



City of Westminster

Decision Maker:	Audit and Performance Committee
Date:	24 July 2023
Classification:	General Release
Title:	Revenue and Capital Outturn 2022/23
Wards Affected:	ALL
Key Decision:	No
Financial Summary:	The report summarises the Council's 2022/23 year-end financial position
Report of:	Gerald Almeroth, Executive Director – Finance and Resources

1. Executive Summary

- 1.1. This report sets out the Council's 2022/23 outturn position for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA), as well as a summary of the pension fund and the Council's treasury management for the year.
- 1.2. The General Fund (GF) revenue outturn position is a net underspend of £2.967m against an approved budget of £185m. This equates to a net underspend of 1.6%. This is an improved position compared to the Quarter 3 forecast position of a net £3m overspend. This improvement was primarily due to increased income from some services within Environment and City Management and treasury investment income. The revenue underspend will increase the Council's general reserve balance by 3.5% to £60m.
- 1.3. The Council's general reserves are held as risk mitigation and allow the management of any unforeseen circumstances and economic volatility. The current level of general fund reserves is considered a sufficiently robust level to manage any in-year pressures that may arise from either cost inflation or reduced income or funding levels below those factored into the 2023/24 budget. It can also help manage the positive delivery of savings over the medium-term and cover one-off shortfalls in the annual budget setting process.

- 1.4. The HRA outturn is a surplus of £5.139m. The 2022/23 HRA budget had been set with the expectation that income would be fully balanced against expenditure, with no reserve drawdown budgeted for.
- 1.5. The general fund capital outturn is a gross expenditure variance of £69.6m against a revised budget of £267m. The HRA capital outturn has an expenditure variance of £21.894m against a revised budget of £193.777m. Detailed explanations of the reasons for the variances are set out in the report.

2. Recommendations

- 2.1. That Committee notes the outturn position for 2022/23

3. Revenue Budget

General Fund

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

ELT	2022/23 Net Budget £m	2022/23 Net Outturn £m	2022/23 Net Variance £m
Adult Services	54.172	53.963	(0.208)
Children's Services	41.171	43.030	1.858
Environment and City Management	3.245	1.038	(2.207)
Growth, GF-Housing and Planning	23.268	34.371	11.103
Finance and Resources	33.093	9.983	(23.110)
Innovation and Change	19.580	18.701	(0.879)
Public Health	(1.141)	(1.141)	0.000
Other Corporate Directorates	4.237	4.024	(0.213)
Corporate Items*	7.236	17.926	10.690
Total	184.862	181.894	(2.967)

* Corporate Items includes non-specific grants, levy payments, New Homes Bonus and capital financing

- 3.2. The key expenditure variances for the final outturn position across Council services are explained in the sections below. In summary these are:

- Contract and salary inflation was a pressure across all services as inflation rates increased to above 10% over the year. Inflation was 5% at the time of setting the budget. This overspend is contained within Corporate Items in the above table;

- Growth, Planning and Housing overspent as a result of ongoing pressures on temporary accommodation combined with a higher than expected shortfall in planning income;
- Children’s Services overspent due to further demand pressures on short breaks and SEN transport, and;
- Finance and Resources showed a positive variance due to additional treasury investment income as interest rates increased rapidly in the year.

Inflation

- 3.3. Over the past year the Council has experienced significant inflationary pressures above those originally budgeted for. This included additional contract inflation requests from suppliers and finalisation of the 2022/23 pay award. In total these inflationary pressures totalled £10.7m as shown in the table below.

	Pay £m	Contract £m	Total £m
Adult Services	0.525	1.325	1.850
Growth, GF-Housing and Planning	0.629	0.845	1.474
Finance and Resources	0.941	0.672	1.613
Environment and City Management	0.743	2.971	3.714
Childrens Services	0.985	0.377	1.362
Innovation and Change	0.553	0.006	0.559
Other Corporate Directorates	0.118	-	0.118
Total	4.494	6.196	10.690

- 3.4. These inflationary pressures have been shown within the corporate items line on the outturn summary which is reporting a year end overspend of £10.690m. As part of the 23/24 budget setting process additional provision was made for service areas to manage the pay and contract price inflationary pressures experienced during 22/23. In addition the 23/24 budget includes provision for further anticipated pay and contract inflation. An uplift of 5% or £10.4m has been allowed for pay inflation and 5.5% or £12.4m for contract inflation.

Investment Income

- 3.5. Whilst high inflation has created cost pressures for the provision of Council services, it has been mitigated by increases in the Bank of England base rate pushing up the level of investment interest earned on Council cash balances. At the start of 22/23 bank base rate was at 0.75%. Following steady increases throughout the year it reached 4.25% by the end of year and has increased again in June to 5%.

3.6. These increases in investment income have offset the additional inflationary cost pressures but also other service pressures such as those arising from temporary accommodation, resulting in an overall underspend position for 2022/23. Whilst this has been beneficial in the short term, once interest rates reduce that benefit will no longer be there and the additional cost pressures will need to be balanced in other ways.

Major Income Streams

3.7. A summary of the Council's top income variances can be found in the table below:

Key Income Streams	Budget £m	Actuals £m	Variance £m
Parking - paid for parking	41.171	38.332	2.839
Paid for parking - motorcycles	0.625	0.627	(0.002)
Parking penalty charge notices - marshals	15.409	18.710	(3.301)
Parking penalty charge notices - cameras	4.083	4.520	(0.437)
Parking - suspensions and dispensations	21.030	21.563	(0.533)
Parking - resident permits	4.562	4.044	0.517
Parking - trade permits	1.320	1.175	0.145
Commercial Waste	13.720	17.329	(3.609)
Licensing fee income	3.211	2.833	0.378
Road management fees	9.792	10.922	(1.130)
Leisure	1.342	1.351	(0.009)
Registrars	2.401	3.243	(0.842)
Planning – development control	7.642	4.424	3.219
City Promotions, Events and Filming	1.591	2.582	(0.991)
Local Land Charges	1.444	1.491	(0.047)
Property - commercial rental income - General Fund & HRA	31.474	33.096	(1.621)
Court costs recovery income	1.908	3.620	(1.712)
Total	162.723	169.862	(7.139)

Medium-term Financial Plan – 2022/23 savings

- 3.8. In March 2022, Full Council approved £16.588m of savings as part of its balanced General Fund budget.
- 3.9. Achievement of those savings is set out in the table below. Those savings that either weren't achieved or reprofiled form part of the year-end outturn position.

Directorate	Saving achieved £m	Saving reprofiled £m	Saving unachieved £m	SAVINGS TOTAL £m
Adult Social Care	2.610	-	-	2.610
Children's Services	1.483	-	0.450	1.933
Environment and City Management	4.790	0.158	0.900	5.848
Finance and Resources	1.675	0.400	-	2.075
Growth, Planning and Housing	2.410	-	1.100	3.510
Innovation and Change	0.612	-	-	0.612
TOTAL	13.580	0.588	2.450	16.588

- 3.10. 23/24 budgets have already been amended for unachieved savings in GPH and ECM. The unachieved savings in Childrens are being reviewed and will be picked up in the monitor.

Movements from Quarter 3

- 3.11. The main movements by Directorate from the quarter 3 position is shown in the table below:

Movements by Directorate	£m
Quarter 3 Forecast (Underspend) / Overspend	3.043
Adult Services	(0.108)
Growth, GF-Housing and Planning	0.927
Finance and Resources	(3.357)

Environment and City Management	(2.422)
Childrens Services	(0.100)
Innovation and Change	(0.605)
Other Corporate Directorates	(0.173)
Corporate Items	(0.172)
Movement since Q3	(6.011)
Final Outturn for 22/23	(2.967)

Key Variances

3.12. The key expenditure variances across the Council services are explained in further detail below.

Adult Social Care and Public Health (ASC): Underspend £0.208m

- 3.13. The Adult Social Care (ASC) sector continues to face challenges linked to high demand for services and acuity of needs. However, like in past year, these challenges have been robustly managed by maximising efficiencies and lobbying health partners for additional funding. This hard work means that the ASC financial outturn is an underspend of £0.208m which is 0.3% of the net budget, £54.2m. This is £0.100m greater than the position reported previously. The positive movement is largely due to higher income achieved than previous forecast.
- 3.14. The financial position is positive because of £2m one-off funding received in year from the Integrated Care Board (ICB) and £1m from the Department of Health and Social Care (DHSC) to offset cost pressures and allow additional investment to support the hospital discharge process. Expenditure across Homecare continues to increase linked to demand and complexity. The number of Homecare clients increased by 8% in 22/23 compared to the previous year. It is expected that there will be a continuous increase in presenting need within Learning Disabilities, Mental Health, and people with complex needs in the coming year.
- 3.15. In 23/24, central government announced additional funding for the Council, through a £3.1m Market Sustainability and Improvement Fund grant and £2.5m from the Discharge Fund. These grants have conditions and reporting requirements and are expected to be spent in full.
- 3.16. The Public Health financial outturn is a break-even position. The department will continue its commitment to invest in cross-council initiatives and public health interventions which address health inequalities in the local population. The aim will be to target key vulnerable groups, offer increased resilience and support health and wellbeing.

Children's Services: Overspend £1.858m

- 3.17. A £1.858m overspend is reported for Childrens Services which represents 5% of the overall service budget of £41.171m. There was a small net movement of £0.100m since quarter 3.
- 3.18. In the Education service, a £1.420m overspend was reported as a result of short break pressures relating to care packages and direct payments, social care cases from Disabled Children's Team and Tresham-related staffing and building pressures. At the end of 2022/23 there were 97 FTE care packages of which 34 were social care cases in addition to 142 active direct payments where there was a £0.584m overspend on packages as well as £0.240m on staffing.
- 3.19. The annual pressure of operating across multiple sites has been calculated at approximately £0.350m. This is made up of mainly staffing (£0.260m), building costs (£0.050m) and transport costs (£0.040m). There are currently 154 pupils attending the Tresham site of which 32 are social care cases. Additionally, the Council is no longer receiving funding from the NHS where they would have previously funded part of care packages costs under the continuing care panel (circa £0.350m).
- 3.20. Family services overspent by £0.354m mainly due to placement costs particularly those with no recourse to public funds (NRPF).
- 3.21. The net overspend on Libraries and Archives (0.089m) was due to unachieved income targets in Libraries.

Environment & City Management: Underspend £2.207m

- 3.22. Environment and City Management reported a £2.207m underspend which is an improvement of £2.4m on the forecast position as at Quarter 3. This is due to additional income from several areas including Commercial waste, parking bay suspensions and road management.
- 3.23. Waste and Cleansing reported an underspend of £3.580m. Commercial waste collected £3.609m more than budgeted, and experienced growth in both new and existing customers. The economic recovery post pandemic was much higher than originally estimated. Disposal costs underspent by £0.253m due to an untypically high-value rebate from recyclable materials offsetting the increased waste tonnage.
- 3.24. Collection and Cleansing overspent by £0.647m due largely to an additional collection round for sorted paper and glass which also helped reduce disposal costs and additional leased vehicles.
- 3.25. Public Conveniences had an income shortfall of £0.246m which was offset by £0.236m reduced costs, but overall underspent by £0.403m due to a one-off

refund from the contractor relating to a previous financial year. There were other minor net adverse movements £0.028m.

- 3.26. Parking reported an overspend of £0.501m. This was made up of an under recovery of £2.839m on Paid for Parking, £0.517m on Resident Permits and £0.515m on other parking income, offset by over recovery of £0.533m on Suspensions, £0.516m on CCTV PCNs, and £3.256m on Marshal-issued PCNs.
- 3.27. Additional parking service costs of £1.803m were incurred, largely in respect of extra targeted on-street enforcement and other costs associated with higher PCN volumes, the increased number of CCTV cameras, and additional resourcing in the service to support the contract implementation and the ongoing Cycle Hangars scheme. A further underspend £0.868m occurred in respect of Concessionary Fares due to lower usage than anticipated.
- 3.28. Public Protection and Licensing reported a overspend of £1.745m which arises mainly from an expected staffing expenditure saving of £0.9m that was delayed, additional legal provision requirement of £0.1m and income shortfalls of £0.745m from a number of income streams including Massage, Street Trading, Advice Giving and Inspection Services.

Growth, GF-Housing and Planning: Overspend £11.1m

- 3.29. The overall GPH outturn variance to budget is £11.1m, which is broadly consistent with projections throughout the financial year.
- 3.30. Planning income has continued at below the levels of pre-pandemic times and was £3.6m below the budget. Major Applications (that attract the higher fees) are 59% below 2019/20 volumes. The table below shows a comparison of activity levels for planning and pre-planning applications:

	2019/20	2021/22	Change	2019/20 (Q3)	2022/23 (Q3)	Change
Major	67	37	-45%	58	24	-59%
Minor	2,735	3,082	13%	2,121	2,256	6%
Other	7,067	4,916	-30%	5,466	3,647	-33%
Pre Apps	1,272	843	-34%	971	637	-34%

- 3.31. There have been significant pressures in General Fund Housing that have impacted during 2022/23. In particular this has been on Temporary Accommodation, partly demand related, but more significantly driven by supply pressures that are pushing the Council to use expensive emergency accommodation to ensure that they fulfil their statutory duties. The outturn variance to budget is £6.8m (once allowing for the corporately held inflation allocation). It is worth noting that the number of households in nightly rated accommodation at the end of 22/23 had risen to 120 compared to 20 at the

equivalent point in the prior year, and that this will have an impact on the 2023/24 financial position.

- 3.32. The overall number of households housed in temporary accommodation has increased significantly during 2022/23. An average of 2,899 households were housed in TA (compared to 2,692 in 2021/22). On top of this, the average net unit cost of TA has increased from approx. £67 per week to over £113 per week. It is worth noting that the increase during 2022/23 was sharper in the final 6 months of the year, where demand grew by c30 extra households per month, and that this trend has continued into 2023/24.
- 3.33. The outturn position on Housing Benefits is a £0.9m overspend to budget. This is primarily driven by the overall HB expenditure less the HB Subsidy income received being more significantly in deficit than budgeted.

Finance and Resources: Underspend £23.110m

- 3.34. Finance and Resources is reporting a £23.110m underspend against the budget of £33.093m. This is largely due to significant interest rate increases experienced in 2022/23 and has resulted in a favourable return on investment.
- 3.35. The overall outturn position is a favourable variance of £3.357m since quarter 3, this is as a result of:
- 3.36. Corporate Property: £2.4m favourable movement of which £1.875m relates to rent reviews and collection of one-off backdated rent. Of this £1.875m, £1.300m was rent backdated to 2020/21 and £0.575m rent backdated to 2011. In addition, utilities had a favourable movement due to lower than expected energy consumption of £0.346m and there was further realisation of investment income opportunity £0.400m; offset by Queen Mother Sports Centre capital write off £0.593m.
- 3.37. Treasury and Pensions: £2.3m favourable since Q3 as a result of further investment income from increased base interest rates. Daily investment balances steadily increased from £454.5m at 31 March 2022 to £837m at 31 March 2023. Interest rate forecasts were initially suggesting only gradual rises, but the rate rises were more frequent and higher than anticipated leading to a changing position throughout the year. How far interest rates rise will be dependent upon the path of inflation.
- 3.38. Revenues & Benefits: £0.4m favourable movement since quarter 3 which is due to staffing costs coming back in line with the budget (£0.2m) and an improved underspend on benefits administration (£0.1m) and Revenue Services Contract Performance (£0.1m).
- 3.39. The favourable variances outlined have been offset by an overspend in Digital and Innovation of £1.996m. This is attributed to a change in profile on the Small

Cell contract income (£1.285m) following renegotiation (the contract will be achieving the same value, but this has now more backloaded over the 10 year period), as well as a reduction in rechargeable income from HRA staff costs and shared IT software (£0.227m) There is also an overspend in Procurement of £0.2m from reduced staff capitalisation £0.1m and management fees associated with Matrix platform £0.1m.

Innovation & Change: Underspend £0.879m

- 3.40. Overall within Innovation and Change there is an underspend position of £0.879m resulting from staff underspends from vacancies held and improved income within the City Promotions, Event and Filming team.

Other Corporate Directorates: Underspend £0.213m

- 3.41. Other Corporate Directorates have reported a £0.213m underspend which relates to staffing vacancies. The movement from quarter 3 relates largely to the inflation which had not been forecast within People Services and improved underspends on other non-pay areas.

4. Housing Revenue Account (HRA)

- 4.1. The HRA has ended the year with a surplus of £5.139m against budget. The 2022/23 HRA budget had been set with the expectation that income would be fully balanced against expenditure (i.e. no budgeted drawdown of reserves).
- 4.2. The key driver of the surplus was primarily linked to a £nil borrowing requirement on the 2022/23 HRA capital programme. This was largely due to the in-year receipt of additional GLA grant for the Ebury regeneration (moving profiled borrowing back a year and into 2023/24).
- 4.3. The main HRA variances were predominantly corporate items, as follows:
 - Reduced interest costs due to £nil borrowing (£2.232m)
 - A reduced revenue contribution to fund capital (£2.200m)
 - A reduced contribution to the HRA Bad Debt Provision (£0.500m)
 - Lower than budgeted staff incentive payments (£0.348m)
- 4.4. The service delivery element of the HRA budget was balanced, with high levels of inflation on repairs spend (£4.336m) largely offset against staff underspends and increased recovery of costs via leaseholder service charges.
- 4.5. The surplus has been transferred to HRA earmarked reserves to fund known future commitments and mitigate future risk. This includes planned revenue contributions to fund capital (re-profiled from 2022/23), the HRA rent support fund and other planned MTFP initiatives.

5. Capital

5.1. General Fund Capital Programme

5.1.1. The Council's capital programme was approved by full Council in March 2022, with a General Fund expenditure budget of £301.895m and an income budget of £46.939m for 2022/23. The 2022/23 budgets were revised at 2021/22 outturn and again at P6 to an expenditure budget of £267.003m and income budget of £42.170m.

5.1.2. As part of the outturn position, budgets have also been reviewed to reprofile across years. For General Fund, this represents expenditure reprofiling from 2022/23 to future years of £69.667m and income reprofiling from 2022/23 to future years of £11.735m. This is explained in more detail below.

5.1.3. The table below summarises the General Fund capital outturn position for 2022/23:

Directorate	2022/23 Expenditure Budget £m	2022/23 Income Budget £m	2022/23 Net Budget £m	2022/23 Outturn Expenditure £m	2022/23 Outturn Income £m	Net Outturn £m	Expenditure Variance £m	Income Variance £m	Net Variance £m
Adults & Deputy Chief Executive Services	5.460	(0.860)	4.600	4.533	(0.163)	4.370	(0.927)	0.697	(0.230)
Children's Services	10.333	(10.281)	0.052	6.987	(6.977)	0.010	(3.346)	3.304	(0.042)
Environment and City Management	79.116	(19.209)	59.907	50.273	(18.347)	31.926	(28.843)	0.862	(27.981)
Finance & Resources	55.737	(5.127)	50.610	42.625	(3.507)	39.118	(13.112)	1.620	(11.492)
Growth, Planning & Housing	100.087	(6.673)	93.414	74.653	(18.619)	56.034	(25.434)	(11.946)	(37.380)
Westminster Builds	14.700	0.000	14.700	17.599	0.000	17.599	2.899	0.000	2.899
Innovation & Change	1.570	(0.020)	1.550	0.684	(0.003)	0.681	(0.886)	0.017	(0.869)
Total	267.003	(42.170)	224.833	197.354	(47.616)	149.738	(69.649)	(5.446)	(75.095)

5.1.4. In total the general fund capital programme has gross expenditure reprofiling of approximately £69.7m. The detailed reasons for the main variances are explained in the paragraphs below:

5.1.5. This report requests this net movement to be re-profiled into future years. The tables below provide a breakdown of these movements by Directorate.

Expenditure:

Directorate	Slippage from 2022/23 to 2023/24 £m	Bfwd from 2023/24 to 2022/23 £m	Slippage from 2022/23 to 2024/25 £m	Slippage to 2022/23 from 2024/25 £m	Total Slippage £m	(Under)/Overspends £m	Total 2022/23 Outturn Variance £m
Adults & Deputy Chief Executive Services	(0.556)	0.001	0.000	0.000	(0.555)	(0.372)	(0.927)
Children's Services	(2.477)	0.000	0.000	0.000	(2.477)	(0.869)	(3.346)
Environment & City Management	(34.606)	5.327	0.000	0.000	(29.279)	0.436	(28.843)
Finance and Resources	(12.049)	0.027	0.000	0.185	(11.837)	(1.275)	(13.112)
Growth, Planning & Housing	(29.828)	1.950	0.000	0.345	(27.533)	2.099	(25.434)
Westminster Builds	0.000	2.899	0.000	0.000	2.899	0.000	2.899
Innovation and Change	(0.896)	0.011	0.000	0.000	(0.885)	(0.001)	(0.886)
TOTAL	(80.411)	10.215	0.000	0.530	(69.667)	0.018	(69.649)

Income:

Directorate	Slippage from 2022/23 to 2023/24 £m	Bfwd from 2023/24 to 2022/23 £m	Slippage from 2022/23 to 2024/25 £m	Slippage to 2022/23 from 2024/25 £m	Total Slippage £m	Under / (Over) recovery £m	Total 2022/23 Outturn Variance £m
Adults & Deputy Chief Executive Services	0.482	0.000	0.000	0.000	0.482	0.215	0.697
Children's Services	2.435	0.000	0.000	0.000	2.435	0.869	3.304
Environment & City Management	4.061	0.000	0.000	0.000	4.061	(3.199)	0.862
Finance and Resources	1.915	(0.013)	0.000	0.000	1.902	(0.282)	1.620
Growth, Planning & Housing	2.899	(0.097)	0.036	0.000	2.838	(14.784)	(11.946)
Westminster Housing Investments Limited	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Innovation and Change	0.020	(0.003)	0.000	0.000	0.017	0.000	0.017
TOTAL	11.812	(0.113)	0.036	0.000	11.735	(17.181)	(5.446)

5.1.6. The table below summarises the projects with the largest gross expenditure variances to budget:

Project	Variance to Expenditure Budget £m	Comments
Main Fleet Replacement Programme	(16.711)	Delays with securing site lease agreement has resulted in slippage to 2023/24 in site infrastructure works. These are now partially complete, and work is expected to be finalised in June 2023. The 40 electric waste collection vehicles are being built and originally had a delivery date in 2022/23. However, negotiations have taken place with the manufacturer to store the vehicles under their insurance until the electrical charging infrastructure work at the site is completed, which will result in delivery in July 2023.
Westminster Community Homes Loans	(5.733)	Loan agreement between WCC and WCH has not taken place, as planned, this financial year, as legal agreements have taken longer to reach than expected. The loan is for development costs of social units. Units were switched from intermediate to social mid-year, explaining the legal related delays. New viabilities also had to be run to test whether the scheme was viable being 100% social. Agreement is expected early in the new financial year, therefore the variance will be reprofiled to 2023/24.
Temporary Accommodation	(3.877)	Of the targeted 68 acquisitions this year, 49 have been completed, with a further 10 where a sale had been agreed, but legal completion had not been achieved by 31 st March 2023 (of these, 4 completed during April 2023). The nature of this programme of acquisitions means that unspent resources will be rolled forward into 2023/24 and beyond. A review of the structure of the service is being undertaken with a view to accelerating the delivery of the overall acquisitions programme, this will form the basis of a Cabinet Member report in the summer.
Church Street Acquisitions	(3.400)	The acquisitions programme is driven by engagement from residents and negotiations are still in progress and these units are expected to complete in 2023. A certain number of homes would have been budgeted for in 2022/23, however as these were not

		purchased, all costs (the values of the properties and any associated costs) have been reprofiled to 2023/24.
Carbon Management Programme	(3.207)	The focus has been on completing the Phase 1 BEIS funded projects so most of the work on the Council/S106 funded projects has been reprofiled to 2023/24, as part of a rolling programme. These projects include Seymour Leisure Centre, Stowe Youth Centre, Maida Vale Library, George Eliot Primary School, Barrow Hill Junior School, Four Feathers, Queens Park Library and Abbey Community Centre.
Improvements Investment Properties	(2.425)	The reprofile reflects the following: <ul style="list-style-type: none"> • Orange Street (£1.072m) – changes in the specification and the time taken to agree the contract has delayed the delivery of this work. The work is now expected to complete in Q2 23/24 • Huguenot House – maintenance / refurbishment (£0.757m) – work was delayed, now expected to commence in Q2 2023/24. • Other projects (£0.596m) – an allowance for ad hoc investment portfolio projects that was not required in 2022/23
Public Realm Improvement Schemes	(2.418)	Several smaller schemes (Abel & Cleland, Wellington hotel, Connaught Village Green) which were planned to start in 2022/23 have now been rescheduled to start in 2023/24 due to project funders' request, as there were issues securing and raising funding - these have now been resolved. Therefore, expenditure has been reprofiled to 2023/24.
Highways - Protective Measures	(2.172)	Issues outside of the control of WCC 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 to 2023/24.
Lisson Grove Programme	(1.763)	The budget assumed three acquisitions of Gayhurst House units to be completed this year. At Period 9, the best-case scenario was for one unit to be purchased this financial year, less than planned. The acquisitions programme is driven by engagement from residents and negotiations are still in

		progress and these units are expected to complete in 2023. The spend has been reprofiled into 2023/24.
Church Street Green Spine Public Realm	(1.562)	Reprofiling is due to a year's defects on the planting (standard for planting contract) and contingency kept back for 1 year from completion to ensure there are no defects or issues.
Strand-Aldwych	(1.560)	£0.8m costs for the sculptural benches to be incurred in 2023/24, £0.5m risk and contingency not utilised in year, £0.25m utility costs timing differences within the contractor's schedule. Further delays due to planning approval meaning that materials could not be ordered. Therefore, the spend has been reprofiled to 2023/24.
Planned Preventative Maintenance - Lighting	(1.548)	Structural critical columns work affected by long delays with obtaining materials due to overseas supply issues. Also, several street works notices being declined due to other utilities working in the road and some issues found on site as existing columns are on bespoke foundations. This has resulted in delays to the programme, therefore the spend has been reprofiled to 2023/24.
TOTAL	(46.376)	

5.2. Housing Revenue Account Capital Programme

5.2.1. The 2022/23 HRA capital budget was initially approved at **£197.508m** (in March 2022). Slippage of **£4.294m** from the 2021/22 outturn was subsequently added. When the capital budgets were revised at P6 to reflect in-year projections, the HRA budget was reduced by **£8.025m**. This resulted in a revised 2022/23 HRA capital budget of **£193.777m** (see table below).

HRA Capital Programme	2022/23 Base Budget £m	2021/22 Slippage £m	2022/23 Budget + Slippage £m	2022/23 P6 Reprofile Budget £m
Housing Planned Maintenance	57.826	-	57.826	49.985
Housing Regeneration	121.529	4.294	125.823	126.689
Other Projects	18.153	-	18.153	17.103
Total Capital Expenditure	197.508	4.294	201.802	193.777

5.2.2. The 2022/23 outturn resulted in a variance of **£21.894m** against the revised budget (see table below). Much of this variance reflects a need to re-profile the budgets for several the Development projects within the HRA capital programme in response to revised delivery timelines and/or amended payment schedules.

HRA Capital Programme	2022/23 Revised Budget £m	2022/23 Out-turn £m	2022/23 Variance £m
Housing Planned Maintenance	49.985	52.778	2.793
Housing Regeneration	126.689	116.197	(10.492)
Other Projects	17.103	2.908	(14.195)
Total Capital Expenditure	193.777	171.883	(21.894)

5.2.3. In most instances, the slippage reflects a simple adjustment to the 2023/24 HRA capital budget. However, there are some instances where the budget slippage has been re-profiled into later years. The proposed increase to the 2023/24 HRA capital budget because of slippage from 2022/23 into 2023/24 is £21.416m. This is summarised in the table below.

Programme Element	2022/23 HRA Capital Outturn Variance	Allocation of 2022/23 Variance		
		Slippage into 2023/24	Slippage into 2024/25+	(Under) / Overspend
Planned Maintenance	2.793	-	-	2.793
Development & Regeneration	(10.492)	(18.323)	7.431	0.400
Other Projects	(14.195)	(3.092)	(11.103)	-
TOTAL	(21.894)	(21.415)	(3.672)	3.193

5.2.4. The HRA Business Plan approved by Full Council in March 2023 approved a gross 2023/24 HRA capital budget of **£148.110m**. The proposed re-profiling of **£21.416m** of budget from 2022/23 would result in a revised total budget of **£169.526m** (see below).

HRA Capital Programme	2023/24 Base Budget £m	2022/23 Slippage £m	2023/24 Total Budget £m
Housing Planned Maintenance	60.796	-	60.796
Housing Regeneration	84.525	18.323	102.848
Other Projects	2.789	3.092	5.881
Total Capital Expenditure	148.110	21.416	169.526

5.2.5. Details of the major drivers for the re-profiling being reflected because of slippage in 2022/23 are laid out below:

- **Ebury** covers most of the proposed re-profiling into 2023/24 (£14.667m). This is due to some initially optimistic cash flow forecasts from the on-site contractors (BYCK and G&T) which caused the variance in 2022/23. However, positive progress has been delivered since and is expected to ensure the scheme remains on track for its currently projected timescales.
- The **Self- Financing programme** includes re-profiling of £3.092m (within the Other Projects heading above). Disposals of social units were ceased in 2022/23, however some acquisitions are expected to complete in this financial year (funded from historic capital receipts generated by the programme).
- **Ebury Acquisition** includes reprofiling of £1.390m of acquisition budget due to some buybacks not being completed because of conveyancing delays.
- **Cosway** shows slippage of £1.149 due to a change in practical completion (PC) date, with the scheme now due be completed in 2023/24 financial year.
- **Infill development programme** includes re-profiling of £1.044m due to revised programme on a number of the individual schemes. This was a consequence of high inflation on construction materials which delayed the tendering of contracts.
- **Cundy St Quarter** shows re-profiling of £1.000m due to a delay to the project timeline that has shifted the proposed purchase of the units into the new financial year.

6. Financial Implications

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

7. Legal Implications

7.1. Section 151 of the Local Government Act 1972 requires the Council to make such arrangements for the proper administration of their financial affairs.

7.2. Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer to report on the robustness of the estimates made and the adequacy of the proposed financial reserves in the budget calculations. This is included throughout the report.

- 7.3. Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget. Failure to set an appropriate budget may lead to intervention from the Secretary of State.
- 7.4. The keeping of the Housing Revenue Account (HRA) is governed by Schedule 4 of the Local Government and Housing Act 1989. On 10 November 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published guidance on the operation of the ring-fenced HRA account. The guidance updated and replaced previous guidance and the Council should adhere to such guidance in relation to the HRA.
- 7.5. Section 76 of the Local Government and Housing Act 1989 requires the Council to prevent debit balances on the Housing Revenue Account.

If you have any queries about this report or wish to inspect any of the background papers please contact:

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