



City of Westminster

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| Decision Maker: | Audit and Performance Committee |
| Date: | 18 July 2024 |
| Classification: | General Release |
| Title: | Revenue and Capital Outturn 2023/24 |
| Wards Affected: | ALL |
| Key Decision: | No |
| Financial Summary: | The report summarises the Council's 2023/24 year-end financial position for both revenue and capital. |
| Report of: | Gerald Almeroth, Executive Director – Finance and Resources |

1. Executive Summary

- 1.1. This report sets out the Council's 2023/24 year end outturn position. The General Fund (GF) revenue outturn position is a net overspend of £0.69m. This is against an approved budget of £193.6m - a net overspend of 0.4%. It is an improvement compared to the Quarter 3 forecast position of a net £2.67m overspend. This is due to a number of factors such as additional income from some services within Environment, Climate & Public Protection, additional property income and interest on cash balances offset by additional inflationary costs and a reduction in funding from the NHS for children's services costs. This revenue overspend will decrease the Council's general reserve balance by 0.1% to £59.7m.
- 1.2. 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 demand pressures, cost inflation or reduced income or funding levels below those factored into the 2024/25 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.
- 1.3. The HRA outturn is a deficit of £1.705m. An improvement of £0.264m on quarter 3 reporting.

- 1.4. The general fund capital outturn is a gross expenditure variance of £81.7m against a revised budget of £253.5m. The HRA capital outturn has an expenditure variance of £20.9m against a budget of £206.4m. Detailed explanations of the reasons for the variances are set out in the report.

2. Recommendations

- 2.1. That Audit and Performance Committee notes the revenue outturn position for 2023/24
- 2.2. That Audit and Performance Committee note the capital outturn position for 2023/24

3. Revenue Budget

General Fund

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

| ELT | 2023/4 Net Budget £m | 2023/4 Net Outturn £m | 2023/4 Net Variance £m |
|--|-------------------------------|--------------------------------|---------------------------------|
| Adult Services | 63.326 | 63.313 | (0.013) |
| Public Health | (1.013) | (1.028) | (0.015) |
| Housing and Commercial Partnerships | 32.532 | 58.336 | 25.804 |
| Regeneration, Economy and Planning | 5.853 | 6.715 | 0.862 |
| Environment, Climate & Public Protection | 5.814 | 4.179 | (1.635) |
| Children's Services | 43.618 | 47.254 | 3.636 |
| Innovation & Change | 16.157 | 15.191 | (0.966) |
| Other Corporate Directorates | 1.922 | 1.887 | (0.035) |
| Corporate Services | 7.172 | 6.847 | (0.325) |
| Finance & Resources | 15.940 | (14.558) | (30.498) |
| Corporate Items | 2.291 | 6.164 | 3.873 |
| Total | 193.611 | 194.300 | 0.689 |

* Corporate Items includes non-specific grants, levy payments, capital financing

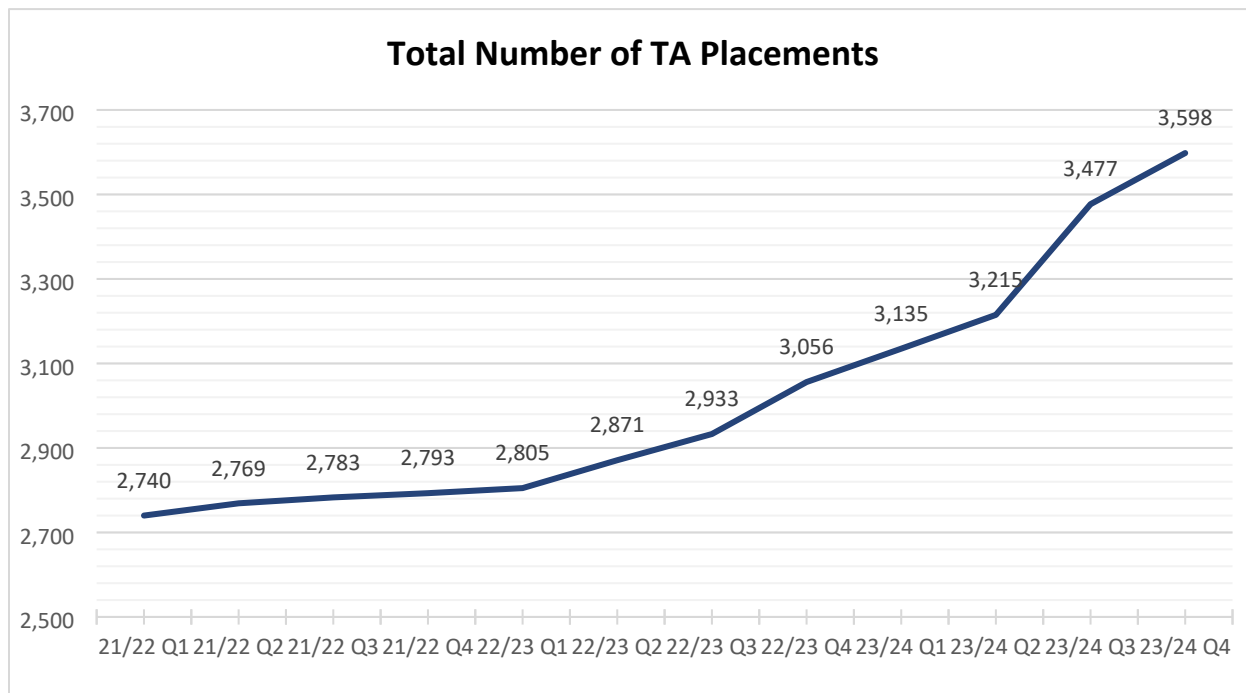
- 3.2. The key expenditure variances for the final outturn position across Council services are explained in the sections below. In summary these are:

- Housing and Commercial Partnerships overspent as a result of a significant increase in demand for temporary accommodation combined with a higher costs of accommodation;

- Children’s Services overspent due to a shortfall in joint funding from the NHS and an increase in costs for Looked after Children Placements and for support for those with no recourse to public funds;
- Contract and salary inflation was a pressure across all services as high inflation rates persisted throughout the year. The full year overspend against the budget held centrally for inflation is contained within Corporate Items in the above table;
- Finance and Resources showed a positive variance due to additional treasury investment income as a result of the higher than expected interest rates in year.

Temporary Accommodation

3.3. The service has experienced a sharp increase in demand for TA since the beginning of 2022/23. The number of TA placements has risen to over 3,500 versus 2,833 at the end of the equivalent quarter in 2022/23 (a 21% increase in the last 12 months).



*Note: The number of TA placements is a slightly higher measure than the number of households in TA (but more relevant to cost)

Inflation

- 3.4. Over the past year the Council has continued to experience significant inflationary pressures. Whilst inflation has reduced, it has remained higher than anticipated when the budget was set. This has had a significant impact on the current cost of a range of service contracts across the Council. This included additional contract inflation requests from suppliers and finalisation of the 2023/24 pay award.
- 3.5. In total these inflationary pressures totalled £30.792m of which £8.027m was pay inflation and £22.765m was related to contract inflation. The largest inflation impact in year was for contract inflation with significant movements in Environment, Climate and Public Protection (£7.863m), Finance and Resources (£5.422m) and Adult Social Care (£4.879m).
- 3.6. As part of the 2024/25 budget setting process provision has been made for further anticipated pay and contract inflation pressures across service areas in line with projections for annual CPI increases and other known changes such as the London Living Wage increases.

Investment Income

- 3.7. Increases in the Bank of England base rate have pushed up the level of investment interest earned on Council cash balances. At the start of 2023/24 bank base rate was at 4.25% rising to 5.25% by the August 2024 and has remained at that level.
- 3.8. These increases in investment income have helped to offset the significant additional temporary accommodation cost pressures. 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

- 3.9. 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 | 43.701 | 39.581 | 4.120 |
| Parking Penalty charge notices - Marshals | 15.609 | 22.192 | (6.583) |
| Parking Penalty charge notices - Cameras | 4.283 | 4.144 | 0.139 |
| Parking - Suspensions and dispensations | 22.130 | 22.251 | (0.121) |
| Parking - Resident Permits | 4.362 | 3.942 | 0.420 |
| Parking - Trade Permits | 1.140 | 1.044 | 0.096 |

| | | | |
|--|----------------|----------------|----------------|
| Commercial Waste | 17.420 | 19.330 | (1.910) |
| Licensing | 6.516 | 6.747 | (0.231) |
| Road Management | 10.477 | 10.191 | 0.286 |
| Community Services | 1.438 | 1.642 | (0.204) |
| Registrars | 2.937 | 3.394 | (0.457) |
| Planning | 6.397 | 5.062 | 1.335 |
| City Promotions, Events and Filming | 1.954 | 2.785 | (0.831) |
| Local Land Charges | 1.574 | 1.683 | (0.109) |
| Property Income - General Fund | 32.498 | 32.703 | (0.204) |
| Court costs recovery income | 5.526 | 4.243 | 1.283 |
| Westminster Adult Education Service (WAES) | 1.257 | 0.959 | 0.299 |
| Other | 3.894 | 3.560 | 0.333 |
| Total | 183.113 | 185.453 | (2.339) |

Medium-term Financial Plan – 2023/24 savings

- 3.10. In March 2023, Full Council approved £25.907m of savings as part of its balanced General Fund budget.
- 3.11. 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 | 1,955 | - | - | 1,955 |
| Children's Services | 1,033 | 25 | 700 | 1,758 |
| Environment, Climate and Public Protection | 10,023 | - | 1,630 | 11,653 |
| Finance and Resources | 3,728 | 150 | 650 | 4,528 |
| Regeneration, Economy and Planning | 850 | - | - | 850 |
| Housing and Commercial Partnerships | 490 | - | - | 490 |
| Innovation and Change | 730 | - | 145 | 875 |
| Other Corporate Directorates | 200 | - | - | 200 |
| Collaborative / Cross Council | 2,198 | - | - | 2,198 |
| Total | 21,207 | 175 | 3,125 | 24,507 |

Movements from Quarter 3

- 3.12. The main movements by Directorate from the quarter 3 position are outlined below:

Expenditure Variances

- Children's Services: The risk reported at Q3 regarding a shortfall in joint funding from the NHS has materialised resulting in an overspend of £0.65m. Additional placement costs have also resulted in a variance of £0.5m.

- Inflation: additional inflationary pressures across all service areas increased the previously reported variance by £1.5m

Income Variances

- Environment, Climate & Public Protection: Changes between Q3 and the year-end position were largely income related. There was lower road management income than forecast at Q3 by £0.3m. Suspensions income was £0.4m higher than the forecast together with commercial waste income by £0.4m.
- Regeneration, Planning & Economy: £0.9m one off income from overage from the Farm St development site was confirmed as part of the outturn and there was an improvement in planning income from the Q3 forecast of £0.3m
- Interest Earnings: £1.4m additional interest on cash balances from the forecast amount at Q3.
- Property Income: £0.6m turnover rent at Portman Square agreed from 2020/21 to 2022/23. This was partially identified as an opportunity as part of Q3 monitoring.

Key Variances by Service

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

Adult Social Care and Public Health (ASC): Underspend £0.013m

3.14. The financial position at the end of 2023/24 for Adult Social Care showed a small underspend of £0.013m against a net budget of £63m.

3.15. The overall service financial position is significantly strengthened by supplemental funding received in 2023/24 through the Market Sustainability and Improvement Fund and the Discharge Fund, totalling £5.5m. Additionally, as in previous years, the directorate secured £1.1m from the Northwest London Integrated Care Board (NWLICB) to continue to support the timely discharge from hospital and avoid delays. However, there is currently uncertainty regarding the availability of these grants from the financial year 2025/26. Any reduction in funding will create a financial pressure in future years.

3.16. The directorate continues to experience an increase in demand for ASC services, particularly Homecare, coupled with an increase in expenditure from existing service users with more complex care needs. This situation is further complicated by the challenges faced by care providers, who are reporting higher costs for placing service users. In the last quarter of 2023-24, the directorate experienced

an uptick in costs of £0.350m more than the forecast. The adverse impact was offset by non-recurring favourable movements across a range of non-pay expenditure lines. However, the full-year effect of this uptick is £1.4m which is anticipated to have an impact in the forthcoming financial year. Consequently, the increase will need careful consideration in future financial planning.

Public Health

- 3.17. The Public Health financial position was a break-even against the ring-fenced grant. Expenditure in Public Health includes commissioned services, a cross-council investment programme and wider time-limited projects to improve health outcomes and address health inequalities.

Children's Services: Overspend £3.636m

- 3.18. A £3.636m overspend is reported for Children's Services which represents 8% of the overall service budget of £43.618m. There was a movement of £1.156m since quarter 3 reporting.
- 3.19. Increasing costs in relation to families with no recourse to public funds (NRPF) have resulted in pressure on the budget with an overspend of £0.6m. This is due to the increasing cost of accommodation for these families. Social Care placements that have a health element have previously been joint funded by the NHS Integrated Care Board (ICB). The ICB have not agreed any new cases for this financial year, resulting in an income shortfall of £1.3m.
- 3.20. Other pressures include an overspend of £0.7m for Looked after Children Placements and £0.3m in Education related to cost pressures in school standards, roll out of virtual schools and Educational Psychologists. Staffing pressures have also resulted in an additional £0.5m pressure.
- 3.21. The net overspend on Libraries and Archives (£0.2m) was due to lower than anticipated income and increased cost for security.

Environment, Climate and Public Protection : Underspend £1.635m

- 3.22. Environment, Climate and Public Protection (ECP) reported a £1.635m underspend against a net budget of £5.814m. This is an improvement of £0.635m on the forecast position as at Quarter 3. This is due to additional income from several areas including Commercial waste and parking bay suspensions.
- 3.23. Waste and Cleansing reported an underspend of £0.416m. Commercial waste collected £1.910m more than budgeted, and experienced growth in both new and existing customers. There are pressures within the Waste Collection & Street Cleansing service relating to the hire of ULEZ compliant waste vehicles and gritters, increased spend on Commercial Waste bag stock and services that contribute to the increased sales income, and a charge from the waste contractor for the increased costs of an additional bank holiday. A delay in the delivery of

electric street cleansing vehicles has meant that the associated contract savings have also been delayed but should be realised next year.

3.24. Public Conveniences had an overspend of £0.098m which was due to shortfalls in income because of the barriers not having a contactless payment option for the majority of the year and the overall decline in coin usage.

3.25. Parking reported an underspend of £1.071m. The primary reason for this was the increase in PCNs resulting in increased income £6.583m this was driven by increased marshal presence. The remaining factors are made up of improvement in suspension income; reduction in residential permit income compared to budget; increase staffing costs in conjunction with additional marshal presence as mentioned above.

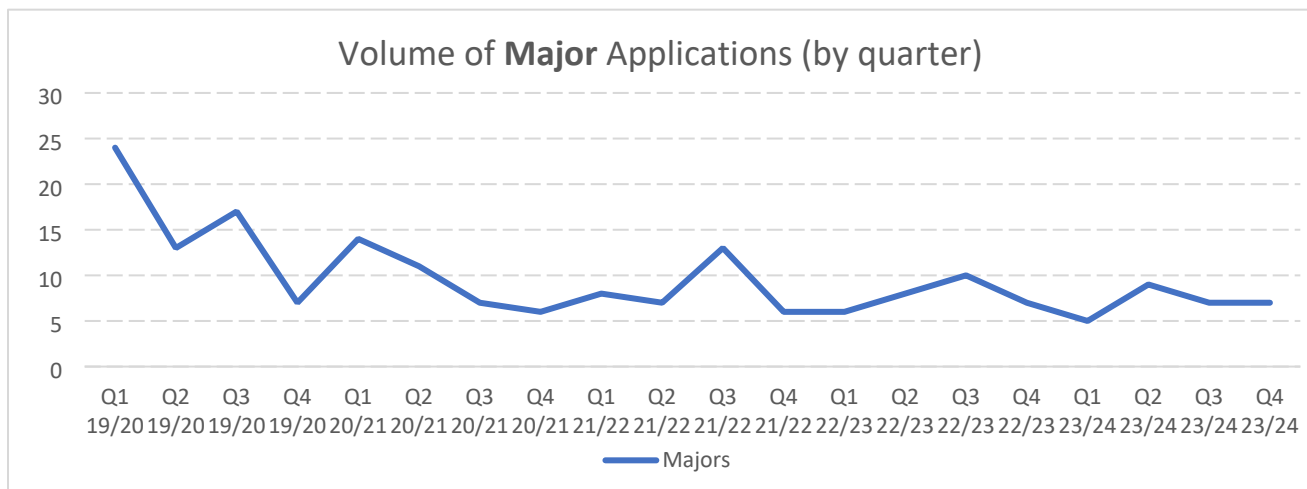
Regeneration, Economy & Planning (REP): £0.862m overspend

3.26. The Regeneration, Economy and Planning directorate is reporting a £0.862m overspend against the budget of £5.853m, this is an improvement of £1.361m since Quarter 3. This is due to an improvement in planning income of £424k and one-off income from Farm Street overage of £0.846m.

Table 3 – Activity Levels for Planning and Pre-Planning Applications

| Application Volumes at the end of Quarter 4 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|--------------|--------------|--------------|--------------|--------------|
| Majors | 61 | 38 | 34 | 31 | 28 |
| Minors | 3,637 | 2,917 | 3,101 | 2,984 | 2,797 |
| Other | 5,558 | 4,461 | 4,917 | 4,971 | 5,080 |
| TOTAL | 9,256 | 7,416 | 8,052 | 7,986 | 7,905 |

This is consistent with the general trend over the last 5 years, as shown below:



Economy

- 3.27. Elsewhere in REP, the Economy service is now projected to fully meet its £3.3m external funding requirement for 2023/24. The General Fund supports less than 35% of the overall cost of the service, with the remainder coming from external sources (e.g. grants, S106, etc). There are minor variances within the directorate budget that are offset by an increased capitalisation for Place Shaping and a small surplus within WAES.

Housing and Commercial Partnerships: £25.804m overspend

- 3.28. The Housing and Commercial Partnership is reporting an overspend of £25.804m against a budget of £32.532m, this is an improvement of £0.206m from Quarter 3 due to fewer Temporary Accommodation placements compared to projections. The increasing demand and cost of TA remains the most significant pressure facing the Council with the number of households in TA rising by 29% since April 2022 (from 2,699 to 3,494). The overall net expenditure for TA in 2023/24 was £37.8 million, which represents an overspend of £25.4 million against a forecasted net budget of £12.3 million. This figure was in line with the period 9 projections despite the unprecedented increase in homelessness demand. The Council has developed a comprehensive supply plan to try and mitigate additional demand in 2024/25 and reduce reliance on high-cost accommodation. This includes accelerated acquisitions, expanded use of void regeneration stock, and alternative procurement approaches for the private rented sector. Funding has also been earmarked to increase frontline capacity and support greater work around homelessness prevention.

Finance and Resources: Underspend £30.498m

- 3.29. Finance and Resources is reporting a £30.498m underspend against the budget of £15.940m. This is largely driven by the continuation of higher than expected average interest rates in year and has resulted in a favourable return on investment.
- 3.30. The overall outturn position is a favourable variance of £2.074m since quarter 3.
- 3.31. **Corporate Property:** favourable variance to budget of £2.206m relating to the following: £0.180m energy rebate; £0.155m City Hall service charge was less than budget; £1.0m for backdated rent review at two sites at Mandela Way. The overall variance includes £0.905m movement from the quarter 3 position which was as a result of: Portman Square turnover rent of £0.635m (previously recognised as an opportunity) for which an agreement was reached on three years from 2020/21 to 2022/23, and; £0.296m movement in facilities management/core fee/reactive maintenance - negotiations on the core fee have resulted in an ongoing underspend compared with the budget. This reduction was partially offset by an increase in reactive maintenance spend, including health and safety, on the operational estate.

- 3.32. **Treasury & Pensions:** favourable variance at outturn of £29.828m, with a favourable movement from quarter 3 of £1.404m. This is driven by the continuation of higher than expected average interest rates following inflation remaining higher than expected. Investment balances averaged £1.2bn over the year, with an average yield of 5%.
- 3.33. **Digital & Innovation:** £0.868m adverse variance from the budget, with an adverse movement from the quarter 3 forecast of £0.681m. This relates to the ongoing disaggregation work as the service has separated from RBKC with new ways of working being set up, which includes product ways of working. This required more time and resources than expected and these were diverted from capital projects, this is reflected in the underspend against capital budgets, as less products were delivered within the Capital Programme
- 3.34. **Finance:** adverse variance of £0.211m as a result of a Value for Money audit, and higher employee costs due to Interims covering vacancies. This was offset by favourable variances within the Managed Service Provider area, (which includes IBC and associated income manager contracts), of £0.165m relating to some contract spend having been reflected in 2022/23.
- 3.35. **Revenue & Benefits:** has an adverse variance of £0.213m since quarter 3 over the full year largely due to bank charges of £0.195m. A review of bank charges is required.

Innovation & Change: Underspend £0.966m

- 3.36. Overall within Innovation and Change there is an underspend position of £0.966m against a budget of £16.157m. The net favourable variance as a result of additional income in City Promotions, Events and Filming of £0.514m, and also income within Cemeteries of £0.193m and an underspend on salaries of £0.430m across the directorate due to a number of part year vacancies. This was offset by an overspend on data intelligence sets and surveys of £0.108m.
- 3.37. Across Communities there has been an overspend of £0.040m due to the additional costs of supporting the organisations work on addressing the pay gap and issues around race. The balance of the variance (£0.059m) relates to additional pressures of managing a large operational estate and supporting the community the cost of which are difficult to predict.

Other Corporate Directorates: Underspend £0.035m

- 3.38. Other Corporate Directorates have reported a £0.035m underspend which relates to staffing vacancies. The movement from quarter 3 relates largely to the increased legal costs.

4. Housing Revenue Account (HRA)

- 4.1. The HRA has end the year with a deficit of £1.705m against budget, this is an improvement of £0.264 from Quarter 3.
- 4.2. The main HRA adverse variances were:
- Repairs and Maintenance - £4.314m. Higher volumes of work in 2023/24, but cost inflation continues to be high.
 - Communal Utilities - £ 2.585m. Inflation on communal electricity was higher than anticipated in the HRA BP.
 - HRA Recharges - £1.738m. Largely driven by the higher than anticipated insurance costs, part of which will be recovered from leaseholders in the following year.
 - Health & Safety - £ 1.135m. Additional spend resulting from new legislative requirements including Building Safety Act 2022, Fire Safety Act 2022, and new regulator consumer standards, which placed an increased emphasis on H&S.
- 4.3. These adverse variances were offset by some of the following favourable variances:
- Reduced capital financing costs – £2.914m. Lower interest charges due to reduced borrowing and re-financing of loans.
 - Additional interest receivable – £1.606m. Interest on balances much higher than conservative assumption in HRA BP.
 - Leaseholder service charge income - £0.635m. Adjusted service charges higher than budget (partly reflects increased insurance charges)
 - CWH Incentive Payments – £0.560m. Staff on CWH terms tend to reduce year-on-year, but actuals much lower than allocation.
- 4.4. The service delivery element of the HRA budget was balanced, with high levels of inflation on repairs spend (£4.314m) largely offset against staff underspends and increased recovery of costs via leaseholder service charges.
- 4.5. The deficit of £1.705m has been transferred from the HRA general reserve.

5. Capital

General Fund Capital Programme

- 5.1. The Council's capital programme was approved by full Council in March 2023, with a General Fund expenditure budget of £267.003m and a funding budget of £42.170m for 2023/24. The 2023/24 budgets were revised at 2022/23 outturn and again at Q2 to an expenditure budget of £253.522m and income budget of £51.082m. The Housing Revenue Account's (HRA) 2023/24 capital budget was approved by full Council in March 2023 at £148.110m. This budget was revised with reprofiling at 2022/23 outturn and Q2 to £206.400m.
- 5.2. The Council have now finalised the outturn for the financial year and the budget profiling of a number of projects have changed for the General Fund and Housing Revenue Account. 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 instances where the budget has moved into 2023/24 from future years. For General Fund, this represents expenditure reprofiling from 2023/24 to future years of £73.348m and income reprofiling from 2023/24 to future years of £13.922m. For HRA, this represents expenditure reprofiling of £15.585m from 2023/24 to future years. This is explained in more detail later in the report.
- 5.3. The table below summarises the General Fund capital outturn position for 2023/24:

| Directorate | 2023/24 Exp Budget £m | 2023/24 Income Budget £m | 2023/24 Net Budget £m | 2023/24 Outturn Exp £m | 2023/24 Outturn Income £m | Net Outturn £m | Exp Variance £m | Income Variance £m | Net Variance £m |
|--|--------------------------------|-----------------------------------|--------------------------------|---------------------------------|------------------------------------|----------------------|-----------------------|--------------------------|-----------------------|
| Adults & Deputy Chief Executive Services | 6.000 | (0.300) | 5.700 | 6.413 | 0.000 | 6.413 | 0.413 | 0.300 | 0.713 |
| Children's Services | 5.846 | (5.794) | 0.052 | 3.114 | (2.987) | 0.128 | (2.732) | 2.807 | 0.076 |
| Housing & Commercial Partnerships | 56.657 | 0.000 | 56.657 | 35.036 | (0.264) | 34.771 | (21.621) | (0.264) | (21.886) |
| Regeneration, Economy and Planning | 51.894 | (17.301) | 34.593 | 30.971 | (7.517) | 23.453 | (20.923) | 9.784 | (11.140) |
| Environment, Climate and Public Protection | 84.396 | (19.514) | 64.882 | 71.002 | (17.034) | 53.968 | (13.394) | 2.480 | (10.914) |
| Finance and Resources | 41.488 | (7.345) | 34.143 | 23.176 | (5.461) | 17.715 | (18.312) | 1.884 | (16.428) |
| Innovation & Change | 6.741 | (0.828) | 5.913 | 1.826 | (0.419) | 1.407 | (4.915) | 0.409 | (4.506) |
| Westminster Housing Investments Limited | 0.500 | 0.000 | 0.500 | 0.297 | 0.000 | 0.297 | (0.203) | 0.000 | (0.203) |
| Total | 253.522 | (51.082) | 202.440 | 171.835 | (33.683) | 138.152 | (81.687) | 17.399 | (64.288) |

- 5.4. In total the general fund capital programme has gross expenditure reprofiling of approximately £73.3m. The majority of slippage is related to the following reasons:
- Acquisitions rejected at legal stage or not completing,
 - on site issues and delays,
 - contractual issues

5.5. The tables below provide a breakdown of expenditure and income budgets to be reprofiled into future years.

Expenditure:

| ELT Area | Slippage from 2023/24 to 2024/25 | Slippage to 2023/24 from 2024/25 | Slippage from 2023/24 to 2025/26 | Slippage to 2023/24 from 2025/26 | Slippage to 2023/24 from Other Future Years | Total Slippage | (Under) / Over spends | Total 2023/24 Outturn Variance |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|-----------------|-----------------------|--------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Adults & Deputy Chief Executive Services | (0.313) | 0.000 | 0.000 | 0.000 | 0.725 | 0.412 | 0.000 | 0.412 |
| Children's Services | (2.754) | 0.022 | 0.000 | 0.000 | 0.000 | (2.731) | (0.001) | (2.732) |
| Environment, Climate & Public Protection | (18.962) | 5.344 | (4.547) | 0.947 | 1.996 | (15.221) | 1.940 | (13.281) |
| Finance and Resources | (15.648) | 0.928 | 0.000 | 0.000 | 0.000 | (14.720) | (3.592) | (18.312) |
| Housing & Commercial Partnerships | (21.622) | 0.000 | 0.000 | 0.000 | 0.000 | (21.622) | 0.000 | (21.622) |
| Regeneration, Economy and Planning | (18.580) | 2.421 | 0.000 | 0.000 | 1.790 | (14.369) | (3.816) | (18.185) |
| Innovation and Change | (4.966) | 0.072 | 0.000 | 0.000 | 0.000 | (4.894) | (0.020) | (4.914) |
| Westminster Housing Investments Limited | (0.203) | 0.000 | 0.000 | 0.000 | 0.000 | (0.203) | 0.000 | (0.203) |
| | (83.047) | 8.787 | (4.547) | 0.947 | 4.511 | (73.348) | (5.488) | (78.836) |

Income:

| ELT Area | Slippage from 2023/24 to 2024/25 | Slippage to 2023/24 from 2024/25 | Slippage from 2023/24 to 2025/26 | Slippage to 2023/24 from 2025/26 | Slippage to 23.24 from Other Future Years | Total Slippage | Under/ (Over) recovery | Total 2023/24 Outturn Variance |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|----------------|------------------------|--------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Adults & Deputy Chief Executive Services | 0.300 | 0.000 | 0.000 | 0.000 | 0.000 | 0.300 | 0.000 | 0.300 |
| Children's Services | 2.652 | (0.022) | 0.000 | 0.000 | 0.000 | 2.630 | 0.178 | 2.808 |
| Environment, Climate & Public Protection | 5.659 | (0.130) | 0.791 | 0.000 | (1.211) | 5.108 | (2.626) | 2.483 |
| Finance and Resources | 2.028 | (0.038) | 0.000 | 0.000 | 0.000 | 1.990 | (0.106) | 1.884 |
| Housing & Commercial Partnerships | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | (0.264) | (0.264) |
| Regeneration, Economy and Planning | 3.527 | (0.084) | 0.000 | 0.000 | 0.000 | 3.443 | 5.561 | 9.004 |
| Innovation and Change | 0.454 | (0.002) | 0.000 | 0.000 | 0.000 | 0.451 | (0.043) | 0.408 |
| Westminster Housing Investments Limited | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 14.619 | (0.277) | 0.791 | 0.000 | (1.211) | 13.922 | 2.700 | 16.623 |

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

| Project | FY Variance to Exp Budget £m | Comments |
|--------------------------------------|---------------------------------|--|
| Temporary Accommodation Acquisitions | (20,220) | The variance is mainly due to properties being rejected at the legal stage or not progressing through to completion. Also, there was a backlog of void (refurbishment) works whereby homes purchased awaited work to bring them to the standard needed before they could be occupied. Though works are now proceeding, the costs that were previously forecasted have been delayed. It is expected the costs will be realised in 2024/25. |
| WCH Development Loan & AHF | (5,733) | Forecast assumed £2.8m drawdown from Westminster City Homes for a loan related to work on MOT yard. The loan agreement has been ratified by both parties, but monies have yet to be drawn down as work is yet to commence on the site. In addition, the budget assumed that additional loan agreements would be agreed between WCH and WCC, related to WCH purchasing properties on WCC's behalf. This was estimated to be approximately £3m. These loan arrangements have yet to be finalised, so there has been nil spend. Projected expenditure going forward £1.9m for Q1 24/25 and £3.8m by Q3 24/25. |
| Carbon Management Programme | (5,138) | Stakeholder issues meant the work programme needed to be changed. This resulted in delays in planning permission being granted and heat pump delivery. The majority of these are now due to be delivered in Q1 24/25. |
| Church Street Acquisitions | (3,938) | Budget variance will be reprofiled to 2024/25. Acquisition spend is reliant on resident engagement and the complexity of the legals. Less purchases than anticipated have taken place in 23/24. |
| Seymour Leisure Centre New Build | (2,990) | Budget/ Q2 forecast presumed awarding of main contract earlier in the financial year and, as a consequence that construction would begin earlier. Awarding of main |

| | | |
|--|-----------------|--|
| | | contract has been later than originally planned and therefore construction is taking place at later time than planned, leading to reduction in planned spend. |
| Strategic Acquisition - Huguenot House | (2,322) | Q2 Forecast/budget assumed 4 acquisitions, only one has been possible in this financial year. Acquisitions are taking place of residential flats in order to redevelop the site. There has been delays reaching agreements regarding the sale of some of these residential units, resulting in reprofiling as shown. |
| Landlord Responsibilities | (2,298) | Works has been delayed mainly due to pre-construction processes, such as planning, contractor appointment and phased decant, taking longer than anticipated. This is a rolling budget, so this has been deemed an underspend. |
| Harrow Road Place Shaping Scheme | (1,944) | Canal works delays have led to expenditure slippage (£70k) into 24/25 (originally planned to begin in Dec 23, now due to begin in April 24). Maida Hill was also reprofiled to better reflect the scheme delivery. |
| Enterprise | (1,817) | Net variance of (£1.817m) is due to the following: £0.589m of underspend relating to 470 Harrow costs for 470 Harrow Road being transferred to the HRA, £0.456m lower than forecasted costs for Oxford Street meanwhile spaces due to reduced availability of suitable sites, £0.175m of Contingency not utilised, £0.110m lower than forecasted costs within Street Markets following 3rd party delays, £0.487m of forecasting adjustment after P6. |
| Electric Vehicle Charging Infrastructure | (1,761) | Delays to works from extended site clearing projects, delays from UKPN, the electric network, and review of different commercial options. |
| Electric St Cleansing Vehicles City Wide | (1,689) | It was expected that £5.5m would be utilised in the delivery of electric vehicles in 2023-24. However, delays in the supply chain have meant that more vehicles will now be delivered early in 2024-25. |
| TOTAL | (49,850) | |

Housing Revenue Account Capital Programme

5.7. The 2023/24 HRA capital budget was initially approved at **£148.110m** (in March 2023). Slippage of **£21.415m** from the 2022/23 outturn was subsequently added. When the capital budgets were revised at P6 to reflect in-year projections, the HRA budget was increased by **£36.875m**. This resulted in a revised 2023/24 HRA capital budget of **£206.400m** (see table below).

| HRA Capital Programme | 2023/24 Base Budget £m | 2022/23 Slippage £m | 2023/24 Budget + Slippage £m | 2023/24 Q2 Reprofile Budget £m |
|----------------------------------|---------------------------|------------------------|---------------------------------|-----------------------------------|
| Housing Planned Maintenance | 60.796 | - | 60.796 | 60.796 |
| Housing Regeneration | 84.525 | 18.323 | 102.848 | 141.815 |
| Other Projects | 2.789 | 3.092 | 5.881 | 3.789 |
| Total Capital Expenditure | 148.11 | 21.415 | 169.526 | 206.400 |

5.8. The 2023/24 outturn resulted in a variance of **£20.868m** against the revised budget (see table below). Much of this variance reflects a need to re-profile the budgets for a number of the Development projects within the HRA capital programme in response to revised delivery timelines and/or amended payment schedules.

| HRA Capital Programme | 2023/24 Revised Budget £m | 2023/24 Outturn £m | Variance £m |
|----------------------------------|------------------------------|-----------------------|-----------------|
| Housing Planned Maintenance | 60.796 | 53.751 | (7.045) |
| Housing Regeneration | 141.815 | 128.752 | (13.063) |
| Other Projects | 3.789 | 3.030 | (0.759) |
| Total Capital Expenditure | 206.400 | 185.532 | (20.868) |

5.9. In most instances, the slippage reflects a simple adjustment to the 2024/25 HRA capital budget. However, there are some instances where the budget slippage has been re-profiled into later years. The proposed increase to the 2024/25 HRA capital budget as a result of slippage from 2023/24 into 2024/25 is £14.055m. This is summarised in the table below.

| Programme Element | 2023/24 HRA Capital Outturn Variance | Allocation of 2023/24 Outturn Variance | | |
|----------------------------|--------------------------------------|--|------------------------|---------------------|
| | | Slippage into 2024/25 | Slippage into 2025/26+ | (Under) / Overspend |
| Planned Maintenance | (7.045) | - | - | (7.045) |
| Development & Regeneration | (13.063) | (14.004) | (1.530) | 2.470 |
| Other Projects | (0.759) | (0.051) | - | (0.709) |
| TOTAL | (20.868) | (14.055) | (1.530) | (5.284) |

5.10. The HRA Business Plan approved by Full Council in March 2024 approved a gross 2024/25 HRA capital budget of **£221.136m**. The proposed re-profiling of **£14.055m** of budget from 2023/24 would result in a revised total budget of **£235.242m** (see below).

| HRA Capital Programme | 2024/25 Base Budget £m | 2023/24 Slippage £m | 2024/25 Total Budget £m |
|----------------------------------|---------------------------|------------------------|----------------------------|
| Housing Planned Maintenance | 80.434 | - | 80.434 |
| Housing Regeneration | 136.207 | 14.004 | 150.211 |
| Other Projects | 4.495 | 0.051 | 4.546 |
| Total Capital Expenditure | 221.136 | 14.055 | 235.191 |

5.11. Details of the major drivers for the re-profiling being reflected because of slippage in 2024/25 are laid out below:

- **Ebury Phase 1** covers the majority of the proposed re-profiling into 2024/25 of £5.505m. This is due to a month's delay in the construction programme which was unknown at quarter 3 and has led to the lower expenditure in 2023/24. This will be slipped into 24/25 when the scheme is due to complete.
- **Carlton Dene** shows slippage of £2.798m due to a change in procurement strategy and delay in enabling works.
- **Ebury Phase 2** includes re-profiling into 2024/25 £1.367m due to delay in the procurement of a new construction partner from phase 1 and a design change due to legislation amendments around second staircases.
- **Warwick Community Hall (WOC)/300 Harrow Road** includes re-profiling into 2024/25 £1.958m. The scheme largely completed in 2023/24, with final reconciliations taking place in 2024/25 and any potential underspend will be confirmed at that point.
- **Pimlico** includes re-profiling of £0.982m due to billing for Q4 being lower than expected. Fit-out costs will be incurred in 2024/25 and works on-site will increase **in line with delivery programme.**
- **Infills** includes re-profiling of £0.791m. Fire strategy redesigns and delays with Velux windows have caused the programme to slip very slightly.
- **Queens Park Court** shows re-profiling of £0.555m. A roof redesign has caused programme delays.

5. Treasury

Investments

- 5.1. As at 31 March 2024 treasury balances were £776.6m, decreasing by £61.2m from £837.8m at 31 March 2023.

| Investment Type | Investment Balance 31 March 2023 £m | Investment Balance 31 March 2024 £m | Movement £m |
|--------------------|--|--|----------------|
| Money Market Funds | 188.3 | 200.6 | 12.3 |
| Term Deposits | 649.5 | 576.0 | (73.5) |
| Total | 837.8 | 776.6 | (61.2) |

- 5.2. The table below provides a more detailed breakdown of the Council's treasury investment position and interest rate received as at 31 March 2024:

| Investment Type | Investment Balance £m | Interest Rate % |
|--------------------|--------------------------|--------------------|
| Money Market Funds | 200.6 | 5.28 |
| UK Banks | 140.0 | 5.51 |
| Non UK Banks | 110.0 | 5.59 |
| UK Government | 261.0 | 5.19 |
| Local Authorities | 65.0 | 6.15 |
| Total | 776.6 | 5.45 |

- 5.3. The table below shows the details around the Council's external borrowing as at 31 March 2024, split between the General Fund and HRA:

| Total Borrowing | 31 March 2023 £m | 31 March 2024 £m |
|-----------------|---------------------|---------------------|
| HRA | 175.6 | 155.6 |
| General Fund | 224.5 | 443.9 |
| Total | 400.1 | 599.5 |

- 5.4. The Breakdown of the existing loans is shown below:

| Investment Type | 31 March 2023 £m | 31 March 2024 £m | Movement £m |
|------------------------|------------------------|------------------------|----------------|
| PWLB | 130.6 | 130.6 | 0.0 |
| LOBO | 70.0 | 50.0 | (20.0) |
| Private Placement | 199.5 | 396.6 | 197.1 |
| Amber MEEF / Abundance | 0.0 | 22.3 | 22.3 |
| Total | 400.1 | 599.5 | 199.4 |

6. Statement of Accounts

- 6.1. The background papers to this report include a link to an agenda item being considered elsewhere on this agenda which presents and requests approval of the draft statement of accounts for the year ended 31 March 2024.

7. Financial Implications

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

8. Legal Implications

- 8.1. Section 151 of the Local Government Act 1972 requires the Council to make such arrangements for the proper administration of their financial affairs.
- 8.2. 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.
- 8.3. 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.
- 8.4. 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.
- 8.5. 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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BACKGROUND PAPERS

18th July Audit & Performance Report Presenting the draft 2023/24 Statement of Accounts ([Agenda for Audit and Performance Committee on Thursday 18th July, 2024, 6.30 pm | Westminster City Council](#))