

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 9 AUGUST 2022
REPORT OF THE CHIEF EXECUTIVE

QUARTER 1 CAPITAL BUDGET MONITORING REPORT 2022-23

1 Executive Summary

- 1.1** This report presents the capital expenditure and associated capital funding as at the end of Quarter 1 (June 2022). 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 £176.385m (which includes the approved re-phasing of budgets from 2021/22) and the forecast outturn is £171.392m. 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 June 2022 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	£118.794m
Re-phasing from 2021/22	£57.591m
Current Budget	£176.385m

- 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 2022/23 by Fund and Head of Service

	Budget 2022/23	Outturn 2022/23	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Planning	1,031	1,031	0	0	0
Public Health and Protection	51	51	0	0	0
Public Protection, Planning and Governance	1,082	1,082	0	0	0
Resources	11,361	11,361	0	0	0
Environment	15,700	16,424	724	0	724
Policy and Culture	200	200	0	0	0
Resources, Environment & Cultural Services	27,261	27,985	724	0	724
Community & Housing Strategy	2,013	2,013	0	0	0
Housing and Communities	2,013	2,013	0	0	0
General Fund Total	30,356	31,080	724	0	724
NOW HOUSING	72,118	72,118	0	0	0
Housing Revenue Account					
Housing Property Services	30,436	30,436	0	0	0
Housing Operations	597	597	0	0	0
Community & Housing Strategy	42,878	37,162	(5,716)	5,716	0
Housing and Communities	73,911	68,195	(5,716)	5,716	0
Housing Revenue Account Total	73,911	68,195	(5,716)	5,716	(0)
Grand TOTAL	176,385	171,392	(4,992)	5,716	724

3.3 There is currently a requirement to re-phase £5.716m of budget into 2023/24.

3.4 Key forecast variances are outlined below:

General Fund:

3.4.1 Bereavement Services £0.500m adverse forecast variance (App A ref. 44)

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 have now 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 is very frustrating from the council's point of view but is the only option available and will incur a cost of approximately £0.500m. The business plan remains viable despite this increase in costs.

Unfortunately, some materials for the site were damaged in transit and as a result need to be manufactured again. There is no impact on the cost of the project, and the project team is working with the contractor to minimise the impact on the timeline of the project.

3.4.2 Tewin Road Depot Upgrade / Household Waste and Recycling Centre £0.400m adverse forecast variance (App A ref. 48 and 49)

The contractor has identified there was a problem with the ground associated with contaminated issues, which had to be consulted with the Environment Agency. Despite this and the challenge that the depot had to remain open throughout the construction, the Tewin Road Depot was completed in April this year. Coupled with rising inflation on the cost of materials and labour, it is estimated that there is an increase in cost of £400k, half of which will be reclaimable from HCC.

Housing Revenue Account:

3.4.3 Affordable Housing Programme £5.716m favourable forecast variance (App A ref. 89-107)

This variance relates to AHP – Burfield which is a temporary accommodation site. Works at Burfield are unlikely to start in 2022/23 due to this site being dependent on completion of Howlands House first. The Howlands House project hopes to start in the autumn.

3.5 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:

3.5.1 Welwyn Garden City Town Centre North £2.76m (App A ref. 14)

This scheme is progressing well, and no variances are forecasted at this time.

3.5.2 Peartree Lane (YMCA) Land Purchase £3.25m (App A ref. 41)

This scheme is progressing well, and no variances are forecasted at this time.

Housing Revenue Account:

3.5.3 Major Works (Mears) £13.60m (App A ref. 68)

This work falls under the Mears contract and includes replacements or upgrades to the housing stock bathrooms and kitchens. Works are progressing well, and a programme of works has been drawn up for the remainder of the contract. Once the Mears contract ends in September, these works will move to the new contractor.

3.5.4 Door Entry Systems £2.64m (App A ref. 74)

The door entry systems have been ordered and will be installed when delivered. No slippage is anticipated on this project.

3.5.5 Howard House £4.80m (App A ref. 84)

On site work is expected to start in the autumn. A project group has been set up which meets regularly to monitor the progress of this project; no concerns are currently identified.

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 2022/23 £'000	Forecast Outturn 2022/23 £'000	Forecast Variance £'000
GENERAL FUND			
General Expenditure	30,356	31,080	724
Capital Receipts and Reserves	(5,584)	(5,584)	0
Capital Grants and Contributions	(12,278)	(12,478)	(200)
Revenue Contribution to Capital	0	0	0
Borrowing Requirement for Before MRP	12,494	13,018	524
Minimum Revenue Provision	(835)	(835)	0
Net Change in Borrowing Requirement for Year excluding Loans	11,658	12,183	524
Now Housing Loans	72,118	72,118	0
Net Change in Borrowing Requirement for General Fund	83,776	84,301	524
Cumulative Borrowing Requirement at year end - General	53,215	53,739	524
Cumulative Borrowing Requirement at year end - Now Housing	74,555	74,555	0
Cumulative Borrowing Requirement at year end - Total	127,770	128,294	524
Capital Reserves Balance at year end	5,628	5,628	0
Capital Grants Balance at year end	3,582	3,582	0
HOUSING REVENUE ACCOUNT			
Total Expenditure	73,911	68,195	(5,716)
Loan Repayment	22,700	22,700	0
Capital Receipts and Reserves	(18,490)	(15,061)	3,430
Restricted 141 Capital Receipts	(9,952)	(7,665)	2,286
Capital Grants and Contributions	0	0	0
Revenue Contribution to Capital	(4,121)	(4,121)	0
Borrowing Requirement for Year	64,048	64,048	0
Cumulative Borrowing Requirement at year end	281,455	281,455	0
Capital Reserves and Grants Balance at year end	8,237	13,953	5,716

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

General Fund:

The expenditure forecast outturn has increased owing to additional works being identified as part of the Bereavement Services project, as well as delays on the Tewin Road Depot and Household Waste and Recycling Centre projects, and therefore, the borrowing requirement has increased. The overspend on the Household Waste project will be funded by contributions from Herts County Council.

Housing Revenue Account:

The expenditure forecast outturn has been reduced owing to a delay in the AHP – Burfield project. This is funded partly by 141 capital receipts and partly by general capital receipts, and therefore, the 141 capital receipt forecast and general capital receipt forecast have also reduced.

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