



City of Westminster

# Cabinet Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	29 January 2024
<b>Classification:</b>	General Release
<b>Title:</b>	Capital Budget Re-Profiling & Budget Changes Q2 2023/24
<b>Wards Affected:</b>	ALL
<b>Key Decision:</b>	Yes
<b>Financial Summary:</b>	<p>Following production and approval of the Q2 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, several 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 £67.181m (General Fund) and £36.875m (HRA) are the requested movements to the 2023/24 budget. Further details are provided below.</p>
<b>Report of:</b>	<i>Gerald Almeroth, Executive Director of Finance Resources</i>

## 1. Executive Summary

- 1.1. The Council has an approved gross capital budget of £360.386m for the General Fund (GF) and £169.525m for the HRA. The 2023/24 capital budgets were approved by Full Council in March 2023.
- 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 2023/24 into future years but there are some instances where budgets have moved into 2023/24 from future years. Overall, this represents a net change in the budget for 2023/24 of

£67.181m for the General Fund and £36.875m for the HRA – this is explained in more detail in sections 3 and 4.

- 1.3. The revised 2023/24 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 £67.181m for individual projects as part of the 2023/24 GF capital budget.
- 2.2. That Cabinet approves re-profiling of £36.875m for individual projects as part of the 2023/24 HRA capital budget.
- 2.3. That Cabinet approves the Place Shaping Virement of £3.064m.

## 3. General Fund Capital Programme

- 3.1. The Quarter 2 capital monitoring reporting updated ELT on forecasts for capital spend and external funding for 2023/24. 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 2023/24 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 2023 as part of the annual budget setting process. The current capital budgets include re-profiling from the end of 2022/23 as approved by Cabinet in July 2023. The current position is summarised below in table 1:

Table 1

	Gross Expenditure	Gross Financing	Net Budget
	£m	£m	£m
Budget approved by Full Council for 2023/24 (in March 2023)	267.003	(42.170)	224.833
Approved 2022/23 Outturn Reprofiting (Approved by Cabinet in July 2023)	93.383	(48.595)	44.788
<b>Revised approved 2023/24 Budget</b>	<b>360.386</b>	<b>(90.765)</b>	<b>269.621</b>

Table 2 – Breakdown of 2023/24 budget movement for approval

The table below summarises the budget movement reported at Quarter 2, with a net movement of £67.181m.

	Expenditure Movement	Financing Movement	Net Movement
	£m	£m	£m
Re-profiling from 2023/24 into Future Years	(95.842)	37.392	(58.450)
Re-profiling to 2023/24 from Future Years	29.786	0.000	29.786
<b>Total Reprofiling</b>	<b>(66.056)</b>	<b>37.392</b>	<b>(28.664)</b>
Over/(Under)spends	(40.083)	1.566	(38.517)
<b>Total Q2 Movements in 2023/24 Budget for approval</b>	<b>(106.139)</b>	<b>38.958</b>	<b>(67.181)</b>

Table 3 – Proposed 2023/24 Budget

The table below summarises the proposed 2023/24 budget, adjusting the previously approved capital budget with the Quarter 2 budget movements.

	Gross Expenditure	Gross Financing	Net Budget
	£m	£m	£m
Approved 2023/24 Budget (including Outturn Reprofiling)	360.386	(90.765)	269.621
Q2 Movement for approval	(106.139)	38.958	(67.181)
<b>2023/24 Budget for approval</b>	<b>254.247</b>	<b>(51.807)</b>	<b>202.440</b>

A more detailed project reprofiling breakdown is provided in Appendix 1 and Table 4a and Table 4b below summarises the movement by each ELT area.

**Table 4a: Gross Expenditure Movement**

ELT Area	Reprofiling from 23.24 to 24.25 £m	Reprofiling to 23.24 from 24.25 £m	Reprofiling from 23.24 to 25.26 £m	Reprofiling from 23.24 to Other Future Years £m	Reprofiling to 23.24 from Other Future Years £m	Total Reprofiling £m	(Under) / Overspends £m	Total 23.24 Q2 Variance £m
Adults & Deputy Chief Executive Services	(10.293)	-	-	-	-	(10.293)	(0.502)	(10.795)
Children's Services	(1.682)	-	-	-	-	(1.682)	0.950	(0.732)
Housing & Commercial Partnerships	(0.124)	-	-	-	25.779	25.655	(1.239)	24.416
Regeneration, Economy and Planning	(29.247)	1.296	-	(0.855)	-	(28.806)	1.849	(26.957)
Environment, Climate & Public Protection	(23.438)	0.761	(9.929)	(9.006)	-	(41.612)	(8.265)	(49.877)
Finance and Resources	(10.151)	1.950	(1.117)	-	-	(9.318)	(6.815)	(16.133)
Innovation and Change	-	-	-	-	-	-	0.296	0.296
Westminster Housing Investments Limited	-	-	-	-	-	-	(26.357)	(26.357)
<b>TOTAL</b>	<b>(74.935)</b>	<b>4.007</b>	<b>(11.046)</b>	<b>(9.861)</b>	<b>25.779</b>	<b>(66.056)</b>	<b>(40.083)</b>	<b>(106.139)</b>

**Table 4b: Gross Financing Movement**

ELT Area	Reprofiling from 23.24 to 24.25 £m	Reprofiling to 23.24 from 24.25 £m	Reprofiling from 23.24 to 25.26 £m	Reprofiling from 23.24 to Other Future Years £m	Reprofiling to 23.24 from Other Future Years £m	Total Reprofiling £m	Under / (Over) recovery £m	Total 23.24 Q2 Variance £m
Adults & Deputy Chief Executive Services	15.419	-	-	-	-	15.419	0.482	15.901
Children's Services	1.632	-	-	-	-	1.632	(0.950)	0.682
Housing & Commercial Partnerships	-	-	-	-	-	-	2.750	2.750
Regeneration, Economy and Planning	4.692	-	3.561	-	-	8.253	(5.828)	2.425
Environment, Climate & Public Protection	4.553	-	4.447	2.650	-	11.650	4.122	15.772
Finance and Resources	0.438	-	-	-	-	0.438	1.286	1.724
Innovation and Change	-	-	-	-	-	-	(0.296)	(0.296)
Westminster Housing Investments Limited	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>26.734</b>	<b>-</b>	<b>8.008</b>	<b>2.650</b>	<b>-</b>	<b>37.392</b>	<b>1.566</b>	<b>38.958</b>

3.4. Details of the major expenditure changes being put forward for approval are provided in the following section:

- Westminster Housing Investment Limited** is reporting an underspend of £26.357m. The original budget assumed investment in Ebury Phase 2- this is no longer planned for this financial year due to on-site delays. Phase 2 is now scheduled for 2024/25. Furthermore, a £9.000m acquisition at Harrow Road will now be purchased directly by Westminster Builds. The 2023/24 variance has been reported as underspend and the future year budgets have been updated.
- In-Borough Acquisitions for Temporary Accommodation** is reporting £24.579m being brought forward from future years. In order to reduce WCC's reliance on expensive emergency temporary accommodation provisions, acquisitions have been completed at a faster pace to mitigate these costs. This was part of the Temporary Accommodation strategy to target current pressures.

- **Oxford Street** is reprofiling £9.374m from 2023/24 to 2024/25. The scheme is under continual review and the 2023/24 budget now aligns with full year expenditure expectations.
- **District High Streets** is reprofiling £3.021m from 2023/24 to 2024/25, as this project requires extensive consultation with the local community to shape the delivery of the programme. As a result of this community engagement and need for consultation, the project is still in the design and scope stages.
- **Public Conveniences Renovation** is reprofiling £2.874m from 2023/24 to 2024/25. This reprofiling is due to the complexities of underground public conveniences, as work will commence next financial year with sites being renovated one at time in order to minimise disruption.
- **North Paddington Place Plan** is reprofiling £2.817m from 2023/24 to 2024/25. A 1st year programme has now been agreed and spend has been reprofiled to match the expected programme delivery, as the initial budget was provisional.
- **Landlord Responsibilities** is reporting an underspend of £1.802m. The overall progress on the work programme has been slower than expected due to contractor performance. The variance is reporting as underspend as reprofiling the variance to 2024/25 would result in an undeliverable 2024/25 expenditure budget.
- **Seymour Leisure Centre** is reprofiling £1.479m from 2024/25 to 2023/24 as the original budget assumed construction would begin at a later date.
- **300 Harrow Road** is reprofiling £1.296m from 2024/25 to 2023/24. This is based on final account expectations which are due in Quarter 3 of 2023/24, as the scheme has reached practical completion.

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

- **Oxford Street** is reprofiling £15.000m of funding from 2023/24 to 2024/25. The scheme is under continual review and the 2023/24 funding budget now aligns with future year expenditure expectations.
- **North Paddington Place Plan** is reprofiling £2.817m of funding from 2023/24 to 2024/25. As the expenditure forecast is below budget, the funding forecast will match. The provisional budget has now been refined and the first year programme agreed, therefore the remaining budget will be slipped into 2024/25, matching expected programme delivery.

- **Ceremonial Streetscapes** is reprofiling £1.480m of funding from 2023/24 to future years. 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 the decision to re-profile part of the scheme.
- **Zero Emissions Street Cleansing Vehicles** is reprofiling funding of £1.447m from 2023/24 to 2024/25. This is due to delayed planning permissions for electrical works at the depot, resulting in knock-on site delays.

#### 4. Virement for Approval

The virement below has been reflected in the Quarter 2 forecasts and movements for approval above. Due to a review of priorities, based on the impact of Covid-19 and ambitions set on Fairer Westminster Strategy and Delivery Plan; a redistribution of budget between existing Place Shaping Capital programmes is being put forward for approval.

Please see the table for the recommended virement:

From		To	
Scheme	Amount £m	Scheme	Amount £m
Thames Riverfront *	1.500	Greening Westminster	0.300
	-	Paddington Place Plan	1.000
	-	Pimlico Place Strategy	0.200
WEP Programme	1.564	Harrow Road Place Plan	1.100
		Strand Aldwych	0.214
	-	Victoria Place Plan	0.250
<b>TOTAL</b>	<b>3.064</b>	<b>TOTAL</b>	<b>3.064</b>

\*There will be £202k of remaining Thames Riverfront budget which will be retained to scope the future programme.

Further details, including the impacts are detailed in **Appendix 3**.

## 5. HRA Capital Programme

The HRA Business Plan approved by Full Council in March 2023 approved a gross 2023/24 HRA capital budget of **£148.110m**. The approved outturn reprofiling of **£21.416m** resulted in a revised total budget of **£169.525m** (see below).

Table 1

	Base Budget	2022/23 Slippage	2023/24 Budget
	£m	£m	£m
HRA Capital Programme			
Housing Planned Maintenance	60.796	-	60.796
Housing Regeneration	84.525	18.323	102.848
Other Projects	2.789	3.092	5.881
<b>Total Capital Expenditure</b>	<b>148.110</b>	<b>21.415</b>	<b>169.525</b>

As at Period 6 the HRA is now estimating to spend £206.400m. This results in total reprofiling of £36.875m budget from future years into 2023/24.

Table 2

	Full Year Budget	P6 Budget	Variance
	£m	£m	£m
HRA Capital Programme			
Housing Planned Maintenance	60.796	60.796	0.000
Housing Regeneration	102.848	141.815	38.967
Other Projects	5.881	3.789	(2.092)
<b>Total Capital Expenditure</b>	<b>169.525</b>	<b>206.400</b>	<b>36.875</b>

There is no reprofiling planned on the HRA Planned Maintenance programme, however the increase is largely due to accelerated programmes of delivery and increased construction costs since the Business Plan was updated in Summer 2022.



Table 3

HRA Capital Programme	Original 2023/24 Budget £m	Reprofiling £m	Underspend £m	Revised 2023/24 Budget £m
Planned Maintenance	60.796	-	-	60.796
Development & Regeneration	102.848	38.967	-	141.815
HRA Other	5.881	-	(2.092)	3.789
<b>Total Capital Expenditure</b>	<b>169.525</b>	<b>38.967</b>	<b>(2.092)</b>	<b>206.400</b>

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

There is an increase in forecast in-year on **Ebury Phase 1 (£16.500m)** and **Phase 2 (£4.490m)**. The main contract value has increased via a deed of variation which has been approved via Cabinet Member Report. There has also been an increase to CIL costs as a result of tenure changes on the scheme and an update to consultancy fees to reflect the revised programme. Contractors cashflow assumptions have also been revised and some works, including Phase 2 demolition accelerated to 23/24. Overall, Phase 1 is forecasting an overspend of £12.348m. Phase 2 specifications and costs are still being finalised and value engineered.

**Pimlico (£8.550m)**. Construction of Block A is ahead of schedule with confirmation received from the external QS. This is reflected in reduced forecasts for future years. Overall, the scheme has an overspend of £6.7m which will be contained within the current business plan.

**Queens Park Court, Torridon Car Park and Adpar Street (Infills)** are projecting higher spend in 2023/24 due to accelerated progress made on site by contractors. This will have no impact on the overall programme cost.

**Church Street (£1.618m)**. Increased overall forecast primarily related to an update of professional fees for preparation of demolition contract, and consultant support for the CPO process and JV Partner Procurement. Demolition budget has also been updated to reflect the revised cost plan.

**Carlton Dene (£1.455m)** is projecting higher spend in 2023/24 due to the Stage One contract being awarded earlier than anticipated. The increase in forecast will not have any material impact on the total costs over the life of the scheme, just the profile in this financial year

## 6. Financial Implications

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

## **7. Legal Implications**

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

## **8. Carbon Impact**

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

## **9. Equalities Impact**

9.1. 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  
Appendix 3 – Place Shaping Virement Detail**