

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 7 NOVEMBER 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

QUARTER 2 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 2 (September 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 £62.005m. A summary of forecast variances and re-phasing are shown in **Table 1** and detailed explanations for key variances in **Section 3.4**.
- 1.3 A summary of progress against key projects for which no variances have been identified is detailed within **Section 3.5**.
- 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 30 September 2023 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 (excluding fully funded virements).

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

- 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 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 Scheme s | (Under)/ Over Outturn |
|--|-------------------|--------------------------------|--------------------------|--|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | |
| Executive Director (Finance and Transformation) | 3,256 | 4,028 | 773 | 0 | 773 |
| Executive Director (Place) | 7,593 | 6,838 | (755) | 1,095 | 340 |
| Service Director (Property Maintenance and Climate Change) | 1,988 | 849 | (1,139) | 0 | (1,139) |
| Service Director (Resident and Neighbourhood) | 2,277 | 2,277 | 0 | 0 | 0 |
| General Fund Total | 15,115 | 13,993 | (1,122) | 1,095 | (27) |
| Housing Revenue Account | | | | | |
| Executive Director (Finance and Transformation) | 69 | 69 | 0 | 0 | 0 |
| Executive Director (Place) | 34,088 | 14,609 | (19,480) | 18,378 | (1,102) |
| Service Director (Property Maintenance and Climate Change) | 45,907 | 33,119 | (12,788) | 5,710 | (7,078) |
| Service Director (Resident and Neighbourhood) | 125 | 215 | 90 | 0 | 90 |
| Housing Revenue Account Total | 80,190 | 48,012 | (32,177) | 24,088 | (8,089) |
| Grand TOTAL | 95,304 | 62,005 | (33,299) | 25,183 | (8,116) |

3.3 There is currently a requirement to re-phase £25.183m split between funds as follows:

HRA £24.088m – re-phase budget into 2024/25

General Fund £1.095m – re-phase budget into 2024/25

Total net re-phasing - £25.183m

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

General Fund:

3.4.1 **Bereavement Services £0.800m adverse forecast variance (App A ref. 1)**

There is currently a £0.800m 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 needs to be built at the Council's expense. This cost, along with other utility works needed, are resulting in a forecasted overspend against budget. Final estimates are currently awaited from the contractors and therefore there is a risk that the overspend may increase once those are received.

3.4.2 Parking Improvements (including Woodhall) £0.807m favourable forecast variance (App A ref. 9) – rephasing of £0.807m into 2024/25

This budget will not be spent in this financial year due to resourcing issues, and therefore, re-phasing of £0.807m is proposed into 2024/25.

3.4.3 Welwyn Garden City Town Centre North £0.246m adverse forecast variance (App A ref. 15)

Due to profiling of the budget, an overspend of £0.246m is predicted. This will be offset once income is received from Campus East.

3.4.4 Angerland Rugby Improvement Schemes £0.200m favourable forecast variance (App A ref. 18) – 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 £0.200m is rephased into 2024/25. Schemes which can use this money will continue to be looked for.

3.4.5 Decarbonisation £1.070m favourable forecast variance (App A ref. 43)

The decarbonisation budget of £1.070m is proposed as a saving as these works will not be taken forward as the cost of works have increased substantially from the initial feasibility. The small amounts of decarbonisation spend incurred so far on The Hive, Panshanger Community Centre, and Hatfield Leisure Centre have been moved to revenue.

Housing Revenue Account

3.4.6 Affordable Housing Programme – Open Market Purchases £0.650m adverse forecast variance (App A ref. 59)

There is an adverse forecast variance of £0.650m. This relates to the purchase of two properties which were budgeted for within the general AHP budget, there will be a corresponding decrease in the forecast on the general budget. The purchase of these properties is due to complete in the next few months.

3.4.7 Affordable Housing Programme – Howlands House Redevelopment and Additional Units £8.462m favourable forecast variance (App A ref. 60) – rephasing of £8.462m into 2024/25

Due to significant additional costs being identified for the Howlands House project, a Cabinet report is being prepared which will detail options to fund the increased costs. The project is on hold while funding is finalised, and therefore, it is proposed that £8.462m is rephased into 2024/25.

3.4.8 Affordable Housing Programme – Minster House Redevelopment and Additional Units £3.000m adverse forecast variance (App A ref. 61)

There is an overspend of £3.000m forecasted for this project. This is partly due to delays agreeing the installation of a substation resulting in additional costs being incurred from the use of a temporary power supply. Several additional design changes have also been implemented which have increased costs. The project is expected to complete in autumn 2023 and a Cabinet report is being prepared detailing options to fund the overspend.

3.4.9 Affordable Housing Programme – Burfield £5.720m favourable forecast variance (App A ref. 64) – 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 3.4.7) it is proposed that the budget for Burfield is rephased for use in future years.

3.4.10 Affordable Housing Programme – Hazel Grove £0.804m favourable forecast variance (App A ref. 65) – rephasing of £0.804m 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 2023/24.

3.4.11 Affordable Housing Programme – Haseldine Meadows £1.375m favourable forecast variance (App A ref. 66) – rephasing of £1.375m 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 2023/24.

3.4.12 Affordable Housing Programme – Lockley Crescent £1.762m favourable forecast variance (App A ref. 67) – rephasing of £1.762m 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 2023/24.

3.4.13 Affordable Housing Programme – Swallowfields £0.256m favourable forecast variance (App A ref. 70)

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.

3.4.14 Affordable Housing Programme – Birchwood £0.255m favourable forecast variance (App A ref. 71) – 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. The property is currently not fit for purpose which is resulting in delays to the project.

3.4.15 Affordable Housing Programme – 1-9 Town Centre Hatfield £0.412m adverse forecast variance (App A ref. 72)

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.

3.4.16 Major Repairs £5.710m favourable forecast variance (App A ref. 74) – rephasing of £5.710m 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 re-phasing of £5.710m into 2024/25.

3.4.17 Heating Replacement Programme £2.055m favourable forecast variance (App A ref. 78)

The contractors are currently working at full capacity and can deliver 80 new heating systems every month. This will 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. As the contractors will not be able to deliver the full amount budgeted for, a saving of £2.055m has been identified on the heating replacement capital programme for 2023/24.

3.4.18 Sheltered Refurbishment £0.300m favourable forecast variance (App A ref. 83) – 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.

3.4.19 Communal Aerials £0.124m favourable forecast variance (App A ref. 84)

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.

3.4.20 Asbestos £0.249m favourable forecast variance (App A ref. 86)

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.

3.4.21 Fire Doors £0.750m favourable forecast variance (App A ref. 87)

A saving of £0.750m 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.

3.4.22 Howard House £3.600m favourable forecast variance (App A ref. 88) – rephasing of £3.600m into 2024/25

There are continuing delays to this project due to ongoing consultations with landlords and residents, and 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. Future years budgets will also be rephased as part of the 2024/25 budget setting process.

3.5 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:

3.5.1 Peartree Lane (YMCA) Land Purchase £3.250m (App A ref. 29)

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:

3.5.2 Door Entry Systems £2.074m (App A ref. 80)

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 | 13,993 | -1,122 |
| Loan Repayment | 14,401 | 14,401 | 0 |
| Capital Receipts and Reserves | -8,957 | -7,280 | 1,677 |
| Capital Grants and Contributions | -2,205 | -2,195 | 10 |
| Revenue Contribution to Capital | 0 | 0 | 0 |
| Borrowing Requirement for Before MRP | 18,354 | 18,919 | 565 |
| Minimum Revenue Provision | -827 | -827 | 0 |
| Net Change in Borrowing Requirement for Year | 17,527 | 18,092 | 566 |
| | | | |
| | | | |
| Cumulative Borrowing Requirement at year end - General | 51,884 | 52,449 | 565 |
| | | | |
| Capital Reserves Balance at year end | 9,702 | 11,379 | 1,677 |
| Capital Grants and Contributions Balance at year end | 4,258 | 4,449 | 191 |
| HOUSING REVENUE ACCOUNT | | | |
| | | | |
| Total Expenditure | 80,190 | 48,012 | -32,177 |
| Loan Repayment | 34,200 | 34,200 | 0 |
| Capital Receipts and Reserves | -19,401 | -18,782 | 619 |
| Restricted 141 Capital Receipts | -12,435 | -5,072 | 7,364 |
| Capital Grants and Contributions | 0 | 0 | 0 |
| Revenue Contribution to Capital | -4,769 | -4,895 | -126 |
| Borrowing Requirement for Year | 77,784 | 53,464 | -24,320 |
| Cumulative Borrowing Requirement at year end | 290,580 | 266,260 | -24,320 |
| Capital Reserves and Grants Balance at year end | 3,763 | 11,746 | 7,983 |

- 4.2 Key variances to the General Fund and Housing Revenue Account financing since Quarter 1 are as follows:

General Fund:

The expenditure forecast outturn has been decreased owing to rephasing of the Section 106 funding for rugby improvement schemes and the parking improvements budget. This has decreased the borrowing requirement.

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 and other capital reserves are 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.

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