



Cabinet Member Report

Decision Maker: Cabinet Member for Finance, Property and Corporate Services

Date: 5 June 2017

Classification: General Release

Title: 2016/17 Budget “Re-profiling” and Approved Capital Budget 2017/18

Wards Affected: All

Financial Summary: Following the closure of the 2016/17 accounts the Service Areas have requested that gross capital budgets of £26.666m and gross income of £7.848m of which £7.578m to be “re-profiled” to 2017/18 and £0.270m to be “re-profiled” into 2018/19. If approved the “re-profiling” will increase the 2017/18 and 2018/19 Service Area approved gross capital budgets to £390.557m and £329.698m.

The 2016/17 outturn included a net £4.696m of net underspend and overspend which are detailed in this report. Capital receipts were £2.877m lower than the approved budget.

The Housing Revenue Account request that £7.348m of 2016/17 budget is approved as “re-profiled” into 2017/18.

Report of: Steven Mair, City Treasurer.

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1. Executive Summary

- 1.1 The 2016/17 Service Area gross outturn was £118.513m, £7.630m below the Period 10 forecast of £126.143m and £32.679m below the revised approved budget of £151.192m. The variance of £32.679m is made up of “re-profiling” of £26.666m, underspend of £11.319m and overspend of (£5.306m).
- 1.2 The Outturn for external income was £65.630m, £9.165m lower than the approved budget of £74.795m. The variance of £9.165m is made up of “re-profiling” of £7.848m, underspends of £5.234m and overspends of (£3.917m) .The Outturn for capital receipts is £0.759m; £2.841m lower than the approved budget of £3.636m. These budgets will be “re-profiled” into future years subject to the approval of this report.

	2016/17 Spend	2016/17 Income	2017/18 Spend Budget	2017/18 Income Budget	2018/19 Spend Budget	2018/19 Income Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Approved Budget	151,192	-74,795	365,961	-126,979	327,628	-117,563
Outturn	118,513	-65,630				
Variance	32,679	-9,165				
Re-profiling	26,666	-7,848	24,596	-7,578	2,070	-270
Underspend	11,319	-5,234				
Overspend	-5,306	3,917				
Total	32,679	-9,165	390,557	-134,557	329,698	-117,833
Capital Receipts Budget		-3,636				
Capital Receipts Outturn		-759				
Under-achievement		-2,877				

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

- The reduction in outturn gross expenditure against budget is amended in the budget as £24.596m of expenditure re-profiled to 2017/18 and £2.070m “re-profiled” to 2018/19, £11.319m of under spending budget is recognised and overspend of (£5.306m) is removed from the budget.
- The change in gross external income relates to “re-profiling” of income of £7.484m, the underspend of £5.234m and overspend of (£3.917m) at the year-end.
- An additional £1.289m of new capital expenditure budget for 2017/18 for GPH projects is included in paragraph 6 of this report.
- Recognising the net underachievement of capital receipts of £2.877m
- In respect of the Housing Revenue Account (HRA) that a net £7.348m of approved 2016/17 net capital budgets are “re-profiled” into the 2017/18 and future financial years.

1.4 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:

- Affordable Housing Fund Budget– Gross expenditure £6.405m and income of (£6.405m)
- West End Partnership Projects - Gross expenditure £2.047m
- Pension Contribution Capitalisation - £10.000m
- 41 Whitcomb/Huguenot Hse Redev - £1.542m
- Sir Simon Milton UTC – Gross Expenditure (£1.346m expenditure and income of £1.346m)
- Lisson Grove Improvements– Gross expenditure £1.281m

1.5 All service areas plan to utilise the “re-profiled” budgets within financial year 2017/18 and £2.070m into 2018/19.

2. Recommendations

2.1 That the Cabinet Member approves the £24.596m of expenditure “re-profiled” to 2017/18 and £2.070m “re-profiled” to 2018/19, and that gross £11.319m of under spending and £5.306m of overspend is also approved.

2.2 That the Cabinet Member approves gross income of £7.848 to be “re-profiled” to future years and a net reduction due to under and overspends on income £1.317m in 2016/17 is also approved.

2.3 That the Cabinet Member approves the net additional £1.139m new budget for 2017/18 for the GPH projects.

2.4 That the Cabinet Member approves the net underachievement of capital receipts of £2.877m as reported in Table 3 of this report.

2.5 That the Cabinet Member approves the HRA £7.348m of expenditure “re-profiled” to 2017/18.

3. Reasons for Decision

3.1 The “re-profiling” 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 or 2018/19. Approval is required to “re-profile” this budget to 2017/18 and 2018/19.

4. Background

4.1 The 2016/17 year end monitor reported a gross capital expenditure budgets for 2016/17 of £151.192m, £74.795m of external income and £3.636m capital receipts with indicative “re-profiling” of £26.666m gross expenditure and £7.848m gross income into 2017/18 and future years.

- 4.2 Details of specific projects and explanations of variances included in these “re-profiled” amounts are below with the HRA reported separately in paragraph 7:
- 4.3 **Remodelling of Early Help and Westminster City – £0.675m Outturn spend, “re-profiling” of £0.477m expenditure and income of (£0.258m)**
Start-on-site delayed due to delays in tender process so project will slip partially to 2017/18.
- 4.4 **WEP - £0m Outturn, “re-profiling” of £2.047m**
The budget for WEP was only approved late in the 2016/17 financial year with insufficient time to spend the allocation. This is across several projects including air quality, enterprise, the Strand and a general WEP allocation. There are plans to spend these allocations in the next financial year.
- 4.5 **Capitalisation of Pension Contribution - £0m Outturn, “re-profiling” of £10.000m**
Cabinet approved the capitalisation of £10m towards the pension fund deficit recovery for 2016/17 subject to confirmation of the audited outturn position. This capital contribution (allowed under the Flexible Use of Capital Receipts freedoms) has been deferred pending formal audit certification of the 2016/17 accounts before being paid.
- 4.6 **Huguenot House Redevelopment – Outturn £1.458m, “re-profiling” of £1.542m**
The underspend against budget was largely due to acquisitions expected during the financial year not taking place.
- 4.7 **Sir Simon Milton UTC – Outturn £5.269m, “re-profiling” of (£1.346m) expenditure and income of £1.346m**
The forecast was based on the expected cash flow as advised by the contractor. Monthly invoices are based on the actual certified work undertaken. As a result there has been a £1.346m underspend against the budget, this is a net nil impact as spend was fully funded - the budget will be taken forward to the next financial year
- 4.8 **Affordable Housing Fund Budget – Outturn £16.072m, “re-profiling” of £6.405m expenditure and (£6.41m) income**
The variance was due to delay in making payments to Wardour & Royalty Mansions (£3.5m), WCH led projects at Orchardson Street, Mozart and Barrow Hill (cumulative £1.5m) which were originally forecast to go through by year end but slipped. Also payment for Ladbrooke Grove was less than the budget.
- 4.9 **Lisson Grove Improvements– Outturn £0.219m, “re-profiling” of £1.281m**
There has been a delay in commencing as the team has been compiling a specification for the works; also there have been some capacity issues with Amey resulting in the delay.

4.10 **Bond Street, Hanover Square and Baker Street Two Way- Outturn £2.696m, “re-profiling” of £1.415m expenditure and (£1.371m) income**

The budget for WEP was only approved late in the 2016/17 financial year with insufficient time to spend the allocation. This is across several projects including air quality, enterprise, the Strand and a general WEP allocation. There are plans to spend these allocations in the next financial year

The remainder of total re-profiled budget amount is detailed in table 2.

4.12 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 budget 16/17	Approved Income budget 16/17	Net under/over spend Expenditure	Net under/over spend Income	Re-profiling Gross Exp Budget @ P12	Re-profiling Gross Income Budget @ P12	Spend Variance	Income Variance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
All Service Areas								
Adult Services	0.44	-0.44	0.00	0.00	0.14	-0.14	0.14	-0.14
Children's Services	3.79	-3.44	0.04	-0.04	0.77	-0.55	0.81	-0.59
Growth, Planning & Housing	98.97	-53.24	1.53	-1.38	12.06	-5.54	13.59	-6.91
City Management & Communities	29.45	-16.18	2.38	1.60	3.02	-1.62	5.40	-0.02
Corporate Services	1.28	0.00	0.16	0.00	0.68		0.84	0.00
Policy, Performance & Communications	6.26	-1.50	0.90	-1.50	0.00		0.90	-1.50
City Treasurer	11.00		1.00		10.00		11.00	0.00
Total Gross Expenditure	151.19	-74.80	6.01	-1.32	26.67	-7.85	32.68	-9.17
Capital receipts		-3.60		-2.84		0.00	0.00	-2.84
Borrowing		-72.80	-6.01	4.16	-26.67	7.85	-32.68	12.01

5. “Re-profiling”

5.1 Table 2 overleaf shows the list of projects that were originally in the Council Tax Report and the figures for Period 12 2016/17.

Table 2: 2016/17 “Re-profiling” by Service Area

Directorate	Project Name	Gross Expenditure £'m	Gross Income £'m
	Framework upgrade to Mosaic	0.14	-0.14
Adult's Services Total		0.14	-0.14
	Westminster City	0.26	-0.26
	Remodelling of Early Help	0.22	
	Other Children small projects	0.30	-0.30
Children's Services Total		0.77	-0.55
	Affordable Housing Fund Budget	6.41	-6.41
	Dudley House	0.27	-0.27
	Sir Simon Milton UTC	-1.35	1.35
	Landlord Resp - Mayfair Library	0.54	
	Forward Management Plan	0.57	
	41 Whitcomb/Huguenot Hse Redev	1.54	
	Landlord's Responsibilities	0.41	
	WEP	2.05	
	Lisson Grove Improvements	1.28	
	Temporary Accommodation Acq's	-0.43	-0.21
	Tachbrook Street Landlord Resp's	0.38	
	Housing other small schemes	0.39	
Growth, Planning & Housing Total		12.06	-5.54
	Bond Street	1.00	-0.96
	Baker Street Two Way	0.32	-0.32
	Hanover Square	0.10	-0.10
	Local Safety and Traffic Management Schemes	0.41	
	Planned Preventative Maintenance Highways, Bridges and Structures	0.41	
	Public Realm Improvement Schemes	0.16	
	Waste and Parks capital programme	0.03	0.00
	Libraries Capital programme	0.07	
	Sports and Leisure capital programme	0.52	-0.25
City Mgt & Communities Total		3.02	-1.62
	End User Computing Refresh	0.52	
	Digital Transformation	0.16	
Corporate Services Total		0.68	0.00
	Pension Contribution Capitalisation	10.00	
City Treasurer Total		10.00	0.00
	Total	26.67	-7.85

6. Capital Receipts

- 6.1 Capital Receipts were underachieved as recorded in the Table 3 below. The main issue is in relation to the 42 Westbourne Park sales which is being delayed due to the detection of network power cable that runs under the land. This need to be diverted before the sale can proceed.

Table 3: Capital Receipts summary

	Original Budget	Outturn	(Over)/under achievement
	£'m	£'m	£'m
42 Westbourne Park	-2.5	0.00	-2.50
33 Tachbrook Street	-0.6	-0.22	-0.38
42 Westbourne Gdns	-0.04	-0.04	0.04
Merchant Square	-0.5	-0.50	0.00
Reported Budget	-3.64	-0.76	-2.88

6.2 Additional Budget Requirement

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

- 6.3 Table 4 below, shows the list of new schemes that require additional funding which will need to be reported at Period 2.

Table 4: 2016/17 Additional Budget Requirement

Directorate	Project	New Budget	Additional Income
		£'m	£'m
Growth, Planning & Housing	Neighbourhood Home Bonus	0.15	(0.15)
Growth, Planning & Housing	Coroner Court Compliance / Improvement	0.12	
Growth, Planning & Housing	The West End Partnership (WEP)	1.02	
Total		1.29	(0.15)

The West End Partnership scheme has been approved by a Cabinet Member report. Capital programme submission requests were completed for the other GPH services projects. Neighbourhood Home Bonus is funded by external grant and the remaining schemes will be funded from internal borrowing.

7. HRA Capital Re-profiling

- 7.1 The Council's HRA services have requested that a net £7.348m of approved 2016/17 gross capital budgets and funding are re-profiled into the 2017/18 and future financial years.

- 7.2 This represents a gross budget increase of £10.827m offset by a budget reduction of £3.478m.
- 7.3 The 2017/18 revised gross capital expenditure budget is £141.833m. It is funded as shown in table 5. This results in a proposed “re-profiling” of gross capital expenditure of £7.348m. The resulting changes to funding are also shown in Table 5.
- 7.4 Details of key projects included in the “re-profiling” are set out below:

Major Works – Budget £26.824m, Actual £23.137m, “re-profiling” of £3.687m expenditure

The major works variance is largely the result of a number of factors including the delay raised by contractor Churchill on the logistic and equipment required before work can start and high estimated leaseholder bill.

Regeneration – Budget £22.544m, Actual £21.908m, “re-profiling” of £0.636m expenditure

The regeneration and renewal variance is due to delay in additional design requirements and ground conditions, that have resulted in reduced spend profile in the year.

Self Financing projects – Budget £15.540m, Actual £12.514m, “re-profiling” of £3.026m expenditure

The £3.100m variance mainly relates to discretionary acquisition of family size housing to meet housing needs of which 20 properties are still with legal awaiting completion.

Table 5: HRA Capital Budget, Forecast and Re-profile requirements

Description	Full year		
	Budget	Actual	Re-profile
	£'000	£'000	£'000
General HRA	390	702	312
Electrical Works & Laterals	4,671	3,728	-943
External Repairs & Decorations	10,497	9,112	-1,385
Adaptations	1,200	1,157	-43
Fire Precautions	757	497	-260
Lifts	3,409	328	-3,081
Voids	4,000	3,743	-257
Kitchen & Bathroom	1,900	3,870	1,970
Total Major Works	26,824	23,137	-3,687
Regeneration			
Church Street	584	262	-322
Lisson Arches	1,879	1,328	-551
Luton St	1,106	1,347	241
Cosway	212	12	-200

Ashbridge	180	178	-2
Edgware Road/AlmaCantar	1,058	989	-69
CHP	250	145	-105
Parsons North	300	258	-42
Sub total - Church Street	5,569	4,518	-1,051
Tollgate Gardens	390	534	144
Ebury Bridge	16,585	16,856	271
Total - Housing Regeneration	22,544	21,908	-636
Self Financing	14,445	11,017	-3,428
Infill	970	831	-139
Lisson Arches Bridge	0	513	513
Kemp House/Berwick St	125	153	28
Total - Other Projects	15,540	12,514	-3,026
Total Capital Expenditure	64,907	57,559	-7,348
Financed By:			
MRR	22,971	23,261	290
New Borrowing/Grant - Church St	10,824	10,670	-154
Capital Grant - AHF	1,573	543	-1,030
Capital Receipts - Land & Market sales	2,860	2,376	-484
Capital Receipts - non RTB	16,096	10,414	-5,682
Capital Receipts - RTB Local Agreement	6,475	5,056	-1,419
HRA Reserves	4,108	5,239	1,131
Total Financing	64,907	57,559	-7,348

8. Financial Implications

- 8.1 The “re-profiling” will move capital budgets and receipts to 2017/18 and future years to reflect expected patterns of expenditure and income. 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.

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),
0207 6412729

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 12

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, Property 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 Budget “Re-profiling” and Approved Capital Budget 2017/18** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Tim Mitchell, Cabinet Member for Finance, Property 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.