

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 3 NOVEMBER 2020
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

QUARTER 2 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 2. 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 £75.033m (which includes the approved re-phasing of budgets from 2019/20) and the forecast outturn is £59.589m. A summary of forecast variances and re phasing are shown in **Table 1** and detailed explanations for key variances in **section 3.3**. This excludes the borrowing to Now Housing, which will be reviewed as part of the review of the business plan and budget setting process.
- 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 the 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 2 as shown in **Table 1**
- 2.2 The Cabinet to note the forecast position as at 30 September 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 2020/21 by Fund and Head of Service

	Budget 2020/21	Outturn 2020/21	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Planning	1,076	37	(1,039)	1,000	(39)
Public Health and Protection	73	73	0	0	0
Public Protection, Planning and Governance	1,149	110	(1,039)	1,000	(39)
Resources	23,494	22,413	(1,081)	1,084	3
Environment	12,096	4,106	(7,990)	7,990	0
Policy and Culture	330	282	(48)	48	0
Resources, Environment & Cultural Services	35,920	26,801	(9,119)	9,122	3
Community & Housing Strategy	1,446	1,446	0	0	0
Housing and Communities	1,446	1,446	0	0	0
General Fund Total	38,516	28,358	(10,158)	10,122	(36)

Housing Revenue Account					
Community & Housing Strategy	21,510	16,269	(5,241)	3,749	(1,492)
Housing Property Services	14,507	14,462	(45)	0	(45)
Housing Operations	500	500	0	0	0
Housing and Communities	36,517	31,231	(5,286)	3,749	(1,537)
Housing Revenue Account Total	36,517	31,231	(5,286)	3,749	(1,537)
Grant TOTAL	75,033	59,589	(15,444)	13,871	(1,573)

3.2 There is currently a requirement to re-phase £13.871m, explanations of these are detailed in section 3.3.

GRF £10.122m – re-phase budget into 2021-22

HRA £3.749 – re-phase budget into 2021-22

Total net re-phasing - £13.871m

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 Angerland £1.0m is from a S106 planning agreement, and is held by the Council, to be distributed to sports bodies in Hatfield. A Board was set up to receive nominations and award funding. In September 2019 the board agreed to review the criteria associated with the fund. The review has been concluded and in September 2020 it is confirmed that the funding remains available to deliver the two large projects for football and rugby through the capital programme and smaller community sport projects funded via a bid process from the remaining funding held in revenue. There are no large projects progressing through the planning system at present, so it is likely that the money will continue to be held by the Council for the foreseeable future until such time as a project is progressed.

3.3.2 Re-phasing of £7.990m - Environment

£3.773m – Bereavement Services (App A ref. no 44)

The scheme has now obtained planning approval and has been passed to the councils Property Development team to move the project into the delivery phase. The business case will be updated and the procurement timetable is being considered.

£1.899m – 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. There has been a slight delay in getting planning approval, but a decision is due imminently. RG Carter are now finalising a value-engineering exercise and all works packages will be tendered and fully costed by the end of November, with construction expected to start in February 2021.

Housing Revenue Account:

3.3.3 Re-phasing £3.749m - Affordable Housing Programme

£1.563m Howlands House (App A ref. no: 71)

There have been many queries through the planning phase of this project which have required multiple redesigns which has led to a delay of on-site construction works, which is not expected until 2021/22.

£0.186m Minster House (App A ref. no: 72)

On-site construction has been delayed due to Covid-19 therefore some budget will be required to be re-phased into 2021/22.

£0.714m The Commons and £1.114m Ludwick Way (App A ref. no: 73 & 74)

A report is due to go to Cabinet in November to make a recommendation on the award of the contractor to deliver this multi-site project. Construction on-site is not expected until 2021/22. The year to date spend reflects planning and consultancy fees incurred up to this point.

£0.172m Burfield (App A ref. no: 75)

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 £1.492m Net favourable variance – Affordable Housing Programme

AHP - Swallowfields £1.992m (App A ref. no: 83)

Swallowfields was originally budgeted and outturn forecasted under the Affordable Housing Programme, forecast outturn has been reduced to zero, as it is now to be a Now Housing project.

AHP - Littlemead £0.505m and AHP Northdown Road £0.275m (App A ref. no: 67 & 68).

Both these projects have now concluded.

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 14):

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 15):

Pre-application advice for the phase one site (Campus West Car Park) has been submitted to Planning, Historic England and Highways. A planning application will be submitted over the coming quarter. With regard to phase two site (Campus East Car Park), the tender for a developer using an OJEU competitive dialogue process was launched during September. 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 16):

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 20):

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 £14.462 (App A ref. no 85-98):

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

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

<u>Table 2 - Capital Financing Summary</u>	Current Budget 2020/21 £'000	Forecast Outturn 2020/21 £'000	Forecast Variance £'000
GENERAL FUND			
Total Expenditure	38,515	28,357	(10,158)
Capital Receipts and Reserves	(4,015)	(5,001)	(986)
Capital Grants and Contributions	(13,009)	(14,367)	(1,358)
Revenue Contribution to Capital	0	(30)	(30)
Borrowing Requirement Before MRP	21,491	8,959	(12,532)
Minimum Revenue Provision	(976)	(970)	6
Net Change in Borrowing Requirement for Year	20,515	7,989	(12,526)
Cumulative Borrowing Requirement at year end	52,140	45,650	(6,490)
Capital Reserves and Grants Balance at year end	6,013	7,984	1,971
HOUSING REVENUE ACCOUNT			
Total Expenditure	36,517	31,231	(5,286)
Loan Repayment	20,000	20,000	0
Capital Receipts and Reserves	(25,891)	(24,121)	1,770
Restricted 141 Capital Receipts	(6,951)	(5,364)	1,587
Revenue Contribution to Capital	(7,230)	(6,841)	389
Capital Grants and Contributions	(672)	0	672
Borrowing Requirement for Year	15,773	14,906	(867)

Cumulative Borrowing Requirement at year end	237,353	236,020	(1,333)
Capital Reserves and Grants Balance at year end	10,950	16,966	6,016

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

General Fund:

The expenditure forecast has reduced by £10.158m in year (a reduction of £1.226m on quarter 1) owing to the re-phasing of various schemes into 2021/22. Re-phased amounts total £10.122m (an increase of £1.202m on quarter 1) and a net underspend of £0.036m (an increase of £0.024m on quarter 1).

The borrowing requirement in year has decreased by £6.490m (an increase of £0.800m on quarter 1) and the yearend reserves forecast has increased by £1.971m (an increase of £0.599m on quarter 1).

Housing Revenue Account:

The expenditure forecast has reduced by £5.286m in year (a reduction of £3.551m on quarter 1) owing to the re-phasing of various schemes into 2021/22. Re-phased amounts total £3.749m (an increase of £2.849m on quarter 1) and a net underspend of £1.537m (an increase of £0.702m on quarter 1).

The borrowing requirement in year has decreased by £1.333m (an increase of £0.408m on quarter 1) and the yearend reserves forecast has increased by £6.016m (an increase of £0.809m on quarter 1).

There is a reduction in the revenue contribution to Capital in the HRA of £0.389m (an increase of £0.106m on quarter 1).

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	Yamini Krishnan 01707 357336
Title	Senior Business Partner
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Appendix A - Capital Expenditure Monitoring by Scheme