

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 9 FEBRUARY 2021
REPORT OF THE CHIEF EXECUTIVE

QUARTER 3 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 3. 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 £75.783m (which includes the approved re-phasing of budgets from 2019/20) and the forecast outturn is £65.463m. 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.

2 Recommendations

- 2.1 That 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 31st December 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	25	(1,051)	1,000	(51)
Public Health and Protection	73	4	(69)	34	(35)
Public Protection, Planning and Governance	1,149	29	(1,120)	1,034	(86)
Resources	23,494	22,268	(1,226)	1,185	(41)
Environment	12,096	4,001	(8,095)	8,095	0
Policy and Culture	330	322	(8)	48	40
Resources, Environment & Cultural Services	35,920	26,591	(9,329)	9,328	(1)
Community & Housing Strategy	1,446	387	(1,059)	1,059	(0)
Housing and Communities	1,446	387	(1,059)	1,059	(0)
General Fund Total	38,516	27,007	(11,508)	11,421	(87)
Housing Revenue Account					
Community & Housing Strategy	22,260	28,380	6,120	(6,024)	(96)
Housing Property Services	14,507	10,585	(3,922)	3,877	(45)
Housing Operations	500	170	(330)	320	(10)
Housing and Communities	37,267	39,135	1,868	(1,827)	41
Housing Revenue Account Total	37,267	39,135	1,868	(1,827)	41
Grand TOTAL	75,783	66,142	(9,641)	9,594	(47)

There is currently a requirement to re-phase £9.594m, Explanations of these are detailed in section 3.2.

GRF £11.421m – re-phase budget into 2021-22
HRA (£1.827m) – re-phase budget from 2021-22
Total net re-phasing – £9.594m

3.2 Key forecast variances are outlined below:

General Fund:

3.2.1 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 was 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.

3.2.2 Re-phasing of £8.095m - Environment

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

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. Business case has been updated and the procurement process has commenced. Works onsite is planned to commence in Oct 2021.

£1.899m – Tewin Road Depot Upgrade (App A ref. no 49) & £2.200m – Household waste and Recycling Centre (App A ref. no 50)

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. The council's capital programme includes £9m for the project, of which £4.5m relates to the council's facilities, and £4.5m for HCC facilities. It is proposed the council's share of the increase, which is £1.79m, will be funded by a virement from the Strategic Property Investment capital budget. This will be moved as part of the budget setting process. The HCC element will be adjusted through the budget setting processes, with an increased contribution from HCC being included in the capital financing summaries.

3.2.3 **£1.030m Disabled Facilities Grant (App A ref. no 59):**

The demand for Disabled Facilities Grants is generally lower than the available grant received via the Better Care Fund. However due to Covid, demand fell even further and the contractor was not able to progress works for the period of the first lock down, which led to a further reduction in expenditure. In the longer term, the team are actively looking at ways to utilise this ring fenced fund in innovative ways, in partnership with officers from HCC. The Private Sector Renewal Policy is being reviewed as part of this work.

Housing Revenue Account:

3.2.4 Re-phasing (£7.016m) - Affordable Housing Programme

(£10.650m) Open Market Purchases (App A ref. no: 68)

To avoid repayment of retained Right To Buy receipts the Council must meet its quarterly required spend which is determined by the receipts received in the same quarter 3 years prior.

The Council has a shortage of homes in comparison to demand and the acquisition of properties on the open market, alongside the Council's own developments, is considered a good and necessary method of supplementing its declining stock due to Right to Buy.

Due to the impact of the pandemic there have been delays to some of the council's developments and an increased focus has been placed on purchases on the open market. Bringing forward budget from future years enables the Council to 1) meet its required spend and 2) meet current demand for housing in the borough.

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

There has been some delays to this project as a result of consultations with local residents, however these are expected to be completed and this is planned to go to committee in March, with construction work starting in 21/22.

£0.186m Minster House (App A ref. no: 71)

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: 72 & 73)

The scheme is likely to commence around February/March 2021 and the construction period will run for around 12-18 months. On this basis the full cost will not be incurred in the 2020/21 financial year and an element of the budget will be re-phased into 2021/22 as appropriate as part of the annual accounts process.

£0.172m 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 and more expensive temporary accommodation.

£0.992m Swallowfields (App A ref no: 83) – Purchase of 20 apartments at Swallowfields, with the Council purchasing the site and contracting with the developer to complete the development to agreed specification. There's a slight delay and project is expected to complete early next year.

3.2.5 £0.096m Net favourable variance – Affordable Housing Programme

AHP - Littlemead £0.505m and AHP Northdown Road £0.275m (App A ref. no: 66 & 67).

Both these projects have now concluded. The under spend on Littlemead is due to the contingency budgets within the programme not being required. The underspend on Northdown Road is due to work on the fire proofing on communal areas, replacement of doors and defective flooring which came in at lower costs than originally expected.

3.3.6 Re-phasing of £3.877m – Housing Property Services

Housing Property Services £10.585m (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. Due to the impact of covid, a review has been undertaken of the forecast works programme, and current forecasts are that £3.8m of works will be rephased to future years.

Progress of key capital scheme expenditure:

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:

3.3.1 Redevelopment of 1 and 3-9 Town Centre Hatfield £3.249m (App A ref. no 12):

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, but the Council is seeking to extend the contract by 12 months from Homes England, once approved this project may need to be re phased into 2021/22.

3.3.2 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. 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, but the Council is seeking to extend the contract by 12 months from Homes England, once approved this project may need to be re phased into 2021/22.

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

Due to the current pandemic, this project will not be proceeding. It is proposed that £1.79m, will be vired to Tewin Road Depot redevelopment and £3.20m to Bereavement Services, as part of the budget setting process.

3.3.4 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:

3.3.5 Affordable Housing Programme – Open market purchases (OMP) £19.000m (App A ref. no 68):

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.

Minster House £3.850m (App A ref. no 75) - The Project started on site on 29th September 2020 and demolition, site preparation and reduced level dig works are complete. There were some delays caused by the discovery of additional notifiable asbestos which has now been removed and an extension of time awarded. The anticipated contract completion date is 26th July 2022.

3 Capital Programme – Financing Forecasts

3.3 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	27,007	(11,508)
Expenditure funded in year by :			
Capital Receipts and Reserves	(4,015)	(6,693)	(2,678)
Capital Grants and Contributions	(13,009)	(13,370)	(361)
Revenue Contribution to Capital	0	(70)	(70)
Borrowing Requirement Before MRP	21,491	6,874	(14,617)
Minimum Revenue Provision	(976)	(970)	6
Net Change in Borrowing Requirement for Year	20,515	5,904	(14,611)
Cumulative Borrowing Requirement at year end	52,140	43,565	(8,575)
Capital Reserves and Grants Balance at year end	6,013	7,691	1,678
HOUSING REVENUE ACCOUNT			
Total Expenditure	36,517	39,135	2,618
Loan Repayment	20,000	20,000	0
Capital Receipts and Reserves	(25,891)	(23,377)	2,514
Restricted 141 Capital Receipts	(6,951)	(8,685)	(1,734)
Revenue Contribution to Capital	(7,230)	(6,271)	959
Capital Grants and Contributions	(672)	0	672

Borrowing Requirement for Year	15,773	20,802	5,029
Cumulative Borrowing Requirement at year end	237,353	241,916	4,563
Capital Reserves and Grants Balance at year end	10,950	13,837	2,887

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

General Fund:

The expenditure forecast has reduced by £11.508m in year. Re-phased amounts total £11.421m and a net underspend of £0.087m.

The borrowing requirement in year has decreased by £14.611m and the yearend reserves forecast has increased by £1.678m.

Housing Revenue Account:

The expenditure forecast has increased by £2.618m in year owing to the acceleration of Open market purchases. Re-phased amounts total (£1.827m) and a net underspend of £0.004m.

The borrowing requirement in year has increased by £4.563m and the year end reserves forecast has increased by £2.887m. There is a reduction in the revenue contribution to Capital in the HRA of £0.959m.

Implications

4 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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Appendix A - Capital Expenditure Monitoring by Scheme	