

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 8 AUGUST 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

QUARTER 1 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 1 (June 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 £78.922m. 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 approve the virements set out in Section 3.4.2.
- 2.3 That Cabinet note the forecast position as at 30 June 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 2022/23	Forecast Outturn 2022/23	Variance to Budget	Re- phasing of Capital Schemes	(Under)/ Over Forecast Outturn
	£'000	£'000	£'000	£'000	£'000
General Fund					
Executive Director (Finance and Transformation)	3,256	4,056	800	0	800
Executive Director (Place)	7,593	7,662	69	0	69
Service Director (Property Maintenance and Climate Change)	1,988	1,988	0	0	0
Service Director (Resident and Neighbourhood)	2,277	2,277	0	0	0
General Fund Total	15,115	15,983	869	0	869
Housing Revenue Account					
Executive Director (Finance and Transformation)	69	69	0	0	0
Executive Director (Place)	34,088	25,686	(8,402)	12,437	4,035
Service Director (Property Maintenance and Climate Change)	45,907	37,058	(8,849)	6,710	(2,139)
Service Director (Resident and Neighbourhood)	125	125	0	0	0
Housing Revenue Account Total	80,190	62,939	(17,252)	19,147	1,896
Grand TOTAL	95,304	78,922	(16,383)	19,147	2,765

3.3 There is currently a requirement to re-phase £19.147m split between funds as follows:

HRA £19.147m – re-phase budget into 2024/25

General Fund £0 – re-phase budget into 2024/25

Total net re-phasing - £19.147m

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.

Housing Revenue Account

3.4.2 Virement Requests

It is recommended that the following virements are approved to ensure the current year budgets reflect the current schemes:

£1.147m is required to be vired from Ludwick Way to Ludwick Green due to an error in uploading the original budgets. Ludwick Way was incorrectly allocated the budget for Ludwick Green, and vice versa. The virement will realign the budgets in the finance system to the amounts required for the schemes.

Credit/Debit	Budget Line	Value
Credit	AHP – Ludwick Way	(£1.147m)
Debit	AHP – Ludwick Green	£1.147m

£0.500m is required to be vired from the Major Repairs budget to the Sheltered Refurbishment budget. This is to cover increased costs of upgrading fire doors and alarm systems. The major repairs budget is considered to be sufficient with the rephased budget from 2022/23 to complete this years programme, and a full review of the five year programme will be undertaken following the completion and analysis of the stock conditions survey being carried out this year.

£1.600m is required to be vired from Major Repairs to Decarbonisation. This relates to a grant funded decarbonisation project, which requires the amount of grant awarded to be match funded by the Council. Additional budget was included here at budget setting in case the grant bid was successful. As it was successful, a virement is now needed in year to separately manage project costs and ensure the grant conditions are met.

Credit/Debit	Budget Line	Value
Debit	Sheltered Refurbishment	£0.500m
Debit	Decarbonisation	£1.600m
Credit	Major Repairs	(£2.100m)

£0.800m is required to be vired from the Door Entry Systems budget to the Electricity Mains budget. Due to long lead times, the door entry systems project will not be able to replace as many doors as budgeted for, and therefore, £0.800m is proposed to be used to upgrade existing communal flat lighting to LED motion sensor lighting. Surplus budget was rolled forward within the Major

repairs budget, from 2022/23, to accommodate this work. This will contribute to the Council's climate change goals by providing better energy efficiency and will reduce future revenue expenditure on maintaining the existing lighting as well as reducing future electricity costs.

Credit/Debit	Budget Line	Value
Credit	Door Entry Systems	(£0.800m)
Debit	Electricity Mains	£0.800m

3.4.3 Affordable Housing Programme – Howlands House Redevelopment and Additional Units £6.462m favourable forecast variance (App A ref. 59) – rephasing of £6.462m 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 £6.462m is rephased into 2024/25.

3.4.4 Affordable Housing Programme – Minster House Redevelopment and Additional Units £2.800m adverse forecast variance (App A ref. 60)

There is an overspend of £2.800m forecasted for this project due to additional costs identified including Quality Assurance fees, decant costs and other professional fees. The project is expected to complete in September 2023 and a Cabinet report is being prepared detailing options to fund the overspend.

3.4.5 Affordable Housing Programme – Burfield £5.720m favourable forecast variance (App A ref. 63) – 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 3.4.3) it is proposed that the budget for Burfield is rephased for use in future years.

3.4.6 Affordable Housing Programme – Queensway House £0.350m adverse forecast variance (App A ref. 68)

There is an overspend of £0.350m forecasted for this project due to additional costs required for decant payments. This is due to difficulties in confirming asset swaps resulting in the need for the Council to purchase one of the properties.

3.4.7 Affordable Housing Programme – Birchwood House £0.255m favourable forecast variance (App A ref. 70) – rephasing of £0.255m into 2024/25

This project has not yet started and is currently on hold due to delays with the responsible housing association decanting current tenants. It is therefore proposed that the budget is rephased into 2024/25.

3.4.8 Affordable Housing Programme – 1-9 Town Centre Hatfield £0.402m adverse forecast variance (App A ref. 71)

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.

3.4.9 Major Repairs £4.710m favourable forecast variance (App A ref. 74) – rephasing of £4.710m 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 are still mobilising, and therefore, there is proposed re-phasing of £4.710m into 2024/25.

3.4.10 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.

3.4.11 Howard House £2.00m favourable forecast variance (App A ref. 88) – re-phasing of £2.00m into 2024/25

This project is progressing and the project group is meeting regularly to monitor progress. However, due to delays in obtaining planning permission, it is unlikely that work will begin onsite until later in the financial year. Therefore, it is likely that £2.00m of budget will be re-phased into 2024/25.

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. 30)

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 Affordable Housing Programme – Swallowfields £3.156m (App A ref. 69)

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

3.5.3 Fire Doors £4.228m (App A ref. 87)

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:

Table 2 - Capital Financing Summary	Current Budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Forecast Variance £'000
GENERAL FUND			
General Expenditure	15,115	15,983	869
Loan Repayment	14,401	14,401	0
Capital Receipts and Reserves	-8,957	-9,026	-69
Capital Grants and Contributions	-1,070	-1,070	0
Revenue Contribution to Capital	0	0	0
Borrowing Requirement for Before MRP	19,489	20,288	800
Minimum Revenue Provision	-827	-827	0
Net Change in Borrowing Requirement for Year	18,662	19,462	800
Cumulative Borrowing Requirement at year end - General	53,019	53,819	800
Capital Reserves Balance at year end	9,702	9,633	-69
Capital Grants and Contributions Balance at year end	4,258	4,258	0
HOUSING REVENUE ACCOUNT			
Total Expenditure	80,190	62,939	-17,251
Loan Repayment	34,200	34,200	0
Capital Receipts and Reserves	-19,401	-18,782	619
Restricted 141 Capital Receipts	-12,435	-9,203	3,232
Capital Grants and Contributions	0	0	0
Revenue Contribution to Capital	-4,769	-3,964	805
Borrowing Requirement for Year	77,784	65,190	-12,595
Cumulative Borrowing Requirement at year end	290,580	277,985	-12,595
Capital Reserves and Grants Balance at year end	3,763	7,614	3,851

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

General Fund:

There are no key variances as at the end of Quarter 1.

Housing Revenue Account:

The expenditure forecast outturn has been reduced owing to delays in a number of projects, and budget being re-phased into 2024/25. 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.

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 17 July 2023