

2021/22 Capital Outturn Report Period Ending 31st March 2022

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Purpose of the Report

1. To inform Members of the total spend for the year 2021/22 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 2022.

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 2021/22 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: -
 - a) Notes the overall capital outturn position as described in this report.
 - b) Recommends that the Chief Executive approves the carry forward of underspent budget from 2021/22 into 2022/23 of £7.062m.
 - c) Notes that the principle of carrying forwards unspent but approved capital budgets from one year to the succeeding year have been given general consent by Somerset County Council's Executive under the Section 24 Direction.

Background

5. Full Council approves the capital budget in February each year. For 2021/22 Full Council also approved Revised Estimates at its December 2021 meeting along with revisions to the funding of the capital programme.
6. Monitoring of the agreed corporate programme has been delegated to District Executive and is undertaken on a quarterly basis. Monitoring of the Regeneration Capital Programme is also undertaken monthly at the Strategic Development Board and in more depth at the individual boards for each Regeneration Project.

Overall Capital Outturn Position for 2021/22

Table One: 2021/22: Overall Capital Outturn

	£000s
Original Budget (approved February 2021)	27,210
Revised Budget Estimates	40,540
Actual outturn expenditure	35,499
Overall Net Underspend (Variance) for the year	(5,041)
Variance comprises:	
- Overspending against approved budget	2,701
- Underspending against approved budget	(7,742)

7. The total spend for the year was **£35.499m**; this is £8.289m (30%) more than the original £27.210m of planned expenditure agreed by Council in February 2021 but £5.041m (12%) less than the revised approved budget of £40.540m.
8. A report giving 2021/22 spend by scheme/project is attached at Appendix A. An explanation of the major budget variances (over and under spends) is given later in the report (Tables Three and Four).

Outcomes delivered through the capital spent

9. The main areas of capital expenditure (over £100k), which additionally show the breadth of our capital investment ambitions, are briefly described below:
 - £10.3m Commercial Loan to SSDC Opium Power Ltd for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements to generate new income.
 - £9.6m in acquiring 3 commercial Investment Properties (Costa Coffee in Glastonbury, Lyndon House in Birmingham, and St John’s Retail Park in Taunton) – generating new income to fund services to our communities.
 - £9.6m on Town Centre Regeneration – the majority on the Chard Regeneration Project (£7m) enabling the successful delivery of a new leisure centre in the town which opened in November 2021. £2.1m was also spent on the Yeovil

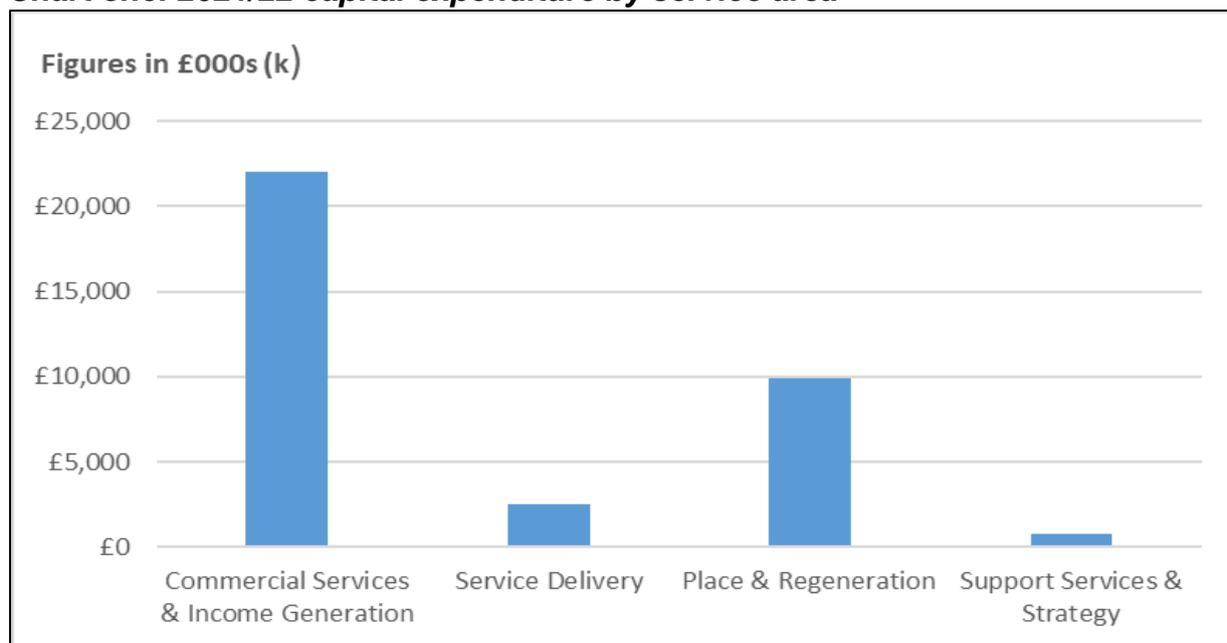


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Refresh project improving the public realm town centre to stimulate economic growth.

- £1.5m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.
- £1m on the grant-funded Public Sector Decarbonisation scheme at our leisure facilities
- £403k on Play facilities (Jarmon Street, Chard, Play Area Equipment (£104k) and West Cocker Pavilion and play projects (£299k) – improving facilities to aid healthy living and enjoyment in the community.
- £348k commercial loan to Somerset Waste Partnership – for vehicles.
- £338k for Green Homes Grant Local Authority Delivery (LAD) Scheme
- 285k on Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.
- £213 k on Leisure centres capital improvement works.
- £145k on the Market Towns vision
- £101k on digital systems – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.

Chart one: 2021/22 capital expenditure by service area



Capital Spending Pattern

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

Chart Two: SSSDC Capital expenditure against Original and Revised budgets for the last five years

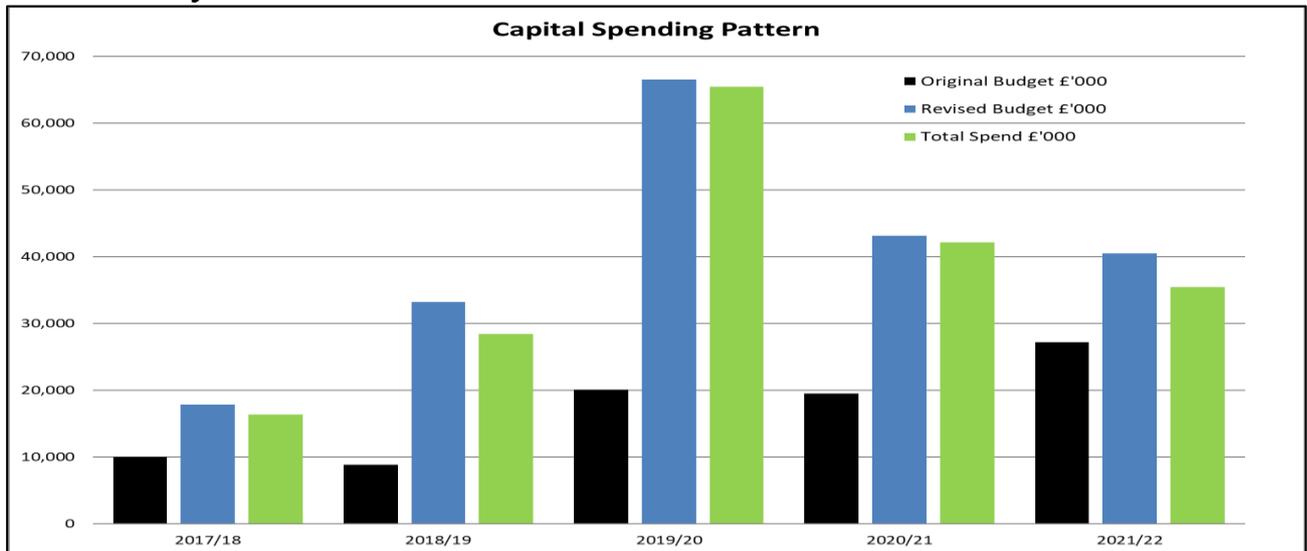


Table Two: SSSDC capital expenditure against budgets for the last five years

Year	Original Budget £'000	Revised Budget £'000	Total Spend £'000	% Spent %
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%
2021/22	27,210	40,540	35,499	88%

11. The figures and chart above show that the Revised Estimate (the blue column), which is agreed in-year, has always been higher than the original budget (the black column) which is approved before the start of the financial year (in February). Prior to December 2021 this was a consequence of the council approving a list of “reserve schemes” at the start of the year which were only brought into the capital budget when they were committed/spent. Full Council at its December 2021 meeting agreed revised estimates for 2021/22 that included all agreed reserve schemes as well as including the gross rather than the net budget for the Regeneration Projects. This approach gives better clarity over the overall size of the capital programme.
12. The capital expenditure incurred in 2019/20 largely comprises of commercial investments made purely for yield, primarily in commercial property but also in lending to SSSDC Opium Ltd. This activity continued in 2020/21 and 2021/22, but new acquisitions stopped in December 2021 following Full Council’s decision to cease this commercial activity in order to comply with CIPFA’s (Chartered



Budget Variances (over and underspends) over £50k

13. Table Three below shows variations between the approved revised budget and actual outturn expenditure during the year that gives rise to an overspend position at year-end of £50k and over.
14. Year-end overspending against the approved revised budget totals £2.7m (a variance of 6.6% of the budget). Most of the project overspends are funded from non-SSDC resources (i.e grant funding and loan repayments from a third party organisation (see Table Three)).

Table Three: Year-end overspends, over £50k, against Approved Budget

Project	Budget	Over spend	Commentary
Commercial Lending to SSDC Opium Ltd	£8,430k	£1,889k	This represents a historic commitment made to the company which is included in the total loan agreement schedule and therefore will be repaid back to the council at commercial terms. The payment has not been identified and included in the capital programme. The payment falls within the overall commercial investment strategy budget (£150m), approved by Council in 2019/20.
Disabled Facilities Grant	£1,228k	£295k	Increases in material and labour costs have been experienced along with the service completing more disabled facilities grant activity that forecast earlier in the year.
Green Homes Grant LAD	£0	£338k	Expenditure on providing energy improvements to park homes across Somerset (funded from grant from BEIS via a joint bid for grant funding with all districts)
Jarman Way, Chard, Play Equipment	£28k	£76k	We are investigating whether all applicable s106 receipts have been applied correctly to the expenditure.

15. Table Four below shows variations between the approved revised budget and actual outturn expenditure during the year that gives rise to an underspend position at year-end of £50k and over.

Table Four: Year-end underspends, over £50k, against Approved Budget

Project	Budget	Under spend	Commentary
Fleetmaster replacement	£57k	£57k	The industry interviews and consultation have taken place, procurement & Digital services are engaged and the service leads are detailing the specifications for the replacement fleet management software.



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Project	Budget	Under spend	Commentary
			A delay has accrued as an opportunity has been identified to align a new fleet management system with new vehicle telematics alongside the County Council in preparation for the new authority. This joined-up approach is needed to meet the current needs of the authorities and plan for the future new operations. The aim is to spend by January 2023.
Yeovil Rec – JO Donnel Pavilion	£257k	£184k	£180k of the under spend is now not needed to complete the project. £4k will be carried forward into 2022/23.
Costa Coffee	£700k	£127k	£48k of the under spend is needed to complete contractually committed works in 2022/23 and 2023/24. £79k is now not needed in the budget and is a saving.
St John's Retail Park	£6,460k	£101k	This acquisition is fully complete and the £101k represents a saving to the capital budget.
Capital works at Lyndon Place	£350	£350k	We have not yet reached the stage of spending beyond some limited fee amounts. The liability exposure and estimated costs to remedy are unchanged so the full amount is recommended to be carried forward to 2022/23.
PSDS decarbon works	£2,800k	£1,741	This is for phase 1 of the programme which is focusing on the leisure sites (Goldenstones, Wincanton Sports Centre and Westlands Sport and Fitness Centre). The solar panel installation will be complete by end June 2022. The ASHP installation programme is due to be complete by end September 2022. Works not complete by end of June cannot be funded from the PSDS phase 1 grant despite attempts to get a small extension approved by the Government and their funding agents. The Council has agreed in principle to fund works not complete by the grant deadline from elsewhere within the agreed capital programme. The required budget virements were agreed at May DX and June Full Council.
DELETTI EV charger project	£250k	£250k	Not spent any of the budget yet – when the charging stations are installed and active then a drawdown on the budget will be made This has been resource heavy due to difficulties with the legal documents.
Huish Episcopi Swimming Pool	£71k	£71k	This relates to some residual committed S106 money, going back some years. We have been waiting for some of this to come in from developers but when it does come in, the school has some major work planned so we should be able to get it out fairly quickly.



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Project	Budget	Under spend	Commentary
Chard Regeneration	£7,783k	£733k	Funds not spent on the demolition of Building 11, a new access onto the A358, and the leisure pool car park extension. Planning permission is required and was not able to be granted.
Yeovil Refresh	£4,012k	£1,880k	Public realm works delays caused by the pandemic and the need to retender Westminster Street after the collapse of the contractor (Midas). Also not progressing with the major development schemes specifically including 72-74 Middle Street, which was scheduled.
Octagon Theatre	£730k	£309k	Progression to RIBA Stage 3 was not possible until the updated budget was agreed at Full Council on 28 th February, so the £309k funding will now be spent in this financial year 2022-2023. £50k of this funding was also set aside for surveys, which are being undertaken during June 2022 due to the required procurement process.
Affordable Housing: North St Crewkerne	£234k	£234k	Completion payment to Stonewater Housing Association outstanding as development behind schedule.
Affordable Housing: Chard	£54k	£54k	Completion payment to Stonewater Housing Association outstanding as development behind schedule.
Capitalised Salaries	£150k	£150k	On the advice of the S151 Officer, SLT has decided not to charge the time spent by officers on capital projects to the capital budget but to finance the costs from the revenue budget – as this will reduce the overall borrowing needs of the Council and the revenue budget can fund these costs
Loan to Somerset Waste Partnership	£875k	£527k	Currently awaiting response from SWP as to whether this budget is still required.

Carry forward budget amounts and revised expenditure profile

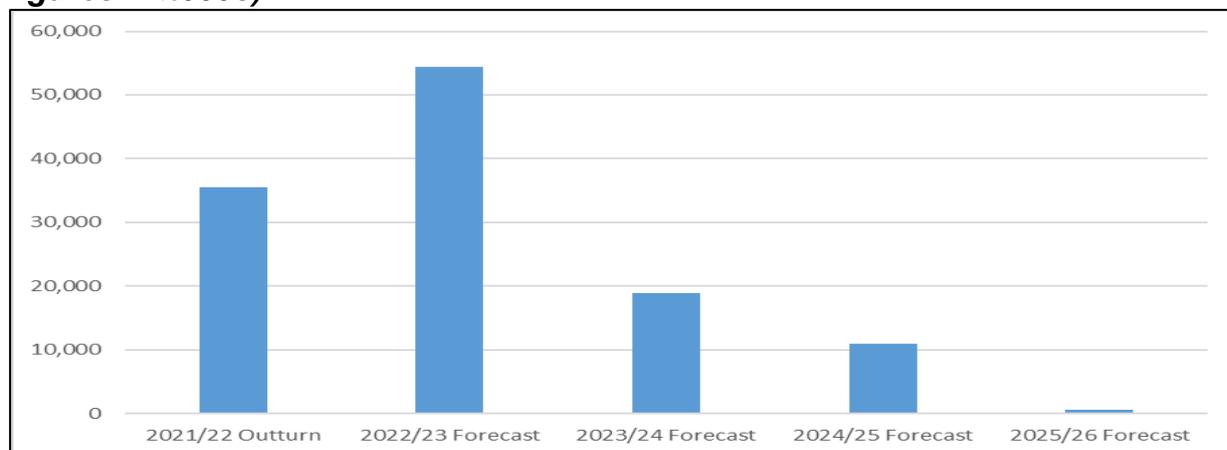
- Budget underspends (slippage) of £7.062m are recommended to be carried forward to spend in this financial year (2022/23). The detailed breakdown of the slippage can be found in Appendix A: the two largest elements of which are slippage on the Regeneration Programme (£2.9m) and on the Public Sector Decarbonisation Scheme (£1.7m).
- Once slippage is taken into account, the approved capital programme for this Council for 2022/23 (with ongoing commitments for the new council post vesting day) is £84,906m. The forecast profile for this expenditure is shown in chart three



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below: 64% of the entire programme is forecast to spend in this financial year, progress on achieving this will be monitored during the year.

Chart Three: Forecast expenditure profile for approved capital budget (All figures in £000s)



Completed schemes

18. Table Five below shows the projects/schemes completed during the financial year 2021/22 with a value over £50k.

Table Five: Projects over £50k completed during 2021/22

Scheme	Revised Net Budget £'000	Actual Spend £'000	Within acceptable limits?
Commercial Lending to SSDC Opium Ltd	8,430	10,319	no
Commercial property investment – Costa Coffee	700	573	no
Commercial property investment – Lyndon House, Birmingham	2,663	2,665	yes
Commercial property investment – St John's Retail Park	6,460	6,359	yes
Brympton Way Building Improvement Works	82	82	yes
Green Homes Grant LAD	0	338	no
West Coker Pavilion & Play Projects	300	299	yes
Lightgate Lane Playground, South Petherton	62	62	yes
St John's Yeovil Play Area equipment	0	20	no
Jarman Way, Chard, Play Area Equipment	28	104	no
Affordable Housing – gap funding from LA x 4 units Lyde Road	80	80	yes

19. In order for an over/under spend to be within acceptable limits, the variation on completion of the project should be within £10,000 or 5% (whichever is greater) of the revised budget.



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Area Committee unspent capital balances

20. The table below shows that Area Committees spent £145k (31%) of their capital balances as at the start of the year and have £324k to carry forward into 2022/23.

Table Six: Unspent 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	105	161	58	145	469
Expenditure during year	21	46	18	60	145
Position at end of financial year	84	115	40	85	324

Financing of the Capital Programme

21. The financing of the 2021/22 capital programme is shown in Table Seven and illustrated in Chart Four.

Table Seven: Financing of the 2021/22 Capital Programme

Financing Source	£'000
Useable Capital Receipts (already received)	16,172
Capital Grants and external contributions	5,713
Section 106s / Community Infrastructure Levy (CIL)	659
Earmarked Reserves	1,640
Loan Repayments (capital receipts)	1,866
Prudential Borrowing	9,449
Total Financing Required	35,499

N.B loan repayments are mainly from SSDC Opium Ltd. In accounting terms they are capital receipts and therefore need to be used to fund capital expenditure.

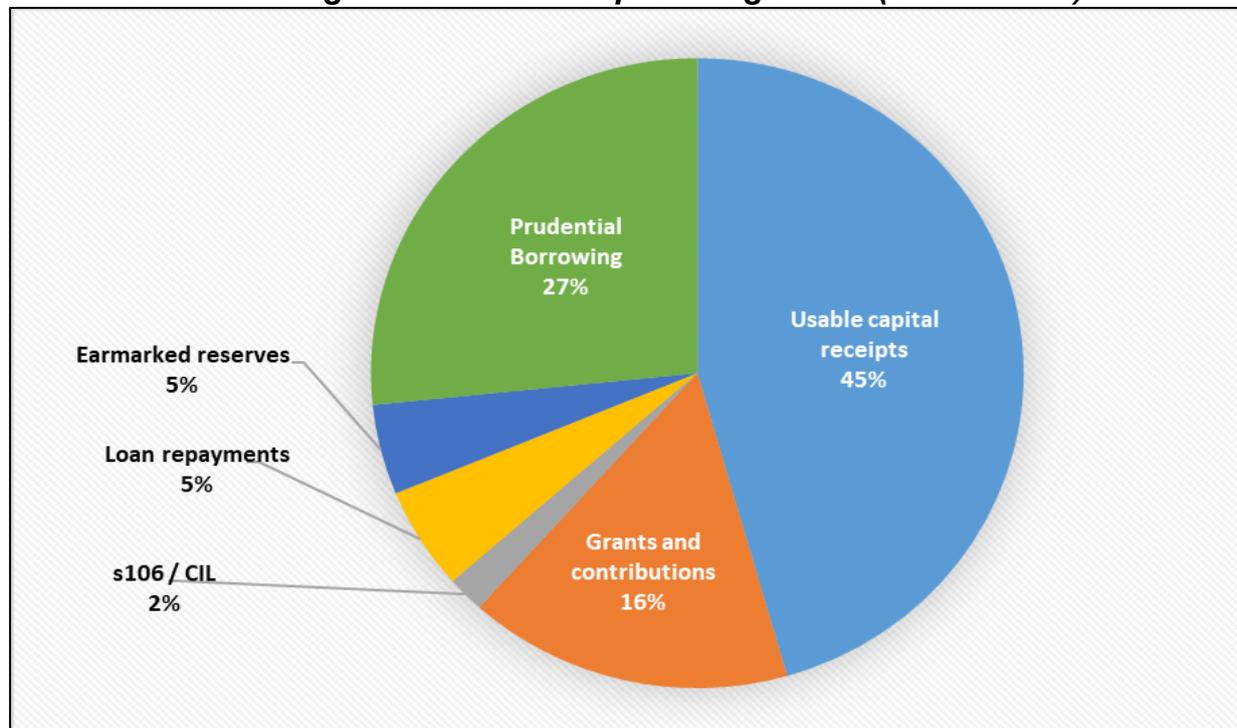
22. Full Council agreed at its meeting in December 2021 to use the remaining amount then in the Useable Capital Receipts earmarked reserve, to finance the 2021/22 capital programme (after setting aside £2m to fund future expenditure on the Octagon Theatre project). This earmarked reserve had been built up over the years from the sale proceeds of land and property previously owned by SSDC. It seems appropriate therefore that this reserve is used to fund SSDC capital expenditure. This also results in lowering the borrowing needs of this Council and that of the new successor unitary Council. This decision has been effected in financing capital expenditure in 2021/22.
23. The borrowing amount of £9.5m is a combination of internal and short-term external borrowing. 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, when the overall cash position of the council is forecast to require them, so the borrowing is only temporary.



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24. 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.

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



Legal Implications

25. There are none to report.

Financial Implications

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

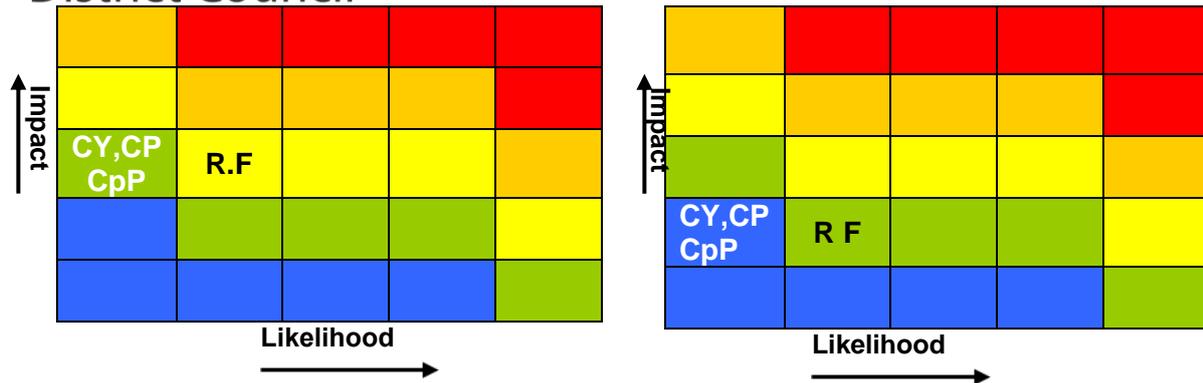
Risk Matrix

27. The risk matrix below represents the risk assessment before and after the recommendation is agreed.

Risk Profile before officer recommendations Risk Profile after officer recommendations



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Key

Categories	Colours (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability

Corporate Plan Implications

28. There are no specific implications in these proposals.

Carbon Emissions & Adapting to Climate Change Implications

29. There are no specific implications in these proposals.

Equality and Diversity Implications

30. There are no specific implications in these proposals.

Privacy Impact Assessment

31. There are no specific implications in these proposals.

Background Papers

Budget Report, February 2021, to Full Council
 Capital Budget Monitoring Reports, Quarter 1 to 3, to District Executive