



City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	12/12/2022
Classification:	General Release
Title:	P6 2022/23 Capital Budget Re-Profiling & Budget Changes
Wards Affected:	ALL
Key Decision:	
Financial Summary:	<p>Following production and approval of the P3 Capital Monitoring report a number of schemes have been identified as likely to have changed delivery profiles and thus lead to in year variances to budget. In addition, a number of other schemes have been reported as either likely to under or overspend. This report requests approval for the changes as set out in the body of this report.</p> <p>A net total of £96.513m (General Fund) and £8.025m (HRA) are the requested movements to the 2022/23 budget. Further details are provided in table 2 (GF) and table 5 (HRA).</p>
Report of:	Jake Bacchus, Director of Corporate Finance

1. Executive Summary

- 1.1. The Council has an approved gross capital budget of £380.902m for the General Fund (GF) and £201.802m for the HRA. The 2022/23 capital budgets were approved by Full Council in March 2022 and the aforementioned figures are inclusive of 2021/22 re-profiling which was approved by Cabinet in October 2022.
- 1.2. The Council has now reached the mid-point of the financial year and following regular monitoring the budget profiling of a number of projects have changed. This is in line with revised delivery timelines and/or amended payment schedules. In most cases budgets have been reprofiled from 2022/23 into future years but there are some instances where budgets have moved into 2022/23 from future years. Overall, this represents a net change in the budget for 2022/23 of £96.513m for the General Fund and £8.025m for the HRA – this is explained in more detail in sections 3 and 4.
- 1.3. The revised 2022/23 budgets will be evaluated further during capital review sessions as part of the CPSR process.

2. Recommendations

- 2.1. That Cabinet approves net changes of £96.513m for individual projects as part of the 2022/23 general fund capital budget.
- 2.2. That Cabinet approves re-profiling of £8.025m for individual projects as part of the 2022/23 HRA capital budget.

3. General Fund Capital Programme

- 3.1. The Period 6 capital monitoring reporting updated Cabinet and ELT on forecasts for capital spend and external funding for 2022/23. Included within these forecasts were a number of schemes where the latest projections indicated outturn would not match the in-year budget due to re-profiling, new approvals or underspends/overspends.
- 3.2. This report summarises those forecast variations and seeks approval for the 2022/23 budget to be adjusted to reflect these expected variances and (where appropriate) future year budgets to also be altered for the consequential impact of re-profiling.
- 3.3. Full Council approved the capital programme in March 2022 as part of the annual budget setting process. The current capital budgets include re-profiling from the end of 2021/22 as approved by Cabinet in October 2022. The current position is summarised below:

Table 1a

		Gross Expenditure	Gross Income	Net Budget
		£m	£m	£m
Initial Budget approved by Full Council for 2022/23		301.895	(46.939)	254.956
Approved 2021/22 Outturn Reprofiting		79.007	(32.571)	46.436
Revised approved 2022/23 Budget		380.902	(79.510)	301.392

*The initial budget approved by Full Council in March did not include the outturn slippage; this was approved in October 2022.

Table 2a

	Expenditure Movement	Income Movement	Net Movement
	£m	£m	£m
Re-profiling from 2022/23 into Future Years	(118.132)	20.303	(97.829)
Re-profiling to 2022/23 from Future Years	29.955	0.000	29.955
Total Reprofiting	(88.177)	20.303	(67.874)
Over/(Underspends)	(25.723)	(2.916)	(28.639)
Total P6 Movements in 2022/23 Budget for approval	(113.900)	17.387	(96.513)

Table 2b

		Gross Expenditure	Gross Income	Net Budget
		£m	£m	£m
Approved 2022/23 Budget (including Outturn Slippage)		380.902	(79.510)	301.392
P6 Movement for approval		(113.900)	17.387	(96.513)
2022/23 Budget for approval		267.002	(62.123)	204.879

A more detailed project breakdown is provided in Appendix 1 and Table 3 below summarises the re-profiling by each ELT area.

Table 3

	Revised Expenditure Budget	Revised Income Budget	Expenditure reprofiled to Future Years from 2022/23	Income reprofiled to Future Years from 2022/23	Expenditure reprofiled from Future Years to 22/23	Income reprofiled from Future Years to 22/23	Expenditure Over/(Underspend)	Income (Over)/Under-recovery	Expenditure Forecast	Income Forecast
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult's Services	0.980	(0.880)	(0.200)	-	-	-	(0.100)	0.200	0.860	(0.860)
Children's Services	10.466	(8.049)	(1.165)	1.089	-	-	1.032	(3.321)	10.333	(10.281)
Growth, Planning & Housing	138.667	(28.107)	(50.859)	1.357	2.611	-	14.268	(0.135)	104.687	(26.885)
Environment & City Management	125.404	(36.514)	(42.534)	16.160	0.250	-	(2.435)	1.384	80.685	(18.970)
Finance & Resources	54.752	(5.960)	(23.554)	1.697	27.094	-	(2.555)	(0.864)	55.737	(5.127)
Westminster Builds	50.633	-	-	-	-	-	(35.933)	-	14.700	-
Service Area Total	380.902	(79.510)	(118.132)	20.303	29.955	-	(25.723)	(2.916)	267.002	(62.123)

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

- **Property Investment Acquisitions** £27.094m being brought forward to 2022/23, in recognition to two recent purchases the Council has made.
- **Oxford Street** is reprofiling £20.449m from 2022/23 to 2023/24 as the programme is currently under review. A full business case is due in December 2022 with a Cabinet Member Report to follow in early 2023.
- **300 Harrow Road** is reporting overspend of £17.945. This is due to a reduction in loan financing from Westminster Builds, due to the decision to remove private sale units, meaning that the scheme will now be delivered through the General Fund.
- **Westminster Rough Sleeper Programme** is reprofiling £9.465m from 2022/23 to 2024/25. The Rough Sleeper acquisitions are being affected by market forces. It is agreed that the WCC Rough Sleeper Acquisition

programme of 30 homes (15 x In Borough, 15 x Out Of Borough) will be delayed and funding of £9.465m will be slipped from 2022/23 into 2024/25.

- **Ceremonial Streetscape** is reprofiling £7.767m from 2022/23 to 2023/24. Issues outside of the control of Westminster, such as access to land to commence works and specialised material availability due to general shortage in the construction industry, has resulted in re-profiling of this scheme.
- **Place-Shaping Schemes** are reprofiling £6.810m from 2022/23 to 2023/24. This reprofiling is predominately due to the following: Firstly, the Pimlico scheme is being delivered by the Highways team, as a result the current slippage of £1.790m, currently within Place-Shaping, will be transferred through a future virement to Highways to offset the spend in that area. Additionally, the Victoria and Paddington Place-Shaping schemes, £1.624m and £1.539m respectively, had been paused to consider the current administrations objectives- Victoria is now expecting to proceed with the design phase of the new programme in Q4. Finally, Harrow Road reprofiling of £0.933m is due to the projects paused for the Good Growth Funding review which resulted in the construction programme reprofiling to 2023/24.
- **Main Fleet Replacement Programme** is reprofiling £5.761m from 2022/23 to 2023/24. There have been delays with securing lease agreement which has resulted in a delay in on-site infrastructure works. Therefore, spend is only being forecast on vehicles which become Westminster assets this financial year.
- **Electric Street Cleansing Vehicles City Wide** are reprofiling £4.000m from 2022/23 to 2023/24. Acquiring a suitable site has taken longer than anticipated, therefore infrastructure works cannot begin until a lease is finalised. Site infrastructure works and orders for vehicles will take place next financial year resulting in the forecasted reprofiling.
- **Temporary Accommodation Acquisitions** is reprofiling £4.000m from 2022/23 to 2023/24. This is due to challenges in securing suitable stock and is to be reprofiled to 2023/24. There is a drop in the number of available units on the market that are with the price range and that meet the energy efficiency rating of SAP B, and as such, numbers of units acquired are lower than originally anticipated. Regarding the out-of-borough acquisitions, this market pressure is being compounded by the fact that the conveyancing process on these units is taking longer than for those in-borough acquisitions. Therefore, 12 purchases will slip into 2023/24.
- **Enterprise** are reprofiling £3.955m from 2022/23 to 2023/24. This is as the priorities of the new administration are worked through delivery.

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

- **Ceremonial Streetscape** is reprofiling £7.591m of funding from 2022/23 to 2023/24. Issues outside of the control of Westminster, such as access to land to commence works and specialised material availability due to general shortage in the construction industry, has resulted in re-profiling of this scheme.
- **Zero Emissions Street Cleansing Vehicles** is reprofiling £1.510m of funding from 2022/23 to 2023/24. This is because acquiring a new suitable site has taken longer than anticipated, therefore the reprofiled funding budget has been reprofiled to 2023/24 to match the reprofiled expenditure budget.
- **Grosvenor Square PR Scheme** is reprofiling £1.400m of funding from 2022/23 to 2023/24. The project rollout has been delayed, as a result of factors such as access to land and material availability. The project is now expected to incur the vast majority of spend from 2023/24 onwards.
- **Coroner’s Court Improvements** is reprofiling funding of £1.006m from 2022/23 to 2023/24. This is due to unforeseen issues (relating to the inability to suspend the use of a taxi rank and public conveniences located next to the improvement site) which have delayed construction.

4. HRA Capital Programme

4.1. The table below summarises the HRA outturn projection for 2022/23:

Table 4

HRA Capital Programme	2022/23 Budget £m	2022/23 P6 Forecast £m	Variance £m
Planned Maintenance	57.826	49.985	(7.841)
Development & Regeneration	125.823	126.689	0.866
HRA Other	18.153	17.103	(1.050)
Total Capital Expenditure	201.802	193.777	(8.025)

4.2. There is no slippage planned on the HRA Planned Maintenance programme and the variance on the HRA Other line represents a planned virement from the contingency to the Development & Regeneration programme (£1.050m) which will be processed in Period 7. Slippage is therefore only planned on the Development & Regeneration programme, totalling £0.184m as follows:

Table 5

HRA Capital Programme	Original 2022/23 Budget £m	Slippage £m	Underspend £m	Revised 2022/23 Budget £m
Planned Maintenance	57.826		(7.841)	49.985
Development & Regeneration	125.823	(0.184)		125.639
HRA Other	18.153			18.153
Total Capital Expenditure	201.802	(0.184)	(7.841)	193.777

4.3. The key drivers of the slippage adjustment within the HRA capital, programme can be summarised as follows:

- **Ebury** – positive slippage of £3.938m due to a higher number of acquisitions planned in 2022/23 offset by minor slippage on the delivery programme (including Phase 2)
- **Church Street Programme** – positive slippage of £2.275 due to a faster pace of acquisitions and higher spend planned on developing the Phase 2 scheme (with a revised scheme cashflow having been developed)
- **Lisson Arches** – slippage to later years of £1.743m due to an adjustment to the expected practical completion date
- **Churchill Gardens (Darwin House)** – slippage of £1.821m due to a revised cost plan for the scheme resulting in an altered delivery profile
- **Queens Park Court** – inflationary increases are affecting the scheme resulting in a delay to reassess the overall viability (driving slippage of £1.909m)
- **Paddington Green** – the scheme is currently under review with the bulk of the spend now expected to occur in 2024/25 (slippage of £1.537m)
- **Other Minor Variances** – net positive slippage of £0.613m across a number of schemes with minor individual variances

5. Financial Implications

5.1. Financial implications are set out as part of the main body of the report

6. Legal Implications

6.1. Legal implications will be considered on a scheme by scheme basis

7. Carbon Impact

7.1. None specifically associated with this report but each project in the capital programme will have to consider carbon impacts.

8. Equalities Impact

8.1. This will be considered on a scheme by scheme basis.

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

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BACKGROUND PAPERS

Appendix 1 – Project by Project analysis of GF re-profiling

Appendix 2 – Project by Project analysis of HRA re-profiling