



Cabinet Member Report

Meeting: Cabinet Member for Finance and Corporate Services

Date: 3 January 2017

Classification: General Release

Title: 2016/17 Capital programme re-profiling and review

Wards Affected: All

Financial Summary: Following the 2016/17 period 7 capital monitoring process, council services have requested that £65.03m of approved 2016/17 gross capital budgets, gross income of £12.83m and a capital receipts of £83m are re-profiled into the 2017/18 financial year.

In addition, there has been an underachievement of capital receipts in year of £22m, income has been over recovered against budget by £11.43m, £13.61m of capital budget is reported as an underspend, an additional £6.127m of new capital expenditure budget for 2016/17 for seven named projects and £3.113m external income is reported and a net £15m of approved HRA 2016/17 gross capital budgets and funding are proposed as being re-profiled into the 2017/18 and future financial years. If approved, the reprofiling and additional budget will impact on approved budgets in 2016/17 and future financial years.

Report of: Steven Mair, City Treasurer.

Author: David Hodgkinson, Corporate Finance.
dhodgkinson@westminster.gov.uk

0207 641 8162

1. Executive Summary

1.1 The 2016/17 Revised Gross Budget is £264.32m after the revised re-profiling of gross expenditure of £94.65m and income of (£12.62m) in period 3. As at the end of period 7 the forecast gross expenditure outturn is £184.65m, £79.67m lower than the revised budget. The forecast for external income is £92.14m, £1.40m lower than the approved budget of £93.55m. The forecast for capital receipt is £3.00m, £105m lower than the approved budget of £108.10. These budgets will be re-profiled into future years subject to the approval of this report.

1.2 The recommended changes to the budget in respect of these variances are as follows:

- The reduction in forecast gross spend is amended in the budget as £65.06m of expenditure re-profiled to 2017/18 and £13.61m of under spending budget is removed from the capital programme.
- The change in gross income relates to a net over recovery of income of £11.43m and a reprofiling of £12.83m of income leaving a recommendation to reduce in year service income budgets by a net £1.4m
- An additional £6.127m of new capital expenditure budget for 2016/17 for seven named projects and £3.113m external income is included in paragraph 6 of this report.
- Reprofiling of £83m capital receipts into 2017/18 from 2016/17 and the net underachievement of capital receipts of £22m as reported in Table 3 of this report.
- In respect of the Housing Revenue Account (HRA) that a net £15m of approved 2016/17 gross capital budgets and funding are re-profiled into the 2017/18 and future financial years. This represents a gross budget reduction of £29m offset by a budget increase of £14m.

1.3 The list below highlights the most significant projects along with gross expenditure which are requested to be re-profiled. Full details are included in the background section 4:

- St George's School Expansion and Westminster – Forecast expenditure £1.55m and income of (£1.55m)
- Coroners Court - Compliance/Imps - £2.43m
- Investment Property Review- £36.35m
- Tresham House - £4.29m
- Sir Simon Milton UTC – Forecast £4.92m expenditure and income of (£4.86m)
- Affordable Housing Fund Budget – Forecast expenditure £5.34m and income of (£5.34m)
- Digital Transformation - £1.5m

All service areas plan to utilise the reprofiled budgets within financial year 2017/18.

2. Recommendations

- 2.1 That the Cabinet Member approves in full that £65.03m of gross capital expenditure is re-profiled to 2017/18 and £13.61m of under spending budget is removed from the capital programme.
- 2.2 That the Cabinet Member approves a change in gross income relating to a net over recovery of income of £11.43m and a reprofiling of £12.83m of income leaving a net reduction in year service income budgets by a net £1.4m.
- 2.3 That the Cabinet Member approves the additional £6.127m new budget for 2016/17 for the seven named projects and £3.113m external income.
- 2.4 That the Cabinet Member approves the reprofiling of £83m capital receipts into 2017/18 from 2016/17 and the net underachievement of capital receipts of £22m as reported in Table 3 of this report.
- 2.5 That the Cabinet Member approves that a net £15m of approved 2016/17 gross capital budgets and funding are re-profiled into the 2017/18 and future financial years. This represents a gross budget reduction of £29m offset by a budget increase of £14m.

3. Reasons for Decision

- 3.1 The reprofiling figure relates to projects that were committed or commenced in 2016/17 and thus had an approved budget. Due to a variety of factors outlined in section 4, this expenditure is now expected to take place in 2017/18. Approval is required to reprofile this budget to 2017/18.

4. Background

- 4.1 The 2016/17 period 7 monthly monitoring process reported a gross capital expenditure budget for 2016/17 of £264.32m, £93.55m of external income and £108.00m capital receipt with indicative re-profiling of £65.03m gross expenditure, £12.83m gross income and £83m capital receipts.

Details of specific projects included in these re-profiled amounts are below, the HRA is reported separately in paragraph 7:

- 4.2 **St Georges expansion and Westminster City – £4.01m forecast spend, re-profiling of £1.55m expenditure and income of (£1.55m)**
Start-on-site delayed due to delays in tender process so project will slip partially to 17/18.
- 4.3 **Coroners Court Compliance / Improvement- £0.49m forecasted spend, re-profiling of £2.43m**

Works have been re-profiled in line with a new Capital Programme Submission Request (CPSR) which is standard documentation to request changes to the capital programme. Works are expected to commence May 2017. The project has been delayed in order to secure the input of stakeholders and to provide the required assurances to the Chief Executive that the project scope is appropriate.

- 4.4 **Investment Property Review - £25.65m forecasted spend, re-profiling of £36.35m**
This revision is based on potential acquisitions; the Council is currently undertaking initial negotiations, as well as design works on the project. The spend for this financial year will be dependent on further approvals including the business case
- 4.5 **Tresham House – Forecast £.10m, re-profiling of £4.29m**
This scheme is largely complete but some spend will still be required in 2017/18. Thus it is recommended this budget is re-profiled now and any surplus budget is released once final figures are clear.
- 4.6 **Sir Simon Milton UTC – Forecast £4.19m, re-profiling of £4.92m expenditure and income of (£4.86m)**
The net budget for SSMUTC is still a net nil, however the gross budget has been updated in line with the latest project cashflow. This is due to officers re-profiling the contractor’s monthly invoices, which are now based on actual certified work undertaken rather than the previous estimated milestone payment schedule, now that the project has moved from early works and into formal contract. The project is still being delivered on time and there has been no change in the overall budget since Q1.
- 4.7 **Affordable Housing Fund Budget – Forecast £15.00m, re-profiling of £5.34m expenditure and (£5.34m) income**
Gross spend is forecast at £27.4m for 2016/17, offset by withdraws from the AHF. This spend is over a number of projects that have been programmed for the year, of which twelve have been RAG rated green and make up this amount. The timing of spend is dependent on specific project milestones and trigger points being reached, failure to meet these will result in slippage but at present these triggers are expected to be met during the year.
- 4.8 **Digital Transformation – Forecast £1.48m, re-profiling of £1.50m**
The original 2016/17 budget has been re-profiled as the project is still at an early stage with options being reviewed

The remainder of total reprofiled budget amount are detailed in table 2.

Table 1 below shows gross capital expenditure by Service Area and re-profiling for 2016/17

Table 1: 2016/17 Gross Capital Expenditure by Service Area

	Approved Exp budget 16/17	Approved Income budget 16/17	Net under/over spend Expenditure	Net under/over spend Income	Re-profiling Gross Exp Budget @ P7	Re-profiling Gross Income Budget @ P7	Revised Exp Budget after Re-profiling	Revised Income Budget after Re-profiling
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
All Service Areas								
Adult Services	0.82	-0.82	0.20	-0.20	0.18	-0.18	0.44	-0.44
Children's Services	8.67	-8.67	0.32	-0.32	1.61	-1.96	6.74	-6.38
Growth, Planning & Housing	203.96	-69.33	7.24	11.95	60.22	-11.19	136.50	-70.09
City Management & Communities	34.17	-13.23	0.86	0.01	1.28	0.50	32.04	-13.74
Corporate Services	1.68	0.00	0.28	0.00	0.28	0.00	1.12	0.00
Policy, Performance & Communications	9.38	-1.50	0.05	0.00	1.50	0.00	7.83	-1.50
City Treasurer	5.65	0.00	4.65	0.00	0.00	0.00	0.00	0.00
Total Gross Expenditure	264.32	-93.55	13.61	11.43	65.06	-12.83	184.65	-92.14
Capital receipts		-108.00		-22.00		-83.00		-3.00
Borrowing		-62.77	-13.61	10.57	-65.06	95.83		-89.51

5. Reprofiling

5.1 Table 2 overleaf shows the list of projects that were originally in the Council Tax Report and the figures for Period 7 2016/17.

Table 2: 2016/17 Reprofiling by Service Area

Directorate	Project name	Gross Expenditure	Gross Income
		£'m	£'m
	Barney & Florey	0.18	-0.18
Adult's Services Total		0.18	-0.18
	St George's School Expansion	0.97	-0.97
	Westminster City	0.58	-0.58
	Other Children's Projects	0.06	-0.42
Children's Services Total		1.61	-1.96
	Moxon Street	0.60	0.00
	Churchill Gardens Project	0.81	-0.81
	Investment Property Review	36.35	0.00
	Cavendish square car park	0.50	0.00
	Dudley House	0.18	-0.18
	Sir Simon Milton UTC	4.92	-4.86
	Shops Project	0.62	0.00
	Other housing small projects	1.90	0.00
	Affordable Housing Fund Budget	5.34	-5.34
	Coroners Court - Compliance/Imps	2.43	0.00

Registrars - Fit Out of Council Hse	0.95	0.00
Additional Rqts - Council House	0.92	0.00
Tresham House	4.29	0.00
Circus Road	0.44	0.00
Growth, Planning & Housing Total	60.24	-11.19
Queensway / Westbourne Grove	0.8	0.00
Disabled Facilities Grant Budget	-0.54	0.54
Highway planned maintenance	0.11	0.10
Developer projects	0.06	-0.14
Other CMC small projects	0.80	0.00
City Mgt & Communities Total	1.23	0.50
Parking and Data Network	0.28	0.00
Corporate Services Total	0.28	0.00
Digital Transformation	1.50	0.00
Policy, Performance & Communications Total	1.50	0.00
Total	65.03	-12.83

- 5.2 Capital Receipts recommended as being re-profiled in accordance with Table 3 overleaf and recorded as underachieved as follows. The largest issue is in relation to the Moxon Street receipt which is delayed because of legal negotiations in respect of the sale.

Table 3: Capital Receipts summary

	2016/17 Original Budget per Council Tax report	Period 7 (Over)/under achievement	Receipts re- profiled into 2017/18	Revised 2016/17 Budget
	£m	£m	£m	£m
42 Westbourne Park		-2.5		-2.5
Moxon Street	-86	3	83	0
291 Harrow Road	-8	8		0
Contingency Receipt	-14	14		0
Merchant Square Westminster Site Option		-0.5		-0.5
Reported budget	-108	22	83	-3

6. Additional Budget Requirement

- 6.1 Proposed new schemes for inclusion in the Council's Capital Programme should be reported to the Capital Review Group for approval.

Table 3 below, shows the list of new schemes that required additional funding which need to be reported at Period 7.

Table 4: 2016/17 Additional Budget Requirement

Directorate	Project	New Budget	Additional Income
		£'000s	£'000s
Children's service	Beachcroft Expansion	130	(130)
Children's service	Building Schools for the Future	234	(234)
Children's service	Paddington Green School – works related to academy conversion	102	(102)
Children's service	Queen's Park Reception	21	(21)
Children's service	Universal Infant Free School Meals	44	(44)
Growth, Planning & Housing	Bond Street Public Realm Improvement Scheme	2,329	(2,282)
Growth, Planning & Housing	The West End Partnership (WEP)	3,267	(300)
Total		6,127	(3,113)

6.2 The West End Partnership, Bond Street Public Realm and Beachcroft expansion schemes have been approved by a Cabinet Member report. Capital programme submission requests were completed for the other children services projects.

7. HRA Capital Re-profiling

7.1 The Council's HRA services have requested that a net £15m of approved 2016/17 gross capital budgets and funding are re-profiled into the 2017/18 and future financial years. This represents a gross budget reduction of £29m offset by a budget increase of £14m.

7.2 The 2016/17 revised gross capital expenditure budget is £83.42m funded by capital receipts and grant of £22m, borrowing of £29.7m and HRA balances of £31.72m. At period 7 monthly monitoring the HRA reported a gross capital expenditure forecast for 2016/17 of £68.42m funded by capital receipts and grant of £25.36m and HRA balances of £43.06m. This results in a proposed reprofiling of gross capital expenditure of £15.0m, and an increase in capital receipts and grant of £3.36m, a reduction in borrowing of £29.7m and increase in HRA balances of £11.34m.

Details of key projects included in the re-profiling are set out below

7.3 Major Works – Budget £41.42, Forecast £26.82m, re-profiling of £14.6m expenditure

The £14.6m re-profile is due to deferment of schemes for the new term contracts and procurement delays arising from project strategy reviews where large resident leaseholder bills have been identified. There are additional strategic reviews of blocks/estates where the scope of work generates large resident leaseholder liabilities affecting the majority of projects within the investment programme. As a result a proportion of the contract work will be undertaken next year.

7.4 Church Street for All Regeneration – Budget £18.07m, Forecast £6.83m, re-profiling of £11.25m expenditure

Church Street master planning is in progress and is likely to be completed by the end of the financial year. An update to the specific site development proposals and financial requirement are likely to be clearer next year.

7.5 Self Financing projects – Budget £1.1m, Forecast £15.1m, additional budget of £14m expenditure

The £14m additional budget relates to additional discretionary acquisitions of family size homes to meet housing need. These acquisitions are fully funded from proceed of sale from disposal of poor performing assets. A total of £20m of capital receipts is currently available to fund these purchases with additional receipts available from on-going sale of assets.

HRA Capital Budget, Forecast and Re-profile requirements

Description	Full Year		
	Budget	Forecast	Re-profile
	£'000	£'000	£'000
General HRA	917	390	(527)
Electrical Works & Laterals	12,743	4,671	(8,072)
External Repairs & Decorations	18,829	10,497	(8,332)
Adaptations	1,200	1,200	0
Fire Precautions	2,258	757	(1,501)
Lifts	1,000	3,409	2,409
Voids	3,471	4,000	529
Kitchen & Bathroom	1,000	1,900	900
Total Major Works	41,418	26,824	(14,595)
Regeneration			
Church Street	4,230	584	(3,646)
Lisson Arches	7,735	3,332	(4,403)
Penn & Lilestone	0	13	13
Luton St	0	1,090	1,090
Cosway	500	200	(300)
Ashridge	2,508	300	(2,208)
Edgware Road	2,400	1,058	(1,342)
CHP	700	250	(450)
Sub total - Church Street	18,073	6,828	(11,245)
Tollgate Gardens	481	437	(44)
Parsons North	104	400	296
Ebury Bridge	16,585	16,585	0
Total - Housing Regeneration	35,243	24,250	(10,993)
Self Financing			
Infill	2,000	2,012	12
Lisson Arches Bridge	1,800	100	(1,700)
Regeneration Clientside	1,000	0	(1,000)
Kemp House/Berwick St	905	125	(780)
Decant	0	11	11
Total - Other Projects	6,756	17,342	10,585
Total Capital Expenditure	83,418	68,416	(15,002)
Financed By:			
MRR	22,767	23,267	(500)
New Borrowing - Tollgate	6,200	0	6,200
New Borrowing/Grant - Church St	23,500	0	23,500
Capital Grant - AHF	2,081	3,453	(1,372)
Capital Receipts - Land & Market sales	18,365	1,595	16,770
Capital Receipts - non RTB	1,556	15,334	(13,777)
Capital Receipts - RTB Local Agreement	0	4,975	(4,975)
HRA Reserves	8,948	19,791	(10,843)
Total Financing	83,418	68,416	15,002

8. Financial Implications

- 8.1 The re-profiling will move capital budgets and receipts to 2017/18 to reflect expected patterns of expenditure. This will provide a more realistic budget position for the capital programme in the current and future years to enable improved and more realistic budget monitoring. The shortfall of £22.00m budgeted capital receipts will be financed by increased borrowing and the revenue implications taken account of in the revenue monitor.

9. Legal Implications

- 9.1 There are no direct legal obligations arising from this report. However if the Council was unable to deliver the projects, depending on the nature of the commitment, there may legal and/or financial penalties.

Legal implications verified by Rhian Davies, Chief Solicitor (Litigation and Social Care),
02076412729

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

David Hodgkinson@ dhodgkinson@westminster.gov.uk or 0207 641 8162

BACKGROUND PAPERS 2016/17 Executive Management Team Report for Period 7

For completion by the **Cabinet Member for Finance and Corporate Services**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed:

Date:

NAME: Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **2016/17 Capital programme re-profiling and review** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.