

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

QUARTER 3 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 3 (December 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 £176.485m (which includes the approved re-phasing of budgets from 2021/22) and the forecast outturn is £64.243m. 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 31 December 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 (excluding fully funded virements).

	£
Original Budget	£118.794m
Re-phasing from 2021/22	£57.591m
Additional budget added for EV charging points	£0.045m
Link Drive additional spend funded from developer contributions	£0.055m
Current Budget	£176.485m

- 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 Directorate

	Budget 2022/23	Outturn 2022/23	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Executive Director (Finance and Transformation)	7,776	8,450	674	105	779
Executive Director (Place)	11,319	6,158	(5,160)	5,787	627
Service Director (Resident and Neighbourhood)	8,587	6,976	(1,611)	1,759	148
Service Director (Property Maintenance and Climate Change)	2,773	1,992	(782)	871	91
General Fund Total	30,454	23,576	(6,879)	8,522	1,644
NOW HOUSING	72,118	0	(72,118)	0	(72,118)
Housing Revenue Account					
Executive Director (Finance and Transformation)	86	86	0	0	0
Executive Director (Place)	42,898	25,388	(17,510)	18,187	677
Service Director (Resident and Neighbourhood)	491	220	(271)	0	(271)
Service Director (Property Maintenance and Climate Change)	30,436	14,973	(15,461)	15,461	0
Housing Revenue Account Total	73,911	40,667	(33,242)	33,648	406
Grand TOTAL	176,485	64,243	(112,239)	42,170	(70,069)

3.3 There is currently a requirement to re-phase £42.170m split between funds as follows:

HRA £33.648m – re-phase budget into 2023/24

General Fund £8.522m – re-phase budget into 2023/24

Total net re-phasing - £42.170m

3.4 Key forecast variances are outlined below:

General Fund:

3.4.1 **Bereavement Services £0.768m adverse forecast variance (App A ref. 1)**

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 cost, along with other utility works needed, are resulting in a forecasted overspend against budget. The predicted overspend is now £768k.

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 **ICT Rolling Program/Refresh £0.105m favourable forecast variance (App A ref. 7)**

£0.105m of this budget is not expected to be spent in 2022/23 and will therefore be re-phased into 2023/24. The re-phased budget consists of £45k for a Firewall project and £60k for an infrastructure project.

3.4.3 **Angerland Football Improvement Schemes £1.000m favourable forecast variance (App A ref. 11 and 12)**

The Angerland £1.000m in the capital budget is from a S106 planning agreement, and is held by the Council, to be distributed to sports bodies in Hatfield. A Board was set up to receive nominations and award funding. In September 2019 the board agreed to review the criteria associated with the fund. The review has been concluded and in September 2020 it was confirmed that the funding remains available to deliver the two large projects for football and rugby through the capital programme and smaller community sport projects funded via a bid process from the remaining funding held in revenue. There are no large projects progressing through the planning system at present, so the money will continue to be held by the Council for the foreseeable future until such time as a project is progressed. It is very unlikely that these funds will be spent during 2022/23 and they will be re-phased into the following financial year as no applications for funding are forthcoming.

3.4.4 **Highview Shops £0.682m favourable forecast variance (App A ref. 15)**

Only £0.122m has been spent to date from a budget of £1.182m. Due to the phasing of the project, this scheme is only forecasted to spend £0.500m in this financial year, resulting in re-phasing of £0.682m into 2023/24.

3.4.5 **Welwyn Garden City Town Centre North £0.612m adverse forecast variance (App A ref. 19)**

The overspend on this project is expected to be offset from a higher than expected amount received from disposal of part of the site.

3.4.6 **Peartree Lane (YMCA) Land Purchase £3.250m (App A ref. 23)**

It is unlikely that this scheme will complete in this financial year and so it has been re-phased into 2023/24.

3.4.7 Parking Improvements £0.266m favourable forecast variance (App A ref. 31)

Only £0.009m has been spent from a budget of £0.556m so far this financial year. This is due to delays with resourcing for the projects. An estimated £0.266m will be re-phased into 2023/24.

3.4.8 Play Area Replacement Scheme £0.150m favourable forecast variance (App A ref. 32)

Out of a budget of £0.223m only £0.073m is now expected to be spent in this financial year. This is due to resourcing delays which mean some projects have not been able to start in this financial year. £0.150m will therefore be rephased into 2023/24.

3.4.9 Decarbonisation Scheme at Campus East £0.086m adverse forecast variance (App A ref. 43)

There is an overspend of £0.086m on decarbonisation works at Campus East as a result of extra work needed to make the scheme operational that was not originally planned for.

3.4.10 Decarbonisation £0.800m adverse forecast variance (App A ref. 44)

The majority of the planned decarbonisation works will not now take place in this financial year, and therefore, £0.800m of the budget will be re-phased into 2023/24. Some of the remaining budget will be used to fund the overspend mentioned in 3.4.8 above.

3.4.11 Tewin Road Depot Upgrade / Household Waste and Recycling Centre £0.200m adverse forecast variance (App A ref. 51 and 52)

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 £200k, half of which will be reclaimable from HCC.

3.4.12 Better Care Fund and Disabled Facilities Grant £1.759m favourable forecast variance (App A ref. 54)

The forecasted spend in year is £0.150m and therefore £1.759m of this grant will be rephased into 2023/24. This re-phasing is predominantly due to the long wait times that currently exist for assessments from occupational therapists, which can be up to 3 months, and then further delays in getting builders on site due to high levels of demand in the construction industry.

Housing Revenue Account

3.4.13 Affordable Housing Programme £17.523m favourable forecast variance (App A ref. 59-76)

£5.716m of 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 (see below).

Howlands House does not yet have planning permission to start and therefore an underspend of £7.000m is forecast.

A further £0.255m of the variance relates to Birchwood House. The Council will pay grant to the provider for this scheme for the provision of social housing. The project has not yet started and therefore, the money will be re-phased into 2023/24.

There are also a number of further underspends forecasted due to delays in the projects. There is a £1.579m underspend forecasted for Ludwick Green, a £0.810m underspend forecasted for Hazel Grove, a £1.382m underspend forecasted for Haseldine Meadows, and a £1.445m underspend forecasted for Lockley Crescent.

All of these underspends will be re-phased into 2023/24.

The following overspends are forecasted for the Affordable Housing Programme; £0.400m for The Commons, £0.076m for Queensway House, and £0.188m for Swallowfields. The overspends on Swallowfields and The Commons are due to rising material prices caused by inflation, and the overspend on Queensway House is due to more compensation needing to be paid to leaseholders than expected.

3.4.14 Major Repairs £6.409m favourable forecast variance (App A ref. 77) – re-phasing of £6.409m into 2023/24

Following the ending of the Mears contract in September, these works have now moved to the new contractor, Morgan Sindall. The works include replacements or upgrades to the housing stock bathrooms and kitchens. Morgan Sindall is currently focusing on managing the outstanding repairs and voids left by the previous contractor, as well as mobilising their workforce. Additional contractors are being procured to deliver this major investment programme and are expected to be in place early next year. For the reasons outlined above, £6.409m of budget will be re-phased into 2023/24.

3.4.15 Heating Replacement Programme £1.000m favourable forecast variance (App A ref. 81) – re-phasing of £1.000m into 2023/24

There have been delays to this programme due to suppliers experiencing delays with being able to obtain the required parts, and therefore, £1.000m will be re-phased into 2023/24.

3.4.16 Major Repairs (other contractors) £0.712m favourable forecast variance (App A ref. 82) – re-phasing of £0.712m into 2023/24

There has been minimal spend to date on this scheme, and therefore £0.712m of budget will be re-phased into 2023/24.

3.4.17 Door Entry Systems £1.300m favourable forecast variance (App A ref. 83) – re-phasing of £1.300m into 2023/24

Due to the lead times on the manufacturing of these doors in the first quarter of the year, it will not be possible to complete all of the required works this financial year. The works do still need to be completed, and therefore, £1.300m of this budget will be re-phased into 2023/24.

3.4.18 Sheltered Refurbishment £0.500m favourable forecast variance (App A ref. 86) – re-phasing of £0.500m into 2023/24

There has been minimal spend to date on this scheme, and therefore £0.500m of budget will be re-phased into 2023/24.

3.4.19 Communal Aerials £0.560m favourable forecast variance (App A ref. 87) – re-phasing of £0.560m into 2023/24

There has been minimal spend to date on this scheme, and therefore £0.560m of budget will be re-phased into 2023/24.

3.4.20 Howard House £4.550m favourable forecast variance (App A ref. 91) – re-phasing of £4.550m into 2023/24

This project is progressing, and a project group has been set up which meets regularly to monitor progress. However, on-site works are now not expected to start in this financial year as planning permission has not yet been obtained, and therefore there will be re-phasing of £4.550m into 2023/24.

3.4.21 Community Buses replacement programme £0.320m favourable forecast variance (App A ref. 93)

An agreement has been made to partner with the charity Communities First to deliver the community bus service within a contract for up to 5 years. Three buses from the Council's existing fleet will be transferred to the charity, and the charity will then be responsible for providing replacement buses once the service is established. There will therefore be no capital cost to the Council, and therefore, £0.320m will be an underspend.

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.

Housing Revenue Account:

3.5.1 Fire Doors £2.000m (App A ref. 90)

This scheme is progressing well, and no 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 below:

Table 2 - Capital Financing Summary	Current Budget 2022/23 £'000	Forecast Outturn 2022/23 £'000	Forecast Variance £'000
GENERAL FUND			
General Expenditure	30,455	23,576	-6,879
Loan Repayment	0	476	476
Capital Receipts and Reserves	-5,584	-2,509	3,075
Capital Grants and Contributions	-12,378	-10,586	1,792
Revenue Contribution to Capital	0	0	0
Borrowing Requirement for Before MRP	12,493	10,957	-1,537
Minimum Revenue Provision	-835	-817	18
Net Change in Borrowing Requirement for Year excluding Loans	11,658	10,140	-1,519
Now Housing Loans	72,118	0	-72,118
Net Change in Borrowing Requirement for General Fund	83,776	10,140	-73,637
Cumulative Borrowing Requirement at year end - General	53,215	52,956	-259
Cumulative Borrowing Requirement at year end - Now Housing	74,555	0	-74,555
Cumulative Borrowing Requirement at year end - Total	127,770	52,956	-74,814
Capital Reserves Balance at year end	5,628	4,721	-907
Capital Grants and Contributions Balance at year end	3,527	3,922	395
HOUSING REVENUE ACCOUNT			
Total Expenditure	73,911	40,667	-33,244
Loan Repayment	22,700	22,700	0
Capital Receipts and Reserves	-18,490	-18,653	-163
Restricted 141 Capital Receipts	-10,135	-8,779	1,356
Capital Grants and Contributions	0	0	0
Revenue Contribution to Capital	-6,257	-5,705	552
Borrowing Requirement for Year	61,729	30,230	-31,499
Cumulative Borrowing Requirement at year end	284,852	253,353	-31,499
Capital Reserves and Grants Balance at year end	8,054	8,433	379

- 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 reduced owing mainly to projects being re-phased into 2023/24. This has increased the forecasted year end balance for capital grants and contributions.

Housing Revenue Account:

The expenditure forecast outturn has been reduced since Quarter 2 owing to delays in a number of projects, and budget being re-phased into 2023/24. The balance of restricted capital receipts is therefore forecast to be significantly higher at the end of the year, as less will have been used throughout the year.

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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Date 9 January 2023

Appendix A - Capital Expenditure Monitoring by Scheme