

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 AUGUST 2019
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

QUARTER 1 CAPITAL BUDGET MONITORING REPORT 2019-20

1 Executive Summary

- 1.1 This report presents the capital expenditure and associated capital funding as at the end of quarter 1 2019/20. The report and appendices detail the changes to the original 2019/20 capital programme and funding plans, as a result of programme commitments and project delivery.
- 1.2 The current approved capital budget is £63.031m including re-phasing of £28.904m from 2018/19, which was approved by Cabinet on 4 June 2019. The current forecast outturn is £63.072m. A summary of forecast variances and re phasing are shown in **Table 1** and detailed explanations for key variances in **section 3.3**.
- 1.3 A summary of progress against key projects for which no variances have been reported is contained within **section 3.4**.
- 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 The Cabinet note the capital forecast outturn position as at Quarter 1.
- 2.2 That Cabinet approve re-phasing and virements for the Affordable Housing Programme set out in **section 3.3**.
- 2.3 The Cabinet to note the forecast position as at 31 March 2020 for funding of the capital programme and reserve balances as reflected in **Table 2**

3 Capital Programme – Expenditure Forecasts

- 3.1 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 Expenditure Forecast by Head of Service and Corporate Director Period 3 2019/20					
Description	Current Budget 2019/20 (including 2018/19 roll forwards)	Forecast Outturn 2019/20	Forecast Variance	Re-phasing of Capital Schemes	(Under) / Over Forecast
	£'000	£'000	£'000	£'000	£'000
GENERAL FUND					
Head of Planning	1,140	1,140	0	0	0
Head of Public Health and Protection	111	111	0	0	0
Corporate Director - Public Protection, Planning and Governance	1,252	1,252	0	0	0
Head of Resources	24,435	24,435	0	0	0
Head of Environment	9,032	5,480	(3,552)	3,552	(0)
Head of Policy and Culture	245	245	0	0	0
Corporate Director - Resources, Environment & Cultural Services	33,712	30,160	(3,552)	3,552	(0)
Head of Community & Housing Strategy (Gen Fund)	992	992	0	0	0
Corporate Director - Housing and Communities (Gen Fund)	992	992	0	0	0
TOTAL General Fund	35,956	32,404	(3,552)	3,552	(0)
HOUSING REVENUE ACCOUNT					
Head of Community & Housing Strategy	12,755	16,348	3,593	(3,593)	(0)
Head of Housing Property Services	14,314	14,314	0	0	0
Head of Housing Operations	6	6	0	0	0
Corporate Director - Housing and Communities (HRA)	27,075	30,668	3,593	(3,593)	(0)
TOTAL Housing Revenue Account	27,075	30,668	3,593	(3,593)	(0)
TOTAL	63,031	63,072	41	(41)	0

3.2 There is currently requirement to re-phase a net £41k from 2020/21 as follows:

GRF £3.552m - re phase budget into 2020-21
HRA (£3.593m) – re phase budget from/to 2020-21

The HRA capital programme will therefore increase by £3.593m in 2019/20 and decrease by same amount in 2020/21. The GRF capital programme will decrease by £3.552m in 2019/20 and increase by same amount in 2020/21. Overall this is still within the five year approved capital programme approved by Council in February 2019.

3.3 Key forecast variances are outlined below:

Housing Revenue Account:

3.3.1 Rephasing £3.593m - Affordable Housing Programme (129-145)

Following the final out-turn position as at 31st March 2019, there has been a number of changes to schemes, including re-phasing of works, an increase in the number of directly delivered sites, and new schemes being approved (such as Chequersfield) early 2019, the budget requires virements to be actioned as set out in the table below:

Ref (App A)	Scheme	Virement (£m)	Comments
129	AHP - General	(3.109)	This budget is set based on pipeline schemes which are then separated into individual schemes as they progress and get approved by Cabinet. £621k from this year's budget is to be allocated to AHP - The Common (£248k) and AHP - Ludwick Way (£373k). The remaining £2.488m is to be vired for Hatfield Night Shelter (£0.150m) and AHP - Chequersfield (£2.338m)
134	AHP - Open Market Purchases	(1.840)	The open market purchases (OMPs) are being limited to £3.651m in 2019/20, towards already committed purchases. Less emphasis is being placed on OMP's as the Council is ahead of its required spend in order to retain right to buy receipts. Being ahead of spend enables the Council to direct spend to increase overall housing delivery, rather than just maintaining stock levels. Budget to be vired to AHP – Chequersfield.
139,140	AHP - Ludwick Way and The Commons	0.621	These two schemes were originally approved to be drawn down from AHP – General scheme (£0.625m in 18/19 and 19/20 and a further £1.875m in 2020/21). They are both currently in planning stage and is forecast to have a combined outturn of £0.621m in the fourth quarter of this financial year for works onsite.
143	AHP - Onslow	(2.322)	The forecast outturn for the scheme has been removed following changes with the proposed development. Home Housing Group secured planning approval to deliver a residential scheme at Onslow School in November 2018 and the Council had agreed to purchase 15 x 2 bed houses. However the School have now elected to re-tender the site and the Council is waiting for news on the outcome. The budget of £2.322m needs to be vired to AHP - Chequersfield.
144	Hatfield Night Shelter	0.150	This scheme was approved by Cabinet on the 7th Aug 2018 and the budget would need to be drawn down from AHP – General scheme to provide a grant payment to a registered provider to support provision of a night shelter in Hatfield. The budget for the scheme now needs a virement from AHP – General scheme.
145	AHP- Chequersfield	6.500	On 8 th Jan 2019 Cabinet approved the purchase of 30 new build apartments at Chequersfield. The development has started on site and is expected to complete in the early part of next year. The payment will be made on a phased manner, with a proportion possibly falling into 2020/21. We are monitoring the scheme closely and any updates required to the budget will be reported in the future quarterly capital reports.
	TOTAL	0.000	

- 3.3.2 In addition to the virements shown in the table above, re-phasing of schemes are required, with a net £3.593m to be re-phased from 2020/21. This is made up of two items as follows:

AHP – Littlemead (£0.431m) (132) - There has been a delay to the project starting onsite due to demolition of the existing buildings taking place later than originally envisaged because of the delay in disconnection of existing services and meters of the existing flats and therefore part of the budget will need to be re-phased into 2020/21.

AHP - Open Market purchases £4.024m (134) – The open market purchases (OMPs) are being limited to £3.651m in 2019/20. The current budget in the capital programme for OMPs is £1.467m, this means that an additional £4.024m need to be brought forward from 2020/21.

General Fund:

3.3.3 Rephasing £3.552m - Bereavement scheme (72)

A planning application has been submitted and will be determined by the planning committee for decision in the future. Until approval, the scheme cannot progress so construction costs will not be incurred until later this year. We are monitoring the scheme closely and based on timelines, the expected forecast for outturn is £500k in the current financial year.

Progress of key capital scheme expenditure:

- 3.4 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:

3.4.1 Splashlands development £2.2m (17):

The refurbishment of the toilet block is now complete, and these were reopened at the end of June. The planning application for the splash park has been submitted and is scheduled to be determined at Development Management Committee on 18th July. The tender process for the main contractor as well as the site operator will be concluded by August and works are expected to commence in the autumn.

It is likely that the budget profile will need to be reviewed once all tender processes and a contractor appointed as detailed cash flows cannot be confirmed until this stage. This may result in the re-phasing of budget between years.

3.4.2 Welwyn Garden City North £3.1m (29):

Inner Circle Consulting (ICC) have been appointed to prepare a new Delivery Strategy for WGC Town Centre North.

ICC have met with a number of early key stakeholders. Traffic and parking surveys have been completed in addition to a commercial and residential

market report. ICC will prepare an overarching report to set out the findings from the first stage of the process.

The budget was set based upon an even profile over the term of grant funding, but the cash flows of the scheme are unlikely to be evenly profiled. This may result in the re phasing of budget between years.

3.4.3 Strategic Property Investment £4.8m (30):

This budget is for strategic property investment and for the fit out works of the new business incubation centre.

The tender period for the fit out contractor has now closed and the evaluation of the returned submissions will be carried out for the appointment of a bidder to be recommended to General Procurement Board on 31 July 2019. Works are on track to complete during Winter 2019/20.

3.4.4 Hatfield Town Centre Multi Storey Car Park £5.7m (45):

Bourne Parking have now completed the design for the new car park and have submitted their pre-application submission to the Planning team. The full planning application is likely to be submitted in summer 2019 with a view to being determined in the autumn by Development Management Committee.

Subject to committee approval, construction work is programmed to commence early 2020. It is likely that the budget profile will need to be reviewed once approved and detailed cash flows cannot be confirmed until this stage. This may result in the re phasing of budget between years.

3.4.5 Waste contract renewal £3.0m (82):

The Council's new waste collection and street cleansing contract has been awarded to Urbaser Limited and is due to commence from April 2020.

This capital project is for the purchase of new refuse collection vehicles and road sweepers with no expenditure expected until quarter four of this financial year.

Housing Revenue Account:

3.4.6 Housing Major Repairs £7.561m (151):

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**.

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

General Fund:

4.2.1 The expenditure forecast has reduced by £3.552m in year owing to the re-phasing of a capital scheme into 2020/21.

Housing Revenue Account:

4.2.2 There is a £3.593m increase in HRA capital expenditure due to the re-phasing of budget from 2020/21, and is funded through the use of retained one for one receipts (30%) and borrowing.

4.2.3 There is an increase in the revenue contribution to Capital in the HRA of £167k. This is due to higher than forecast opening revenue balances, as set out in the Q1 revenue monitoring report.

<u>Table 2 - Capital In Year Financing Summary</u>	Current Budget 2019/20 (incl 2018/19 R/fwds) £'000	Forecast Outturn 2019/20 £'000	Variance to Current Budget £'000
GENERAL FUND			
Total Expenditure	35,956	32,404	(3,552)
Capital Receipts and Reserves	(8,733)	(8,733)	0
Capital Grants and Contributions	(12,722)	(12,722)	0
Borrowing Requirement Before MRP	14,501	10,949	(3,552)
Minimum Revenue Provision	(624)	(624)	0
Net Change in Borrowing Requirement for Year	13,877	10,325	(3,552)
Cumulative Borrowing Requirement at year end	49,438	45,886	(3,552)
Capital Reserves and Grants Balance at year end	4,584	2,703	(1,881)
HOUSING REVENUE ACCOUNT			
Total Expenditure	27,075	30,668	3,593
Loan Repayment	18,800	18,800	0
Capital Receipts and Reserves	(14,704)	(14,704)	0
Restricted 141 Capital Receipts	(4,214)	(5,414)	(1,200)
Revenue Contribution to Capital	(7,068)	(7,235)	(167)
Borrowing Requirement for Year	19,889	22,115	2,226
Cumulative Borrowing Requirement at year end	241,580	242,948	1,368
Capital Reserves and Grants Balance at year end	18,765	11,257	(7,508)

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.

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Background papers to be listed (if applicable)

Appendices to be listed: Appendix A - Capital Expenditure Monitoring by Scheme