

2018/19 Capital Budget Monitoring Report for the Period Ending 31st December 2018

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| <i>Director:</i> | <i>Netta Meadows, Strategy & Support Services</i> |
| <i>S151 Officer:</i> | <i>Paul Fitzgerald, Section 151 Officer</i> |
| <i>Lead Specialist:</i> | <i>Nicola Hix, Lead Specialist - Finance</i> |
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Purpose of the Report

1. The purpose of this report is to provide Members with an in-year projection in 2018/19 of the forecast spending ("outturn") against the Council's approved Capital Programme Budget, and to explain projected variations against individual projects and the Programme as a whole.

Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of February 2018.

Public Interest

3. This report gives an update on the forecast capital financial position and budgetary variations for the financial year 2018/19, as at 31st December 2018. Maintaining effective control over capital spending within approved budgets helps to ensure capital investment is affordable and meets agreed priorities.

Recommendations

4. That the District Executive:
 - a. Note the content of the report;
 - b. Approve the revised Capital Programme spend profile as detailed in paragraph 7, Table 1.
 - c. Approve the projects listed on Appendix B remain in the capital programme.

Background

5. Full Council approved the Capital Programme in February 2018. Monitoring of the agreed programme has been delegated to District Executive.

Capital Programmes

6. The revised gross Capital Programme for this financial year and beyond is attached in Appendix A. The forecast spend during 2018/19 has been revised from **£18.126 million** to **£24.043 million** as shown in Table 1 below. Additional information is included to show the various sources of planned funding for the Programme, shown on Table 2.

Table 1 – Revised Gross Capital Programme Q3 2018/19

| | 18/19 £'000 | 19/20 £'000 | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | Total £'000 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Capital Programme for Q2 of 2018/19 onwards approved by DX in November 2018 | 18,126 | 5,559 | 3,548 | 7 | 1 | 27,241 |
| Plus capital projects approved: | | | | | | |
| Affordable Housing - Day Care Centre | 2 | | | | | 2 |
| Loan to Somerset Waste Partnership for Vehicles | | 1,500 | | | | |
| Plus S106 Projects Approved: | | | | | | |
| Grants for Parishes with Play Area – Curry Rivel | | 1 | | | | 1 |
| Snowden Park Play Area Equipment, Chard | | 12 | | | | 12 |
| Manor Farm, Forton | 98 | | | | | 1 |
| Plus allocations to/from the reserve list: | | | | | | |
| Investment in Property | 9,047 | | | | | 9,047 |
| Affordable Housing - Bought not built Allocation | | -201 | | | | -201 |
| Affordable Housing - Mortgage Rescue Contingency Fund | | -277 | | | | -277 |
| Plus area projects approved: | | | | | | |
| Huish Episcopi Pool | 25 | | | | | 25 |
| Access review of Stoke Sports & Recreation Trust 5-year plan | 12 | | | | | 12 |
| Community Kids Playgroup Grant | 2 | | | | | 2 |
| Caryford Community Hall extension & refurbishment | 13 | | | | | 13 |
| Less area projects returned to reserves: | | | | | | |
| Chilthorne Domer Recreational Trust Pavilion Alterations | -1 | | | | | -1 |
| RSI-Alex Appleton Jewellers | -1 | | | | | -1 |
| Castle Cary Market House | -5 | | | | | -5 |
| Loan Wincanton Memorial Hall Trustees-New heating & air con | -5 | | | | | -5 |
| Kingsdon Village Shop refurbishment | -2 | | | | | -7 |
| Hadspen Village Hall - Car Park Extension | -2 | | | | | -2 |
| Westfield Academy-New Bus Park Bay | -13 | | | | | -13 |
| Re-profiling of forecast spending between financial years | -3,253 | 6,757 | -3,499 | -5 | | 0 |
| Revised Gross Capital Programme for 2018/19 at 30th December 2018 | 24,043 | 13,351 | 49 | 2 | 1 | 37,446 |

7. As Table 1 shows the total planned capital investment in the approved programme 2018/19 to 2022/23 has increased from **£27.241 million** to **£37.446 million**. This is primarily due to the addition of Investment Property purchases, and an increase of the loan to Somerset Waste Partnership.
8. The detail of the Capital Programme showing all the projects included in the approved budget is shown in Appendix A.

Table 2 – Capital Programme Sources of Funding 2018/19

| | 18/19 £'000 | 19/20 £'000 | 20/21 £'000 | 21/22 £'000 | 22/23 £'000 | Total £'000 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| External Grants & Contributions - Assets | 224 | 389 | 5 | 0 | 0 | 618 |
| External Grants & Contributions – REFCUS* | 2,309 | 96 | 0 | 0 | 0 | 2,405 |
| Capital Receipts - Repayment of Loans | 826 | 2,307 | 2,812 | 2,862 | 1,968 | 10,775 |
| Capital Fund Earmarked Reserve | 367 | 0 | 41 | 0 | 0 | 408 |
| Unallocated Capital Reserve | 2 | 0 | 0 | 0 | 0 | 2 |
| Capital Receipts Reserve | 1,428 | 7,408 | -2,809 | -2,860 | -1,967 | 1,200 |
| Borrowing | 18,887 | 3,151 | 0 | 0 | 0 | 22,038 |
| Total Capital Programme Financing | 24,043 | 13,351 | 49 | 2 | 1 | 37,446 |

*REFCUS = Revenue Expenditure Financed as Capital Under Statute. This is for costs of a capital nature that do not create assets for the council e.g. capital grants to the other entities.

Progress on various schemes

9. Progress on individual schemes is attached on Appendix A. Appendix A also incorporates responsible officer comments on forecast spending profile between financial years and performance against targets. There are a small number of capital projects reporting minor variations to budget overall, which combined report a £25,000 underspend for the programme as a whole.
10. Within the current financial year £14.809 million has been spent up to the end of Q3, of the total of £24.043 million projected for the year. The most significant areas of spend so far this year include:
 - £11.2m acquiring investment properties, with the purpose of generating income to pay for council services.
 - £1.1m at the Yeovil Innovation Centre.
 - £0.75m on Transformation.
 - £0.52m on play areas, play equipment and other leisure schemes.
 - £0.44m on disabled facilities grants for adaptations in homes.
11. Schemes which are expected to be delayed this year and are more than £50,000 and have slipped to 2019/20 are shown on Table 3:

Table 3 – Capital Project over £50k delayed into 2019/20

| Project | Date Funding Approved | Slippage to 2019/20 £'000 | Reason for Delay |
|--|------------------------------|--------------------------------------|---|
| Affordable Housing - Rural exception, Misterton (Yarlington) | Oct 2015 | 198 | Still awaiting planning permission. If not awarded by 5 th July 2019 this funding will be withdrawn. |

| | | | |
|--|----------------------------------|--|---|
| Affordable Housing - Furnham Road Phase II/Jarman Way, Chard (LiveWest) | Oct 2015 | 100 | This scheme has commenced and LiveWest will be requesting the agreed 50% start-on-site tranche imminently, with the remainder slipping into 2019/20. |
| Project | Date Funding Approved | Slippage to 2019/20 £'000 | Reason for Delay |
| Affordable Housing - North Street, Crewkerne | Sep 2016 | 390 | The scheme is likely to go ahead this financial year with the start-on-site tranche claimable as soon as works commence, but only part of the funding will be claimed in 2018/19, with the remainder slipping into 2019/20. |
| Affordable Housing - West End Close, South Petherton (Stonewater) | Nov 2017 | 398 | The scheme is due to commence imminently, but only part of the funding will be claimed in 2018/19, with the remainder slipping into 2019/20. |
| Affordable Housing - 4 Properties Chard Working Mens Club (Stonewater) | May 2017 | 162 | Scheme delayed - contamination on site, expecting to start-on-site this financial year but no claims to be made until next year. |
| Affordable Housing - Magna at South St, Crewkerne | | 175 | Start-on-site tranche expected to be claimed in 2019/20. The current expectation is that some of this funding can be rescinded at some stage in the future. |
| New Car Parks (District- wide) | Feb 2008 | 232 | Most of this programme has been delivered in previous years. With the final residual element there have been delays with obtaining planning consent and also releasing the legal covenant. |
| Enhancement to various SSDC Buildings | Feb 2016 | 139 | Funding held pending review of all SSDC accommodation. |
| Confidential Scheme | Jul 2017 | 150 | Tenders to be sought. |
| Disabled Facilities Grants | Mar 2018 | 350 | Grants can only be processed following referral. Ongoing work with SCC to look at effective use of Better Care money for prevention work. |
| Purchase of Road Sweeper | Feb 2017 | 145 | The vehicle is on order but is unlikely to be ready for collection before April, therefore expenditure will need to carry over to 2019/20. |

(the figures shown above are included in the slippage figure at the bottom of the table in paragraph 6)

Capital Programme & Reserves

12. The total capital reserve schemes approved in principle currently has a forecast gross spend of £60.935 million over the period 2019/20 to 2022/23, with a further £0.537 million across the Area capital reserves that are currently awaiting allocation. Detail of these reserve schemes can be found on page 4 of Appendix A.
13. The total current capital programme, contingent liabilities and reserves allocates a total gross spend of some £98.918 million to various schemes over the next five years. This includes significant

approved funding commitments that are held in the “reserve schemes” list pending individual projects moving into the operational programme, including for example investment properties, regeneration schemes, affordable housing schemes. Further details are shown in Appendix A, and summarised below in Table 4.

Table 4 – Capital Programme and Reserve Schemes for 2018/19 - 2022/23

| | £'000 |
|--|---------------|
| Capital Programme (as detailed in paragraph 7) | 37,446 |
| Contingent Liabilities and Reserve Schemes | 61,472 |
| Total Programme to be Financed | 98,918 |

Projects agreed at or before August 2014

14. Schemes that were agreed before May 2014 that have not yet completed are detailed on Appendix B. Appendix B also incorporates responsible officer comments on the reason for the delay, and the risks of not retaining the funding.

Additional Income

15. This section highlights any new S106 funding that has been received by the Council and added to the capital programme within the last quarter. It is recommended the capital programme budget is increased and funded by the amounts shown in the table below:

Table 5 – Additional Capital funding received Q3 2018/19

| Project | Additional funding received £'000 |
|------------------------------|--|
| Chard Swimming Pool | 126 |
| Huish Episcopi Swimming Pool | 46 |
| Manor farm, Forton | 34 |
| Milford Adventure park | 5 |
| Total | 211 |

Flexible Use of Capital Receipts

16. Since the efficiency strategy was agreed, capital receipts that have been received so far from the sale of property that can be utilised for the revenue costs of the transformation programme, remains at £204,000. The strategy previously identified a funding requirement of £500,000 to be delivered through new capital receipts between 2016/17 and 2018/19 financial years. Without the income from asset sales, additional revenue resources will be needed to provide the necessary funding of transformation costs.

Disposals to Housing Associations

17. Since the last quarter there have been no further disposals of surplus/non-strategic land at less than best consideration to Housing Associations as agreed under the delegated authority awarded to the appropriate portfolio holder in conjunction with the S151 Officer. The total disposals/leases of this nature agreed, since the policy began, remains at £1.573 million.

Section 106 (S106) Deposits by Developers

18. S106 agreements are legal agreements between local authorities and developers that are linked to a planning permission. The total balance held is £3,630,782. This is purely a whole district South

Somerset District Council financial summary, more detail on S106's is given to Area Committees on an annual basis.

Wessex Home Improvement Loans (WHIL)

19. WHIL works in partnership with the Council to provide finance to homeowners for essential maintenance and improvement works to their property. Loans are increasingly replacing grants allowing the Council to re-circulate funds.
20. The District Executive previously agreed a loan (outside the original policy) for Wessex Home Improvement Loans (Wessex Resolutions CIC) to provide a loan of £200,000 to Somerset Care and Repair Ltd at a 4.5% fixed interest rate, with capital and interest being repayable over 15 years. This loan is to go towards completing the conversion of the Milford Inn, Yeovil into six flats, and to enable the building of three housing units in the grounds. All of the £200,000 has now been drawn-down and the conversion of Milford Inn has now been finished.
21. The Council has £672,988 of capital invested with WHIL. As at the end of September 2018 there was £504,014 on the loan book and £168,974 as available capital.

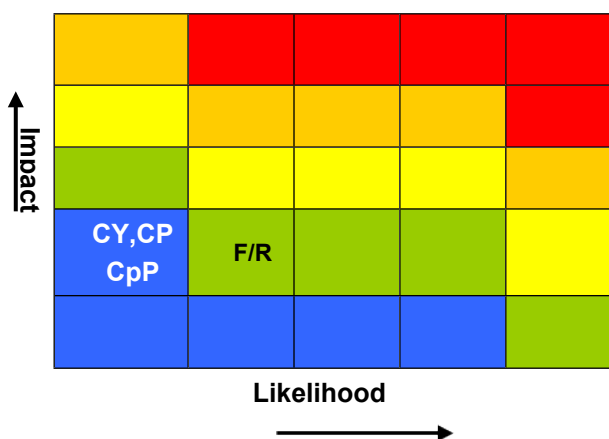
Financial Implications

22. These are contained in the body of the report.

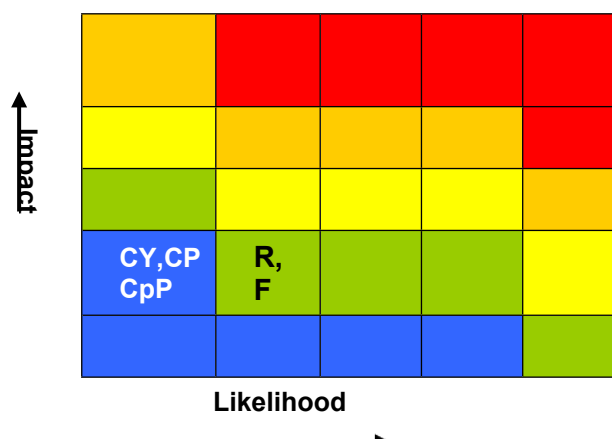
Risk Matrix

23. This matrix only identifies the risk associated with taking the decision as set out in the report as the recommendations. Should there be any proposal to amend the recommendations by either members or officers at the meeting then the impact on the matrix and the risks it identifies must be considered prior to the vote on the recommendations taking place.

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|---------------------------------|---|
| R = Reputation | Red = High impact and high probability |
| CpP = Corporate Plan Priorities | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |

| | |
|---------------|---|
| CY = Capacity | Green = Minor impact and minor probability |
| F = Financial | Blue = Insignificant impact and insignificant probability |

Council Plan Implications

24. The budget is closely linked to the Council Plan and any capital bids are scored accordingly.

Carbon Emissions and Climate Change Implications

25. There are no specific implications in these proposals.

Equality and Diversity Implications

26. There are no specific implications in these proposals.

Privacy Impact Assessment

27. There is no personal information included within this report.

Background Papers

28. Capital Programme Budget report to Council in February 2018.