

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 FEBRUARY 2024
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

QUARTER 3 CAPITAL BUDGET MONITORING REPORT 2023-24

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of Quarter 3 (December 2023). 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 £95.304m (which includes the approved re-phasing of budgets from 2022/23) and the forecast outturn is £45.617m. 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 for which no variances have been identified 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 2023 for funding of the capital programme and reserve balances as reflected in **Table 2**.
- 2.3 That Cabinet approve the virements set out in Section 3.2.

3 Capital Programme – Expenditure Forecasts

Capital Budgets

- 3.1 The following table tracks approved changes to the original budget during the year (excluding fully funded virements).

	£
Original Budget	£41.327m
Re-phasing from 2022/23	£53.977m
Current Budget	£95.304m

- 3.2 It is recommended that the following virements be approved:

- That budget of £188k for the Campus East Car Park Redevelopment (App A ref. 27) be vired to the Welwyn Garden City Town Centre North project (App A ref. 16). This will align the budgets with where costs have been coded.
- That budget of £620k be vired from the AHP – General budget (App A ref. 60) to AHP – Open Market Purchases (App A ref. 61) to cover costs incurred.
- That budget of £350k be vired from the AHP – General budget (App A ref. 60) to AHP – Queensway House (App A ref. 71) to cover costs incurred.

3.3 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 uses rounded figures so there may be slight addition discrepancies.

Table 1: Capital Outturn 2023/24 by Fund and Directorate

	Budget 2023/24	Forecast Outturn 2023/24	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Executive Director (Finance and Transformation)	3,256	3,665	410	0	410
Executive Director (Place)	7,593	5,366	(2,228)	2,014	(214)
Service Director (Property Maintenance and Climate Change)	1,988	764	(1,224)	100	(1,124)
Service Director (Resident and Neighbourhood)	2,277	2,185	(92)	0	(92)
General Fund Total	15,115	11,980	(3,135)	2,114	(1,021)
Housing Revenue Account					
Executive Director (Finance and Transformation)	69	69	0	0	0
Executive Director (Place)	34,088	8,305	(25,783)	24,960	(823)
Service Director (Property Maintenance and Climate Change)	45,907	25,033	(20,874)	15,510	(5,364)
Service Director (Resident and Neighbourhood)	125	230	105	0	105

Housing Revenue Account Total	80,190	33,637	(46,552)	40,470	(6,082)
Grand TOTAL	95,304	45,617	(49,687)	42,584	(7,103)

3.4 There is currently a requirement to re-phase £42.584m split between funds as follows:

HRA 40.470m – re-phase budget into 2024/25

General Fund £2.114m – re-phase budget into 2024/25

Total net re-phasing - £42.584m

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

General Fund:

3.5.1 **Bereavement Services £0.400m adverse forecast variance (App A ref. 1)**

There is a £0.400m overspend forecasted for the building of the Crematorium. UK Power Networks originally planned to run an electricity supply into the site as part of this project, however despite a previous assessment done by them, they discovered the local network does not have enough capacity to do this. A substation therefore needed to be built at the Council's expense. This cost, along with other utility works needed including off site drainage works, are resulting in a forecasted overspend against budget.

3.5.2 **Parking Improvements (including Woodhall) £0.807m favourable forecast variance (App A ref. 9) – rephasing of £0.140m into 2024/25 and saving of £0.667m**

The majority of the parking improvements budget (£0.667m) is being given as a saving in 2023/24. This budget is made up of a number of previous years' rephased budgets which have not been able to be spent due to resourcing issues. The remaining £0.140m of the budget will be rephased into 2024/25 to add to the 2024/25 budget for parking improvements.

3.5.3 **Highview Shops £0.332m favourable forecast variance (App A ref. 10) – rephasing of £0.332m into 2024/25**

Only £0.350m of the budget is forecasted to be spent in this financial year. The total budget for the scheme was originally all allocated to 2023/24 until more detail was known on the timings of the project. It is therefore now proposed that the remaining budget of £0.332m is rephased into 2024/25 when the project will complete.

3.5.4 **Welwyn Garden City Town Centre North £0.273m adverse forecast variance (App A ref. 16)**

Due to the scheme costing more than originally anticipated, an overspend of £0.273m is predicted. A virement has been proposed in Section 3.2 to fund part of this overspend and the remainder will be funded by income received from the land disposal at Campus East.

3.5.5 **Play Area Replacement Scheme £0.308m favourable forecast variance (App A ref. 17) – rephasing of £0.308m into 2024/25**

Due to resourcing issues, the play area replacement programme has not been able to progress during 2023/24. The whole budget of £0.308m will be rephased into 2024/25 when work will resume.

3.5.6 Angerland Football Improvement Schemes £0.800m favourable forecast variance (App A ref. 18) – rephasing of £0.800m into 2024/25

This is Section 106 funding earmarked for football improvement schemes. It has been agreed that this money will be awarded to Hatfield Town Council to develop the new 3G football pitch including flood lights at Birchwood Leisure Centre. Although the funds are now committed, planning permission is still awaited for the lighting and it is therefore proposed that the budget is rephased into 2024/25.

3.5.7 Angerland Rugby Improvement Schemes £0.200m favourable forecast variance (App A ref. 19) – rephasing of £0.200m into 2024/25

This is Section 106 funding earmarked for rugby improvement schemes. As there are no schemes currently planned, it is proposed that the entire budget of £0.200m is rephased into 2024/25. Schemes which can use this money will continue to be looked for.

3.5.8 ANPR Vehicles £0.120m favourable forecast variance (App A ref. 28) – rephasing of £0.120m into 2024/25

The ANPR Vehicles project is made up of two separate parts; ANPR vehicles (£0.100m) which will complete in this financial year, and school cameras (£0.120m) which will not complete this year. £0.120m is therefore proposed to be rephased into 2024/25.

3.5.9 Decarbonisation £1.070m favourable forecast variance (App A ref. 46)

The decarbonisation budget of £1.070m is proposed as a saving as these works will not be taken forward due to costs being significantly more than anticipated. The small amounts of decarbonisation spend incurred so far on The Hive, Panshanger Community Centre, and Hatfield Leisure Centre will be moved to revenue.

3.5.10 HatTech Lift £0.100m favourable forecast variance (App A ref. 47)

It is proposed that the budget of £100k for the HatTech lift replacement is rephased into 2024/25. The costing report is yet to be received and therefore it is unlikely that the project will start before the end of the financial year.

3.5.11 Better Care Fund and Disabled Facilities Grant £0.092m favourable forecast variance (App A ref. 52)

Due to a lower number of applications for DFG's than budgeted for, it is unlikely that the total Better Care Fund and Disabled Facilities Grant budget will be spent in the financial year.

Housing Revenue Account

3.5.12 Affordable Housing Programme – Open Market Purchases £0.620m adverse forecast variance (App A ref. 61)

There is an adverse forecast variance of £0.620m. This relates to the purchase of two properties which were not budgeted for. The purchase of these properties is due to complete in the next few months. A virement request to fund these costs from the general AHP budget (App A ref. 60) is included in Section 3.2.

3.5.13 Affordable Housing Programme – Howlands House Redevelopment and Additional Units 11.402m favourable forecast variance (App A ref. 62) – rephasing of £11.402m into 2024/25

Due to significant additional costs being identified for the Howlands House project, the project is on hold while funding is finalised, and therefore, it is proposed that £11.402m is rephased into 2024/25.

3.5.14 Affordable Housing Programme – Minster House Redevelopment and Additional Units £3.000m adverse forecast variance (App A ref. 63)

There is an overspend of £3.000m forecasted for this project. This is partly due to delays in agreeing the installation of a substation resulting in additional costs being incurred from the use of a temporary power supply. Several additional design changes to the project have also been implemented which have increased costs. Supply chain issues and delays during COVID lockdowns have also contributed to the overspend. The project has now completed leaving only retention payments to be made.

3.5.15 Affordable Housing Programme – Burfield £5.720m favourable forecast variance (App A ref. 66) – rephasing of £5.720m into 2024/25

Work on the Burfield site will not start until after the completion of Howlands House. Due to the delays in this project (see 3.5.14) it is proposed that the budget for Burfield is rephased for use in future years.

3.5.16 Affordable Housing Programme – Hazel Grove £0.803m favourable forecast variance (App A ref. 67) – rephasing of £0.803m into 2024/25

Works on this garage site will not start in this financial year, and it is therefore proposed that the budget is rephased into 2024/25.

3.5.17 Affordable Housing Programme – Haseldine Meadows £1.374m favourable forecast variance (App A ref. 68) – rephasing of £1.374m into 2024/25

Works on this garage site will not start in this financial year, and it is therefore proposed that the budget is rephased into 2024/25.

3.5.18 Affordable Housing Programme – Lockley Crescent £1.760m favourable forecast variance (App A ref. 69) – rephasing of £1.760m into 2024/25

Works on this garage site will not start in this financial year, and it is therefore proposed that the budget is rephased into 2024/25.

3.5.19 Affordable Housing Programme – Ludwick Green £3.646m favourable forecast variance (App A ref. 70) – rephasing of £3.646m into 2024/25

There have been delays with starting this project, and therefore, £3.646m is proposed to be rephased into 2024/25. The project is currently expected to start on-site works in January 2024.

3.5.20 Affordable Housing Programme – Queensway House £0.350m adverse forecast variance (App A ref. 71)

An overspend of £0.350m is expected for Queensway House, due to unforeseen costs incurred in purchasing a property back. A virement request to fund these costs from the general AHP budget (App A ref. 60) is included in Section 3.2.

3.5.21 Affordable Housing Programme – Swallowfields £0.256m favourable forecast variance (App A ref. 72)

There is a £0.256m favourable forecast variance expected for Swallowfields due to costs being lower than budgeted for. Completion is estimated for January 2024.

3.5.22 Affordable Housing Programme – Birchwood £0.255m favourable forecast variance (App A ref. 73) – rephasing of £0.255m into 2024/25

Works on this project will not start in this financial year and therefore, it is proposed that the budget is rephased into 2024/25. Although funded by the Council, this project will be delivered by Home Group who need to carry out some works to make the building fit for purpose before the project can begin.

3.5.23 Affordable Housing Programme – 1-9 Town Centre Hatfield £0.425m adverse forecast variance (App A ref. 74)

The final milestone payment to the contractor for 1-9 Town Centre Hatfield is still to be paid. This was not included in the original budget and will therefore show as an overspend.

3.5.24 Major Repairs £11.110m favourable forecast variance (App A ref. 75) – rephasing of £11.110m into 2024/25

Due to the Council's kitchen supplier leaving the market, there are delays to major repairs works while re-procurement processes are carried out. Other suppliers to deliver the increased capital works required have been procured but mobilisation is taking longer than expected, and therefore, there is proposed rephasing of £11.110m. It is likely that some of this will be rephased into 2024/25 and the rest will be rephased into future years to align with the future programme of works.

3.5.25 Aids and Adaptations £0.500m favourable forecast variance (App A ref. 76) – rephasing of £0.500m into 2024/25

Aids and adaptations works have been ongoing throughout 2023/24. However, no medical property extension requests have been received so far in the year which means that £0.500m of budget held for this is now proposed to be rephased into 2024/25.

3.5.26 Heating Replacement Programme £2.735m favourable forecast variance (App A ref. 79)

The contractors are currently working at full capacity and can deliver 80 new heating systems every month. This would enable them to deliver 960 new systems during the year at a cost of £3.88m, however when the budget was set, it was expected that significantly more heating systems would be able to be delivered in year at an additional cost. The contractors have also been experiencing issues gaining access to properties to do asbestos surveys before completing the installations, and therefore the forecasted spend has been reduced to £3.2m. As the contractors will not be able to deliver the full amount budgeted for, a saving of £2.735m has been identified on the heating replacement capital programme for 2023/24.

3.5.27 Major Repairs (Other Contractors) £0.200m favourable forecast variance (App A ref. 80)

There is an underspend of £0.200m predicted which can be offered as a saving due to most of the major works now being completed. New projects are being looked at and these will start in the new financial year using the 2024/25 budget.

3.5.28 Sheltered Refurbishment £0.300m favourable forecast variance (App A ref. 84) – rephasing of £0.300m into 2024/25

Refurbishment works are progressing well in one sheltered housing property. Rephasing of £0.300m is proposed which relates to works planned at a second sheltered housing property. These works are still being costed up and therefore they are unlikely to start in this financial year.

3.5.29 Communal Aerials £0.124m favourable forecast variance (App A ref. 85)

Due to lower demand than expected for the installation of communal aerials, the project can offer a budget saving of £0.124m. This is due to a move towards more digital methods of television viewing. It is proposed that the budget for communal aerials is merged in 2024/25 with the electricity mains budget.

3.5.30 Asbestos £0.249m favourable forecast variance (App A ref. 87)

The budgeted figure of £0.249m for asbestos works has been identified as a saving as these works are now going to be delivered through the Major Repairs contract.

3.5.31 Fire Doors £1.228m favourable forecast variance (App A ref. 88)

A saving of £1.228m has been identified on the Fire Doors programme. This is due to lower uptake from leaseholders than expected, resulting in lower numbers of fire doors to be installed.

3.5.32 Howard House £4.458m favourable forecast variance (App A ref. 89) – rephasing of £3.600m into 2024/25 and saving of £0.858m

There are continuing delays to this project due to ongoing consultations with landlords and residents, and the fact that tender exercises have not yet been completed. Works are now not expected to start on site until next financial year, and therefore, an additional £1.600m is proposed to be rephased, adding to the £2.000m that had already been identified as rephasing. A saving of £0.858m has also been identified. Future years budgets will also be rephased as part of the 2024/25 budget setting process.

3.6 Schemes on which no outturn variances are forecast

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 Peartree Lane (YMCA) Land Purchase £3.250m (App A ref. 30)

A deposit for this land purchase has been paid and contracts have been exchanged. Completion is now dependent on planning permission being received. The project is currently expected to complete within the financial year.

Housing Revenue Account:

3.6.2 Door Entry Systems £2.074m (App A ref. 81)

Works are ongoing after mobilisation of the new contractor, and no major variances are forecast at this time.

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:

Table 2 - Capital Financing Summary	Current Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance
	£'000	£'000	£'000
GENERAL FUND			
General Expenditure	15,115	11,980	-3,135
Loan Repayment	14,401	14,401	0
Capital Receipts and Reserves	-6,782	-5,059	1,723
Capital Grants and Contributions	-2,637	-1,502	1,135
Revenue Contribution to Capital	0	0	0
Borrowing Requirement for Before MRP	20,097	19,820	-277
Minimum Revenue Provision	-827	-863	-36
Net Change in Borrowing Requirement for Year	19,270	18,957	-312
Cumulative Borrowing Requirement at year end - General	55,297	54,985	-312
Capital Reserves Balance at year end	3,933	5,656	1,723
Capital Grants and Contributions Balance at year end	4,786	5,455	669
HOUSING REVENUE ACCOUNT			
Total Expenditure	80,190	33,637	-46,552
Loan Repayment	34,200	34,200	0
Capital Receipts and Reserves	-19,401	-18,782	619
Restricted 141 Capital Receipts	-12,435	-2,736	9,700
Capital Grants and Contributions	0	0	0
Revenue Contribution to Capital	-4,769	-5,137	-368
Borrowing Requirement for Year	77,784	41,183	-36,601
Cumulative Borrowing Requirement at year end	290,580	253,979	-36,601
Capital Reserves and Grants Balance at year end	3,763	14,692	10,929

4.2 Key variances to the General Fund and Housing Revenue Account financing since Quarter 2 are as follows:

General Fund:

The expenditure forecast outturn has been decreased owing to rephasing of a number of budgets including the Section 106 funding for football improvement schemes, Highview Shops, Hattech Lift, the play area replacement budget and part of the ANPR vehicles budget. The balance of reserves and grants is therefore forecast to be higher at the end of the year, as less will have been used throughout the year. The borrowing requirement has also decreased as less borrowing will be needed due to reduced levels of expenditure.

Housing Revenue Account:

The expenditure forecast outturn has been reduced owing to delays in a number of projects, and budget being either re-phased into 2024/25, or released as a saving. The balance of restricted capital receipts is therefore forecast to be higher at the end of the year, as less will have been used throughout the year. The borrowing requirement has decreased as less borrowing will be needed due to reduced levels of expenditure.

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