



2022/23 Quarter 1 Capital Budget Monitoring Report for the Period Ending 30th June 2022

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Purpose of the Report

1. To inform Members of the actual spending at the end of quarter one, the forecast year-end spend on the Council's 2022/23 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 September 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.

Recommendations

4. That District Executive:
 - a) Notes the expenditure on the capital programme as at the end of quarter one and the revised budget for the year, given in table one.
 - b) Notes the amount remaining the Corporate Capital Contingency Budget, given in table two.
 - c) Approves the decrease the Huish Park land acquisition capital budget of £0.195m as explained in paragraph 17.
 - d) Approves the removal of the unspent additional capital budget of £660k given to the Yeovil Refresh project at Full Council in December 2021, see paragraph 27.

- e) Notes that the re-scoping and re-profiling of the Wincanton Regeneration project, seeking approval elsewhere on this District Executive's agenda, is taken into account in this budget monitoring report - see paragraph 31.
 - f) Notes that £1.959m of the Yeovil Crematorium Refurbishment budget will slip from 2022/23 into 2023/24– see paragraph 13.
 - g) Notes that the virement agreed by Full Council from the decarbonisation phase 2 capital budget into the PSDS (Public Sector Decarbonisation Scheme) budget of £1.276m should have been a virement of the funding budget rather than the expenditure budget see paragraph 21 and therefore the expenditure budget for the PSDS has consequentially been reduced by this amount.
 - h) Notes that the revenue budget is at significant risk of requiring an increase in the 2022/23 revenue budget, currently estimated at £277k, arising from increasing interest rate costs that will be incurred in borrowing the funding required to finance this year's capital expenditure budget, see paragraphs 47 to 50.
5. That District Executive recommends to Full Council to:
- i) Increase the Disabled Facilities Grant capital budget by £1.405m – see paragraph 41.

Background

- 6. Full Council approves the capital budget in February each year. Monitoring of the agreed programme has been delegated to District Executive and is undertaken on a quarterly basis. District Executive can agree to vire money from the Corporate Capital Contingency Budget to existing approved projects if required.
- 7. Full Council approves any in-year increases to the capital budget unless the proposed project delivers a corporate priority and/or is an emergency decision. In such circumstances District Executive, under delegation, can approve an increase in the capital budget as long as the increase does not total more than 5% of useable reserves in any one year. Any new capital commitments (i.e contracts) over £1m may need approval by Somerset County Council's S151 Officer or Executive under the S24 Direction, depending on whether the commitment has already been given a general up-front consent by the Executive or not.

Quarter One Capital Budget Position for 2022/23

- 8. The Capital Programme for this financial year and beyond is shown in detail in Appendix A and in summary form, by service area, in Table Three.

9. The revised budget for this financial year, 2022/23, is £50.679m as shown in Table One. The revisions incorporate the slippage of budget from 2021/22 into this financial year as agreed by District Executive at its meeting in July 2022, the decisions made by District Executive and Council from the February Budget Report up to August 2022, and the proposals made in this report.
10. The remaining unallocated balance in the Corporate Capital Contingency budget of £2.560m is shown in Table Two.

Table One: Revised 2022/23 Capital Programme Budget (excluding any virements from Contingency)

Detail	£000s
Opening Balance 2022/23	
Original Capital Budget approved by Council in Feb 2022	47,390
Slippage of budget from 2021/22 agreed by DX in July 2022	7,062
Subtotal	54,452
District Executive Approved Increases for 2022/23 (excluding virements from the Corporate Capital Contingency Budget)	
Increase in Public Sector Decarbonisation Scheme budget in May 2022 (to be funded by PSDS grant)	631
Increase in Yeovil Crematorium Project Budget agreed in August 2022 (to be funded by Yeovil Without Parish Council)	20
Subtotal	651
Proposals made in this report:	
- Increase in the Disabled Facilities Grant budget	1,405
- Decrease in the Yeovil Refresh budget	(660)
- Decrease in the Huish Park land acquisition Budget	(195)
- Decrease due to re-profiling the Wincanton Regeneration Capital Project Budget into 2023/24	(1,739)
- Decrease due to re-profiling the Yeovil Crematorium Refurbishment into 2023/24	(1,959)
- Decrease in PSDS budget to reverse virement made in error in June 2022	(1,276)
Subtotal	(4,424)
Revised 2022/23 Capital Programme Budget	50,679

Table Two; 2022/23 Contingency Budget amount remaining as at end of August 2022

Detail	Approvals 2022/23 £000's	Adjustments 2022/23 £000's	Revised 2022/23 £000's	Proposed 2023/24 £000's	Total £000's
Contingency Opening Balance	4,000	-	4,000		4000
Decarbonisation of Operational Buildings – May 22 DX Report	(350)	-	(350)		(1,015)
Leisure Centre Capital Works – May 22 DX Report	(665)		(665)		
Yeovil Crematorium Refurbishment – August 22 DX Report	(165)	-	(165)		(165)
Wincanton Regeneration Public Realm – July 22 DX Report	(260)	260	-	(260)	(260)
Subtotal of Contingency Drawdowns	(1,440)	260	(1180)	(260)	(1,440)
Contingency Closing Balance	2,560	260	2,820	(260)	2,560

Table Three; Summary of revised 2022/23 capital budget position and future years' estimates

Service Area	Approved Budget 2022/23 £000's	Slippage From 2021/22 £000's	Budget Updates 2022/23 £000's	Revised Budget 2022/23 £000's	Future spend 2023/24 £000's	Total Budget £000's	Actuals to Date 2022/23 £000's
Commercial Services & Income Generation	12,574	2,671	(820)	12,467	4,980	17,447	2,320
Service Delivery	2,906	118	1,405	4,429	400	4,829	(64)
Place	23,711	3,278	(660)	24,850	28,501	53,352	272
Support Services, Strategy & Commissioning	4,049	671	-	4,720	-	4,720	(385)
Area Committees	150	323	-	473	-	473	50
Subtotal	43,390	7,061	(75)	46,939	33,881	80,821	2,193
Corporate Contingency	4,000	-	-	3,740	260	4,000	-
Total	47,390	7,061	(75)	50,679	34,141	84,821	2,193

11. Expenditure as at the end of quarter one was £2.193m, which represents 4% of the revised capital programme budget for 2022/23.

Summary of progress Key Capital Projects (with budgets over £1m)

12. The projects in table 3 below make up 81% of this revised capital programme budget and over the next four years these projects make up 83% of the capital programme.

Table Four: Key capital projects - Quarter 1 Budget Position and future years' estimates

Service Area/Project	Approved Budget 2022/23 £000's	Slippage From 2021/22 £000's	Budget Updates 2022/23 £000's	Revised Budget 2022/23 £000's	Future Forecast 2023-26 £000's	Total Budget £000's	Actuals to Date 2022/23 £000's	Budget Left to spend £000's
Commercial Services & Income Generation								
Yeovil Crematorium Refurbishment	4,247	20	185	2,493	1,959	4,452	2	(2,491)
Huish Park Land Acquisition	2,800	-	(195)	2,605	-	2,605	2,530	(75)
Decarbonisation of Operational Buildings - Phase 2	2,760	-	(1,276)	1,484	-	1,484	-	(1,484)
Decarbonisation of Operational Buildings (PSDS)	-	1,741	981	2,722	-	2,722	563	(2,159)
Regeneration & Place								
Yeovil Refresh	17,036	1,880	(660)	18,256	330	18,586	91	(18,165)
Wincanton Regeneration	2,055	44	260	620	1,739	2,359	1	(619)
Octagon Redevelopment	1,638	309	-	1,947	26,259	28,206	35	(1,912)

Chard Regeneration	1,130	711	-	1,841	433	2,274	124	(1,717)
Affordable Housing	1,679	307	-	1,986	-	1,986	-	(1,986)
Service Delivery								
Disabled Facilities Grants	1,543	-	1,405	2,948	-	2,948	233	(2,715)
Support Services, Strategy & Commissioning								
Leisure Centre Capital Works	3,256	26	665	3,947	-	3,947	12	(3,935)
Total	38,144	5,038	1,365	40,849	30,720	71,569	3,591	(37,258)

Commercial Services & Income Generation

13. **Yeovil Crematorium Refurbishment** – The total budget for 2022/23 is £2.493m with an actual to the end of June 22 of £0.002m. Due to construction delays £1.959m of this year's original budget will slip into 2023/24.
14. District Executive agreed in August 2022 to increase the total budget by £0.185m. £20.4k of that increase will be met by Yeovil Without Parish Council with the remainder being SSDC's contribution and funded from the Corporate Capital Contingency Budget.
15. The project includes the cremator replacement, which is in progress, and a construction element which has not yet commenced. The project is scheduled to be completed in 2024 as the construction element is scheduled to be on site for 22 months. There will remain a payment liability for 12 months beyond that linked to standard defects liability period arrangements, the retention value is £0.015m.
16. **Huish Park Land Acquisition** - The total budget for 2022/23 is £2.605m with an actual spend to the end of June 2022 of £2.530m.
17. The acquisition of this land is now complete, and the remaining balance was originally envisaged to cover the costs of the agreed waiver of the first 12 months rental income. However given that this is not a capital item in accounting terms and the rental income has not been included in the 2022/23 revenue estimates, the £0.195m allowed for this in the approved capital budget is not needed and the budget can be reduced.
18. **Decarbonisation of Operational Buildings (PSDS) – Phase 1**- The total budget for 2022/23 is £2.722m with an actual spend to the end of June 2022 of £0.563m.
19. A report went to the District Executive in May 2022 detailing the risks that face the project and the possible options to overcome them. £0.350m of funding was vired from the Corporate Capital Contingency budget and a further increase in the budget of £0.631m was funded from the Public Sector Decarbonisation Scheme Grant which has been received but had previously not been included in the capital programme funding. These increases brought the approved budget to £3.781m.
20. A further report went to Full Council in June 2022 highlighting the risk that a significant amount of works were likely to be uncompleted by the grant deadline set by the Department of Business, Energy and Industrial Strategy. Council



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agreed to vire £1.276m from the agreed decarbonisation phase 2 programme into this project's budget to bring the total approved budget to £5.057m.

21. However the latter report should have recommended viring £1.276m from the capital funding budget from phase 2 into the PSDS project rather than the expenditure budget. The project is not needing to spend more money, rather the risk is that the council has to use borrowing to fund the budget rather than grant funding. Therefore the PSDS capital budget can be reduced by the £1.276m vired into it whilst the decarbonisation phase 2 capital budget remains at the reduced level as agreed by Council in June with the latter's funding budget (i.e. the use of Prudential Borrowing) vired to the PSDS budget.
22. The grant deadline has not been extended beyond the 30th June 2022 and therefore any works past this date cannot be funded by the grant and will need to be financed by the Council. However the practical completion date has been extended to align with the Leisure Capital works which is now March 2023. Some materials were not delivered by the 30th June, again reducing the amount of funding that we can utilise. Final documentation is being provided to Salix, our grant funding administrators, before we can confirm how much funding can be used from the PSDS grant.
23. **Decarbonisation of Operational Buildings - Phase 2** – The total budget for 2022/23 is £1.484m with no expenditure incurred up to the end of June 2022.
24. Full Council agreed at its meeting on 16th June 2022 to vire £1,276,245 from this project budget into the PSDS (decarbonisation phase 1) budget to meet the risk of the latter works not meeting the grant funding deadline and needing to be financed by SSDC. See paragraph 21 above.
25. The Design Phase is almost complete and officers will report back to District Executive on the scope of the programme given the current agreed capital budget allocation,

Regeneration and Place

26. **Yeovil Refresh Refurbishment** – The total budget for 2022/23 is £18.256m with an actual spend to the end of June 2022 of £0.091m. The programme of works for this project is scheduled to be completed in 2024.
27. District Executive is being asked in this report to decrease the overall Programme Budget by £0.660m as a building that was recently on the market and which SSDC hoped to purchase for the future regeneration of the town has now been sold. This budget amount was agreed by Full Council in December 2021 for this specific purpose and since the purchase will not proceed it is being recommended that the budget is now removed from the programme.
28. The public realm development contracts for Westminster Street Phase 2 and Middle Street, High street and Borough sections were signed following



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agreement at the District Executive meeting in June 2022 to alter the scope of the project to utilise the available agreed budget. This involved reallocating £0.769m from Wyndham Street to the completion of Westminster Street North (Phase 2), Middle Street (and adjoining streets), High Street and The Borough). Work to the Triangle commenced week beginning 20th June with water main diversion work.

29. The major risks continue to be the inflationary pressure on the construction industry and the potential loss of FHSF (Future High Streets Funding) grant. We continue to monitor the contracts closely to identify any potential savings that could help to mitigate the rising cost of materials. We are also submitting a change request to DLUHC, which if successful, would help to secure the funding.
30. **Wincanton Regeneration** – The figures used in this report incorporate the recommendations being made for the Wincanton Regeneration Project contained in a separate report in this District Executive's agenda. The total re-profiled budget for 2022/23 is £0.620m with an actual spend to the end of June 2022 of £0.001m.
31. Due to the change in scope there is a need to reprofile £1,739m of the agreed capital budget from 2022/23 to 2023/24 to allow the continuation of this project into following year.
32. **Octagon Redevelopment** – The total budget for 2022/23 is £1.947m with an actual spend to the end of June 2022 of £0.035m. The project is expected to be completed in 2025.
33. During quarter one the stage 3 design was finalised, and the report was issued early in quarter 2 to the project team.
34. Key milestones for the remainder of 2022/23:
 - Design cost control through a value engineering process.
 - Finalise the funding position through regular dialog with grant funders
 - Preparation of the Final Business Case and decision making by SSDC and SCC Executive
35. **Chard Regeneration** - The total budget for 2022/23 is £1.841m with an actual spend to the end of June 2022 of £0.124m. The two elements relate to Chard HSHAZ (High Street Heritage Action Zone) and Boden Mill site regeneration.
36. Regarding HSHAZ, 95% of the Public Realm works have been delivered, however there have been several delays in regard to getting materials onsite, along with the availability of utility contractors and weather conditions. However, contractors are now on site working through the remaining items and are due to complete the works in Quarter 2 of this financial year.



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37. The Building Repair & Shop Front Improvement Grant Scheme launched in January 22. A few properties are now almost ready to proceed with their grant applications, with an estimated total value of £0.150m.
38. Progress is being made to find a sustainable use for the Boden Mill site and an interested party has submitted a PID (Project Initiation Document) for external funding. The demolition of Building 11 is the subject of a live planning application.
39. **Affordable Housing** – The total budget for 2022/23 is £1.986m with no costs being as yet incurred to the end of June 2022. There are 3 main areas of spend in the coming year that have been or are currently waiting on various conditions being met.
 - Passivhaus South Petherton - planning application expected to be determined in the coming months. If planning permission is approved then £1.263m of funding will be allocated towards the development.
 - North St Crewkerne - had to wait for adverse ground conditions to settle to allow construction of Phase 2 to commence. The developer is set to start back on site in October. The remaining £0.026m of funding will be paid on Practical Completion.
 - Acacia Lodge – the planning application was refused at the Area South Committee in August.

SERVICE DELIVERY

40. **Disabled Facilities Grants** - The total budget for 2022/23 is £2.948m with an actual spend to the end of June 2022 of £0.233m. This is an ongoing project funded by Central Government's Better Care Fund and will continue to be live until such time Central Government end this scheme.
41. Based on last year we would anticipate spending the £1.543m in this financial year, which is the budget allocation slipped from 2021/22. There are also enough referrals to potentially spend the additional £1.405m in grant funding received this financial year from the Better Care Fund, so it is proposed that this amount is added to the 2022/23 capital budget. However, there is currently a limit on the amount of referrals that can be processed given the current restraints on resources and therefore these will be taken into the new council with the hope that the backlog can be ideally cleared or reduced dramatically. The Covid pandemic is the main reason for the backlog of referrals
42. There is a high demand for contractors at the moment and procuring them for our needs is difficult given the increased demand due to the Covid pandemic.
43. There is a SLA (Service Level Agreement) in place with Somerset Independence Plus to help address the resource and contractor availability problem. They are



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also engaged in helping SSDC align procedures and processes for Somerset Council which should help aid a smoother transition.

Support Services, Strategy & Commissioning

44. **Leisure Centre Capital Works** - The total budget for 2022/23 is £3.947m with an actual spend to the end of June 2022 of £0.012m. Works are expected to be completed in March 2023, this is behind schedule due to the knock on effects caused by the delay to the start of the PSDS decarbonisation works which were due to be completed in March 2022.
45. These works consist of introducing new gym equipment into the leisure centres alongside remodelling of the internal lay outs of the centres to increase exercise studio space and improve customer experience with the essential M&E replacements and upgrades that are required with the works being carried out.

Area Committees

46. Five new projects have been agreed for 2022/23 at a total cost of £0.040m. These will be funded from the Unallocated Budgets for each Area Committee. These Unallocated budgets were approved in the February 2022 Budget Report and therefore have no impact on the overall capital programme total. Table Five below shows the breakdown of the 5 new projects and the impact on the Unallocated Budgets for both Areas South and West.

Table Five: Area Committee Additions and Unallocated Budgets for 2022/23

Area / Project	Forecast 2022/23 £000's
Area South	
- Unallocated Budget	136
- East Coker Paddock Path Renewal	(4)
- Remaining Unallocated Budget	132
Area West	
- Unallocated Budget	68
- Ark at Egwood Indoor Activity Space	(13)
- East Chinnock Parish Council - Play Area Upgrade	(5)
- Ilminster Sports Club - New Play Area	(13)
- Merriott Village Hall - Kitchen Refurbishment	(5)
- Remaining Unallocated Budget	32
Area North	
- Unallocated Budget	48
Area East	
- Unallocated Budget	42

Funding Stream	Revised 2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Funding Stream Total £000's
Grants & Contributions	19,779	9,481	3,846	325	33,431
S106 Contributions	(217)	400			183
Usable Capital Receipts	1,827	935			2,762
Cremator Replacement Reserve	549				549
Capital Fund Reserve	1,975				1,975
Regeneration Reserve	1,108				1,108
Other Reserves	618				618
CIL Funding	1,335				1,335
Use of Loan Repayment	1,438	2,691	2,804	2,817	9,750
Commercial Property Risk Reserve	1,042	975	113		2,130
Prudential Borrowing	21,225	8,136	4,138	(2,520)	30,979
Yearly Total	50,679	22,618	10,901	622	

Increasing Interest Rates

47. The Bank of England have increased interest rates from 0.75% at the start of the 2022/23 financial year to the current rate of 1.75% as of 4 August 2022. The Council's treasury management advisors released their economic and interest rate forecast in early August after the latest base rate rise.
 48. The advisors are forecasting the bank rate to rise to 2.75% by December 2022, with a 0.50% rise predicted for September and 0.25% increases predicted in November and December 2022.
 49. The impact of the increase in the bank rate affects both the council's interest payable on debt and the interest income it receives on its investment. In terms of interest payable, this is dependent on the level of external debt the council holds and needs to enter into. This in turn depends largely on the amount of expenditure incurred on the capital budget. The latest forecast is that external borrowing will be in the region of £155m at the end of the 2022/23 financial year.
 50. Based on the projected interest rates provided by the Council's advisors and the estimated external borrowing requirement, the interest payable on external debt for 2022/23 is projected to be in the region of £1.402m. The 2022/23 approved revenue budget for interest payable is £1.125m meaning a budget pressure of £0.277m is currently anticipated.
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