

2020/21 Capital Outturn Report Period Ending 31st March 2021

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Purpose of the Report

1. To inform Members of the total spend for the year 2020/21 on the capital programme and how this compares with the agreed budget for the year, with explanations for the main differences. It also summarises what outcomes were delivered through the capital invested and how this has been funded.

Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of July 2021.

Public Interest

3. Capital expenditure is expenditure on assets such as land, property, ICT equipment, and the refurbishment of existing assets that will prolong the useful life of the asset (such as replacing a roof). Lending to third parties is also capital expenditure in the majority of cases. This report sets out details of the capital expenditure incurred by SSDC in 2020/21 and compares the expenditure to the approved capital budget, both for individual projects and for the overall programme. It also describes how the capital expenditure was funded.

Recommendations

4. That the District Executive recommend that the Chief Executive: -
 - a) Notes the overall capital outturn position as described in this report.
 - b) Approves the revised quarter 4 capital budget as described in paragraph 11.

Background

5. Full Council approves the capital budget in February each year. Council also agrees a reserve programme comprising of projects that have been agreed in principle but are not included in the capital budget as their start date is uncertain or they require a robust Business Case to be produced. Monitoring of the agreed programme has been delegated to District Executive and is undertaken on a quarterly basis. District Executive also agrees each quarter whether the capital



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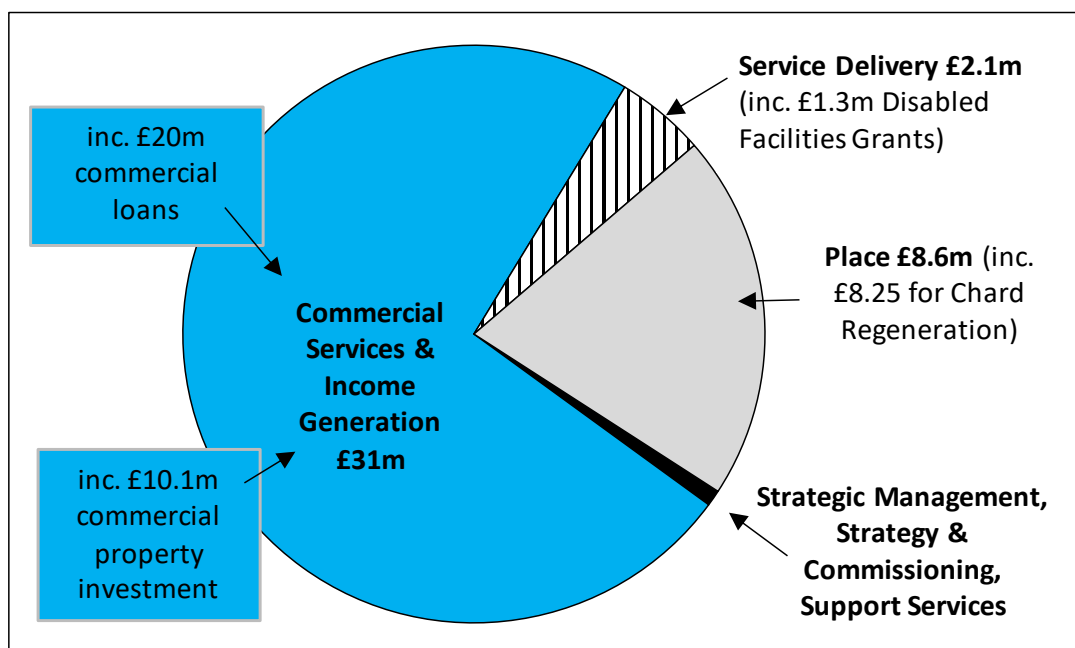
budget is amended to reflect any known changes to the project or its funding or whether reserve projects can be added to the capital budget.

Overall Capital Outturn Position for 2020/21

- Total spending was **£42.177m**; this was £22.628m (116%) more than the original £19.549m of planned expenditure agreed by Council in February 2020 but £935k (2.2%) less than the revised quarter 4 budget of £43.109m (see sections 10 and 11 below). A report giving 2020/21 spend by scheme/project is attached at Appendix A.
- It should be noted that expenditure to-date on the Chard Regeneration Programme (of £10.4m) is currently £7.4m over the scheduled net budget agreed by Council (of £3m) but within the agreed gross budget. The delegation of a gross and a net budget to the Regeneration Programmes was agreed by Council in May 2018. The delegation reflects the fact that regeneration expenditure needs to be undertaken before the financial benefits of that expenditure are realised and/or other income sources (such as selling council assets) are received. The gross expenditure budget is the total estimated cost of the project and the net budget is the estimated amount SSDC will need to finance from its capital programme once income has been realised. The gross and net budgets are regularly monitored and are currently the subject of a review by the new interim S151 Officer as part of the forthcoming Medium Term Financial Plan refresh.

Outcomes delivered through the capital spent

Pie chart one: capital expenditure by service Directorate



8. The main areas of capital expenditure (over £50k) are illustrated in the pie chart above and briefly described below:

- £20m Commercial Loans including £18.69m to SSDC Opium Power for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements.
- £10.20m in acquiring 4 commercial Investment Properties (Trafalgar House in Taunton, 27-29 Sherwood Road in Bromsgrove, NHS Cook & Chill in Redruth, and Fitness First in Poole) – generating new income to fund services to our communities.
- £8.64m on Town Centre Regeneration – the majority of this expenditure was for the Chard Regeneration Project - improving the town centre to stimulate economic growth.
- £1.32m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.
- £365k Affordable Housing Scheme contributions – enabling delivery of affordable housing in the District.
- £328k Sports, Leisure and Play facilities – improving facilities to aid healthy living and enjoyment in the community.
- £297k Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.
- £223k John O'Donnell Pavilion – upgrading and improving to provide better leisure and recreation services.
- £165k ICT Services – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.
- £108k Yeovil Innovation Centre – improving facilities for local businesses.
- £95k Area Capital Grants – allocation of grants to small local parishes, initiatives and businesses.
- £54k Streetscene Vehicles – keeping the district's streets and green spaces clean.

Capital Spending Pattern

9. The graph and table one below shows the actual spend compared to the original and revised budgets for the last 5 years.

Graph One: SSDC Capital expenditure against budgets for the last five years

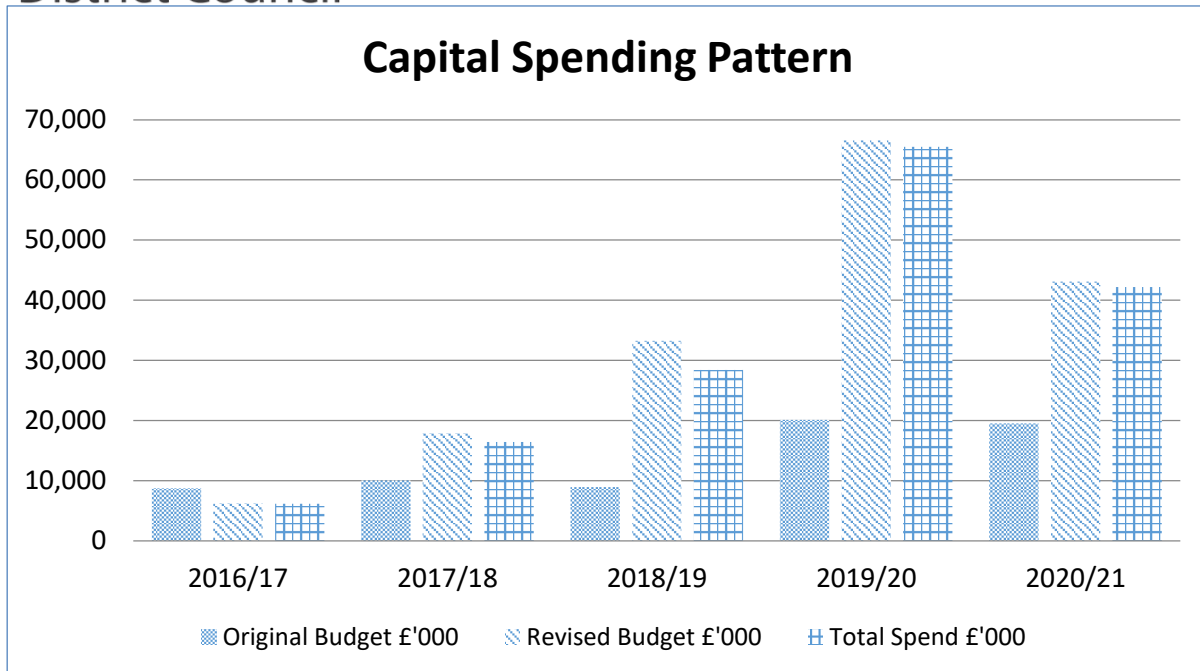


Table One: SSDC Capital expenditure against budgets for the last five years

Year	Original Budget	Revised Budget	Total Spend	% of Budget Spent
	£'000	£'000	£'000	%
2016/17	8,738	6,211	6,187	100
2017/18	10,064	17,863	16,424	92
2018/19	8,908	33,251	28,414	85
2019/20	20,130	66,547	65,482	98
2020/21	19,549	43,109	42,177	98

Revised Quarter 4 Capital Budget

- The original 2020/21 budget of **£19.549m** agreed by Council in February 2020 increased during the year by **£23.560m** to a revised quarter 4 budget position of **£43.109m**. The increase is largely due to moving relevant amounts from the overall Investment Property acquisition budget from the reserved schemes list into the capital budget when the individual property acquisition is approved. This agreed approach is undertaken because the council's ability to invest in commercial property is dependent on opportunities becoming available on the market and it is therefore difficult to predict in advance when the budget will be needed.
- A summary of the amendments required from the reported Quarter 3 position are detailed in Appendix B (in the first column of the table) and District Executive is requested to approve these and the overall revised Capital Programme as shown in Appendix A.

Completed schemes (including feasibility)

12. Table Two below shows the projects/schemes completed in the quarter 4 period with a value over £25k. Note: 'IP' denotes 'Investment in Property' & 'AH' denotes 'Affordable Housing'

Table Two: Projects over £25k completed during Quarter 4

Scheme	Revised Net Budget £'000	Actual Spend £'000	Within acceptable limits?	Responsible Officer
IP - NHS Cook & Chill, Redruth	7,165	7,165	Y	B Fisher
IP - Fitness First, Poole	2,726	2,726	Y	B Fisher
AH - West End Close, South Peth	307	307	Y	J Calvert
IP - 27-29 Sherwood Road, Bromsgrove	219	219	Y	B Fisher
Grant to Donald Pither Mem Ground	88	88	Y	S Barnes
Forton Playing Pitches, Chard	85	86	Y	L Pincombe
RPA Pilot	54	54	Y	T Beattie
Transformation - IT Software	39	39	Y	N Hix
Area North - All Saints Church	35	35	Y	T Cook

13. In order for an over/under spend to be within acceptable limits, the variation should be within £10,000 or 5% (whichever is greater) of the revised budget. On this basis, 33 of the total 33 completed schemes (including those below £25k) are within an acceptable margin of the overall budget. These are identified as the schemes shaded in green in Appendix A. In terms of financial impact, the combined £6k overspend on the 3 schemes outside of the benchmark is not significant.

Area Committee unallocated capital balances

14. Each Area Committee was allocated an additional £25,000 in February 2020 for schemes in 2020/21. The table below shows that following scheme approvals in 2020/21, unallocated capital balances have decreased by £181,000 from the position at the start of the year. This is primarily due to the Area South Committee's financial contribution towards Yeovil Refresh of £151k.

Table Three: Unallocated capital balances for each Area Committee

	Area East £'000	Area North £'000	Area South £'000	Area West £'000	Totals £'000
Position at start of financial year	58	120	255	115	549
Additional resources approved by DX	25	25	25	25	100
Allocations to/(from) reserve during year	-28	-25	-157	-71	-281
Position at end of financial year	55	120	123	69	367



South Somerset District Council Financing of the Capital Programme

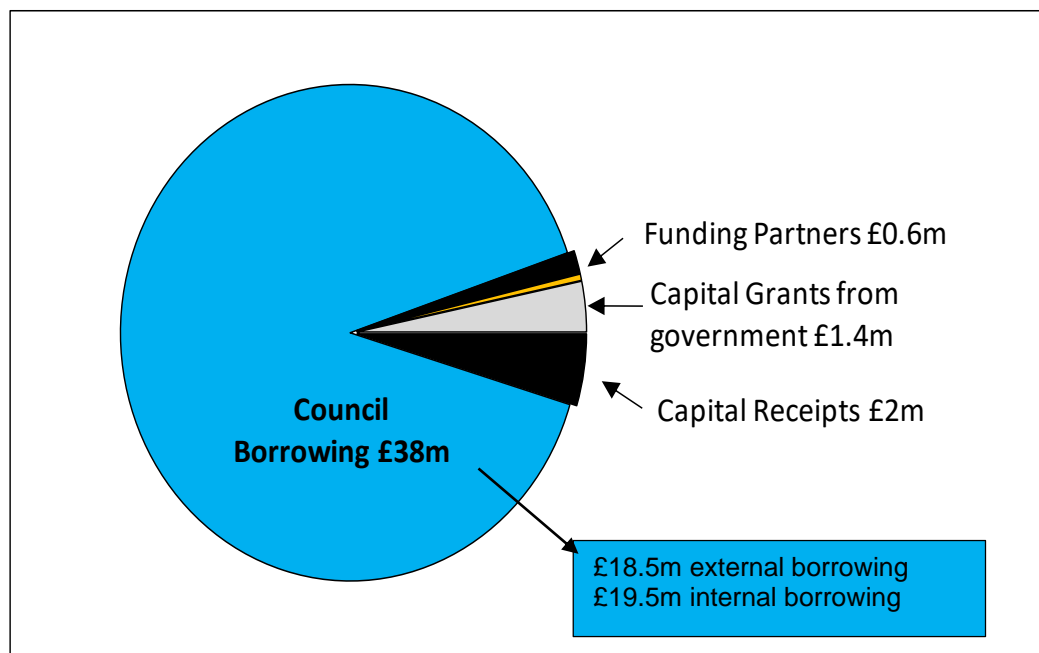
15. The financing of the 2020/21 capital programme is shown in Table Four and illustrated in pie chart two. Prudential borrowing is funding 90% of the expenditure incurred.

Table Four: Financing of the 2020/21 Capital Programme

Financing Source	£'000
Capital Receipts (already received)	1,001
Borrowing	38,001
External Contributions from funding partners	643
Capital Fund (Earmarked reserve)	120
Internal Borrowing Receipts	54
Capital Grants from Central Government	1,385
Loan Repayments (capital receipts)	971
Total Financing Required	42,177

16. The borrowing amount of £38m is a combination of internal and external borrowing, with the split being 51% / 49% respectively. Internal borrowing is when the Council uses its cash balances to temporarily fund its need to borrow. These cash balances need to be replenished at some point in time so the borrowing is only temporary.
17. External borrowing is the action of obtaining loan finance from a third party. Currently SSDC meets its external borrowing needs through short-term loans on a rolling basis with other local authorities.

Pie Chart Two: Financing of the 2020/21 Capital Programme (of £42.177m)



18. The 2020/21 treasury management strategy agreed by Council in February 2020 estimated an increase in borrowing arising from capital expenditure during the



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year of £33m (excluding leasing arrangements that did not materialise). The outturn borrowing figure is £5m above this projection but it should be noted that the borrowing needed to fund the 2020/21 capital programme is easily accommodated within the authorised borrowing limit (£140m) agreed by Council for 2020/21.

19. Borrowing (both internal and external) comes at a cost to the council's revenue budget through external interest charges, interest income foregone from holding cash, and through the requirement to fund future loan repayments by charging MRP (Minimum Revenue Provision) costs to the revenue budget. The cost to the revenue budget of externally borrowing £38m to fund the 2020/21 capital programme is in the region of £1.36m (full year effect).
20. It should be noted that the interim S151 Officer has commissioned the Council's Treasury Management advisers, Arlingclose, to review the external borrowing options available to SSDC given that access to the Public Works Loans Board (PWLB, the easy go-to source of local authority loan finance funded by central government) is no longer available to the Council. The PWLB lending terms were changed in November 2020 to bar those councils investing in commercial property acquisitions from using this source of loan finance. The results of the current review will be included as part of the forthcoming Medium Term Financial Plan refresh.

Outstanding Loans to Third Parties

21. As part of the agreed loans policy the amount of any outstanding loans lent to third parties at the end of each financial year must be reported to this committee. As at 31st March 2021 the following loans were outstanding:

Table Five: Outstanding loans lent to Third Parties as at end of 2020/21

Third Party	Original Sum Lent £	Fixed Interest Rate	Outstanding at 31 March 21 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.76%	140,308	19 years	November 2034
Somerset Waste Partnership (1)	1,567,216	2.22%	568,771	7 years	August 2023
Somerset Waste Partnership (2)	4,150,062	3.19%	3,747,328	10 years	October 2029
OPIUM Taunton	14,508,705	Various	12,862,265	7.5 years	July 2026
OPIUM Fareham 1	18,690,559	Various	18,690,559	25 years	March 2047
Elleston	132,000	5.00%	47,000	7 years	2026/27
Total Outstanding			36,026,231		

22. There is also £2,618 outstanding in relation to the sale of council house mortgages, £12,151 in car loans, and £347 in bike loans.
23. Wessex Home Improvement Loans (WHIL) works in partnership with the Council to provide finance to home owners for essential maintenance and improvement works to their property. Loans are increasingly replacing grants allowing the



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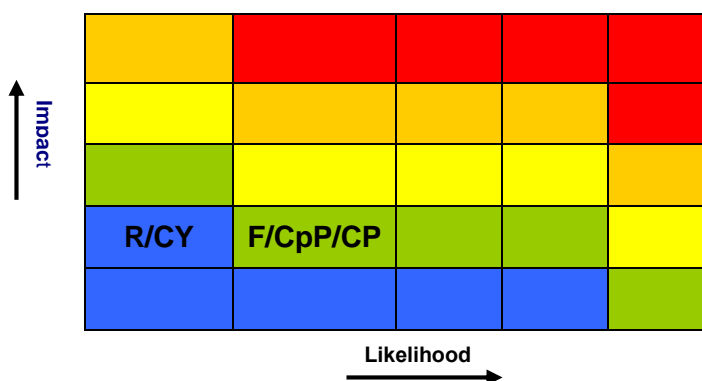
Council to re-circulate funds. The Council has £672,988 of capital invested with WHIL. As at 31 March 2021 there was £535,563 on the loan book and £137,425 as available capital.

Financial Implications

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

Risk Matrix

25. 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.



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

Corporate Priority Implications

26. There are no specific implications in these proposals.

Carbon Emissions and Climate Change Implications

27. There are no specific implications in these proposals.

Equality and Diversity Implications

28. There are no specific implications in these proposals.

Background Papers:

29. Capital Monitoring Quarter 1 to 3 Reports to District Executive