external sources that are pursued throughout the year (e.g. grants, S106, etc). The service needs to secure an additional £2m of funding for 2023/24 to break even and several potential sources have been identified for progression in the next quarter.

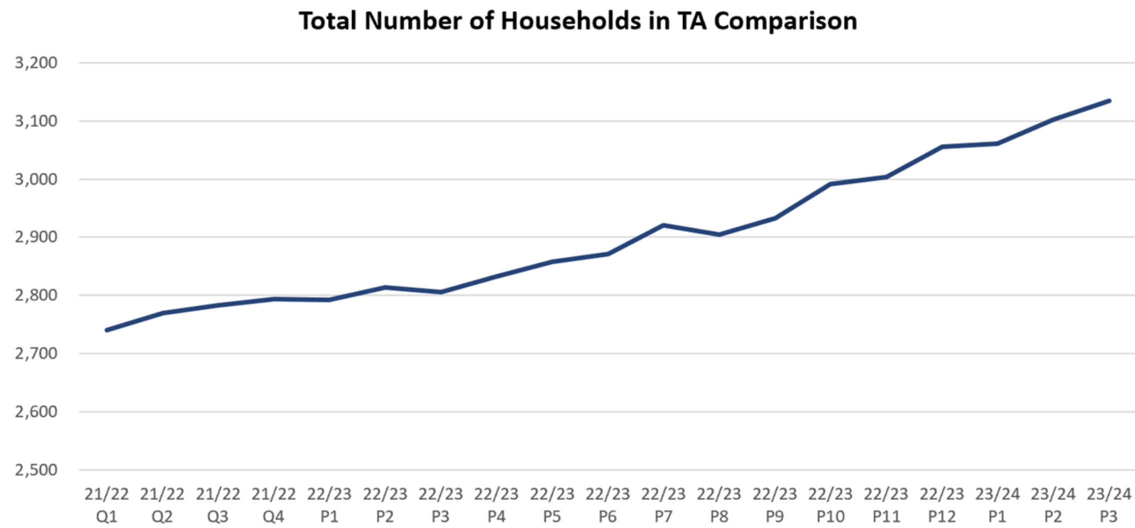
6. Housing and Commercial Partnerships Overspend £9.544m

6.1 The Housing General Fund budget is projecting a pressure of £9.544m at quarter 1. This is entirely driven by spend on Temporary Accommodation (TA) which is experiencing high demand combined with a significant squeeze on available supply. Risks totalling £3.281m have been identified, which relates to inflation on contracts and TA supply arrangements.

Temporary Accommodation (TA)

Demand

6.2 The service has experienced a sharp increase in demand for TA over the past 12 months, with numbers rising to over 3,100 versus 2,800 at the end of the first quarter in in 2022/23 as shown in the chart below:



High-cost provision

6.3 This increase is being compounded by a shortage of TA supply that is forcing the service to utilise increasing levels of emergency accommodation (in the form of hotels). Existing landlords are also experiencing higher costs and, in some cases, exiting the TA market altogether. This means that existing lease arrangements in the Private Rented Sector (PRS) are also being re-negotiated and costs are on an upwards trajectory. The average weekly cost for providing temporary accommodation (i.e. the difference between the cost of supply and the rent recoverable) has risen from £97 in 2022/23 to £128 at the end of Quarter 1. This represents a 32% increase. This is a trend that is being experienced by many other local authorities in London.

6.4 Current mitigations include speeding up the number of acquisitions but given the general turbulence in the market (interest rates, inflation, personnel and material scarcity (for refurbishment) driving up costs and creating delays, there is significant risk attached to current and future delivery performance.

6.5 The graphic below shows the increase in the number of individuals currently being housed in temporary accommodation.

Total Number of Households in TA Comparison

	March 2022	March 2023	Increase / Decrease		June 2023
Emergency	530	683	29%	↑	757
Leased	2,077	2,125	2%	↑	2,115
TA IBB	106	129	22%	↑	139
TA OBB	120	119	-1%	↓	123
Total	2,833	3,056	8%	↑	3,134

7. Finance and Resources — Underspend £9.545m

7.1 At quarter 1 the Directorate is reporting a favourable variance of £9.545m against the approved net budget of £10.073m.

Corporate Property

7.2 Corporate Property is not reporting any variances, risks or opportunities at Quarter 1. Commercial Property income is on target as at end June 2023, 40 units (both General Fund and Housing Revenue Account) were vacant but of these 30 were not being marketed due to regeneration requirements, 3 were under offer and 7 being marketed. 28 day investment income collection rates for April 2023 were 95.13% compared with 87.39% in April 2022.

Finance/Treasury and Pensions

7.3 Treasury and Pensions is forecasting a favourable variance of £9.545m in Quarter 1. The projected return on cash balances of £36.083m against an adjusted budget of £22.834m is driven by higher average interest rates and higher average balances than anticipated when budget setting.

7.4 The level of interest earnings and interest payable is subject to how interest rates move during the year and the rate of expenditure within the capital programme. A prudent position has been built into the current forecast for this area.

7.5 Finance is showing a net opportunity of £3.380m. This follows the latest valuation requirements and procurement process there is a pressure of up to £0.120m per annum identified. This is offset against a further £3.500m favourable return on cash balances, which is being driven by increasing interest rates.

7.6 In addition to this contract inflation pressures are being monitored; in particular: Hampshire IBC £0.110m and pending LA pay awards. Insurance Premiums increases of 13.5% £0.770m which can be partly mitigated through Insurance reserves this year.

Digital and Innovation

7.7 There is a risk that salaries cannot be fully capitalised at the level budgeted, this is being monitored closely.

8. Environment, Climate & Public Protection Overspend £0.320m

8.1 At quarter 1 there is a reported variance of £0.320m against the approved net budget of (£3.400m).

Parking

8.2 There is a £1.900m underspend relating to Concessionary Fares. This charge from TfL is driven by activity two years prior and is therefore still reflecting lower journey volumes due to the pandemic.

8.3 Another key variance includes Pay to Park which is £1.000m under budget. Transaction volumes in Quarter 1 are at 96% of those seen last year (1.35m 2023/24 Quarter 1 vs 1.42m 2022/23 Quarter 1), leading to a shortfall to date of £0.384m. Average value per transaction is 5.8% higher than Quarter 1 last year following fee increases, however changing behaviours and the continued move to less polluting vehicles have dampened the effect of that increase.

8.4 One-off Parking Contracts (£0.500m) overspends are forecast that result from the contract transition; primarily extra back-office resource is required due to higher contact volumes following the change of user experience, and longer handling times for migrated PCN cases.

8.5 Another key variance includes £0.425m suspensions income under budget. Suspensions income is £0.405m behind profile at Quarter 1. This income stream is unpredictable and this trend will be monitored to inform the next budget, however other income streams with similar drivers are also seeing lower activity. The forecast therefore reflects the year-to-date position and a further £0.500m potential shortfall has been included as a risk.

8.6 £0.025m smaller movements, including £0.150m in PCN income above budget, where high contravention rates support continued additional enforcement on street, and reduction of £0.125m of other parking incomes.

Public Protection and Licensing (PP&L)

8.7 There is £0.500m risk relating to PP&L licensing income. As at Quarter 1 there are a number of income sources with a risk of under achievement. Licensing Act 2003, Street Litter & Waste FPNs, Street Trade Licences and Massage & Special Treatments have seen a decline in income generation post covid as a result of lower footfall and a decline in business operators. Therefore, the risk of under achievement amounts to £0.400m (£0.050m, £0.150m, £0.100m, £0.100m respectively).

8.8 Pre-Planning Advice and Pre-Application Advice currently also have very low demand levels, not yet returning to pre-pandemic levels, thus, a risk of income under achievement has been recognised (£0.100m).

Waste and Cleansing

8.9 There is a £0.320m overspend in Waste and Cleansing. The majority (£0.210m) consists of additional costs in the cleansing service including the hire of ULEZ compliant waste vehicles and gritters.

8.10 The remainder of the overspend is due to an income shortfall in the Public Conveniences service which despite mitigation has resulted in a £0.110m variance. The Public Conveniences Renovation Programme should enable the income position to be recovered in the future, but not in this financial year.

8.11 There is a £0.500m risk relating to Waste Disposal Costs, this is due to increasing tonnage collected and the fall in income raised from the sale of recyclable material, disposal costs will potentially overspend by £1m this year. A one-off reserve of £0.500m will partially offset this adverse variance in this year should it be required.

8.12 Commercial waste income is currently above budget. Prices were increased this year and the impact on sales income will be monitored to see if it continues to exceed the higher budget. If it does continue, then the opportunity of £0.500m will be included into the forecast position.

9. Children's Services Overspend £1.339m

9.1 As at quarter 1, children's services are forecasting an overspend of £1.339m.

Family Services

9.2 Increasing demand in relation to families with no recourse to public funds (NRPF) have resulted in pressure on the budget with a total forecast overspend of £0.370m. In addition, numbers of families being supported by has increased. The Council was providing support to 28 families with NRPF in June, an increase of two since February. Staffing pressures due to difficulties in recruiting into social work teams and the use of agency staff have resulted in a £0.300m pressure.

9.3 Funding received from health for the joint funding of placements with health needs is at risk of not achieving the budgeted income target. The family services income budget was increased in 2023/24 by £0.650m with the expectation that placements that had been self-assessed to have a health need would be joint funded through the ICB. This has not been the case and the Council is in mediation with the ICB, but to date no new cases have been funded for this year, resulting in a risk that there will be a shortfall of £0.650m.

9.4 There is a risk that the trend in increasing numbers of looked after children and the limitations in the placement market that are driving prices up could result in a worsening of the forecast position for looked after children by up to £0.500m.

Education

9.5 The Short Breaks service continues to have a pressure of £0.635m. Part of the overspend relates to the service needing to run across two sites until works at the Tresham site are complete. The Tresham refurbishment is scheduled to be completed in March 2024 and then the overspend will be reduced. The service is currently being reviewed and opportunities for cost reductions and cost avoidance will be sought through this process.

Libraries and Archives and Registrars

9.6 Registrars income is overachieving against their income target by £0.186m due to increased volumes. This is offset by a shortfall on the libraries income target of £0.140m.

10. Innovation and Change £nil variance forecast

10.1 At Quarter 1 Innovation & Change is currently reporting a nil variance against the approved budget of £19.464m.

Sports, Leisure and Active Communities

10.2 There is an ongoing review of some recharge budgets in Communities and income budgets in Sports, Leisure and Active Communities with any variances to be reported in Quarter 2. There is currently a reported opportunity in contract income from Sports, Leisure and Active Communities of £0.200m. The Directorate intend to pick this up as a savings opportunity through the MTFP process.

11. Other Corporate Directorates £nil variance forecast

11.1 At quarter 1 the Directorate is reporting a nil variance against the approved budget of £3.298m. There are no reported risks or opportunities.

12. Housing Revenue Account £nil variance forecast

12.1 The Housing Revenue Account (HRA) is projecting a balanced outturn at quarter 1.

12.2 The rent forecast is currently running below budget, although this is due to an expectation in the business plan that new build units will be handed over in 2023/24 (for which the in-year timing may slightly differ). Inflation has been projected in the housing repairs forecast and is offset against the inflation contingency that is currently being held. Finally, the HRA continues to project an underspend on staff costs due to vacancies across the structure. Many of these are in the Major Works team but are not having a detrimental effect on the planned capital outturn. Some of the vacancies will also be used to offset initiatives being developed by the Corporate Housing Improvement Programme (CHIP).

13. Council Tax and Business Rates collection

13.1 As at June 2023 Council Tax collection rate to date is 36.8% which is 2.1% higher than the same month last year.

13.2 The Business Rates collection rate for June 2023 is 34.2%, which is 2.7% higher than the same month last year.

	June 2023 Collection Rate	June 2022 Collection Rate	June 2021 Collection Rate	June 2020 Collection Rate	June 2019 Collection Rate	2023 vs 2022 Difference
Business Rates	34.20%	31.50%	25.50%	26.70%	34.10%	2.70%
Council Tax	36.80%	34.70%	35.60%	35.30%	38.10%	2.10%

13.3 By way of comparison, collection rates for business rates have almost returned to pre-pandemic levels (June 2019 collection rate), while Council Tax remains below at the Quarter 1 comparator position.

14. Fees and Charges

14.1 The Council has a 2023/24 Fees and Charges income budget of £183.576m. As at Quarter 1, it is forecast to have an adverse variance of £2.251m. This is reported as variances in the relevant directorate commentary above.

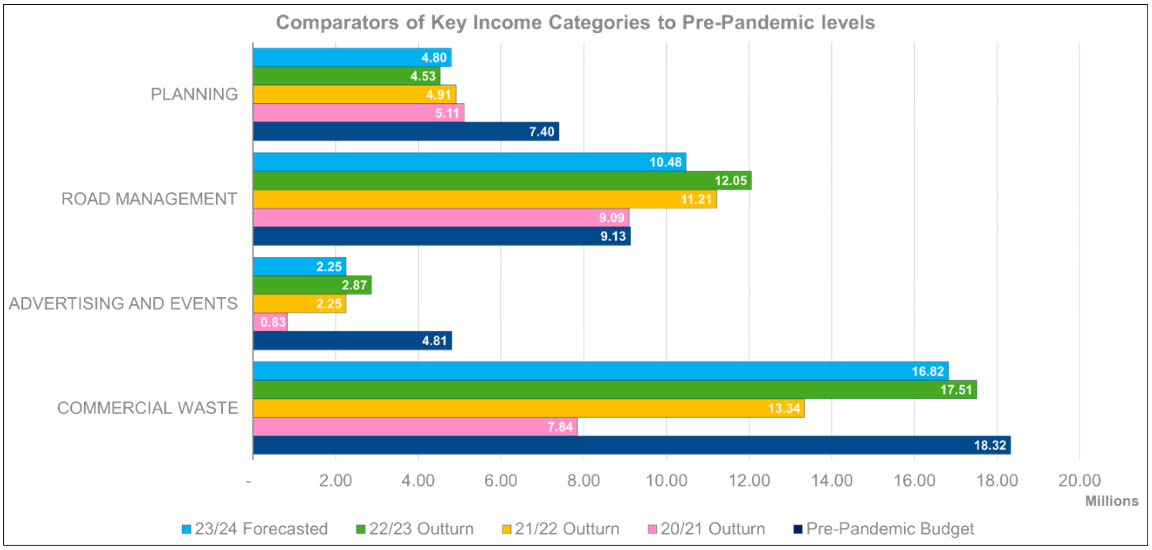
14.2 This is mainly due to the following income streams:

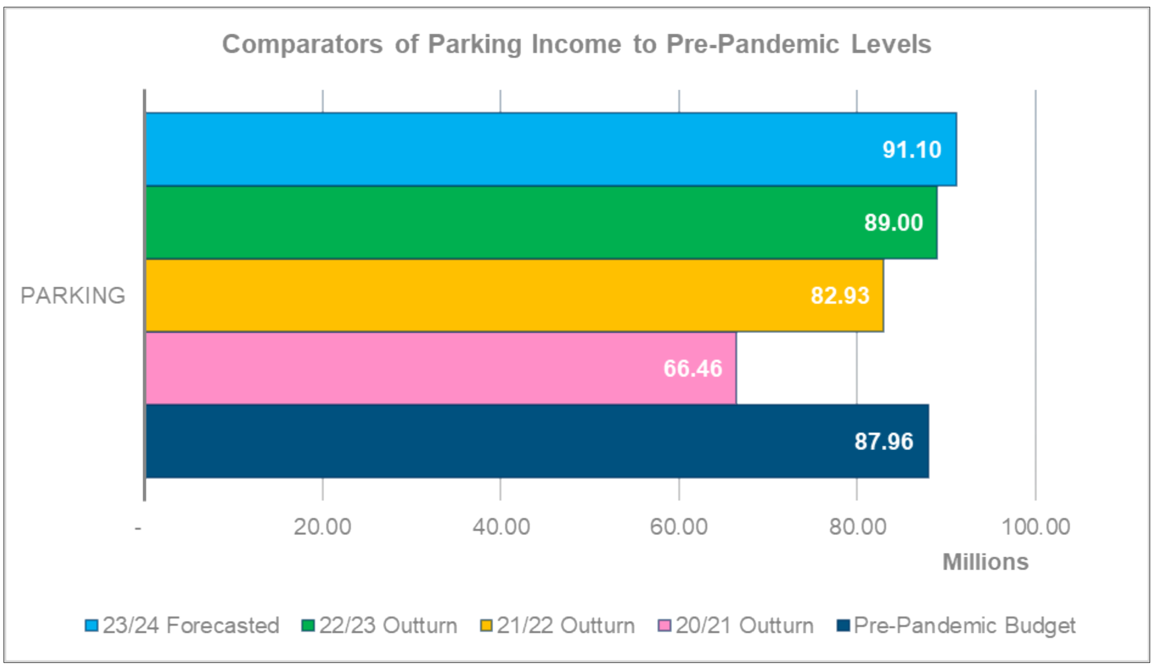
- Planning forecasts an adverse variance of £1.600m as activity remains significantly below pre-pandemic levels and only 1 major application was received in Quarter 1 compared to 7 in 2022/23.

- Paid for Parking forecasts an adverse variance of £1.000m. Transaction volumes in Quarter 1 are at 96% of those seen last year (£1.35m 2023/24 vs £1.42m 2022/23), and while the average value per transaction is higher than last year (£6.23 2023/24 vs £5.89 2022/23), the increase is not as high as the overall percentage applied through fees and charges, as a result of changing behaviours and continued move to less polluting vehicles.

- Parking Penalty Charge Notice Marshals forecasts a favourable variance of £0.800m as continued high contravention rates support continued additional enforcement on street, leading to an increased PCN income forecast.

14.3 The key income streams are summarised in the graphs below. The graphs show indicative forecasts for the full year and compares these with prior years and pre-pandemic budgets.





15. Capital Budget 2023/24

15.1 The Quarter 1 Capital Programme forecast position is a projected £56.144m gross expenditure variance and £33.781m net variance. It should be noted that the budget figures include 2022/23 re-profiling, which was approved by Cabinet on 10 July 2023.

15.2 The table below summarises the Council's budget and forecast position at Quarter 1 on the 2023/24 capital programme.

Table 4 – Capital budget and forecast position 2023/24

ELT Directorate	2023/24 Expenditure Budget £m	2023/24 Expenditure Forecast £m	2023/24 Expenditure Variance £m
Adult's Services	16.794	10.995	(5.799)
Children's Services	6.578	6.448	(0.130)
Growth, Planning & Housing	108.961	99.288	(9.674)
Environment, Climate and Public Protection	134.071	113.657	(20.414)
Finance and Resources	58.296	54.000	(4.296)
Innovation & Change	6.698	7.423	0.725
Westminster Builds	28.987	12.430	(16.557)
Total Expenditure	**360.384**	**304.241**	**(56.144)**

Capital Financing	2023/24 Budget £m	2023/24 Forecast £m	2023/24 Variance £m
External Funding	(58.132)	(52.683)	(5.449)
S106 and CIL	(32.633)	(15.720)	(16.913)
Capital Receipts	(28.589)	(28.589)	-
Borrowing	(241.030)	(207.249)	(33.781)
Total Financing	**(360.384)**	**(304.241)**	**(56.144)**

15.3 The most significant expenditure variances are explained in the table below.

Table 5 – Key Capital Schemes 2023/24

Project	2023/24 Variance to Budget £m	Comments
Westminster Builds	(16.557)	The forecast represents capital interest on the Jubilee scheme (a property acquisition project) as well as the acquisition loan for 300 Harrow Road and tranche B (part of the development) of West End Gate. Original budget assumed more acquisitions for WHIL (e.g. Westmead) and investment in Ebury Phase 2 that are no longer planned for this financial year, a result of the truly affordable strategy as the strategic priorities of the Council have changed, resulting the council retaining social units.
Oxford Street Programme	(5.174)	The approved budget was indicative while the new business case for Oxford Street was completed. Stage 1 and Stage 2 costs for Oxford Street Programme and Oxford Circus have now been forecast as well as additional internal costs. There is also £2.000m forecast spend for Wigmore and Mortimer Street within this forecast.
District High Streets	(2.932)	Forecast spend this year is focused on community engagement, design and internal costs. Delivery costs will be incurred from 2024/25 onwards, hence the slippage position at Quarter 1. The programme will deliver improvements to targeted Westminster High Streets, with the intention of delivering three key aims: connected communities; vibrant and resilient high streets; sustainable and safe places.
Queensway Streetscape Improvement	(1.500)	The Whiteley's development on the Queensway North project is taking longer to complete than initially programmed - it will be complete in January 2024. At this point, the scheme will be able to begin its latter design stages with remaining budgeted reprofiled to 2024/25.

Strand Aldwych	(1.891)	The meanwhile element of the scheme was completed in December 2022, however final costs are still being agreed which have been included in the expenditure forecast. The remaining unspent budget includes £1m provision in 2023/24 for the permanent scheme which is unlikely to commence this year and will be reprofiled into 2024/25 pending further decisions on the permanent scheme.
Regent Street (Permanent Scheme)	(1.619)	The scheme is going out to consultation shortly- this is later than originally planned. As a result of this - the initial planned programme of works has been delayed.
Connaught Village Green	(1.588)	The scheme is currently on hold whilst feedback raised through the resident consultation are resolved. As a result, Stage 2 will start early 2024/25 which has led to a knock-on delay with the planned programme of works.
Royal Albert Hall Hostile Vehicle Mitigation	(1.326)	This scheme was finished in September 2022 and is expecting to underspend by £1.3m.
Victoria Place Plan	(1.311)	The focus on this financial year will be on Planning and Technical design mainly in Lillington and Longmoore which will involve significant community engagement.
Westminster Cathedral Development	1.400	The scheme is currently showing an overspend, however budget will be moved from SEN High Needs to meet this anticipated additional spend. Following the vacation of Westminster Cathedral School as a result of its amalgamation with St Vincent de Paul School, the Council has agreed with the Diocese of Westminster to take a lease of the School from the RC Diocese and adapt the building for use by College Park Special School and the Short Breaks Service. The works comprise changes to the internal layout, access control systems, works to the perimeter, and changes to the toilets.
Seymour Leisure Centre New Build	1.479	Work has started earlier than originally planned and therefore the budget will be reprofiled into this financial year (from 2024/25). The project is a comprehensive refurbishment of the leisure centre.
Total	**(31.019)**	

15.4 As can be seen in the table above, 11 projects contribute to the majority of the expenditure variance. By way of comparison there are over 250 projects in the 2023/24 capital programme, and therefore, just 5% of the projects are causing 54% of the expenditure variance.

16. Housing Revenue Account

16.1 The HRA capital budget and forecast position at Quarter 1 is summarised in the table below. It should be noted that the budget figures include 2022/23 re-profiling, which was approved by Cabinet on July 10 2023.

Table 6 – HRA Capital Budget and Forecast

HRA Capital Programme	2023/24 Budget (£m)	2023/24 Forecast (£m)	2023/24 Variance (£m)
Housing Planned Maintenance	60.796	60.605	(0.191)
Housing Regeneration	102.848	121.954	19.105
Other Projects	5.881	3.789	(2.092)
Total Capital Expenditure	**169.526**	**186.348**	**16.822**

16.2 HRA is forecasting an in-year variance of £16.822m higher than budget. This is generally due to accelerated programmes of delivery combined with increased construction costs for some schemes. Some of the key variances on individual projects are set out in the tables below:

Table 7 – Key variances within HRA Planned Maintenance:

Planned Maintenance	2023/24 Variance to Budget (£m)	Comments
Major Works – Fire Safety	6.790	The increased in-year projection is primarily driven by changes in the scope of works for some schemes (incl. Little Venice Towers where the scheme is now much more comprehensive and Devonshire where a roof replacement is now necessary). Across the fire safety programme there are additional H&S works required that are outside of the planned programme (partly driven by the new legislation).
Asset Management & Condensation	0.157	Forecast increase due to agency staff covering vacancies which is driving up levels of capitalisation.
Domestic Heating and Hot Water	0.498	Forecast increased due to works at Fingest House which are outside of the planned work programme for the current year. This includes the supply and installation of electric boilers and electricity upgrades to the 24 properties.
Mechanical Services	0.281	The increase in forecast is due to cost inflation on materials.
Delivery Adjustment	(9.459)	Each element of the programme has an agreed schedule of projects and cashflows that have been reviewed in detail with contractors. In order to maximise delivery, the service deliberately over-programmes versus the financial allowances made in the business plan (based on historic analysis which indicates a high probability of delays for a proportion of the programme). To project the impact of this, a delivery adjustment is applied to the overall programme (in lieu of knowing which projects might be affected at this early stage of the year).

Other Schemes	(1.542)	Includes minor favourable variances across Minor Works, PDHU, Climate Action and Major Works.
TOTAL	**(0.191)**	

Table 8 – Key variances within HRA regeneration and development:

Project	2023/24 Variance to Budget	Comments
Ebury - Phase 2	5.524	Early demolition and design costs based on new programme included in forecast and reprofiled from 2024/25.
Ebury	4.152	There is an increased contract cost of £3.5m on the whole project which has been included in a deed of variation. Remaining variance relates to works being brought forward from 2024/25 due to faster delivery.
Churchill Gardens (Pimlico or Darwin house/Balmoral)	3.479	Increased contractor sums mean the scheme has a higher delivery cost. Value engineering has been undertaken and the final contract signed (therefore this adverse variance has been fixed). Additional budget approval will need to be sought through budget setting.
Carlton Dene	2.082	Increase in forecast for 2023/24 due to contracts being awarded earlier than anticipated (meaning no impact on the overall scheme cost). This will likely lead to VFM in future years as some aspects of the stage 2 costs have been agreed as part of stage 1 contract.
Queens Park Court	1.491	Forecast increase due to accelerated progress made on site by the contractor compared to the estimated scheme programme. Costs to the overall programme should not be higher than the original projection.
TOTAL	**16.729**	

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 June 2023/24.

Westminster Builds

Table 9 – Westminster Builds P&L Summary 2023/24

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	276	253	23	1,173	1,150
Total Expenditure	(75)	(97)	21	(336)	(357)
Operating Surplus/(Deficit)	201	156	44	837	793
Net Interest	(174)	(191)	17	(884)	(900)
Profit/(Loss) Before Tax	26	(35)	61	(47)	(107)

17.2 The profit for Quarter 1 is £26k which is £61k higher than budget. The full year forecast is a loss of (£47k) against a budget of (£107k). This forecast will be reviewed at Quarter 2. The Quarter 1 operating surplus variance of £44k is due to:

- £23k higher than forecasted income following bank interest not budgeted for, offset by lower than forecasted rent following the delay in acquiring the 8 units at West End Gate phase 2.
- £21k lower than forecasted expenditure mainly due to lower than forecasted audit and accountancy fees and staffing costs as well as reduced housing expenditure following the delay in the West End Gate phase 2 acquisition.

Westminster Community Homes

Table 10 – Westminster Community Homes P&L Summary 2023/24

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	0.948	1.211	(0.263)	3.793	4.844
Total Expenditure	(0.809)	(0.879)	0.069	(3.238)	(3.515)
Operating Surplus/(Deficit)	**0.139**	**0.332**	**(0.194)**	**0.555**	**1.329**
Net Interest	(0.077)	(0.077)	0.000	(0.308)	(0.308)
Profit/(Loss) Before Tax	**0.216**	**(0.499)**	**0.714**	**0.863**	**(1.994)**

17.3 WCH is still finalising their audit process and are subject to minor change

Westco

Table 11 – Westco P&L Summary 2023/24

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	0.626	0.950	(0.324)	0.976	3.800
Total Expenditure	(0.676)	(0.877)	0.201	(0.901)	(3.508)
Operating Surplus/(Deficit)	(0.050)	0.073	(0.123)	0.075	0.292
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	**(0.050)**	**0.073**	**(0.123)**	0.075	0.292

17.4 Whilst the operating deficit as at quarter 1 of £0.050m is disappointing, the monthly trend is showing an upward trajectory and the company is confident that by year end the deficit will turn into a £0.075m profit. The pipeline of new business is healthy and will be closely monitored monthly and the company is currently going through a roots and branch review of all its contracts, processes and controls.

17.5 As the Company goes through the root and branch review things may change and forecasts updated but at this point it is envisaged that this, together with the effects of the changes made to the business model at the back end of 2022/23 will result in an operating surplus by year end.

18. Financial Implications

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

19. Legal Implications

19.1 There are no legal implications arising from this report.

20. Carbon Implications

20.1 There are no direct 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:

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Appendix 1 - Part or Completely Unachievable Savings

ELT	Saving Name	Saving Description	2023/24 Agreed Saving	Mitigating action for unachievable or non-delivery; comment
Housing and Commercial Partnerships	Procurement Service Review	Review of management staffing levels.	100	Options being explored with the service.

Appendix 2 – Schools Forecast

1.1 The Bi-Borough Schools' Finance team provides support to 38 maintained schools and nurseries in the borough of Westminster.

1.2 Schools in Westminster face a number of challenges, particularly, primary schools with falling rolls. Based on the October 2022 pupil census, there is a 25.7% surplus capacity across all Westminster primary schools; this is an increase 10.5% in 5 years from 15.0% in 2017.

Dedicated Schools Grant

1.3 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. In addition to the DSG, mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG) in 2023/24. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures. The DfE intend to incorporate the MSAG into core budget allocations from 2024/25. The DfE have also recently announced a teachers' pay additional grant (TPAG) to fund 3% of the 2023 teachers' pay award. This will be allocated to schools from September 2023.

1.4 The Schools' Block of the DSG which provides most of the schools' funding is £125.4m for 2023/24, a reduction of £1.0m (0.8%) from 2022/23 due to a reduction in pupil numbers, and the Mainstream Schools Additional Grant (MSAG) brings an additional £4.4m; the total grant allocation therefore comes to £129.8m, an overall increase in funding of £2.386m (2.7%) with per pupil funding increasing by 6.4%. However, this is set against a background of teacher pay awards not being fully funded alongside rising energy and contractual costs.

1.5 The formula to determine the DSG is mainly based on pupil numbers. With Westminster's pupil numbers falling across primary schools, this means that although the rate of funding per pupil has increased, the overall level of funding is decreasing in local primary schools. This is creating a sustainability challenge for several small schools in Westminster.

1.6 The DSG reserve balance was £1.100m as at March 2023. This is the net result of an in-year underspend in 2022/23 of £2.267m which cleared the DSG deficit of £1.167m from prior years.

Schools with Deficit Balances

1.7 There were 15 schools with deficit balances at 31st March 2023 compared to 11 at 31 March 2022. Of the 11 in deficit at 31 March 2022, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2022. Deficit schools 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. Per Table 12, collectively, these schools had an aggregate deficit of £2.607m at 31 March 2023. Monthly reporting to the LA is compulsory for schools with recovery plans in place and monitoring reports are being actively pursued.

1.8 Eight schools now have a licensed deficit recovery plan in place and revisions to five plans have been requested following review and analysis. The remaining school, St Stephen's, is amalgamating with St Mary Magdalene's from September 2023 and their deficit will not be recovered. This deficit will be chargeable to the Council and not the DSG and this liability is currently forecast to be £398k.

1.9 A further school is expected to be in deficit following a pension liability that has been discovered and for which discussions are on-going with the school.

Table 12 – Schools requiring licensed deficit recovery plans

School Name	Licensed Recovery Plan
All Souls' CE Primary School	Yes
Burdett Coutts CE Primary School	Yes
George Eliot Primary School	No
Robinsfield Infant School	No
Soho Parish CE Primary School	Yes
St Barnabas CE Primary School	No
St George's Hanover Square	No
St Luke's CE Primary School	Yes
St Mary Of The Angels Catholic School	Yes
St Matthew's CE Primary School	No
St Peter's Eaton Square CE School	Yes
St Saviour's CE Primary School	Yes
St Stephen's CE Primary School	N/A - Amalgamation
St Vincent De Paul Catholic School	Yes
Total Number of Schools in Deficit	**14**
Expected to be in deficit following revision: Our Lady of Dolours	No
Revised Total Number of Schools in Deficit	**15**

Schools at Risks – risk rating and reserves balances

1.10 Schools RAG rated red have no reserves or a deficit balance and require a deficit recovery plan. A financial adviser is supporting schools with deficits in their production of robust deficit recovery plans and is also reviewing those at risk of going into deficit.

1.11 Schools with amber RAG ratings are at risk of future financial difficulty due a low (<£50k) balance and/or 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.

1.12 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.

1.13 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.

1.14 Table 13 shows a summary of the RAG rating and school balances for both 2022/23 outturn and 2023/24 forecast

Table 13 – RAG Ratings and Balances Summary

RAG Rating	2022/23 Outturn	2022/23 Balance (surplus) / deficit	2023/24 Forecast	2023/24 Forecast Balance (surplus) / deficit
Red	15	(2,607)	14	(2,719)
Amber	7	165	8	153
Green	17	5,924	16	4,794
Total	**39**	**3,482**	**38**	**2,228**

School Forecasts

1.15 Schools' balances at the start of 2023/24 were £3.622m and the forecast year end schools balances total £2.228m. Deficit schools are required to provide monthly updates, with other schools providing quarterly finance reports.

1.16 At the time of preparing this report, the deadline for returns from non-deficit schools had only just been passed. Finance is following up with the non-compliant schools including escalating to Headteachers.