

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 7TH NOVEMBER 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

CAPITAL BUDGET MONITORING AS AT 30TH SEPTEMBER 2017 (PERIOD 6)

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding for both general fund and housing services for the period to 30th September 2017. The report and appendices detail the changes to the original 2017/18 capital programme and funding plans, as a result of programme commitments and project delivery.
- 1.2 At period 6 the current approved budget is £54.348m which includes rolled forward budgets from 2016/17 of £10.597m. The current forecast outturn is £53.973m which includes reductions for savings and re-profiling of budgets. A summary by Head of Service is provided in Table 1 and a detailed breakdown by scheme is included in Appendix A.
- 1.3 The resources available to fund the proposed capital programme are summarised in Table 2.

2 Recommendations

- 2.1 Cabinet to note the overall position as at period 6 on the capital programme (Appendix A), and the capital funding and reserves (Table 2).
- 2.2 Cabinet to note the movements of budgets between schemes agreed by the relevant manager, head of service or director, and reflected in the current budget at period 6 (detailed in Appendix A).
- 2.3 Cabinet to agree the forecast outturn summarised in Table 1 and detailed in Appendix A.

Cabinet are asked to agree the capital expenditure forecast as at period 6, and agree that any changes to the forecast be included in the current budget. This in turn will be used as the basis of comparison to the forecast outturn. For period 6 the forecast outturn includes savings of £138k and re-profiling of £238k from 2017/18 into 2018/19. Forecast changes are summarised in Table 1 and detailed in Appendix A.

3 Explanation

3.1 The capital expenditure position is summarised below in Table 1 and a detailed breakdown by capital scheme per directorate can be found in Appendix A.

Table 1: Capital Expenditure Budgets by Head of Service as at period 6

Description	Original Budget 2017/18	Approved Roll Forwards from 16/17	Current Budget 2017/18 (including 2016/17 roll forwards)	Forecast Outturn 2017/18	(Under)/ Over Budget	Re-profiling to 2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Head of Planning	93	174	267	267	0	0
Head of Law and Administration	15	0	15	15	0	0
Head of Public Health and Protection	20	0	20	20	0	0
Executive Director - Public Protection, Planning and Governance	128	174	302	302	0	0
Head of Resources	8,594	1,093	9,687	9,662	0	(25)
Head of Environment	4,816	22	4,839	4,839	0	0
Head of Policy and Culture	2,893	82	3,099	2,961	(138)	0
Executive Director - Resources, Environment & Cultural Services	16,303	1,197	17,624	17,461	(138)	(25)
Head of Community & Housing Strategy	15,400	5,105	20,694	20,694	0	0
Head of Housing Property Services	11,795	4,005	15,612	15,515	0	(97)
Head of Housing Operations	0	116	116	0	0	(116)
Executive Director - Housing and Communities	27,195	9,226	36,422	36,209	0	(213)
TOTAL	43,627	10,597	54,348	53,972	(138)	(238)

3.2 Capital Schemes progress to date

- 3.2.1 **Hatfield Town Centre (HTC)** – Original budget for 2017/18 is £0.750m plus budgets for Highview redevelopment of £0.350m and Salisbury square £0.050m. The current budgets include rolled forward budgets from 2016/17 of £0.799m and in year virements giving a total current budget including Highview and Salisbury Square of £1.993m.

Phase two of the redevelopment is now being delivered including public realm costs. Other expenditure in year will be for refurbishment works to White Lion House flats, Culpitt House, HTC shop roofs, and final fit out costs for HTC flats and new units, plus associated fees. Costs are expected to continue into 2018/19 with further development of the town centre. The sale of Salisbury Square is going forward for cabinet approval in October. Remaining costs for this scheme will be legal fees on transfer.

- 3.2.2 **Property Company** – Original Budget for 2017/18 is £5.000m. Investments in property in order to generate a net income return to the general fund from 2018/19 onwards. Decisions on the most appropriate vehicle to facilitate the delivery of the Council's objectives will be made following receipt of specialist advice on the legal, financial and tax implications. The business case is being updated and will be reported to Cabinet before any trading activities are taking place.

- 3.2.3 **Hunters Bridge car park concrete waterproofing** – Original Budget for 2017/18 is £0.600m. Budget is to restore and preserve the appearance and water-proofing to the concrete members. The works are to refurbish the surface finishes which are delaminating or separating from the concrete below. This is allowing water to enter the concrete damaging the reinforcing inside. To date there has been committed spend of £44k for professional fees and works will commence in February 2018.

- 3.2.4 **Bereavement Services** – Original budget for 2017/18 is £4.193m with a slight adjustment for 16/17 outturn leaving the Current budget at £4.189m. The budget will be used for the demolition of the current building and the construction of the new crematorium. This includes offices, gardens, car parking, and cremation equipment. Spend and commitment to date of £59k was for consultancy fees, tender documents and stage 3 contract works.

- 3.2.5 **Development of Splashlands Site (Stanborough)** – Original budget for 2017/18 is £2.299m. This budget is to continue development of the new leisure facilities to complete the regeneration of the former Splashlands site at Stanborough Park. There are some modest preparatory costs to be incurred at this time but main expenditure will be committed once a decision has been made on the development.

- 3.2.6 **Affordable Housing Programme** - Original budget is £13.929m. Cabinet agreed on 7 August 2012 for the council to enter into an

agreement to allow the council to retain receipts from the reinvigorated Right to Buy (RTB) sales and to reinvest in the delivery of new affordable homes within the district. These receipts need to be spent within three years of the receipt being received. Ring fenced reserves for this scheme at the beginning of the year were £23.534m.

The council's Affordable Housing Programme delivers new affordable housing through a range of methods including property acquisition, grant funding Registered Providers and direct new build. The current expenditure budget including rolled forward budget from 16/17 is £18.526m with spend and commitment to date of £8.817m.

- 3.2.7 **Disabled Facilities Grant & Decent Homes Grant** – Original budget for 2017/18 DFG is £0.471m and commitments of £0.291m are reflected in the rolled forward budgets giving a current budget of £0.762m. The council receives a contribution to the Disabled Facilities Grant expenditure via the Better Care Fund, managed by the County Council which is expected to be £0.592m in year. Spend and commitments to date for total DFG schemes is £0.371m.

In addition there is a budget for the decent homes scheme of £0.102m rolled forward from 2016/17. The Decent Homes budget is ring fenced for use to undertake work which improves housing standards in the private sector. Cabinet have approved a scheme which ensures this money will be targeted for use by owner occupiers within the most deprived areas of the Borough. Part of the funding will also be used to increase the uptake of boiler replacements via the Herts and Essex Energy Partnership. There is no committed spend in year.

- 3.2.8 **Angerland S106 schemes** – Original budget for 2017/18 is £1m split into two capital schemes. (Improvements are for Hatfield Football £0.800m and Rugby £0.200m). Funding for these schemes has been received. Expenditure will be grant payments made for the development of a full size synthetic turf football pitch for Hatfield Town Football Club, and for Hatfield Rugby Club to develop the changing area and enhance the playing surfaces. It also provides some resource to assist in the development of a social space enabling the club to become sustainable. There is no committed spend in year so far.

- 3.2.9 **Major Repairs Allowance funded schemes** - Original budget for 2017/18 is £11.295m.

This total excludes the Sheltered refurbishment scheme £0.500m.

Current budget including rolled forward 16/17 budget is £14.847m

The Mears contract has an original 2017/18 budget of £7.260m and roll forwards of £1.915m giving a current budget of £9.175m. The scheme is for improvements required to the housing stock including replacement kitchens, bathrooms, electrical and asbestos works.

4 Capital Funding and Reserves

4.1 Capital Funding and Reserves – Forecast Outturn

Table 2: Capital Reserves & Funding Forecast

	Usable Capital Receipts	Major Repairs Reserve	Affordable Housing Funds	Capital Grants Unapplied	Total Movement on Capital Reserves	** Spend Funded by Borrowing
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance 1st April 2017	10,312	4,661	23,534	653	39,160	(16,061)
RTB receipts (including Attributable Debt & High value sales)	0	-	6,920	-	6,920	-
Revenue Contribution to Capital	-	-	0	-	0	-
External Borrowing			3,700		3,700	
Other receipts	2,567	13,412	-	-	15,979	-
Grants	-	-	-	592	592	-
Capital expenditure	(6,760)	(14,750)	(18,526)	(972)	(41,008)	(12,965)
Closing Balance 31st March 2018	6,119	3,323	15,628	273	25,343	(29,026)

Capital Forecast Expenditure: Total Spend Funded by Receipts & Grants plus Spend Funded by Borrowing = £53.973m.

4.2 The capital funding position available to finance the capital programme was £39.160m at the 1st April 2017. Capital funding includes: grants, capital contributions, capital loan repayments, asset disposals, council house sales (including receipts to fund the affordable housing programme), and internal borrowing. Capital reserves are forecast to close at £25.343m by 31st March 2018.

4.3 The current forecast, taking into account the changes to the capital programme and funding statement is £12.965m. The borrowing requirement will be met through internal or external borrowing and will be undertaken in line with the Councils Treasury Management Strategy.

4.4 Housing Schemes (MRA funded)

The Major Repairs Reserve is funded by the depreciation charge to the Housing Revenue Account (HRA) at the end of the financial year. The expected increase to the reserve arising from this charge is £13.412m for 2017/18. This reserve is one of the ways the Council finances Housing Revenue Account capital expenditure. The forecast of expenditure to be funded from this reserve for 2017/18 is £14.75m, which will leave a balance of £3.323m .

4.5 **Developers Contributions – S106**

The council holds capital monies received for external developers towards the funding of specific capital schemes.

Bought forward receipts:	£0.030m for Hatfield aerodrome frontier
	£0.177m for Sir Frederic Osborn School
	£0.800m for Angerland Hatfield Football
	£0.200m for Angerland Hatfield Rugby

The receipts are included in the capital funding as earmarked reserves. The following schemes are identified for expenditure in the 2017/18 capital programme:

- £0.053m Welwyn Football Club – development. (SFO funded)
- £0.124m King George Fifth play fields changing pavilion (SFO funded)
- £0.800m Angerland Football improvements Hatfield (Angerland funded)
- £0.200m Angerland Rugby improvements Hatfield (Angerland funded)

There has been just £5,600 spent and committed to date on the KGV play fields changing pavilion.

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 risks associated with the capital budgets are detailed at paragraph 7.

7 Risk Management Implications

- 7.1 The risks related to this proposal are:
- 7.2 Receipts are not received in the expected year and at the expected amount. If this occurs the implications on reserve levels need to be assessed along with whether alternative funding needs to be sought, this may have a cost to the Council.
- 7.3 The capital programme does not fully spend the expected amount. This has an opportunity cost to the Council. If we have planned to finance from receipts and there has been slippage against the programme, the receipts could have financed other programmes. The implication of the funding not being utilised may mean unnecessary costs are incurred in the delay.

- 7.4 Long term investment plans are based on anticipated levels of core cash, not committed to revenue or capital expenditure. Delays in capital programme spending therefore represent a lost opportunity to invest additional funds at higher long term interest rates.
- 7.5 The capital programme spending is more than the expected amount. This will have implications on the cash and planning of the organisation. Additional sources of funding will have to be identified and there may be a cost to the Council.
- 7.6 Regular monitoring and reporting of the capital budget and funding are an important part of mitigating these risks.
- 7.7 A formal risk assessment has not been prepared in relation to the details in this report.

8 Security & Terrorism Implication(s)

- 8.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

9 Procurement Implication(s)

- 9.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

10 Climate Change Implication(s)

- 10.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

11 Link to Corporate Priorities

- 11.1 The subject of this report is linked to the Council's Corporate Priority "Engage with communities and provide value for money", and specifically to the achievement of "Demonstrate Value for Money".

12 Equality and Diversity

- 12.1 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.

Name of author	Tracy Fortune 01707 357219
Title	General Fund Business Partner
Date	2nd October 2017

Background papers to be listed (if applicable)

Appendices to be listed:

Appendix A - Capital Expenditure Monitoring by Scheme