



City of Westminster Cabinet

Decision Maker:	Cabinet
Date:	17 October 2022
Classification:	Open
Title:	Revenue and Capital Outturn 2021/22
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	The report summarises the Council's 2021/22 year-end financial position and requests approval for unspent 2021/22 capital budgets to be reprofiled into future years
Report of:	Gerald Almeroth, Executive Director – Finance and Resources

1. Executive Summary

- 1.1. This report presents the Council's 2021/22 outturn positive for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA). It also provides a summary of the pension fund and the Council's treasury management for the year.
- 1.2. The General Fund (GF) revenue position is an outturn of £2m (1.1%) overspend against an approved budget of £183m. The Council used its general reserve balance to absorb the final year-end position. It should be noted that this is a favourable position compared to the forecast at quarter three of £3.4m overspend and this was mainly due to a greater use of Covid specific grants.
- 1.3. The Council has built up its general reserve position over several years to allow it to manage unforeseen circumstances and financial risk. Whilst the use of the general reserve in 2021/22 reduces the Council's balance to £57m, this only accounts for 3.5% of the total balance.
- 1.4. The Council is particularly sensitive to economic volatility because of the level of income it receives through fees and charges and therefore holding this level of

General Fund reserves as risk mitigation is considered to be an appropriate and robust level.

- 1.5. The HRA outturn is a surplus of £2.1m a planned drawdown of £0.855m from the HRA reserve, therefore a variation of £2.955m.
- 1.6. The general fund capital outturn is a gross expenditure variance of £84m against a budget of £271.2m. The HRA capital outturn is an expenditure variance of £2.8m against a revised budget if £165.2m.

2. Recommendations

- 2.1. That Cabinet notes the outturn position for 2021/22.
- 2.2. That Cabinet approves the slippage from the 2021/22 capital programme into future years as set out in appendix 1 (GF) and appendix 2 (HRA)

3. Revenue Budget

General Fund

- 3.1. The table below summarises the year end revenue position:

Directorate	2021/22 Net Budget £m	2021/22 Net Outturn £m	2021/22 Net Variance £m
Adults Services	52.982	52.675	(0.307)
Children's Services	40.379	41.799	1.420
Environment and City Management	6.756	9.686	2.930
Growth, Planning and Housing	24.107	23.869	(0.238)
Finance and Resources	28.047	27.124	(0.923)
Innovation and Change	13.593	13.175	(0.418)
CEX and People Services	4.347	4.207	(0.140)
Public Health	(1.029)	(1.029)	0.000
Corporate Items	13.577	13.297	(0.280)
Total	182.759	184.803	2.044

Key Variances

- 3.2. The key expenditure variances for the final outturn position across Council services are explained in sections below. But in summary:
 - Environment and City Management had an overspend due to reduced parking income
 - Children's services overspent due to demand pressures
 - All other areas had underspends and details of these are set out below.

Adult Services (ASC)

- 3.3. Adult Social Care is an underspend of £0.307m, representing 0.6% of the net budget of £52.982m. Key drivers for this underspend are primarily in line with what was previously reported.
- 3.4. The outturn position is supported by additional income from the NHS at the point in time they move into the social care sector. Furthermore, additional one-off grants such as Infection Control and Workforce Capacity were received during the year to support its providers. However, it should be noted that the availability of discharge to access funding is currently uncertain for future years.
- 3.5. This year saw an increase in placement levels and the continuous increase in complexity of care needs for people in the community. These challenging factors are amplified by the discharge to assess process. There is a strong likelihood that this trend will continue in future years. Furthermore, the current economic challenges with inflation will pose challenges to market frailty and supporting providers with increasing costs. The directorate is in continuous dialogue with providers and exploring options at how support can be offered.

Children's Services

- 3.6. In Children's Services the final outturn position was an overspend of £1.420m.

Education - £1.232m overspend

- 3.7. Short Breaks has a staffing overspend of (£0.150m), and at the Tresham Centre (£0.440m) due to increased demand across holiday periods. Care package and direct payment pressures (£0.310m) account for the balance.
- 3.8. Remaining pressures include overspends on staffing (£0.100m) and independent travel training savings (£0.050m) – both of which have been reversed in 2022/23, with the latter being reprofiled for delivery in the new year.
- 3.9. The position also includes Covid grant income (-£0.173m) that offsets pandemic-related agency staff costs in Short Breaks.

Family Services - £0.713m overspend

- 3.10. The Family Services outturn is driven by net placement pressures arising from a combination of rate changes and fluctuating placement numbers, further impacted by a reduction in income. The Home Office grant award for exceptional costs relating to UASC and Former UASC was substantially lower than anticipated, creating a further pressure (£0.300m).
- 3.11. The overspend include staffing pressures in Safeguarding (£0.100m) and Pre-Birth to Five Redesign (£0.065m) – both of which have been reversed in 2022/23.

IT Case Management (£0.088m) and MASH savings (£0.050m) have been reprofiled.

- 3.12. The position includes Covid grant income (-£0.535m) that offsets pandemic-related costs across Family Services.

Registrars - £0.709m underspend

- 3.13. Following the easing of Covid restrictions an increase in ceremonies was seen as a backlog of events took place which improved the Registrars position and includes an overachievement of income (-£1.050m) from ceremonies, offset by additional staffing costs (£0.280m) and lesser pressures across the service (£0.070m).

Libraries and Archives – £0.129m overspend

- 3.14. The Libraries and Archives position is related to income pressures

Environment & City Management

- 1.1. The Environment and City Management Directorate outturn position for 2022/23 was an adverse variance of £2.930m.

Sports, Leisure & Active Communities - £0.304m overspend

- 1.2. The outturn consisted of £0.569m income shortfall at Sayers Croft due to slow recovery of residential visits after lockdown, and £0.025m favourable variance from the deed of variation on the leisure contract, Parks favourable position of £0.240m due to additional cemeteries income.

Waste & Cleansing - £0.012m underspend

- 1.3. Commercial Waste income outturn was an adverse variance of £0.556m, an increase of £0.056m from P9. This movement is a minor change of 0.41% of the £13.72m budget and was the result of a lower than expected recovery in February and March from the impact of the Omicron wave and covid restrictions during winter. The outturn of £13.16m shows a significant recovery from the prior year where the income totalled £7.68m, showing an increase of 71%.
- 1.4. A number of variances to budget that broadly offset each other. The key income areas consisted of shortfalls in Commercial Waste (£0.556m) and Public Conveniences (£0.347m) and a small surplus on Special Collections (£0.055m). The shortfall on Commercial Waste income was partially offset by lower spend on Commercial Waste service (£0.287m),
- 1.5. General waste disposal costs (£0.083m favourable movement from a forecast to budget) and underspends in Public Conveniences (£0.618m). Employee cost

savings of £0.093m and the overspend on Collection & Street Cleansing of £0.221m.

Public Protection & Licensing - £1.075m overspend

- 1.6. This variance was driven primarily by under recovery of income: HMO Licensing income (£0.537m); Street Trading income £0.335m; Pavement Licensing (£0.164m); Primary Authority (£0.141m), additional legal costs £0.511m, additional staffing costs £0.10m, offset by over recovery in Street Litter & Waste Fixed Penalty Notices (£0.139m) plus additional new burdens grant funding of £0.577m in relation to the changes to Pavement Licensing.
- 1.7. Street Trading and Tables & Chairs – Income under recovery of £0.498m due to licensing fee waivers to traders who were categorised vulnerable or caring for vulnerable individuals in quarter 1; and to the two thirds of traders who in the past 18 months have surrendered their licences. Additionally due to the introduction of the Government's Pavement Licensing regime during lockdown continuing to September 2022, under which the price of new/renewal applications is significantly reduced for Tables and Chairs.

Parking - £2.574m overspend

- 1.8. Parking – Paid for Parking - The outturn is an adverse variance of £2.704m which is a reduction of £0.05m from the P9 forecast. Weekly numbers fell in February, increasing negative variances, but these were recovered during March when activity improved, particularly in the first two weeks of the month, with variances only 4-6% off budget.
- 1.9. Parking – PCNs (Traffic Cameras) - The Camera PCNs shortfall increased a further £0.197m to £0.997m at year end. Ticket issues were up by 500 in March compared with February (3,024 / 2,524), but not yet at the level anticipated given the additional cameras and increased activity in the City.

Road Management

- 1.10. There was an overall favourable outturn variance of £0.948m against the budget, which was an improvement of £0.148m since P9. This stems from increased income activity levels which are 23% higher compared to that previously projected, with increases on temporary structures and Temporary Traffic Orders.

Innovation & Change

- 1.11. Innovation and Change reported a £0.418m underspend, which includes a £0.203m net over recovery of income from City Promotions, Events and Filming plus further service efficiencies.

Growth, Planning and Housing

- 1.12. Growth, Planning and Housing reported a £0.238m underspend for the year, outlined below:

General Fund Housing Operations - £2.390m underspend

- 1.13. Housing Operations has come in significantly below budget, with a £2.390m underspend. The main driver for this is the multiple grant awards in the final quarter of 21/22, combined with the government policy change on Housing Prevention Grant that required the Council to certify that anything in the claim had been fully spent "in-year".
- 1.14. At the end of March 2022 there were 2,793 TA tenancies, a small increase (less than 1%) from the 2,770 at the end of March 2021. Most tenancies (2,010) are within properties rented from the private sector; each tenancy costs WCC on average £4.2k per annum net although this figure varies widely according to location and size of unit. There are 168 tenants in B&B properties (net cost to WCC £4.9k per unit) and 323 in nightly booked properties (net cost to WCC £10.8k), with the rest (292) in properties owned by WCC, either in regeneration areas or properties purchased specifically for use for temporary accommodation.

Place Shaping & Town Planning - £2.3m overspend

- 1.15. The final outturn shows a £2.3m variance to budget. The bulk of this relates to the shortfall in planning income of £2.4m, which has been projected through the year. This has been partially offset by small underspends across the service.
- 1.16. The Council's MTFP position included an expectation that planning income would recover significantly back to near pre-pandemic levels. In 2019/20, the service saw 9,869 applications (67 "Major"), whereas in 2021/22 this had still only recovered to 8,035 of which only 37 were "Major" applications. A similar situation was encountered with pre-planning application advice.

Housing Revenue Account (HRA)

- 1.17. The HRA outturn is a surplus of £2.156m. The HRA budget had been set on the basis that a drawdown of £855k from the HRA reserve was required to balance planned expenditure, but this was not required, and the overall variation was £3.0m.

- 1.18. The HRA surplus was diverted to fund capital HRA expenditure and thereby reduce the level of new borrowing required to fund the capital programme in 2021/22.
- 1.19. The main variances contributing to this surplus are:
- £1.9m staff underspend on staff across the HRA following the redesign of the Housing Service which was undertaken in 2021/22 and a number of vacancies held by the service whilst the restructure was finalised.
 - £0.5m lower interest charges to the HRA
 - £2.2m contingency not fully utilised
 - £0.7m in rebates from contracts has been generated by Property Services
- 1.20. These underspends are partially offset by pressures across the HRA, the main ones being:
- £1.2m lower income from commercial property on housing estates than budgeted
 - £0.7m more recharges for support services than budgeted
 - £1.4m more provision for bad debt than planned

Finance and Resources

- 1.21. The Finance and Resources Directorate reported a £0.923m underspend in year which is due to a combination of factors both in terms of income and expenditure across Property and Treasury.
- 1.22. Commercial income in Property performed better than expected by around £1.8m in 2021/22 although this was against a reduced target given the impact of the pandemic on the commercial property market.
- 1.23. Treasury and Pensions also generated more income than budgeted. This was related to increased investment income as interest rates rose late in the financial year.
- 1.24. Overspends were present in Procurement related to staffing, further overspend in Corporate Property relating to additional backdated rents payable as well as an increase in commercial income bad debt provision.

2. Capital

- 2.1. The Council's capital programme was approved by Council in March 2021, with a General Fund expenditure budget of £271.194m and an income budget of £84.431m (including reprofiling from the previous year). The delivery of schemes and capacity for planning projects have been affected by several factors, notably procurement and onsite issues and acquisition delays.

2.2. 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 Strand Aldwych, King Solomon School Expansion, Hallfield Site Improvements, Footway Programme Maintenance and Church Street Green Spine.

2.3. The table below summarises the General Fund capital outturn position for 2021/22, after slippage:

ELT	2021/22 Expenditure Budget £m	2021/22 Income Budget £m	2021/22 Net Budget £m	2021/22 Outturn Expenditure £m	2021/22 Outturn Income £m	2021/22 Net Outturn £m	2021/22 Expenditure Variance £m	2021/22 Income Variance £m	2021/22 Net Variance £m
Adult's Services	0.568	(0.468)	0.100	0.101	(0.101)	0.000	(0.467)	0.367	(0.100)
Children's Services	18.417	(14.814)	3.603	10.757	(9.249)	1.508	(7.660)	5.565	(2.095)
Growth, Planning & Housing	74.733	(22.859)	51.874	60.416	(12.745)	47.671	(14.317)	10.114	(4.203)
Environment & City Management	75.918	(31.613)	44.305	48.963	(23.763)	25.200	(26.955)	7.850	(19.105)
Finance and Resources	42.053	(14.677)	27.376	21.327	(12.486)	8.841	(20.726)	2.191	(18.535)
Westminster Builds	58.596	0.000	58.596	45.116	0.000	45.116	(13.480)	0.000	(13.480)
Projects Funded from FCR*	0.905	0.000	0.905	0.568	0.000	0.568	(0.337)	0.000	(0.337)
Total for Council	271.190	(84.431)	186.759	187.248	(58.344)	128.904	(83.942)	26.087	(57.855)

General Fund Capital Programme

1.1. In total the general fund capital programme has gross expenditure slippage of approximately £81m. The majority of slippage is related to the following reasons:

- Procurement issues
- Delayed acquisitions
- On site issues and delays

Summarised slippage by ELT can be seen in the table below, this is awaiting Cabinet approval:

Expenditure

ELT Area	Slippage from 21.22 to 22.23 £000	Slippage to 21.22 from 22.23 £000	Slippage from 21.22 to 23.24 £000	Slippage to 21.22 from 23.24 £000	Slippage to 21.22 from Other Future Years £000	Total Slippage £000	(Under)/Overspends £000	Total 21.22 Outturn Variance £000
Adult's Services	(467)	-	-	-	-	(467)	-	(467)
Children's Services	(7,845)	-	-	-	-	(7,845)	184	(7,660)
Environment & City Management	(30,932)	2,187	(2,002)	-	-	(30,747)	3,792	(26,955)
Finance and Resources	(14,514)	414	-	-	-	(14,100)	(6,625)	(20,726)
Growth, Planning & Housing	(27,703)	13,671	(553)	75	205	(14,305)	(8)	(14,317)
Westminster Housing Investments Limited	(13,480)	-	-	-	-	(13,480)	-	(13,480)
FCR	(337)	-	-	-	-	(337)	-	(337)
	(95,278)	16,272	(2,555)	75	205	(81,281)	(2,657)	(83,942)

Income

ELT Area	Slippage from 21.22 to 22.23 £000	Slippage to 21.22 from 22.23 £000	Slippage from 21.22 to 23.24 £000	Slippage to 21.22 from 23.24 £000	Slippage to 21.22 from Other Future Years £000	Total Slippage £000	(Under)/Overspends £000	Total 21.22 Outturn Variance £000
Adult's Services	367	-	-	-	-	367	-	367
Children's Services	5,749	-	-	-	-	5,749	(184)	5,565
Environment & City Management	13,571	-	456	-	-	14,027	(6,176)	7,851
Finance and Resources	1,979	-	-	-	-	1,979	211	2,190
Growth, Planning & Housing	11,024	(119)	385	-	-	11,290	(1,177)	10,114
Westminster Housing Investments Limited	-	-	-	-	-	-	-	-
FCR	-	-	-	-	-	-	-	-
	32,690	(119)	841	-	-	33,412	(7,326)	26,087

1.2. The table below summarises the projects with the largest variance to budget.

Project	FY Variance to Budget £m	Comments
Westminster Housing Investments Limited	(12.020)	The underspend this year was a result of a delay in the transfer of affordable units at Parsons North to WHIL and a delay in the transfer of 300 Harrow Road, as legal work is being finalised. These are expected to complete in 2022/23 in Q2, therefore the budget has been reprofiled from 2021/22 to 2022/23.
20 In-Borough Acquisitions for Temporary Accommodation	(5.419)	Of the projected 35 acquisitions this year we have completed on 26 IBB properties, the remaining properties are due to complete in 2022/23, therefore the budget is being reprofiled from to 2022/23.
Ceremonial Streetscape Grouping	(8.147)	Issues outside of the control of WCC such as access to land to commence works and material availability due to general shortage in the construction industry has resulted in re-profiling of this scheme to 2023/24 from 2021/22. Work will start when approval has

		been given from external parties and landowners. Some elements of the scheme will be starting over the next few months.
St Marylebone Bridge Special School	(4.153)	Reprofiling against the St Marylebone Bridge Special School project, due to major defects found on the foundations. The variance has been reprofiled to 2022/23 from 2021/22 and work is expected to be completed by the end of the summer.
Westminster Community Homes Development Loan and Affordable Housing Fund	(3.773)	Loan will not be drawn down until 2022/23, when properties are potentially acquired. The budget is being reprofiled from 2021/22.
300 Harrow Road	(2.926)	The total spend on the scheme will remain in HRA until the legal terms are agreed.
Oxford Street District	(2.396)	Total OSD spend of £12,097 is lower than forecasted mainly due to Citywide contractor costs, as delivery on some schemes such as Manchester Square have slipped and as a result have been reprofiled to 2022/23 from 2021/22. Further discussions are currently taking place to discuss the short-term delivery of work packages and a business case review is also underway by an external third party.
Investment Portfolio Income Security	(2.216)	Works on Huguenot House were delayed as a result of the procurement. The procurement has recommenced in April 2022. Works at Orange Street have been delayed; although the scope of works was agreed, these works increased significantly following surveys at the site. The budget has been reprofiled from 2021/22 to 2022/23.
Strategic Acquisition Huguenot House	(2.000)	It was thought that the project would see a small number of flat acquisitions. These acquisitions have yet to take place but are expected to complete in 2022/23, therefore the budget has been reprofiled from 2021/22 to 2022/23.
Seymour Leisure Centre	(1.869)	There has been a delay in the appointment of the structural/services consultants and the associated surveys. These require the consultants' technical briefs before additional services can be procured. The budget has been reprofiled from 2021/22 to 2022/23.
Villiers Street Public Realm	(1.653)	A longer than expected consultation period has led to a delay in the programme delivery, which will now begin in April 2022. Therefore, the budget has been reprofiled from 2021/22 to 2022/23.
Jubilee Sport Centre Redevelopment	(1.495)	The overall programme for the residential units was 5 months late, this delayed the fit-out contract resulting in budget reprofiling to 2022/23 from 2021/22.
TOTAL	(48.067)	

Housing Revenue Account Capital Programme

1.3. The Housing Revenue Account's (HRA) capital budget was approved at £209.519m and revised at P4, representing a net change of £44.349m. The Council have now finalised the outturn for the financial year and the budget profiling of a number of projects have changed for the Housing Revenue Account. This is in line with revised delivery timelines and/or amended payment schedules. In most cases budgets have been reprofiled from 2021/22 into future years but there are instances where the budget has moved into 2021/22 from future years. For HRA, this represents expenditure reprofiling of £4.3m from 2021/22 to 2022/23.

1.4. The table below summarises the HRA capital outturn position for 2021/22.

	2021/22 Revised Budget £m	2021/22 Out-turn £m	2021/22 Variance £m
HRA Capital Programme			
Housing Planned Maintenance	43.042	40.143	(2.899)
Housing Regeneration	114.948	114.433	(0.515)
Self - Financing	7.180	7.811	0.631
Total Capital Expenditure	165.170	162.387	(2.783)

1.5. HRA Business Plan approved by Full Council in March 2022 approved a gross capital budget for the HRA in 2022/23 of £197.508m. Reprofiled from 2021/22 of £4.294m is proposed giving a total budget of £201.802m.

1.6. This is summarised in the table below. A more detailed breakdown by project is provided in appendix 2.

1.7. Summarised slippage:

Details of the major changes being put forward for approval to be re-profiled are provided in the following section:

- **Ebury** covers reprofiling of £7.254m from 2021/22 into 2022/23 due to a delayed start on site which reduced the spend in 2021/22 but good progress has been made since to ensure that the scheme remains on track.
- **Ashbridge** represents reprofiling of £2.251m from 2021/22 to 2022/23 due to a scheme change resulting in the inclusion of a sustainable energy system (i.e Air-source heat pumps).
- **Warwick Community Hall (300 Harrow Road)** shows re-profiling of £4.124m from 2022/23 to 2021/22 due to a change to the delivery mechanism for the scheme which will see most of the spend in 2021/22 reimbursed to the HRA (as delivery is now anticipated to be via the General Fund).

- **West End Gate** includes re-profiling of £0.800m from 2022/23 to 2021/22 due to a revised programme timeline from the developer that will yield more units than previously planned.
- **Lisson Arches** shows re-profiling of £0.933m from 2022/23 to 2021/22 due to revised programme in 2021/22 that saw the service provider accelerate delivery and amend the practical completion date.

6. Financial Implications

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

7. Legal Implications

7.1. There are no legal implications arising from this report

APPENDICES

Appendix 1 – General Fund Slippage

Appendix 2 – Housing Revenue Account Slippage

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

Jake Bacchus (jbacchus@westminster.gov.uk)