

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 15 JUNE 2021
REPORT OF THE CHIEF EXECUTIVE

CAPITAL BUDGET OUTTURN REPORT 2020/21

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding for both General Fund and Housing Revenue Account for 2020/21.
- 1.2 A summary of the capital outturn is provided in table 1 (at section 3.21), and the capital financing is summarised in table 2 (see section 3.26).

2 Recommendation(s)

- 2.1 That Cabinet note the overall capital outturn position and financing for 2020/21.
- 2.2 That Cabinet approve the re-phasing of budgets as detailed in Appendix A.

3 Explanation

- 3.1 The capital outturn position is summarised in Table 1 and a detailed breakdown by capital scheme per directorate can be found in Appendix A
- 3.2 There is a re-phasing of £30.73m into 2021/22, explanations of key variances are detailed below:

General Fund Total rephasing £26.522m

Head of Planning re-phasing £1.031m

- 3.3 **£1.000m – Angerland Football and Rugby Improvements in Hatfield (App A ref. no 3 & 4)**

The Angerland budget is funded 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 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.

Head of Resources re-phasing £8.323m

- 3.4 **£0.825m – Highview shops (App A ref. no 7)**

This is an on-going Three Phase £45m regeneration and development project. It aims to deliver 146 new homes as well as shops and public spaces. Phase one started in June 2020 and completes in March 2022. Tenants will start to be

relocated as of September 2021. This budget is mainly for compensation payable and professional fees over the life of the project.

3.5 £2.344m – One Town Centre Development, Hatfield (App A ref. no 11)

The remaining block was demolished in Q4 2020/21. The spend deadline for the grant from Homes England has been extended by 12 months and the remaining expenditure on this project will be re-phased into 2021/22.

3.6 £3.961m – Welwyn Garden City Town Centre North (App A ref. no 12)

A planning application for the phase one site (Campus West Car Park) will be submitted in early 2021/22. With regard to the phase two site (Campus East Car Park), the tender for a developer using an OJEU competitive dialogue process was launched during September 2020, which is due to compete in early 2021/22. The spend deadline for the grant from Homes England has been extended by 12 months and the remaining expenditure on this project will be re-phased into 2021/22.

Head of Environment re-phasing £15.870m

3.7 £7.176m – Bereavement Services (App A ref. no 36)

The crematorium scheme has now obtained planning approval and has been passed to the Council's Development Team to move the project into the delivery phase. Following procurement, works are expected to commence onsite in the Autumn of 2021. The budget was increased during Q4 following a reallocation of funds from strategic investment approved as part of the budget setting process.

3.8 £8.321m – Tewin Road Depot Upgrade (App A ref. no 43) & Household waste and Recycling Centre (App A ref. no 44)

Whilst some pre-development costs have been incurred, the majority of the construction costs will occur 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. The budget was increased during Q4 following a reallocation of funds from strategic investment approved as part of the budget setting process.

Head of Communities and Housing Strategy re-phasing £1.096m

3.9 £1.000m Disabled Facilities Grant (App A ref. no 53):

The demand for Disabled Facilities Grants has historically been lower than the grant received via the Better Care Fund. Due to the pandemic, demand fell even further and the contractor was not able to progress works for the period of the first lock down. 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.

General Fund Total underspend (£22.580m)

3.10 (£22.981m) Now Housing (App A ref. no: 59)

The budget for Now Housing was based upon the initial business plan for the company. This firstly assumed an earlier commencement to trading, and also assumed a faster pace of delivery. The business plan was updated during the year, and was approved as part of the 2021/22 budget setting process. As the budget is not scheme specific, and budget has been set for 2021/22 onwards based upon the revised business plan, there is no requirement to roll forward the underspend. The budget would be fully financed by borrowing, which has not required to be taken other than for the completed scheme at Chequersfield.

Housing Revenue Account Total rephasing £4.204m

Head of Communities and Housing Strategy re-phasing (£2.282m)

3.11 (£9.148m) Open Market Purchases (App A ref. no: 61)

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 three 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 sound 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.

3.12 £1.355m Howlands House (App A ref. no: 62)

There have been some delays to this project as a result of consultations with local residents, however construction work will commence in 2021/22.

3.13 £1.276m Minster House (App A ref. no: 63)

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

3.14 £0.947m The Commons and £1.456m Ludwick Way (App A ref. no: 64 & 65)

These schemes will commence in July 2021 and the construction period will run for around 12-18 months. An element of the budget will be re-phased into 2021/22.

3.15 £0.177m Burfield (App A ref. no: 66)

This project is in the planning phase and construction on-site is not expected until 2022/23. Between 2020/21 and 2022/23 the current site will be used to house vulnerable individuals who may otherwise be allocated alternative and more expensive temporary accommodation.

3.16 £0.422m Ludwick Green (App A ref. no: 71)

This project is for the design and build of fourteen new flats. This project is still in the planning phase and construction on-site is not expected until January 2022.

3.17 £0.750m High View (App A ref. no: 72)

Discussions are ongoing with the provider: the grant has been agreed in principal. Payment will be made in 2021/22 once the contract has been signed.

3.18 £0.961m Swallowfields (App A ref no: 73)

This budget is for the purchase of 20 apartments at Swallowfields, with the Council purchasing the site and contracting with the developer to complete the development to agreed specification. The project is expected to complete January 2022.

Head of Housing Property Services re-phasing (£6.064m)

3.19 £6.064m Housing investment programme (App A ref. no 78 - 91)

Delivered mainly through the Mears contract, along with other specialist and professional contractors, this programme is for the improvements required to the housing stock including replacement kitchens, bathrooms, electrical and asbestos

works. Due to the impact of the pandemic, a review has been undertaken of the forecast works programme, and £6.064m of works will be rephased to future years.

Head of Housing Operations re-phasing (£0.425m)

3.20 £0.320m Community Buses replacement programme (App A ref. no 92)

This programme has not yet commenced and therefore the expenditure will be re-phased to 2021/22.

3.21 Table 1: Capital Outturn Summary 2020/21 by Fund and Head of Service

	Budget 2020/21	Outturn 2020/21	Variance to Budget	Re- phasing	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Planning	1,076	14	(1,063)	1,031	(32)
Public Health and Protection	73	6	(67)	52	(15)
Public Protection, Planning and Governance	1,149	19	(1,130)	1,083	(47)
Resources	18,494	10,588	(7,906)	8,323	417
Environment	17,172	1,307	(15,865)	15,870	5
Policy and Culture	330	204	(126)	150	24
Resources, Environment & Cultural Services	35,996	12,099	(23,897)	23,343	446
Community & Housing Strategy	1,446	353	(1,094)	1,096	2
Housing and Communities	1,446	1,446	(1,094)	1,096	2
Now Housing	25,418	2,437	0	0	(22,981)
General Fund Total	41,029	14,097	(26,121)	26,522	(22,580)
Housing Revenue Account					
Community & Housing Strategy	22,260	25,548	2,288	(2,282)	5
Housing Property Services	14,507	8,451	(6,056)	6,064	8
Housing Operations	500	65	(435)	425	(10)
Housing and Communities	37,267	33,063	(4,204)	4,207	3
Housing Revenue Account	37,267	33,063	(4,204)	4,207	3
Grant Total	101,277	47,971	(30,325)	30,729	(22,577)

Capital Financing

3.22 The financing of the capital programme, and cumulative borrowing position (internal and external loans) is shown below in table 2. This table excludes Now Housing which is fully financed through borrowing.

3.23 For the General Fund, the key changes in the financing are as follows:

- A reduction in the use of capital receipts and reserves, linked to the rephasing of schemes.
- A reduction in the use of grants and contributions due to the re-phasing of schemes, key changes being the development schemes funded by Homes England Funding. Grant balances not yet applied to expenditure has increased the year end balances position.
- A reduction in the anticipated borrowing due to rephasing of key schemes including Tewin Road Depot and the Crematorium. In addition, the in-year

appropriation of assets between the General Fund and the Housing Revenue Account has meant the financing requirement has been reduced on the General Fund.

- A reduction to the borrowing required for Now Housing of £22.981m, following a review of the business plan as set out in 3.10.

3.24 For the Housing Revenue Account, the key changes in the financing are as follows:

- A reduction in the use of capital receipts and reserves, linked to lower than anticipated balances. In the original budget, assumptions had been made regarding the possible sale of properties to Now Housing. These did not go ahead for 2020/21. This does not have a significant impact on the Housing 30-year business plan.
- Due to the above, and the appropriation of assets from the General Fund to the Housing Revenue Account, the year-end borrowing position has increased.

3.25 Since the reinvigoration of Right to Buy, the Council has seen an average of around 70 sales per year. This dropped to 31 in 2020/21 (50 2019/20), leading to lower levels of receipts and balances. This will continue to be closely monitored during 2021/22.

3.26 **Table 2: Capital Financing Summary**

Table 2 - Capital Financing Summary	Current Budget 2020/21 £'000	Forecast Outturn 2020/21 £'000	Forecast Variance £'000
GENERAL FUND			
Total Expenditure	38,592	12,470	(26,122)
Capital Receipts and Reserves	(4,015)	(2,560)	1,455
Capital Grants and Contributions	(13,085)	(7,006)	6,079
Revenue Contribution to Capital	0	(28)	(28)
Borrowing Requirement Before MRP	21,491	2,876	(18,615)
Minimum Revenue Provision	(976)	(875)	101
Appropriation	0	(3,155)	(3,155)
Net Change in Borrowing Requirement for Year	20,515	(1,154)	(21,669)
Cumulative Borrowing Requirement at year end	52,140	36,495	(15,645)
Capital Reserves and Grants Balance at year end	6,013	14,576	8,563
Borrowing for Now Housing	25,418	2,437	0
Cumulative Borrowing Requirement including Now Housing	77,558	38,932	(38,626)
HOUSING REVENUE ACCOUNT			
Total Expenditure	37,267	33,064	(4,203)
Loan Repayment	20,000	20,000	0
Capital Receipts and Reserves	(25,891)	(15,717)	10,174
Restricted 141 Capital Receipts	(7,701)	(6,947)	754
Revenue Contribution to Capital	(7,230)	(9,096)	(1,886)
Capital Grants and Contributions	(672)	0	672
Appropriation	0	3,155	3,155
Borrowing Requirement for Year	15,773	24,460	8,687
Cumulative Borrowing Requirement at year end	237,353	245,587	8,234
Capital Reserves and Grants Balance at year end	10,950	10,319	(631)

Implications

4 Legal Implication(s)

- 4.1 There are no direct legal implications arising from this report.

5 Financial Implication(s)

- 5.1 This is a report of the Section 151 Officer and financial implications are contained within the report where appropriate.

6 Risk Management Implications

- 6.1 The key risk associated with this report is that should the recommended capital budget re-phasing not be approved; this would have a material impact on the Council's ability to complete projects and finance its capital commitments in future years.

7 Security and Terrorism Implication(s)

- 7.1 There are no direct security and terrorism implications associated with this report.

8 Procurement Implication(s)

- 8.1 There are no direct procurement implications with this report. Implications are considered at the commencement of a capital project.

9 Climate Change Implication(s)

- 9.1 There are no direct climate change implications associated with this report.

10 Human Resources Implication(s)

- 10.1 There are no direct human resources implications associated with this report.

11 Health and Wellbeing Implication(s)

- 11.1 There are no direct health and wellbeing implications associated with this report.

12 Communication and Engagement Implication(s)

- 12.1 There are no direct communication and engagement implications associated with this report.

13 Link to Corporate Priorities

- 13.1 The subject of this report is linked to the delivery of all of the Council's Corporate Priorities

14 Equality and Diversity

- 14.1 An EqIA was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

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Appendices

Appendix A	Capital Expenditure Outturn – Detail by Scheme 2020/21
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