



Meeting:	Cabinet Member for Finance and Corporate Services
Date:	7 th September 2016
Classification:	General Release
Title:	2016/17 Capital programme re-profiling and review
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	<p>Following the 2016/17 period 3 capital monitoring process, council services have requested that £94.65m of approved 2016/17 gross capital budgets, gross income of £12.6m and a capital receipt of £86m are re-profiled into the 2017/18 financial year.</p> <p>In addition, £1.55m additional budget is required for new schemes and a capital receipt of £0.50m is reported as received earlier than expected in 2016/17. If approved, the reprofiling and additional budget will impact on approved budgets in 2016/17 and 2017/18.</p>
Report of:	Steven Mair, City Treasurer.
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1. Executive Summary

The 2016/17 Approved Gross Budget is £358.16m which includes £6.87m of 2015/16 approved re-profiling. As at the end of period 3 the forecast gross outturn is £263.51m, £94.65m lower than the approved budget. The forecast for external income is £92.82m, £12.62m lower than the approved budget of £105.43. The forecast for capital receipts is £28.56m, £86m lower than the approved budget of £108.10. These budgets will be re-profiled into future years subject to the approval of this report.

The list below is the list of projects along with gross expenditure which are to be re-profiled. Details are included in the background section 4:

- Childrens Services Investment and Improvement – £0.70m
- Luxborough redevelopment - £16.16m
- Huguenot House - £17.37m
- Leisure Estate Review - £21.11m
- City Hall – Forecast £0.27m
- Sir Simon Milton UTC – Forecast £9.12m expenditure and income of (£1.48m)
- Cavendish Square – £1.00m
- Dudley House – £21.88m expenditure and (£11.14m) income
- Beachcroft – £0.45m
- Moberly & Jubilee – £1.64m
- CCTV Crime & Disorder Estate – £1.70m
- Highway Developers – £2.27m
- Highway Planned Maintenance – £1.07m

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

New schemes to be added to the 2016/17 Capital Programme total £1.55m, cabinet reports are already in place for these schemes and a summary is included in section 6.

Capital Receipts of £86m are recommended to be re-profiled out of 2016/17 and amended to reflect a reduced new forecast receipt of £83m in 2017/18. An additional £0.50m is to be added to the 2016/17 capital receipts budget. A summary is included in section 7.

2. Recommendations

That the Cabinet Member approves the £94.65m reprofiling of capital expenditure budgets, £12.62m income budgets and capital receipts budget of £86m (reduced to £83m) from 2016/17 into 2017/18.

That the Cabinet Member approves the additional £1.55m new budget for 2016/17 for the three named projects and the £0.50m capital receipt

3. Reasons for Decision

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

The 2016/17 period 3 monthly monitoring process reported a gross capital expenditure budget for 2016/17 of £358.16m, £105.4m budgeted external income and a £108.1m

capital receipt budget. Indicative re-profiling was reported of £94.65m gross expenditure, £12.62m gross income and £86m capital receipt. Details of specific projects included in these re-profiled amounts are below:

4.1 Childrens Services Investment and Improvement – £0.000m forecast spend, re-profiling of £0.70m

Reprofiling of the budget is due to the programme of works still being finalised.

4.2 Luxborough redevelopment - £0.50m forecasted spend, re-profiling of £16.16m

The delivery of this project is under review and therefore there is currently a hold on expenditure whilst this is completed. The re-profiling of the budget reflects this.

4.3 Huguenot House - £4.00m forecasted spend, re-profiling of £17.37m

Since setting the budget there has been a further review of timelines. The Outline Business Case is currently being developed and is expected to be completed in October. At this point consideration will be given to taking the scheme forward and to spend against the capital budget for the next stage. Once the Outline Business Case has been approved, there is expected to be expenditure in this financial year for acquisitions and further design work.

4.4 Leisure Estate Review - £62.00m forecasted spend, re-profiling of £21.11m

Since setting the budget there has been clarity regarding the timelines. The Outline Business Case is currently being developed for consideration in the autumn. Should the Outline Business Case be approved, there is expected to be expenditure in this financial year for acquisitions and further design work.

4.5 City Hall – Forecast £3.84m, re-profiling of £0.27m

The original budget for 2016/17 has been re-profiled; since the capital programme was compiled there is further clarity about the cash flow and phasing of expenditure. The project has been approved by Cabinet; the project remains within budget and is due to complete as per the timelines stated in the capital programme.

4.6 Sir Simon Milton UTC – Forecast £9.10m, re-profiling of £9.12m expenditure and income of (£1.48m)

When the capital programme was compiled there were a number of options and delivery routes being reviewed for the UTC. The preferred option has now been confirmed and the project is progressing, the budget profiling and corresponding funding can now be updated accordingly. This spend is to be offset by grant funding of the same amount, meaning an overall net nil budget for the Council for this project.

4.7 Cavendish Square – Forecast £0.50m, re-profiling of £1.00m

The original 2016/17 budget has been re-profiled as the project is still at an early stage with options for the site being reviewed.

4.8 Dudley House – Forecast £15.00m, re-profiling of £21.88m expenditure and (£11.14m) income

There has been a delay on the project due completion of acquisition and obtaining planning permission; these have been resolved and the project is progressing. An updated Cash Flow has been received from City West Homes the Development Manager. The budget profile has been updated in line with the cash flow with detailed design progressing. Agreement of a contract sum is in progress, with work packages being procured by the contractor on an open book basis.

4.9 Beachcroft – Forecast of £0.51m, re-profiling of £0.45m

Since the budget was set for this project there has been a delay in construction starting and therefore the timing of expenditure has been re-profiled. The overall budget remains the same for the project.

4.10 Moberly & Jubilee – Forecast £2.26m, re-profiling of £1.64m

The 2016/17 budget has been re-profiled on this project, supported by an updated loan schedule for payments to the contractor in respect of the development.

4.11 CCTV Crime & Disorder Estate – Forecast of £0.00m, re-profiling of £1.70m

This budget can be released as a decision has been made by Cabinet to decommission the CCTV service. Implementation of the decision is likely to commence in September. The budget has currently been rolled forward pending formal approval of the capital programme.

4.12 Highway Developers– Projects Forecast of £0.170m, re-profiling of £2.270m

Schemes still in concept stage and unlikely to progress this year and £0.75m is a residual budget left from the Civic Streets programme in previous years.

4.13 Highway Planned Maintenance – Projects Forecast of £0.34m, re-profiling of £1.070m

This scheme was agreed when it was thought a detailed Business Case would be produced by the service. Consequently, the Budget Setting and Business Case processes overlapped slightly and it became apparent that the modelling and pricing was more complex than originally thought. At present, an updated Business Case issue is awaited. This will give a much clearer idea of the budget that needs to be issued in 17/18 and future updates will describe accordingly.

All service areas plan to spend the reprofiling within 2017/18.

Table 1 below shows gross capital expenditure by Service Area and reprofiling for 2016/17

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

	Approved budget 16/17	Forecast Outturn 16/17 P3	Reprofiling Budget @ P3
	£'m	£'m	£'m
All Service Areas			
Adult Services	1.39	1.39	0.00
Children's Services	9.32	8.62	0.70
Growth, Planning & Housing	290.09	202.82	87.27
City Management & Communities	40.66	33.98	6.69
Corporate Services	1.68	1.68	0.00
Policy, Performance & Communications	9.38	9.38	0.00
City Treasurer	5.65	5.65	0.00
Total Gross Expenditure	358.16	263.51	94.65
Grants and Contributions	(105.43)	(92.82)	(12.62)
Capital receipts	(108.10)	(29.06)	(83.00)
Borrowing	(144.63)	(141.64)	0.00
Total Funding for Gross Expenditure	(358.16)	(263.51)	(95.62)

5. Reprofiling

Table 2 shows the list of projects that were originally in the Council Tax Report and the figures for Period 3 2016/17.

Table 2: 2016/17 Reprofileing by Service Area

Directorate	Project name	Gross Expenditure £'m	Gross Income £'m
	CHS Investment and Improvement	0.70	
Children's Services Total		0.70	
	Luxborough redevelopment	16.16	
	Huguenot Hse Redevelopment	17.37	
	Leisure Estate	21.10	
	Cavendish square car park	1.00	
	Dudley House	21.88	(11.14)
	Sir Simon Milton UTC	9.12	(1.48)
	Beachcroft	0.45	
	Moberley sports centre redevelopment	1.64	
	Westminster city hall - major refurbishment	0.27	
	other housing small projects	(0.09)	
Growth, Planning & Housing Total		88.91	(12.62)
	CCTV - crime & disorder estate	1.70	
	Highway planned maintenance	1.07	
	Developer projects	2.27	
City Mgt & Communities Total		5.05	
Total		94.65	(12.62)

6. Additional Budget Requirement

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 since Cabinet formally approved the 5 year capital programme.

Table 3: 2016/17 Additional Budget Requirement

Directorate	Project	New Budget £'m
HRA	Kemp House acquisition	0.91
Children's service	Queen's Park safeguarding works	0.04
Growth, Planning & Housing	33 Tachbrook street	0.60
Total		1.55

Kemp House and 33 Tachbrook Street schemes have been approved by a Cabinet Member report. Queen's Park safeguarding works was submitted and reviewed by the June CRG meeting.

7. Capital Receipts

Table 4 shows the detail of an £86m Capital receipt that needs to be re-profiled into 2017/18 and additional receipts of £0.5m to be included in the 2016/17 budget. The receipt being re-profiled also needs to be amended to reflect the expectation it will now be £83m.

Moxon Street – Forecast Receipt of £0, re-profiling of £83m of £86m original budget to 2017/18

This is due to the on-going dispute relating to the Rights of Light settlement with the owners of the adjoining property. The buyer will shortly make a best and final offer to the Howard de Walden Estate, the main stakeholder, which is likely to move to mediation. This will trigger the ability to apply to the Council for appropriation of the Rights. That is likely to be subject to judicial review which would be probable to last 12 months. The planning consent is currently subject to Judicial Review now which means that it is not implementable. The amount being re-profiled to 2017/18 is £83m to reflect the latest expectations of the capital receipt.

Merchant Square Westminster Site Option – Additional Receipt of £0.50m

This due to a receipt in consideration of parcels of land

Table 4: Capital Receipts Summary

	2016/17 Original Budget per Council Tax report	Period 3 2016/17 Forecast	2016/17 Receipts received to date	Receipts reprofiled into 2017/18
	£m	£m	£m	£m
42 Westbourne Park		2.50		
Moxon Street	86.00	0.00		83.00
UTC Dudley House				
Westbourne green Skate	0.05	0.05		
Multi use games and outdoor	0.05	0.05		
Tresham House (HRA)		3.96		
291 Harrow Road	8.00	8.00		
Contingency Receipt	14.00	14.00		
Merchant Square Westminster Site Option		0.50	0.50	
Reported budget	108.10	29.06	0.50	83.00

8. Financial Implications

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 reprofiling and amendment of capital receipts will result in a shortfall of £3m. This will be covered within existing council resources. This would be through either existing Council borrowing amounts or offset against future capital receipts not already in the programme.

9. Legal Implications

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 be legal and financial penalties.

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 3]

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.