

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 11 JULY 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

CAPITAL BUDGET OUTTURN REPORT

1 Executive Summary

- 1.1** This report presents the capital expenditure and associated capital funding as at the end of March 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 £176.485m (which includes the approved re-phasing of budgets from 2021/22) and the outturn position (including proposed re-phasing of budgets into 2023/24) is £103.245m. A summary of variances to budget and re-phasing is shown in **Table 1** and detailed explanations for key variances in **Section 3.4**.
- 1.3** A financing outturn table showing how the capital programme has been funded is set out in **Section 4** of this report.

2 Recommendations

- 2.1** That Cabinet note the overall capital outturn position and financing for 2022/23.
- 2.2** That Cabinet approve the re-phasing of budgets into 2023/24 as detailed in Appendix A.

3 Capital Programme – Outturn Position

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
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 outturn 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	5,707	(2,069)	2,060	(9)
Executive Director (Place)	11,318	5,631	(5,687)	7,178	1,491
Service Director (Property Maintenance and Climate Change)	2,773	1,865	(908)	1,273	365
Service Director (Resident and Neighbourhood)	8,587	5,569	(3,018)	1,640	(1,378)
General Fund Total	30,454	18,773	(11,681)	12,152	471
NOW HOUSING	72,118	0	(72,118)	0	(72,118)
Housing Revenue Account					
Executive Director (Finance and Transformation)	86	17	(69)	69	0
Executive Director (Place)	42,898	17,940	(24,958)	24,202	(756)
Service Director (Property Maintenance and Climate Change)	30,435	12,346	(18,089)	17,555	(534)
Service Director (Resident and Neighbourhood)	491	258	(233)	0	(233)
Housing Revenue Account Total	73,910	30,561	(43,350)	41,827	(1,523)
Grand TOTAL	176,485	49,333	(127,152)	53,978	(73,174)

3.3 There is re-phasing of £53.978m into 2023/24, split between funds as follows:

HRA £41.827m – re-phase budget into 2023/24

General Fund £12.152m – re-phase budget into 2023/24

Total net re-phasing - £53.978m

3.4 Key outturn variances (over £1m) are outlined below:

GENERAL FUND RE-PHASING £12.152m

Executive Director (Finance and Transformation) re-phasing £2.060m

3.4.1 £1.800m re-phasing – Bereavement Services (App A ref. no 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 and will show in the next financial year. Due to delays in the project caused by the issues around the substation, only £5.650m of costs have been incurred in this financial year out of an original budget of £7.450m. £1.800m will therefore be rephased into 2023/24.

Executive Director (Place) re-phasing £7.178m

3.4.2 £1.755m overspend – Welwyn Garden City Town Centre North (App A ref. no 14)

This project is showing an overspend at year end. This is partly due to increases in costs due to utilities works, as well as the discovery of asbestos during construction. The overspend on this project is expected to be offset by funding from the sale of the Campus East car parks.

£1.000m re-phasing – Angerland Football and Rugby Schemes (App A ref. nos 16 and 17)

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. These funds have not been spent during 2022/23 and they will be re-phased into the following financial year.

£3.250m re-phasing – Peartree Lane (YMCA) Land Purchase (App A ref. no 33)

This project is a land purchase, and the date of completion is dependent on the vendors progressing the redevelopment of the rest of the site. As the vendors have encountered delays in progressing, this scheme has not been able to complete in

this financial year and so the entire budget of £3.250m has been re-phased into 2023/24.

Service Director (Property Maintenance and Climate Change) re-phasing £1.273m

3.4.3 £1.070m re-phasing – Decarbonisation (App A ref. no 45)

Decarbonisation works were budgeted for in the 2022/23 capital programme to be financed by grant funding. There were two grant funding rounds, and the council was successful in the second round of funding which was not announced until the later part of the financial year, so works have not yet commenced. The entire budget of £1.070m is being re-phased into 2023/24. The grant funding has now been announced, and the works will begin in early 2023/24.

Service Director (Resident and Neighbourhood) re-phasing £1.640m

3.4.4 £1.396m underspend – Better Care Fund and Disabled Facilities Grant (App A ref. no 47)

£0.513m has been spent in 2022/23 out of a budget of £1.909m. The remaining grant balance of £1.396m will be moved to capital grant reserves and drawn down will take place from when spend is incurred in future years. The low levels of spend during the year 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 re-phasing £41.827m

Executive Director (Place) re-phasing £24.202m

3.4.5 £24.202m re-phasing – Affordable Housing Programme (App A ref. nos 59 to 73)

£10.462m re-phasing – AHP Howlands House Redevelopment and Additional Units (App A ref. no 59)

Howlands House does not yet have planning permission to start and therefore there is an underspend at year end of £10.462m. This will be re-phased into 2023/24.

£5.720m re-phasing – AHP Burfield (App A ref. no 63)

AHP – Burfield is a temporary accommodation site, with an underspend of £5.720m at year end. Works at Burfield have not been able to start in 2022/23 due to this site being dependent on completion of Howlands House first (see above).

£1.380m re-phasing – AHP Haseldine Meadows (App A ref. no 66) and £1.443m re-phasing – AHP Lockley Crescent (App A ref. no 67)

There is an underspend of £1.380m on AHP Haseldine Meadows and £1.443m on AHP Lockley Crescent due to delays in procurement for these projects. A large procurement exercise was held which combined three sites (Haseldine Meadows, Lockley Crescent and Ludwick Green), however the proposed costs were not acceptable. Ludwick Green was then tendered by itself (see below) while Haseldine Meadows and Lockley Crescent are currently going through value engineering before going out to procurement again. The underspends on these two schemes will be re-phased into 2023/24.

£2.509m re-phasing – AHP Ludwick Green (App A ref. no 68)

There is an underspend of £2.509m due to delays in procurement (see detail on Haseldine Meadows above) and achieving planning permission for this project. Planning permission has now been achieved and tendering and contractor shortlisting has begun. The underspend will be re-phased and spent in 2023/24.

£1.030m re-phasing – AHP Swallowfields (App A ref. no 71)

There have been delays to this project resulting in an underspend of £1.030m in 2022/23, however works have now begun on site and the project is due to complete in January 2024. The underspend will be re-phased into 2023/24 and spent throughout the year.

**Service Director (Property Maintenance and Climate Change) re-phasing
£17.555m**

3.4.6 £6.210m re-phasing – Major Repairs (App A ref. no 74)

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 took over from the previous contractor in October and have had a focus on mobilising the contract, improving general repairs performance, damp and mould and improving void turnaround. 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, £6.210m of budget will be re-phased into 2023/24.

£1.516m re-phasing – Heating Replacement Programme (App A ref. no 78)

There have been delays to this programme due to suppliers experiencing delays with being able to obtain the required parts, and therefore, £1.516m will be re-phased into 2023/24.

£1.182m re-phasing – Major Repairs (other contractors) (App A ref. no 79)

Delays in obtaining tender results have resulted in minimal spend on this scheme. The nature of many of the repairs needed also requires works to wait until the spring and summer months, and therefore £1.182m of budget will be re-phased into 2023/24.

£2.074m re-phasing – Door Entry Systems (App A ref. no 80)

Due to the lead times on the manufacturing of these doors in the first quarter of the year, it has not been possible to complete all of the required works this financial year. The works do still need to be completed, and therefore, £2.074m of this budget will be re-phased into 2023/24.

£4.658m re-phasing – Howard House (App A ref. no 88)

This project is progressing, and a project group has been set up which meets regularly to monitor progress. However, on-site works have not been able to start in this financial year due to delays with obtaining planning permission, and therefore there will be re-phasing of £4.658m into 2023/24.

4 Capital Programme – Financing Outturn

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	Outturn 2022/23	Variance
	£'000	£'000	£'000
GENERAL FUND			
General Expenditure	30,455	18,773	-11,683
Loan Repayment	0	952	952
Capital Receipts and Reserves	-5,584	-5,117	467
Capital Grants and Contributions	-12,378	-7,309	5,069
Revenue Contribution to Capital	0	-47	0
Borrowing Requirement for Before MRP	12,493	7,252	-5,242
Minimum Revenue Provision	-835	-817	18
Net Change in Borrowing Requirement for Year excluding Loans	11,658	6,435	-5,224
Now Housing Loans	72,118	0	-72,118
Net Change in Borrowing Requirement for General Fund	83,776	6,435	-77,342
Cumulative Borrowing Requirement at year end - General	53,215	48,776	-4,439
Cumulative Borrowing Requirement at year end - Now Housing	74,555	0	-74,555
Cumulative Borrowing Requirement at year end - Total	127,770	48,776	-78,994
Capital Reserves Balance at year end	5,628	1,826	-3,802
Capital Grants and Contributions Balance at year end	3,527	5,220	1,693
HOUSING REVENUE ACCOUNT			
Total Expenditure	73,911	30,559	-43,352
Loan Repayment	22,700	22,700	0
Capital Receipts and Reserves	-18,490	-17,445	1,045
Restricted 141 Capital Receipts	-10,135	-6,052	4,083
Capital Grants and Contributions	0	0	0
Revenue Contribution to Capital	-6,257	-5,430	827
Borrowing Requirement for Year	61,729	24,333	-37,396
Cumulative Borrowing Requirement at year end	284,852	246,996	-37,856
Capital Reserves and Grants Balance at year end	8,054	13,192	5,138

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

General Fund:

The expenditure outturn is lower than was forecasted owing to rephasing of capital schemes into 2023/24.

Capital grants financing has been reduced to reflect the rephasing of the Angerland Football and Rugby schemes into 2023/24. The borrowing requirement has reduced owing to rephasing of other capital projects into 2023/24. Year end reserves have increased to reflect the rephasing.

Housing Revenue Account:

The expenditure outturn position is lower than was forecasted owing to rephasing of capital schemes into 2023/24.

The borrowing requirement in year has been reduced to reflect the reduced outturn position and the year-end reserves forecast has been increased to reflect the decreased use of capital receipts and changes in the revenue contribution to capital. There is a reduction in the revenue contribution to capital of £0.615m from Period 11 owing to the increased cost of repairs to date.

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