

WELWYN HATFIELD BOROUGH COUNCIL  
CABINET – 3 NOVEMBER 2021  
REPORT OF THE CHIEF EXECUTIVE

**QUARTER 2 CAPITAL BUDGET MONITORING REPORT 2021-22**

**1 Executive Summary**

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of Quarter 2 (September 2021). 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 £98.825m (which includes the approved re-phasing of budgets from 2020/21) and the forecast outturn is £93.965m. A summary of forecast variances and re-phasing are shown in **Table 1** and detailed explanations for key variances in **section 3.5**
- 1.3 A summary of progress against key projects is detailed within **section 3.6**.
- 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 2 as shown in **Table 1**.
- 2.2 That the virements set out in **section 3.5.3** be approved.
- 2.3 The Cabinet to note the forecast position as at 30 September 2021 for funding of the capital programme and reserve balances as reflected in **Table 2**.

**3 Capital Programme – Expenditure Forecasts**

Capital Budgets

- 3.1 Since the original budget was set the planned drawdown from balances has increased by £1.527m. The following table tracks approved changes to the original budget during the year, which impact on reserves.

<b>Original Budget – Capital</b>	<b>£53.007m</b>
Rephasing from 2020/21	£39.876m
Supplementary Budget – 1 to 9 Town Centre	£3.383m
Supplementary Budget – Public Buildings Decarbonisation Scheme	£2.559m
<b>Current Budget – Use of Reserves (General and Earmarked)</b>	<b>£98.825m</b>

3.2 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 2021/22	Outturn 2021/22	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>					
Planning	1,031	31	(1,000)	1,000	0
Public Health and Protection	52	52	0	0	0
<b>Public Protection, Planning and Governance</b>	<b>1,083</b>	<b>83</b>	<b>(1,000)</b>	<b>1,000</b>	<b>0</b>
Resources	12,417	11,557	(860)	860	0
Environment	19,425	19,425	0	0	0
Policy and Culture	150	150	0	0	0
<b>Resources, Environment &amp; Cultural Services</b>	<b>31,992</b>	<b>31,132</b>	<b>(860)</b>	<b>860</b>	<b>0</b>
Community & Housing Strategy	1,688	1,688	0	0	0
<b>Housing and Communities</b>	<b>1,688</b>	<b>1,688</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Fund Total</b>	<b>34,763</b>	<b>32,903</b>	<b>(1,860)</b>	<b>1,860</b>	<b>0</b>
<b>NOW HOUSING</b>	<b>11,548</b>	<b>11,548</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing Revenue Account</b>					
Housing Property Services	16,283	15,483	(1,000)	1,000	0
Housing Operations	933	933	0	0	0
Community & Housing Strategy	35,298	33,098	(2,000)	2,000	0
<b>Housing and Communities</b>	<b>52,514</b>	<b>49,514</b>	<b>(3,000)</b>	<b>3,000</b>	<b>0</b>
<b>Housing Revenue Account Total</b>	<b>52,514</b>	<b>49,514</b>	<b>(3,000)</b>	<b>3,000</b>	<b>0</b>
<b>Grand TOTAL</b>	<b>98,825</b>	<b>93,965</b>	<b>(4,860)</b>	<b>4,860</b>	<b>0</b>

3.3 There is currently a requirement to re-phase £4.86m split between funds as follows:

*GRF £1.860m – re-phase budget into 2022-23*

*HRA £3m – re-phase budget into 2022-23*

*Total net re-phasing – £4.860m*

3.4 Key changes from the Quarter 1 outturn are as follows, explanations of key variances are detailed in section 3.5:

	<b>£m</b>
<b>Quarter 1 forecast variance</b>	<b>0.000</b>
Re phasing of Angerland budget	<b>(1.000)</b>
Re phasing of Highview budget	<b>(0.860)</b>
Re phasing of Affordable Housing Budget	<b>(2.000)</b>
Re phasing of Major Repairs (Other Contractors)	<b>(1,000)</b>
<b>Quarter 2 forecast variance</b>	<b>(4.860)</b>

3.5 **Key forecast variances are outlined below:**

**General Fund:**

3.5.1 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.

3.5.2 Re-phasing of £0.860m - Resources

**£0.860m – High View Development (App A ref. no 6)**

This budget is for retail development fees. It is a phased development with fees to be expended throughout the life of the project. The project is still in its initial phases with the majority of work being done in 2022/23, therefore it is advisable that £0.860m is slipped into next year when the majority of works are to take place.

**Housing Revenue Account:**

3.5.3 Virement request – Affordable Housing Programme and larger properties

Like most of the Affordable Housing Programme (AHP), Howlands House has been delayed by Covid and the budget for the year will be significantly underspent this year. With the AHP delayed, open market purchases are being undertaken in order to replace lost housing stock whilst utilising Right to Buy receipts in time as per the retention agreement.

The budget will be revised during the budget setting process for 2022/23 onwards to progress the Howlands House scheme.

There is also an increased requirement for larger sized family accommodation and £200k is requested to be vired to Aids and Adaptations to appropriately convert void properties.

It is recommended that the following virements are approved to ensure the current year budgets reflect the current schemes:

Credit/Debit	Budget Line	Value
Credit	AHP – Howlands House (App A ref 76)	(£5.0m)
Debit	Aids and Adaptations	£0.2m
Debit	AHP – Open Market Purchases (App A ref 75)	£4.8m

#### 3.5.4 Re-phasing of £2.000m – Community and Housing Strategy

##### **£2.000m – Affordable Housing Programme (App A ref. no 77)**

Following delays to commencement and review of cash flows for Minster House and Howland’s House, re phasing is anticipated.

#### 3.5.5 Re-phasing of £1.000m – Major Repairs (other Contractors)

##### **£1.000m – Major Repairs (Other Contractors) (App A ref. no 62)**

There have been delays to the project and due to the nature of the project works are not able to take place during the winter months. Work will start on site in Spring 2022 and therefore re-phasing of £1.0m is anticipated.

### 3.6 Progress of key capital scheme expenditure:

This section provides members with additional information on the progress of high value projects (over £2.0m) and highlights any risks identified which may cause a variance or re phasing to the project to be reported.

#### **General Fund:**

#### 3.6.1 **Redevelopment of 1 and 3-9 Town Centre Hatfield £2.344m (App A ref. no 10):**

This scheme progresses well. Following the demolition of the remaining block, enabling works including hoarding, and utilities diversions have commenced with active works being undertaken on site. The deadline for spending the Homes England grant has been extended from March 2021 to March 2022.

#### 3.6.2 **Welwyn Garden City Town Centre North £3.961m (App A ref. no 11):**

At the end of the quarter, it was anticipated the application would imminently be submitted for the upper deck to Campus West Car Park, and is estimated to be presented to committee in Autumn 2021. The tender for the residential developer at Campus East car park has concluded, with a recommendation being made to Cabinet.

#### 3.6.3 **Bereavement Services £7.176 (App A ref. no 35):**

Bids have been received for a contractor to undertake the construction of the new facility at Southway cemetery in Hatfield. These are currently being evaluated and a

recommendation to the procurement board overseeing the development. It is anticipated that works will commence on site in Autumn 2021, with completion estimated to be Winter 2022.

#### **3.6.4 Tewin Road Depot & Household Waste £11.521m (App A ref. no 40&41):**

This project progresses well. The contract has been awarded to RG Carter. Works have commenced and to date the implications of sourcing materials after Brexit has not had a major impact on key deadlines.

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

#### **3.6.5 Affordable Housing Programme – £33.098m (App A ref. no 73-90):**

Following delays from Covid, the schemes are now all progressing with revised completion dates in some cases. Much of the forecast underspend for the year is taken up by the open market purchases

Minster House £12.276m (App A ref. no 77) - This project started on site on 29<sup>th</sup> September 2020 and will deliver 91 units. There have been delays due to Covid, however demolition, site preparation and reduced level dig works are now complete and work on the structure is underway. The anticipated contract completion date is August 2022.

#### **3.6.6 Housing Property Services £15.283m (App A ref. no 56- 69):**

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>Table 2 - Capital Financing Summary</b>	<b>Current Budget 2021/22 £'000</b>	<b>Forecast Outturn 2021/22 £'000</b>	<b>Forecast Variance £'000</b>
<b>GENERAL FUND</b>			
Total Expenditure	34,763	32,903	(1,860)
Capital Receipts and Reserves	(4,318)	(4,323)	(5)
Capital Grants and Contributions	(16,132)	(15,127)	1,005
Revenue Contribution to Capital	(196)	(196)	0
<b>Borrowing Requirement for Before MRP and Loans</b>	<b>14,117</b>	<b>13,257</b>	<b>(860)</b>
Minimum Revenue Provision	(771)	(771)	(0)
<b>Net Change in Borrowing Requirement for Year (inc Loans)</b>	<b>13,346</b>	<b>12,486</b>	<b>(860)</b>
Cumulative Borrowing Requirement at year end	52,278	51,418	(860)
Capital Reserves and Grants Balance at year end	9,289	10,289	1,000
Borrowing for Now Housing	11,548	11,548	0
Cumulative Borrowing Requirement including Now Housing	63,826	62,966	(860)
<b>HOUSING REVENUE ACCOUNT</b>			
Total Expenditure	52,514	49,514	(3,000)
Loan Repayment	21,400	21,400	0
Capital Receipts and Reserves	(16,548)	(16,548)	0
Restricted 141 Capital Receipts	(14,185)	(13,305)	880
Revenue Contribution to Capital	(6,840)	(4,879)	1,961
Capital Grants and Contributions	0	0	0
<b>Borrowing Requirement for Year</b>	<b>36,341</b>	<b>36,182</b>	<b>(159)</b>
Cumulative Borrowing Requirement at year end	262,158	260,369	(1,789)
Capital Reserves and Grants Balance at year end	533	1,413	880

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

### **General Fund:**

The expenditure forecast outturn has reduced owing to re phasing of capital schemes into 2022/23.

Capital grants financing has been reduced to reflect the re phasing of the Angerland Football and Rugby schemes into 2022/23. The borrowing requirement has reduced owing

to the partial re phasing of the High View redevelopment scheme into 2022/23. Forecast year end reserves have increased to reflect the re phasing.

### **Housing Revenue Account:**

The expenditure forecast outturn has been reduced owing to re phasing of capital schemes into 2022/23.

The borrowing requirement in year has been reduced to reflect the forecast outturn and the yearend reserves forecast has increased to reflect the use of capital receipts and revenue contribution to capital. There is a reduction in the revenue contribution to Capital in the HRA of £1.961m owing to forecast reductions in income.

### **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 author               Helen O’Keeffe  
Title                            Service Manager (Financial Services)  
Date                             08 October 2021  
Appendix A - Capital Expenditure Monitoring by Scheme