

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 1 FEBRUARY 2022
REPORT OF THE CHIEF EXECUTIVE

QUARTER 3 CAPITAL BUDGET MONITORING REPORT

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of Quarter 3 (December 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 £64.086m. 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 shown in **Table 1**.
- 2.2 That Cabinet note the forecast position as at 31 December 2021 for funding of the capital programme and reserve balances as reflected in **Table 2**.

3 Capital Programme – Expenditure Forecasts

Capital Budgets

- 3.1 The following table tracks approved changes to the original budget during the year, which impact on reserves.

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

- 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 2021/22 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
General Fund					
Planning	1,031	31	(1,000)	1,000	0
Public Health and Protection	52	52	0	0	0
Public Protection, Planning and Governance	1,083	83	(1,000)	1,000	0
Resources	12,417	11,557	(860)	860	0
Environment	19,425	12,804	(6,621)	6,621	0
Policy and Culture	150	150	0	0	0
Resources, Environment & Cultural Services	31,992	24,511	(7,481)	7,481	0
Community & Housing Strategy	1,688	396	(1,292)	1,292	0
Housing and Communities	1,688	396	(1,292)	1,292	0
General Fund Total	34,763	24,990	(9,773)	9,773	0
Now Housing	11,548	0	(11,548)	11,548	0
Housing Revenue Account					
Housing Property Services	16,483	13,100	(3,383)	1,000	(2,383)
Housing Operations	933	245	(688)	688	0
Community & Housing Strategy	35,098	25,751	(9,347)	9,162	(185)
Housing and Communities	52,514	39,096	(13,418)	10,850	(2,568)
Housing Revenue Account Total	52,514	39,096	(13,418)	10,850	(2,568)
Grand TOTAL	98,825	64,086	(34,739)	32,171	(2,568)

3.3 There is currently a requirement to re-phase £32.171m split between funds as follows:

GRF £9.773m – re-phase budget into 2022-23

Now Housing £11.548m – re-phase budget into 2022-23

HRA £10.850m – re-phase budget into 2022-23

Total net re-phasing – £32.171m

- 3.4 Key changes from the Quarter 2 outturn are as follows, explanations of key variances are detailed in section 3.5.

	£m
Quarter 2 forecast variance	(4.860)
Tewin Road depot re-phasing	(3.281)
Household waste and recycling centre re-phasing	(3.340)
Disabled Facilities Grant re-phasing	(1.292)
Now Housing re-phasing	(11.548)
Minster House re-phasing/variance	(0.825)
Affordable Housing Budget re-phasing/variance	(6.322)
Housing Property Services variances	(2.583)
Community Buses & Digital Improvements re-phasing	(0.688)
Quarter 3 forecast variance	(34.739)

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 £1.000m 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 re-phased into next year when the majority of works are to take place.

3.5.3 Re-phasing of £6.621m - Environment

£6.621m – Tewin Road Depot and Household Waste and Recycling Centre (App A ref. no 41, 42)

Updated cash flows due to the impact of the pandemic on the supply chain indicate that some re-phasing is required into 22/23, however the project is progressing well. The contract has been awarded to RG Carter. Work has commenced and there is no major impact on key deadlines to date.

3.5.4 Re-phasing of £1.292m – Community and Housing Strategy

£1.292m – Disabled Facilities Grants (App A ref. no 53)

Disabled Facilities Grants are expected to spend in line with previous years with the remainder rolled forward to meet future needs.

3.5.5 Re-phasing of £11.548m – Now Housing

£11.548m – Capital Loans to Now Housing (App A ref. no 56)

Capital loans to Now Housing not expected to be required until next year as acquisitions have been delayed due to planning and contractor issues.

Housing Revenue Account:

3.5.6 Forecast variance of £2.383m – Housing Property Services

£2.283m – Housing Property Services various schemes (App A ref. nos 57-58, 64-70)

A number of schemes are expecting slippage due to delays including tendering processes. These schemes are delivered through various contracts and are for improvements required to the housing stock including electrical, lift, sheltered refurbishment and conversion schemes.

3.5.7 Re-phasing/forecast variance of £9.347m – Community and Housing Strategy

£9.347m – Affordable Homes Programme (App A ref. nos 74 to 93)

Following delays to commencement of the project, and review of cash flows for a number of schemes including Minster House and Ludwick Way, re-phasing is anticipated. There is an anticipated re-phasing of £1.757m on 1-9 Town Centre, Hatfield.

The Minster House scheme (App A ref. no 79) started on site on 29th September 2020 and will deliver 91 units. Delays due to the pandemic have contributed to the requirement for re-phasing of spend, 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.

3.5.8 Re-phasing of £1.000m – Major Repairs (Other Contractors)

£1.000m – Major Repairs (Other Contractors) (App A ref. no 63)

This is a planned programme to upgrade the exterior of a Grade 2 listed building in Knightsfield, WGC. Owing to the nature of the building, the start date of the project was delayed. The work cannot be undertaken during the winter months and therefore work will start on site in spring 2022 with an expected completion date of March 2023. Re-phasing of £1.000m is anticipated.

3.5.9 Re-phasing of £0.688m – Housing Operations

£0.640m – Community Buses (App A ref. no 71)

£0.048m – Digital Improvements (App A ref. no 73)

The Community Bus service is under review. Replacement buses are not expected to be required until next financial year.

Digital Improvements are expected to continue into the next financial year.

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) 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:

3.6.1 Redevelopment of 1 and 3-9 Town Centre Hatfield £2.344m (App A ref. no 11):

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 12):

The application for the upper deck to Campus West Car Park received planning permission in December 2021. The tender for the residential developer at Campus East car park has concluded, with Bellway being appointed.

3.6.3 Bereavement Services £7.176m (App A ref. no 36):

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 made to the procurement board overseeing the development. The planning approval for changes was obtained in October, and completion is estimated to be winter 2022.

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:

Table 2 - Capital Financing Summary	Current Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Forecast Variance £'000
GENERAL FUND			
Total Expenditure	34,763	24,990	(9,773)
Capital Receipts and Reserves	(4,318)	(3,372)	946
Capital Grants and Contributions	(16,132)	(11,446)	4,686
Revenue Contribution to Capital	(196)	(196)	0
Borrowing Requirement for Before MRP and Loans	14,117	9,976	(4,141)
Minimum Revenue Provision	(771)	(820)	(49)

Net Change in Borrowing Requirement for Year (inc Loans)	13,346	9,156	(4,190)
Cumulative Borrowing Requirement at year end	52,278	36,540	(15,738)
Capital Reserves and Grants Balance at year end	9,289	14,921	5,632
Borrowing for Now Housing	11,548	0	(11,548)
Cumulative Borrowing Requirement including Now Housing	63,826	36,540	(27,286)
HOUSING REVENUE ACCOUNT			
Total Expenditure	52,514	39,096	(13,418)
Loan Repayment	21,400	21,400	0
Capital Receipts and Reserves	(16,548)	(16,500)	48
Restricted 141 Capital Receipts	(14,185)	(10,366)	3,819
Revenue Contribution to Capital	(6,840)	(3,761)	3,079
Capital Grants and Contributions	0	0	0
Borrowing Requirement for Year	36,341	29,869	(6,472)
Cumulative Borrowing Requirement at year end	262,158	254,056	(8,102)
Capital Reserves and Grants Balance at year end	533	4,409	3,876

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 schemes into 2022/23. The borrowing requirement has reduced owing to the 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 reduced forecast outturn and the year-end reserves forecast has been increased to reflect the decreased use of capital receipts and changes in the revenue contribution to capital. There is a reduction in the revenue contribution to capital of £3.079m owing to the increased cost of repairs to date and forecast costs for the remainder of the year.

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 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