

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 4 JUNE 2019
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

CAPITAL BUDGET OUTTURN REPORT 2018/19

EXECUTIVE SUMMARY

- 1.1 This report presents the capital expenditure and associated capital funding for both general fund and housing account for 2018/19.
- 1.2 A summary of the capital outturn is provided in table 1, and the capital financing is summarised in table 2.

2 Recommendations

- 2.1 That Cabinet note the overall capital outturn position and financing for 2018/19
- 2.2 That Cabinet approve the roll forward budgets as detailed in Appendix A

3 Expenditure

- 3.1 The capital outturn position is summarised in Table 1 and a detailed breakdown by capital scheme per directorate can be found in Appendix A
- 3.2 The majority of the variance relates to the re-phasing of specific projects into 2019/20, which are shown in Appendix A. The overall capital programme, excluding re-phasing of schemes, is £440k underspent. Explanations for (under)/overspend over £50k are detailed below:

Housing Revenue Account

- £273k favourable variance on AHP - General - is budget that has been allocated to offset overspends on AHP - Inspira House (due to professional fees in finalising the property acquisition) and AHP - Burfield, Chequersfield and Homestead Court (due to upfront feasibility works to evaluate the projects' viability).
- £120k adverse variance on AHP - Garden Avenue - there was a delay to works completing and as such there was an extension to the developer's contract which increased the price.
- £347k favourable variance on AHP - Furzen Crescent - there was an over accrual of £323k because two invoices were goods receipted in the prior financial year when they were expected to be paid in 2018-19. The remaining £23k is from the project coming in under budget.

- £165 favourable variance on AHP – Grants to Registered Providers – is budget allocated to offset overspends on AHP – Phase 2 Hillcrest, Cowper Road, Birchwood Close and Little Gannett (the costs for each project were higher than first anticipated at tender due to unforeseen costs).
- £115k favourable variance on Capital Project Management – is budget that relates to the capitalisation of salaries for Property Services. Due to a number of vacancies during the year, the transfer of salary costs was lower for 2018-19. No salary costs are to be capitalised in 2019-20.

3.3 In relation to re-phasing of schemes, the main areas of re-phasing include:

- £1.0m re-phased to 2019/20 of the Section 106 funded football and rugby schemes at Angerland. These schemes are overseen by an external group, (Hatfield Community Sports Board), with the Council holding funds on their behalf, and having a seat on the board. Although a number of possible uses have been identified by the Board, no schemes have yet progressed to a stage where these funds are likely to be spent this year, and as such the budget has been re-phased to 2019/20. Phasing
- £11.2m rephased into 2019/20 for various Development Projects (Resources) - Specifically those around Hatfield Town Centre and Welwyn Garden City Town Centre. In light of an objection from a statutory consultee on one of the schemes, two heritage studies were commissioned. This work which was not envisaged when the schemes were initially programmed, is essential to ensure successful delivery of the works. The key elements of re-phasing include £5.7m for building a Multi storey car park in Hatfield, and £1.2m for the additional tier to Lemsford car park. £2.2m has been re phased into 2019/20 for the Splashlands development at Stanborough Lakes.
- £4.1m is re-phased to 2019/20 for Bereavement Services. The tender for the works will commence following receipt of a successful planning decision.
- £3.9m is re-phased to 2019/20 for Property Services (Housing). This includes planned capital improvements and sheltered refurbishments.

Table 1: Capital Outturn 18/19 by Fund and Head of Service					
Description	Current Budget 2018/19 (including 2017/18 roll forwards)	Outturn 2018/19	Variance to Current Budget	Re-phasing of Capital Schemes	(Under) / Over Outturn
	£'000	£'000	£'000	£'000	£'000
GENERAL FUND					
Head of Planning	1,162	52	(1,110)	(1,110)	(0)
Head of Public Health and Protection	121	11	(110)	(110)	0
Corporate Director - Public Protection, Planning and Governance	1,283	63	(1,220)	(1,220)	0
Head of Resources	33,847	15,518	(18,329)	(18,188)	(141)
Head of Environment	4,659	353	(4,306)	(4,306)	0
Head of Policy and Culture	271	207	(64)	(105)	41
Corporate Director - Resources, Environment & Cultural Services	38,777	16,078	(22,699)	(22,599)	(100)
Head of Community & Housing Strategy (Gen Fund)	718	317	(401)	(401)	0
Corporate Director - Housing and Communities (Gen Fund)	718	317	(401)	(401)	0
TOTAL General Fund	40,778	16,458	(24,320)	(24,220)	(99)
HOUSING REVENUE ACCOUNT					
Head of Community & Housing Strategy	25,667	24,704	(963)	(737)	(226)
Head of Housing Property Services	14,843	10,787	(4,056)	(3,941)	(115)
Head of Housing Operations	114	108	(6)	(6)	0
Corporate Director - Housing and Communities (HRA)	40,623	35,598	(5,025)	(4,684)	(341)
TOTAL Housing Revenue Account	40,623	35,598	(5,025)	(4,684)	(341)
TOTAL	81,401	52,056	(29,345)	(28,904)	(440)

4 Capital Funding and Reserves

- 4.1 The financing of the capital programme, and cumulative borrowing position (internal and external loans) is shown in table 2.

Table 2: Capital Financing and Reserve balance

GENERAL FUND	
	£'000
Total Expenditure	16,459
Capital Receipts and Reserves	(2,089)
Capital Grants and Contributions	(1,464)
Revenue Contribution to Capital	(119)
Borrowing Requirement for Year before Minimum Revenue Provision	12,787
Minimum Revenue Provision	(359)
Net Change in Borrowing Requirement for 2018/19	12,428
Cumulative Borrowing Requirement at year end (inclusive of Finance Leases)	33,616
Capital Reserves and Grants Balance at year end	12,270
HOUSING REVENUE ACCOUNT	
	£'000
Total Expenditure	35,595
Loan Repayment	17,100
Capital Receipts and Reserves	(14,923)
Restricted 141 Capital Receipts	(7,836)
Capital Grants and Contributions	(75)
Revenue Contribution to Capital	(13,433)
Borrowing Requirement for Year	16,428
Cumulative Borrowing Requirement at year end	241,576
Capital Reserves and Grants Balance at year end	13,606

- 4.2 The capital financing has been adjusted to take into account re phasing of capital expenditure into 2019/20.
- 4.3 A key change to the financing and capital balances relates to the Right to Buy receipts. Since the reinvigoration of Right to Buy, the Council has seen an average of around 70 sales per year. This dropped to 40 in 2018/19 (49 2017/18), leading to lower levels of receipts and balances. This will be closely monitored during 2019/20 to understand if this is a continuing trend.
- 4.4 In addition to these changes, some minor capital receipts and contributions were also received, and have been incorporated into closing balances, or allocated to finance particular schemes where received towards a specific project.

Implications

5 Legal Implication(s)

- 5.1 There are no direct legal implications arising from this report. However, the individual projects will require legal input into procurement and contractual documentation.

6 Financial Implication(s)

- 6.1 Financial risks associated with the capital budgets are detailed at paragraph 7.

7 Risk Management Implications

- 7.1 The risks related to this proposal are:
- 7.2 Receipts are not received in the expected year and at the expected amount. If this occurs the implications on reserve levels need to be assessed along with whether alternative funding needs to be sought, this may have a cost to the Council.
- 7.3 The capital programme does not fully spend the expected amount. This has an opportunity cost to the Council. If we have planned to finance from receipts and there has been slippage against the programme, the receipts could have financed other programmes. The implication of the funding not being utilised may mean unnecessary costs are incurred in the delay.
- 7.4 Long term investment plans are based on anticipated levels of core cash, not committed to revenue or capital expenditure. Delays in capital programme spending therefore represent a lost opportunity to invest additional funds at higher long term interest rates.
- 7.5 The capital programme spending is more than the expected amount. This will have implications on the cash and planning of the organisation. Additional sources of funding will have to be identified and there may be a cost to the Council.
- 7.6 Regular monitoring and reporting of the capital budget and funding are an important part of mitigating these risks.
- 7.7 A formal risk assessment has not been prepared in relation to the details in this report.

8 Security & Terrorism Implication(s)

- 8.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

9 Procurement Implication(s)

- 9.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

10 Climate Change Implication(s)

10.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

11 Link to Corporate Priorities

11.1 The subject of this report is linked to the delivery of all of the Council's Corporate Priorities.

12 Equality and Diversity

12.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals that are set out in this report as there is no impact on services directly as a result of the recommendations.

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Background papers to be listed (if applicable)

Appendices to be listed:

Appendix A - Capital Expenditure Monitoring by Scheme