

Part I

Authors: Tracy Fortune & Yamini Krishnan

Executive Member: Cllr Duncan Bell

All Wards

WELWYN HATFIELD BOROUGH COUNCIL

CABINET – 11 FEBRUARY 2020

REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND CULTURAL SERVICES)

QUARTER 3 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 3 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 £40.236m. 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 3 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 Forecast 2019/20 by Fund and Head of Service

Description	Current Budget	Forecast	Variance	Re-phasing	(Under)/Over
	£'000	£'000	£'000	£'000	£'000
General Fund					
Planning	1,140	64	(1,076)	1,076	0
Public Health and Protection	111	48	(63)	43	(20)
Public Protection, Planning and Governance	1,252	113	(1,139)	1,119	(20)
Resources	24,435	12,449	(11,986)	10,815	(1,171)
Environment	9,032	4,770	(4,262)	4,252	(10)
Policy and Culture	245	239	(6)	0	(6)
Resources, Environment & Cultural Services	33,712	17,458	(16,254)	15,067	(1,187)
Community & Housing Strategy	992	435	(557)	557	0
Housing and Communities	992	435	(557)	557	0
General Fund Total	35,956	18,006	(17,950)	16,743	(1,207)
Housing Revenue Account					
Community & Housing Strategy	16,348	11,192	(5,156)	3,030	(2,126)
Housing Property Services	14,314	11,032	(3,282)	3,282	0
Housing Operations	6	6	0	0	0
Housing and Communities	30,668	22,230	(8,438)	6,312	(2,126)
Housing Revenue Account Total	30,668	22,230	(8,438)	6,312	(2,126)
Grand Total	66,624	40,236	(26,388)	23,055	(3,333)

- 3.2 There is currently a requirement to re-phase £23.055m, explanations of these are detailed in section 3.3

GRF £16.743m – re-phase budget into 2020-21
HRA £6.312m – re-phase budget into 2020-21
Total net re-phasing - £23.055m

- 3.3 Key forecast variances are outlined below:

General Fund:

3.3.1 Re-phasing of £1.000m – Planning

£1.000m – Angerland Football and Rugby Improvements in Hatfield (App A ref. no 3 &4)

The draft Sports Strategy is scheduled for committee approval in early January. At the board meeting in October it was approved to pause the allocation of any funds to ensure that funds are not spent outside of the recommendations of the forthcoming sports strategy. The board also wanted to undertake a review of the way in which decisions are made around the allocations of funds. Due to this it is unlikely that further spend will be incurred in 2019/20, and the budget will be re-phased into 2020/21.

3.3.2 Re-phasing of £10.815m – 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. Site hoarding and fencing has been installed. Ground works have commenced. 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 has been completed at 1 Town Centre, the site will be used as a temporary car park. 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)

An additional property, 72 Town Centre, Hatfield, has been identified and Solicitors are instructed to prepare the necessary documentation. The purchase will complete this financial year. 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 any further properties were identified, spend would occur only in the 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 at the January 2020 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.

3.3.3 £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.

3.3.4 Re-phasing of £4.252m - Environment

£3.552m – Bereavement Services (App A ref. no 48)

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 60)

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.

3.3.5 Re-phasing of £0.557m – Housing & Communities

£0.530m Disabled Facilities Grant (DFG) (App A ref no 69)

There is a lower number of application DFG than allowed for in the budget, and therefore there is a forecast underspend. This area of spend is fully grant funded, and there will be a report in 2020/21 which will set out recommendations to the programme of future spend.

£0.027m Performance Reward Grant (App A ref no 73 & 74)

This budget is legacy money which can only be granted when a suitable application is made. A plan is currently being put together to make the money more accessible and explore alternative options to use it on.

Housing Revenue Account:

3.3.6 Re-phasing £3.030m - Affordable Housing Programme

£1.653m Howlands House (App A ref. no: 80)

More detailed works had to be undertaken to ensure the site would gain planning permission, as the site is set within a conservation area. This has delayed the project and work is expected to commence in 2020/21.

£0.477m Minster House (App A ref. no: 81)

There is further detailed design work being undertaken for the project. It is anticipated that the building phase will start in April 2020 which is when major expenditure will start to be incurred.

£0.150m The Commons (App A ref. no: 82) and £0.250m Ludwick Way (App A ref. no: 83)

Although the project has gone to Planning, there has been a delay to starting the works onsite due to additional surveys needing to be 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: 85)

There have been delays to construction progress, due to brickwork issues, which have since been resolved. There will be no cost overrun risk to the Council associated with these delays, as the contract with the developer is for fixed price.

3.3.7 Re-phasing £3.321m – Housing Property Services

£0.931m HSG Mears Contract (App A ref. no: 86)

Part of this budget is earmarked for the potential programme of fire safety works. These works are unlikely to commence before 2020/21, as additional work is being undertaken currently to look at the options available.

£0.126m Queensway House (App A ref. no: 91)

Whilst public consultation is ongoing, the non-urgent 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: 92)

There is a project to improve the insulation and overall energy efficiency at homes in Knightsfield, Welwyn Garden City. Alternative options to windows are being considered due to planning constraints, which will delay the start of works onsite. No spend expected until 2020/21.

£1.166m Sheltered Refurbishment (App A ref. no: 97) and £0.633 Better Care Sheltered Accommodation (App A ref. no: 99)

£1.50m is allocated to the internal refurbishment of Guessens Grove and currently submissions from tenders are being assessed before a recommendation is made to Procurement Board before a decision can be made. 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 tenants who occupy these properties. These works are now expected to take place only in 2020/21.

3.3.8 £2.126m favourable variance – Affordable Housing Programme

£3.390m favourable variance on Chequersfield (App A ref. no: 85)

The forecast outturn for Chequersfield has been reduced to reflect that 12 of the 30 units developed will be retained by the Council, with the remaining units acquired by Now Housing.

£1.649m adverse variance on Open Market Purchases (OMPs) (App A ref. no: 78)

Due to favourable variances across various AHP projects the number of OMPs will need to increase to mitigate the risk of not meeting the required spend under the terms of the Council's Right to Buy Retention Agreement.

£0.075m and £0.103m favourable variances on The Commons (App A ref. no: 82) and Ludwick Way (App A ref. no: 83)

There has been a delay to starting the works onsite due to additional surveys needing to be carried out, including flood risk surveys and ecological surveys as the sites back on to a wildlife area.

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 58):

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

- 4.1 The financing of the capital programme and cumulative borrowing position (internal and external loans) is shown in Table 2 on the following page:
- 4.2 Key Variances to the General Fund & HRA Financing are as follows:

General Fund:

The expenditure forecast has reduced by £17.950m in year owing to the re-phasing of various schemes into 2020/21 amounting to £16.743m and a net underspend of £1.207m. This reduction in the current year spend is reflected in the forecast decrease in the use of capital reserves and grants, along with a reduction in the 2019/20 borrowing requirement.

There is an increase in the revenue contribution to Capital in the GRF of £0.255m. 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.

Housing Revenue Account:

The expenditure forecast has reduced by £8.438m in year owing to the re-phasing of various schemes into 2020/21 amounting to £6.312m and a net underspend of £2.126m (Chequersfield and OMPs). The borrowing requirement in year has reduced by £0.420m and the yearend reserves forecast has increased by £0.204m since Quarter 2.

There is a reduction in the revenue contribution to Capital in the HRA of £0.177m. This is due to higher than forecast opening revenue balances, as set out in the Q1 revenue monitoring report.

Table 2 - Capital Financing Summary	Current Budget £'000	Forecast Outturn 2019/20 £'000	Forecast Variance £'000
GENERAL FUND			
Total Expenditure	35,956	18,005	(17,950)
Capital Receipts and Reserves	(6,471)	(810)	5,661
Capital Grants and Contributions	(13,463)	(7,981)	5,483
Revenue Contribution to Capital	(324)	(579)	(255)
Borrowing Requirement Before MRP	15,697	8,636	(7,062)
Minimum Revenue Provision	(659)	(628)	31
Net Change in Borrowing Requirement for Year	15,038	8,007	(7,031)
Cumulative Borrowing Requirement at year end	48,653	41,621	(7,032)
Capital Reserves and Grants Balance at year end	3,475	11,448	7,973
HOUSING REVENUE ACCOUNT			
Total Expenditure	30,668	22,230	(8,438)
Loan Repayment	18,800	18,800	0
Capital Receipts and Reserves	(15,563)	(15,389)	174
Restricted 141 Capital Receipts	(5,414)	(3,683)	1,731
Revenue Contribution to Capital	(7,068)	(6,891)	177
Capital Grants and Contributions	(672)	(39)	633
Borrowing Requirement for Year	20,751	15,028	(5,723)
Cumulative Borrowing Requirement at year end	243,531	237,809	(5,722)
Capital Reserves and Grants Balance at year end	10,950	14,919	3,969

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

7 Risk Management Implication(s)

- 7.1 There are none arising directly from this report.

8 Security & Terrorism Implication(s)

- 8.1 There are none arising directly from this report.

9 Procurement Implication(s)

9.1 There are none arising directly from this report.

10 Climate Change Implication(s)

10.1 There are none arising directly from this report.

11 Health and Wellbeing Implications(s)

11.1 There are none arising directly from this report.

12 Link to Corporate Priorities

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

13 Communications Plan

13.1 There are none arising directly from this report.

14 Equality and Diversity

14.1 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.

15 Human Resources Implications

15.1 There are none arising directly from this report.

Name of authors	Tracy Fortune: 01707 357219 Yamini Krishnan 01707 357336
Title	Business Partner/Senior Business Partner
Date	08 January 2020

Appendix A - Capital Expenditure Monitoring by Scheme