

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 NOVEMBER 2019
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

QUARTER 2 CAPITAL BUDGET MONITORING REPORT 2019-20

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of quarter 2 2019/20. The report and appendices detail the changes to the original 2019/20 capital programme and funding plans, as a result of programme commitments and project delivery.
- 1.2 The current approved capital budget is £66.624m and the current forecast outturn is £43.080m. A summary of forecast variances and re phasing are shown in **Table 1** and detailed explanations for key variances in **section 3.3**.
- 1.3 A summary of progress against key projects for which no variances have been reported is contained within **section 3.4**.
- 1.4 A forecast of the resources available to fund the capital programme and variances of the current forecast against the available resources budgeted are set out in **section 4** of this report.

2 Recommendations

- 2.1 The Cabinet note the capital forecast outturn position as at Quarter 2 as shown in **Table 1**
- 2.2 The Cabinet to note the forecast position as at 31 March 2020 for funding of the capital programme and reserve balances as reflected in **Table 2**

3 Capital Programme – Expenditure Forecasts

- 3.1 The capital expenditure position is summarised in **Table 1** below and a detailed breakdown by capital scheme can be found in **Appendix A**.

Table 1: Capital Expenditure Forecast by Head of Service and Corporate Director Period 6 2019/20

Description	Current Budget 2019/20 (incl. re phasing approved at Qtr 1)	Forecast Outturn 2019/20	Forecast Variance	Forecast Re-phasing at Period 6	(Under) / Over Forecast
	£'000	£'000	£'000	£'000	£'000
GENERAL FUND					
Head of Planning	1,140	1,140	0	0	0
Head of Public Health and Protection	111	111	0	0	0
Corporate Director - Public Protection, Planning and Governance	1,252	1,252	0	0	0
Head of Resources	24,435	12,449	(11,986)	10,815	(1,171)
Head of Environment	9,032	4,780	(4,252)	4,252	0
Head of Policy and Culture	245	245	0	0	0
Corporate Director - Resources, Environment & Cultural Services	33,712	17,474	(16,238)	15,067	(1,171)
Head of Community & Housing Strategy (Gen Fund)	992	992	0	0	0
Corporate Director - Housing and Communities (Gen Fund)	992	992	0	0	0
TOTAL General Fund	35,956	19,718	(16,238)	15,067	(1,171)
HOUSING REVENUE ACCOUNT					
Head of Community & Housing Strategy	16,348	12,511	(3,837)	2,553	(1,284)
Head of Housing Property Services	14,314	10,845	(3,469)	3,469	0
Head of Housing Operations	6	6	0	0	0
Corporate Director - Housing and Communities (HRA)	30,668	23,362	(7,306)	6,022	(1,284)
TOTAL Housing Revenue Account	30,668	23,362	(7,306)	6,022	(1,284)
TOTAL	66,624	43,080	(23,544)	21,089	(2,455)

3.2 There is currently requirement to re-phase a net £21.089m as follows:

GRF £15.067m – re-phase budget into 2020-21

HRA £6.022m – re-phase budget into 2020-21

Total net re-phasing - £21.089m

3.3 Key forecast variances are outlined below:

General Fund:

3.3.1 Re-phasing of £11.986m - Resources

£1.058m – Splashlands Development (App A ref. no 12)

The tender process for the main contractor as well as the site operator has concluded, and the planning application has now been approved. Works are expected to commence later this year, and the first meeting between the

Council, contractor and operator has already taken place. Based on the initial scope of works and the successful contractor's tendered programme, it is anticipated that at least £1.058m will re-phase to the next financial year. The budget profile may need to be reviewed further once contractor has provided a more detailed programme of works.

£1.303m – Hatfield Town Centre 1 & 3-9 (App A ref. no 16)

The planning application was submitted at the end of September. Demolition works are underway with 1 Town Centre. A revised spend forecast has been agreed with Homes England which will see the funds spent by March 2021, and this revised forecast re-phases £1.303m into 2020/21.

£1.339m – Welwyn Garden City North (App A ref. no 18)

Inner Circle Consulting (ICC) have been appointed to prepare a new Delivery Strategy for WGC Town Centre North. ICC have met with a number of early key stakeholders.

The budget was set based upon an even profile over the term of grant funding, but the cash flows of the scheme are unlikely to be evenly profiled, and forecasts have been updated based on the latest information available. This has resulted in the forecast re phasing of budget between years, which will continue to be monitored and updated as more detailed plans become available.

£3.252m – Strategy Property Investment (App A ref. no 19)

No further acquisitions have been identified at present, although officers continue to actively monitor the market and work with agents to identify opportunities as they arise. It is likely at this stage in the year, if properties were identified, spend would occur in next financial year.

£3.863m – Multi Storey Car Park Hatfield (App A ref. no 27)

Bourne Parking has completed the design for the new car park and the full planning application has been submitted to the Planning team. The intention is for the application to be determined in the winter by Development Management Committee (DMC).

Subject to committee approval, construction work is programmed to commence early 2020. Once approved by DMC, it will be necessary to review the budget profile in more detail. An initial review of the forecast has been undertaken based on the submitted plans and anticipated start date, which has resulted in the re-phasing of spend to later years.

3.3.2 3.3.2 £1.171m (net) favourable variance – Resources

£1.171m – Lemsford Road Car Park Hatfield (App A ref. no 28)

Following a review of the scheme, and existing car parking arrangements, it was determined that a temporary deck would not be required at Lemsford Road while the multi-storey is built. A more suitable and cost effective temporary car parking will be provided, on the site of 1 town centre.

3.3.3 Re-phasing of £4.252m - Environment

£3.552m – Bereavement Services (App A ref. no 51)

After considering all options for the crematorium, the commencement of the project is now expected to be in 2020 at the earliest.

£0.700m – Tewin Road Depot Upgrade (App A ref. no 63)

The design and planning for the new depot at Tewin Road are currently being considered, with the start of the project expected to be in 2020. The forecast outturn reflects this change by reducing the forecast spend from £1.200m to £0.500m in 2019/20. The current year budget will be spend on pre development costs like design costs and surveys.

Housing Revenue Account:

3.3.4 Re-phasing £2.553m - Affordable Housing Programme

£1.653m Howlands House (App A ref. no: 86)

The plans submitted by the architects have been returned by planning on multiple occasions, as it had to accord with the Conservation area at Howlands.

This has delayed the project and we now expect the works to start only in 2020/21.

£0.150m The Commons (App A ref. no: 88) and £0.250m Ludwick Way (App A ref. no: 89)

Although the project has gone to Planning, there has been a delay to starting the works onsite due to additional surveys being carried out, including flood risk surveys and ecological surveys as the sites back on to a wildlife area.

£0.500m Chequersfield (App A ref. no: 93)

There have been delays to construction progress, due to brickwork issues, which has since been resolved. There will be no cost overrun risk to the Council, as the contract with the developer is for fixed price, unless the council changes the specifications for the units being purchased.

3.3.5 Re-phasing £3.469m – Housing Property Services

£0.931m HSG Mears Contract (App A ref. no: 94)

The Budget is earmarked for the potential programme of fire safety works which may be required. These would commence in 2020/21, as further work is being undertaken to look at the options available.

£0.275m Queensway House (App A ref. no: 99)

Whilst public consultation is ongoing, the works programme has been kept on hold and therefore the forecast spend in 2019/20 has been revised to reflect these.

£0.425m Other Contractors MRA schemes (App A ref. no: 100)

There is a project to improve the insulation and overall energy efficiency at homes in Knightsfield, Welwyn Garden City. The initial design for

implementing secondary glazing on the windows has not met the specification and standard set by Planning, therefore alternative options are being considered which will delay the start of works onsite. No spend expected until 2020/21.

£1.166m Sheltered Refurbishment (App A ref. no: 105) and £0.672 Better Care Sheltered Accommodation (App A ref. no: 107)

£1.50m is allocated to the internal refurbishment of Guessens Grove and it is hoped that a tender will go to Procurement Board in November 2019. A further £0.250m is allocated to carry out capital work at four other sheltered schemes which are Springfield House, Whitefield House, Cole Green House and Barndicott House. The delay has been caused because the Service is having to work around the needs and requirements of the elderly tenants who occupy these properties. These works are now expected to take place only in 2020/21.

3.3.6 £1.200m (net) favourable variance – Affordable Housing Programme

£3.600m favourable variance on Chequersfield (App a ref. no: 93)

The forecast outturn for Chequersfield has been reduced to reflect that it is likely that only 12 units (out of 30) will be acquired for Council's own use, with the remaining 18 units being acquired for Now Housing. This has resulted in an forecast under-spend, which will require Open market purchase programme to re-start.

£2.400m adverse variance on Open Market Purchases (OMPs) (App a ref. no: 84)

As mentioned above, there is a forecast favourable variance against other AHP schemes. The team will need to re-start the OMP programme in the second half of this financial year, to mitigate the risks of not meeting the required spend limit for retained right to buy receipts. In order to meet the spend requirements, an additional £2.4m needs to be spent, and the Housing Team are confident this is achievable as long as there are no material changes to the housing market.

Progress of key capital scheme expenditure:

- 3.4 This section provides members with additional information on the progress of high value projects (over £2.0m) for which no variance or re-phasing has been reported, and highlights any risks identified which may cause a variance or re phasing to the project to be reported at a later date.

General Fund:

3.4.1 Waste contract renewal £3.0m (App A ref. no 61):

The Council's new waste collection and street cleansing contract has been awarded to Urbaser Limited and is due to commence from April 2020.

This capital project is on track for the purchase of new refuse collection vehicles and road sweepers, with expenditure expected in quarter four of this financial year.

4 Capital Programme – Financing Forecasts

- 4.3 The financing of the capital programme and cumulative borrowing position (internal and external loans) is shown in **Table 2** below:

Table 2 - Capital In Year Financing Summary	Current Budget (incl. re phasing approved at Qtr 2)	Forecast Outturn 2019/20 £'000	Forecast Variance £'000
GENERAL FUND			
Total Expenditure	35,956	19,717	(16,239)
Capital Receipts and Reserves	(6,471)	(2,190)	4,281
Capital Grants and Contributions	(13,463)	(9,544)	3,920
Revenue Contribution to Capital	(324)	(848)	(524)
Borrowing Requirement Before MRP	15,698	7,136	(8,562)
Minimum Revenue Provision	(659)	(628)	31
Net Change in Borrowing Requirement for Year	15,039	6,507	(8,531)
Cumulative Borrowing Requirement at year end	48,653	40,122	(8,531)
Capital Reserves and Grants Balance at year end	3,475	8,970	5,495
HOUSING REVENUE ACCOUNT			
Total Expenditure	30,668	23,363	(7,305)
Loan Repayment	18,800	18,800	-
Capital Receipts and Reserves	(15,563)	(12,806)	2,757
Restricted 141 Capital Receipts	(5,414)	(3,662)	1,752
Revenue Contribution to Capital	(7,068)	(7,303)	(235)
Capital Grants and Contributions	(672)	0	672
Borrowing Requirement for Year	20,751	18,392	(2,359)
Cumulative Borrowing Requirement at year end	243,531	241,172	(2,359)
Capital Reserves and Grants Balance at year end	10,950	18,499	7,549

4.4

- 4.5 Key Variances to the General Fund & HRA Financing are as follows:

General Fund:

The expenditure forecast has reduced by £16.238m in year owing to the re-phasing of various schemes into 2020/21. This reduction in the current year spend is reflected in the forecast increase in the general fund reserves position and a reduction in the 2019/20 borrowing requirement since quarter 1.

There is an increase in the revenue contribution to Capital in the GRF of £524k. This is mainly savings identified from the resetting of baseline exercise that was carried out in July, as set out in the Q1 revenue monitoring report (see para 3.2.2).

Housing Revenue Account:

The expenditure forecast has reduced by £7.305m in year owing to the re-phasing of various schemes into 2020/21 amounting to £6.022m and a net underspend of £1.200m (Chequersfield and OMPs). The borrowing requirement in year has reduced and the year end reserves forecast has increased since quarter 1.

There is an increase in the revenue contribution to Capital in the HRA of £235k. This is due to higher than forecast opening revenue balances, as set out in the Q1 revenue monitoring report.

Implications

5 Legal Implication(s)

3.3 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)

3.4 Financial implications are set out in the body of the report where relevant.

7 Risk Management Implication(s)

3.5 There are none arising directly from this report.

8 Security & Terrorism Implication(s)

3.6 There are none arising directly from this report.

9 Procurement Implication(s)

3.7 There are none arising directly from this report.

10 Climate Change Implication(s)

3.8 There are none arising directly from this report.

11 Health and Wellbeing Implications(s)

3.9 There are none arising directly from this report.

12 Link to Corporate Priorities

3.10 The subject of this report is linked to the delivery of all of the Councils the Corporate Priorities.

13 Communications Plan

3.11 There are none arising directly from this report.

14 Equality and Diversity

3.12 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.

15 Human Resources Implications

3.13 There are none arising directly from this report.

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Background papers to be listed (if applicable)

Appendices to be listed: Appendix A - Capital Expenditure Monitoring by Scheme