

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 5 AUGUST 2020  
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND  
CULTURAL SERVICES)

**QUARTER 1 CAPITAL BUDGET MONITORING REPORT 2020-21**

**1 Executive Summary**

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of quarter 1. The report and appendices detail the changes to the original capital programme and funding plans, as a result of programme commitments and project delivery.
- 1.2 The current approved capital budget is £74.933m (which includes the approved re-phasing of budgets from 2019/20) and the forecast outturn is £64.266. 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.
- 1.5 An extension to the use of retained right to buy receipts has been granted as set out in 4.3.

**2 Recommendations**

- 2.1 The Cabinet note the capital forecast outturn position as at Quarter 1 as shown in **Table 1**.
- 2.2 That the virement set out in be approved.
- 2.3 The Cabinet to note the forecast position as at 30th June 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 Outturn 2019/20 by Fund and Head of Service**

|   | Budget<br>2020/21 | Forecast<br>Outturn<br>2020/21 | Variance<br>to<br>Budget | Re-<br>phasing<br>of<br>Capital<br>Schemes | (Under)/<br>Over<br>Outturn |
|---|-------------------|--------------------------------|--------------------------|--|-----------------------------|
|   | £'000             | £'000                          | £'000                    | £'000                                      | £'000                       |
| <b>General Fund</b>                                       |                   |                                |                          |  |                             |
| Planning  | 1,076             | 76                             | (1,000)                  | 1,000                                      | 0                           |
| Public Health and Protection                              | 73                | 73                             | 0                        | 0  | 0                           |
| <b>Public Protection, Planning<br/>and Governance</b>     | <b>1,149</b>      | <b>149</b>                     | <b>(1,000)</b>           | <b>1,000</b>                               | <b>0</b>                    |
| Resources   | 23,394            | 23,397                         | 3                        | 0  | 3                           |
| Environment   | 12,096            | 4,209                          | (7,887)                  | 7,872                                      | (15)                        |
| Policy and Culture  | 330               | 282                            | (48)                     | 48   | 0                           |
| <b>Resources, Environment &amp;<br/>Cultural Services</b> | <b>35,820</b>     | <b>27,888</b>                  | <b>(7,932)</b>           | <b>7,920</b>                               | <b>(12)</b>                 |
| Community & Housing<br>Strategy                           | 1,446             | 1,446                          | 0                        | 0  | 0                           |
| <b>Housing and Communities</b>                            | <b>1,446</b>      | <b>1,446</b>                   | <b>0</b>                 | <b>0</b>                                   | <b>0</b>                    |
| <b>General Fund Total</b>                                 | <b>38,416</b>     | <b>29,484</b>                  | <b>(8,932)</b>           | <b>8,920</b>                               | <b>(12)</b>                 |
| <b>Housing Revenue Account</b>                            |                   |                                |                          |  |                             |
| Community & Housing<br>Strategy                           | 21,510            | 19,775                         | (1,735)                  | 900  | (835)                       |
| Housing Property Services                                 | 14,507            | 14,507                         | 0                        | 0  | 0                           |
| Housing Operations  | 500               | 500                            | 0                        | 0  | 0                           |
| <b>Housing and Communities</b>                            | <b>36,517</b>     | <b>34,782</b>                  | <b>(1,735)</b>           | <b>900</b>                                 | <b>(835)</b>                |
| <b>Housing Revenue Account<br/>Total</b>                  | <b>36,517</b>     | <b>34,782</b>                  | <b>(1,735)</b>           | <b>900</b>                                 | <b>(835)</b>                |
| <b>Grand Total</b>  | <b>74,933</b>     | <b>64,266</b>                  | <b>(10,667)</b>          | <b>9,820</b>                               | <b>(847)</b>                |

3.2 There is currently a requirement to re-phase £9.820m, explanations of these are detailed in section 3.3.

*GRF £8.920m – re-phase budget into 2021-22*

*HRA £0.900m – re-phase budget into 2021-22*

*Total net re-phasing - £9.820m*

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)

At the board meeting in 2019/20 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 2020/21, and the budget will be re-phased into 2021/22.

3.3.2 Re-phasing of £7.872m - Environment

£3.773m – Bereavement Services (App A ref. no 43)

After considering all options for the crematorium, the scheme is being reassessed, with the business case being re looked at. We expect some possible spend towards the end of this financial year, with most of the construction costs now expected to be in 2021/22.

£1.889m – Tewin Road Depot Upgrade (App A ref. no 50) & £2.200m – Household waste and Recycling Centre (App A ref. no 51)

The forecast outturn reflects the current expectation of spend on pre development costs with the majority of the construction costs likely to happen in 2021/22. Given the delays due to Covid-19 we are looking to get planning approval at the end of August with a view to starting construction in October. The current programme is currently set to run until February 2022. We do not yet have final prices for the construction. The expected costs are included in RG Carters programme and our initial estimates. We should know actual costs by the end of July and will have a better idea on phasing of payments.

**Housing Revenue Account:**

3.3.3 Each year, the Council sets an AHP General budget, which is allocated to pipeline schemes. As these schemes progress, the budget is allocated across these schemes to enable the schemes to be monitored at scheme level. The forecasts include the spend for these schemes. The following virement is recommended to reflect the current schemes:

| Credit/Debit | Budget Line   | Value      |
|--------------|---|------------|
| Credit       | AHP – General (App A ref 66)                        | (£11.242m) |
| Debit        | AHP – Open Market Purchases (App A ref 69)          | £8.350m    |
| Debit        | AHP – Ludwick Green (App A ref 79)                  | £0.150m    |
| Debit        | AHP – Grants to Registered Providers (App A ref 82) | £0.750m    |
| Debit        | AHP – Swallowfield (App A ref 83)                   | £1.992m    |

### 3.3.4 Re-phasing £1.650m - Affordable Housing Programme

£1.448m Howlands House (App A ref. no: 70)

This project is still in the planning phase and construction on-site is not expected until 2021/22.

£0.202m Burfield (App A ref. no: 74)

This project is still in the planning phase and construction on-site is not expected until 2022/23. Between 20/21 and 22/23 the site will be used to house vulnerable individuals who may otherwise be allocated alternative, expensive temporary accommodation.

### 3.3.4 £0.835m favourable variance – Affordable Housing Programme

£0.505m favourable variances on Little Mead (App A ref. no: 67). This project has concluded and therefore the remaining budget is surplus to requirements.

#### **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 Redevelopment of 1 and 3-9 Town Centre Hatfield £3.249m (App A ref. no 13):

This scheme progresses well. Negotiations have been completed on 1-9 Town Centre Section 106. The demolition of the remaining block will now be programmed for quarter 4 2020/21. The grant with Homes England must be spent by March 2021, and therefore forecasting has been programmed as such.

#### 3.4.2 Welwyn Garden City Town Centre North £4.809m (App A ref. no 14):

Pre-application advice for the phase one site (Campus West Car Park) has been submitted to Planning, Historic England and Highways, with the main planning application target being August. Documentation required for progressing phase two site (Campus East Car Park) is almost complete. There will be a procurement board in August which will consider a number of items. The grant with Homes England must be spent by March 2021, and therefore forecasting has been programmed as such.

#### 3.4.3 Strategic Property Investment £5.525m (App A ref. no 15):

Due to the current pandemic, this project has been put on a short hold while we consider the impact on the market and economy. The team continues to work closely with property agents to consider possible investments in strategic assets and are aware of some that could be consider as the lockdown is lifted and the impact on the market becomes clearer.

#### 3.4.4 Hatfield Town Centre Multi Storey Car Park £5.466m (App A ref. no 19):

This project processes well despite the lockdown. Bourne have taken possession of the site and have commenced works. Communication to residents and businesses

has been in the form of newsletters during the lockdown and will continue until social distancing permits a liaison manager to correspond directly with residents and businesses, this is expected in the near future. Completion is still targeted for quarter 4. Work commenced onsite in June 2020 and is due to complete March 2021.

#### **Housing Revenue Account:**

3.4.7 Affordable Housing Programme – Open market purchases (OMP) £9.100m (App A ref. no 69):

Due to re phasing 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.

3.4.8 Housing Property Services £14.507 (App A ref. no 84-97):

Delivered through the Mears contract, this scheme is for improvements required to the housing stock including replacement kitchens, bathrooms, electrical and asbestos works. The expenditure is forecast to come in on budget.

## **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 below:

| <b><u>Table 2 - Capital Financing Summary</u></b>   | <b>Current Budget<br/>£'000</b> | <b>Forecast Outturn<br/>2020/21<br/>£'000</b> | <b>Forecast Variance<br/>£'000</b> |
|---|---------------------------------|---|------------------------------------|
| <b>GENERAL FUND</b>                                 |                                 |   |                                    |
| Total Expenditure                                   | 38,415                          | 29,483  | (8,932)                            |
| Capital Receipts and Reserves                       | (4,015)                         | (5,427)                                       | (1,412)                            |
| Capital Grants and Contributions                    | (13,009)                        | (14,297)                                      | (1,288)                            |
| Revenue Contribution to Capital                     | 0                               | 0   | 0                                  |
| <b>Borrowing Requirement Before MRP</b>             | <b>21,391</b>                   | <b>9,759</b>                                  | <b>(11,632)</b>                    |
| Minimum Revenue Provision                           | (976)                           | (970)   | 6                                  |
| <b>Net Change in Borrowing Requirement for Year</b> | <b>20,415</b>                   | <b>8,789</b>                                  | <b>(11,626)</b>                    |
| Cumulative Borrowing Requirement at year end        | 52,140                          | 46,450  | (5,690)                            |
| Capital Reserves and Grants Balance at year end     | 6,013                           | 7,385   | 1,372                              |
| <b><u>Table 2 - Capital Financing Summary</u></b>   | <b>Current Budget<br/>£'000</b> | <b>Forecast Outturn<br/>2020/21<br/>£'000</b> | <b>Forecast Variance<br/>£'000</b> |
| <b>HOUSING REVENUE ACCOUNT</b>                      |                                 |   |                                    |
| Total Expenditure                                   | 37,267                          | 34,782  | (2,485)                            |
| Loan Repayment                                      | 20,000                          | 20,000  | 0                                  |
| Capital Receipts and Reserves                       | (25,891)                        | (25,515)                                      | 376                                |
| Restricted 141 Capital Receipts                     | (6,951)                         | (6,256)                                       | 695                                |
| Revenue Contribution to Capital                     | (7,230)                         | (6,947)                                       | 283                                |
| Capital Grants and Contributions                    | (672)                           | 0   | 672                                |
| <b>Borrowing Requirement for Year</b>               | <b>16,523</b>                   | <b>16,064</b>                                 | <b>(459)</b>                       |
| Cumulative Borrowing Requirement at year end        | 238,103                         | 237,178                                       | (925)                              |
| Capital Reserves and Grants Balance at year end     | 10,950                          | 16,157  | 5,207                              |

#### 4.2 Key Variances to the General Fund & HRA Financing are as follows:

##### **General Fund:**

The expenditure forecast has reduced by £8.932m in year owing to the re-phasing of various schemes into 2021/22 amounting to £8.920m and a net underspend of £0.012m. The borrowing requirement in year has decreased by £5.690m and the yearend reserves forecast has increased by £5.207m

##### **Housing Revenue Account:**

The expenditure forecast has reduced by £2.485m in year owing to the re-phasing of various schemes into 2021/22 amounting to £2.000m and a net underspend of £0.485m. The borrowing requirement in year has decreased by £0.459m and the forecast use of reserves, grants and receipts has decreased by £2.036m.

There is a reduction in the revenue contribution to Capital in the HRA of £0.283m.

- 4.3 Due to the COVID-19 pandemic, the country has seen a slowdown to development. A risk was identified that the Council may need to return substantial receipts (around £1.6m) to the government, as it may not meet its spend requirements. The Leader of the Council and the Finance Team lobbied Central Government on this issue and worked with them to undertake modelling forecasts. This led to the Government offering an initial six-month extension to spend deadlines, and the opportunity to continue to work with them on possible further extensions should this be deemed necessary at a later date. Our current forecasts suggest there may still be a need to return up to £350k, but a further update will be provided in quarter two.
- 4.4 Due to the pandemic, there has been a substantial reduction to right to buys in quarter one. The teams will be closely monitoring this for quarter two to assess the impact on the market of the restrictions being loosened and an updated forecast of receipts will be incorporated into the financing.

#### **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.

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|-----------------|------------------------------|
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Appendix A - Capital Expenditure Monitoring by Scheme