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## **2022/23 Quarter 3 Capital Budget Monitoring Report for the Period Ending 31st December 2022**

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### **Purpose of the Report**

1. The purpose of this report is to provide District Executive with the current spend against the Council's approved capital budget and the forecast position at year end ("outturn") together with an explanation of estimated variations against budget. This report should be read alongside the Revenue Budget Monitoring Report also on District Executive's agenda.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 3<sup>rd</sup> March 2023.

### **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 many cases.

### **Recommendations**

4. That District Executive:
  - a) Notes the expenditure on the capital programme as at 31st December 2022 as given in table five.
  - b) Notes the amount remaining the Corporate Capital Contingency Budget, as detailed in table four.
  - c) Approves the revised estimate for the 2022/23 capital budget of £21.258m as detailed in table one.

### **Background**

5. 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. In urgent cases, the Chief Executive Officer has delegated authority, in consultation with the S151 Officer, to vire amounts from the Corporate Capital Contingency Budget into the schemes previously approved by Full Council in the capital programme.

### Quarter Three Capital Budget Position for 2022/23

6. The year-end forecast position as reported at quarter two, was £28.801m. This report proposes that a revised budget is agreed for 2022/23 of £21.258m which is a reduction of £7.543m (or 26%). A summary of the proposed changes is shown in table one.
7. Most of the £7.543m proposed reduction is due to reprofiling (slippage) of budget into the next and future financial years. This is detailed in table two.
8. The capital programme for this budget year and beyond is shown in detail in Appendix A and in summary form, by service area, in table three. A quarterly variance report with commentary is shown on Appendix B.
9. The remaining unallocated balance in the 2022/23 Corporate Capital Contingency budget of £0.734m is shown in Table Four.
10. The quarter three spend to date (to 31<sup>st</sup> December 2022) is summarised in table five by service area.

**Table One: Revised 2022/23 Capital Programme (excluding any virements between approved budgets)**

	£000s
<b>Agreed capital budget as at Quarter Two</b>	<b>28,801</b>
<b>Proposals made in this report:</b>	
- Increase in Area Committees' budget for S106 Funded Projects listed in Table Eight	33
- Recycle More Containers added to the Capital Programme	349
- Area grants awarded in year for 2023/24 projects listed in Table Seven	(42)
- Loan to Somerset Waste Partnership for Vehicles	(46)
- Reprofiling (Slippage) of Projects identified in Table Two into future years	(7,837)
<b>Subtotal</b>	<b>(7,543)</b>
<b>Revised 2022/23 Capital Programme Budget</b>	<b>21,258</b>

**Table Two: Detail of reprofiled project budgets**

Project	Q2	Q3	Q3	Revised	Future	Total
	Approved Budget 2022/23 £000's	Changes 2022/23 £000's	Slippage 2022/23 £000's	Budget 2022/23 £000's	Spend 2023-26 £000's	Budget £000's
Affordable Housing - Passivhaus South Petherton	1,010		(110)	900	300	1,200
Barnabus House	22		(11)	11	11	22
Car Park Improvement Works	41		22	63	-	63
Chard Business Park, Roadway Adoption	125		(110)	15	110	125
Chard Regeneration	574		(110)	464	1,810	2,274
Decarbonisation of Operational Buildings - Phase 1	2,420		(859)	1,560	1,161	2,722
Disabled Facilities Grants	1,721		(488)	1,233	1,579	2,812
Footbridge Assessment & Works	40		(25)	15	25	40
Grant to Milborne Port Rec	99	(14)	(40)	45	40	85
High Ham Play Installation	9		(9)		9	9
Kingsdon Playing Field	12		(10)	2	10	12
Kirkham Street Community Trust	13		(13)		13	13
Langport Memorial Ground New Changing Facilities	4		(4)	-	4	4
Lufton 2000, Yeovil - All Phases	15		1	16	198	214
Lufton Depot Surfacing and Drainage Works	39		(19)	20	45	65
Lyde Road Pedestrian & Cycle Way, Yeovil	379	150	(316)	63	466	529
Muchelney Church All Ability Accessible Toilet	13		(13)		13	13
Old Kelways Play Area, Langport	13		(13)		13	13
Refurbishment and accessibility improvements to public toilets at Ham Hill and Yeovil Recreation Centre	55		(15)	40	40	80
Renewal of Skate Park provision in Area South	340		(240)	100	240	340
South Petherton Cricket Club	5		(5)	-	5	5
West Hendford Car Park Crime Reduction Improvements	33		3	36	28	65
Westlands Events Hall Boiler Replacement and Improvements	976		(959)	17	959	976
Westlands Sports Hall Roof Repairs	100		(100)	-	100	100
Wincanton Regeneration	562		(365)	197	1,902	2,099
Wyndham Park Play Area Equipment	1		(1)		149	149
Yarlington Village Hall	13		(13)		13	13
Yeovil Bus Station Toilet Refurbishment	50		(50)	-	50	50
Yeovil Crematorium Refurbishment	1,085		(385)	700	3,752	4,452
Yeovil Refresh	6,005	821	(3,580)	3,246	17,052	20,298
<b>Total</b>	<b>15,774</b>	<b>957</b>	<b>(7,837)</b>	<b>8,743</b>	<b>30,097</b>	<b>38,842</b>

**Table Three: Summary of revised 2022/23 capital budget position and future years' estimates  
(Corporate Capital Contingency included in Service Area where applicable)**

Service Area	Approved Q2 Budget 2022/23 £000's	Q3 Budget Updates 2022/23 £000's	Q3 Revised Budget 2022/23 £000's	Future spend 2023-26 £000's	Total Budget £000's	Actuals to Date 2022/23 £000's
Commercial Services & Income Generation	9,057	(2,449)	6,608	11,258	17,866	4,580
Service Delivery	2,680	(810)	1,870	2,862	4,732	1,006
Place, Recovery & Arts and Entertainment	10,195	(3,334)	6,861	49,389	56,250	3,355
Strategy & Support	4,647	28	4,675	1,048	5,723	2,197
Area Committees	568	(58)	510	101	611	217
<b>Subtotal</b>	<b>27,147</b>	<b>(6,623)</b>	<b>20,524</b>	<b>64,658</b>	<b>85,182</b>	<b>11,355</b>
<b>Corporate Capital Contingency</b>	<b>1,654</b>	<b>(920)</b>	<b>734</b>	<b>-</b>	<b>734</b>	<b>-</b>
<b>Total</b>	<b>28,801</b>	<b>(7,543)</b>	<b>21,258</b>	<b>64,658</b>	<b>85,916</b>	<b>11,355</b>

**Table Four: 2022/23 Corporate Capital Contingency Budget amount remaining.**

Detail	Approvals 2022/23 £000's
Corporate Capital Contingency Opening Balance	4,000
Decarbonisation of Operational Buildings – May 22 DX Report	(350)
Digital Capital Reserve Programme 2022/23 – March 23 DX Report	(40)
Isuzu - Dog waste collection vehicle – March 23 DX Report	(49)
Leisure Centre Capital Works – May 22 DX Report	(665)
Market Towns Vision – March 23 DX Report	(10)
Millers Garage – August 22 DX Report	(203)
Sherwood Road, Bromsgrove (Commercial Investments) SLT	(52)
Wincanton Regeneration Public Realm – July 22 DX Report	(260)
Wincanton Regeneration Public Realm – September 22 DX Report – return of amount back to Corporate Capital Contingency Budget	260
Yeovil Crematorium Refurbishment – August 22 DX Report	(165)
Yeovil Refresh – August 22 DX Report	(891)
Yeovil Refresh – January 23 DX Report	(821)
Yeovil Small Business Centre Roof Renewal – made under Chief Executive delegation as emergency works	(20)
<b>Subtotal of Corporate Capital Contingency Drawdowns</b>	<b>(3,266)</b>
<b>Corporate Capital Contingency amount remaining</b>	<b>734</b>

**Table Five: Summary of spend by Quarter**

Service Area	Q1 Actuals	Q2 Actuals	Q3 Actuals
	2022/23 £000's	2022/23 £000's	2022/23 £000's
Commercial Services & Income Generation	2,320	1,889	4,580
Service Delivery	(64)	591	1,006
Place, Recovery & Arts and Entertainment	272	1,533	3,355
Strategy & Support	(385)	(489)	2,197
Area Committees	50	(14)	217
<b>Total</b>	<b>2,193</b>	<b>3,510</b>	<b>11,355</b>

11. Total expenditure as at 31st December 2022 was £11,355, which represents 53% of the revised capital programme budget for 2022/23.

## Summary of progress on Key Capital Projects

12. The projects in table six below make up 64% of this revised 2022/23 capital programme budget and over the next four years these projects make up 81% of the total capital programme.

**Table Six: Key capital projects - Quarter 3 Budget Position and future years' estimates**

Service Area/Project	Q2 Approved Budget	Q3 Budget Changes	Q3 Revised Budget	Revised Future Budget	Total Budget	In year Actuals	In year Percentage Complete	In Year Budget Left to spend
	2022/23 £000's	2022/23 £000's	2022/23 £000's	£000's	£000's	2022/23 £000's	2022/23 £000's	2022/23 £000's
<b>Commercial Services &amp; Income Generation</b>								
Yeovil Crematorium Refurbishment	1,085	(385)	700	*3,752	4,452	161	23%	(539)
Decarbonisation of Operational Buildings (PSDS)	2,420	(859)	1,561	1,161	2,722	1,228	79%	(333)
Yeovil Refresh	6,005	(2,759)	3,246	18,228	21,474	2,162	67%	(1,084)
Wincanton Regeneration	562	(365)	197	*1,902	2,099	13	7%	(184)
Somerset Cultural Flagship Venue (Octagon Redevelopment)	1,058	-	1,058	27,148	28,206	640	60%	(418)
Chard Regeneration	574	(110)	464	1,810	2,274	335	72%	(129)
Affordable Housing	1,796	(110)	1,686	300	1,986	7	<0%	(1,679)
Disabled Facilities Grants	1,721	(488)	1,233	1,579	2,812	945	77%	(288)
Leisure Centre Capital Works	3,563		3,563	384	3,947	1,521	43%	(2,042)
<b>Total</b>	<b>18,784</b>	<b>(5,076)</b>	<b>13,708</b>	<b>56,264</b>	<b>69,972</b>	<b>7,012</b>	<b>65%</b>	<b>(6,696)</b>

\*Requires a new Business Case

## Commercial Services & Income Generation

13. **Yeovil Crematorium Refurbishment** – The revised budget for 2022/23 is £0.700m with an actual to the end of December 22 of £0.161m. The remaining budget will be used for the final instalments to the cremator, committed costs on the construction project, planned works to provide for capacity needs in the Garden of Remembrance and limited short term repair needs with the main building project.

14. The 2022/23 budget has been re-profiled by £0.385m which have been reallocated to the 2023/24 budget. Implementation Executive for the new Somerset Council has decided in its budget work to pause the main building extension and refurbishment project subject to an updated business case being submitted to the Somerset Council next year for implementation 2024/25 and beyond. The sum of £3.367m which was allocated for 2023/24 has therefore been re-profiled to 2024/25.



## South Somerset District Council

15. Principal work this year has been the total renewal of the cremators and installation of Mercury Abatement equipment. The installation is now complete and fully functional with minor ancillary work being completed.
16. **Decarbonisation of Operational Buildings (PSDS) – Phase 1**- The revised budget for 2022/23 is £1.561m with an actual spend to the end of December 2022 of £1.228m.
17. £0.859m has been reprofiled in to 2023/24 due to the delay in the RIBA stage 4 designs and work not yet started on these sites
18. Salix have confirmed grant funding of £2.612m which is £0.457m more favourable than our predicted worst-case situation reported in June. Salix have also extended the practical completion date to 31 December 2023 based on the uncertainty of the Sottish and Southern Electricity Networks power upgrade as they have yet to confirm their lead time regarding final commissioning.
19. Due to the increase to the anticipated grant funding from Salix we have used the additional £0.457m to reduce the borrowing requirements to fund the project by the same amount.
20. The PSDS RIBA stage 4 designs have now been approved are awaiting final costs.

### Regeneration and Place

21. **Yeovil Refresh Refurbishment** – The revised budget for 2022/23 is £3.246m with an actual spend to the end of December 2022 of £2.162m. The programme of works for this project is scheduled to be completed in 2024.
22. Due to utility company delays, discovery of unmapped services, contaminated materials, requirement for night time working due to road closure restrictions, £2.759m from the 2022/23 budget has been reprofiled to 2023/24.
23. District Executive on the 5th of January 2023 agreed to reallocate £1.2m from the Yeovil Refresh Transport workstream to the Yeovil Refresh Public Realm Workstream, additional grants of £1.176m had been secured for the Active Travel element of the Transport workstream, so the funding was no longer required. District Executive also agreed to allocate £0.821m from the corporate contingency fund to the Yeovil Refresh budget. These changes were required to fund unforeseen costs relating to the public realm works including utility works and subsequent delay costs and the removal of contaminated materials.
24. 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 have also submitted a change request to DLUHC, which if successful, would help to secure the funding.



## South Somerset District Council

25. **Wincanton Regeneration** –The total budget for 2022/23 is £0.197m with an actual spend to the end of December 2022 of £0.013m.
26. The Project has been deferred for a year pending a new business case that will be reviewed by Somerset Council. The remaining budget of £1.902m has been reprofiled into 2024/25.
27. **Octagon Redevelopment** – The total budget for 2022/23 is £1.058m with an actual spend to the end of December 2022 of £0.640m. If the final business case is approved, the project is expected to be completed in 2025.
28. The development of Somerset's Flagship Arts Venue represents one of the largest cultural venue construction projects undertaken in Somerset. During quarter three the work was undertaken to produce the RIBA Stage 4 report. The planning application for the building was also submitted.
29. District Executive on the 5th of January 2023 agreed that the project should move to the next stage, which is to tender for the construction works.
30. Key milestones for the remainder of 2022/23:
  - Secure Planning Permission.
  - Agree updated outline business case with DCMS Investment Sub Committee and subsequently secure agreement to tender the works.
  - Issue tender documentation.
  - The final business case will be coming forward in 2023/2024 once greater costs certainty has been obtained.
31. **Chard Regeneration** - The total budget for 2022/23 is £0.464m with an actual spend to the end of December 2022 of £0.335m, it is anticipated there will be a further £0.1m of capital expenditure in 2022/23. The two elements relate to Chard HSHAZ (High Street Heritage Action Zone) and Boden Mill site regeneration.
32. The Building Repair & Shop Front Improvement Grant Scheme launched in January 22. Due to the uncertainty around the country's current economic situation, businesses have taken longer than first envisaged to secure the quotes and permissions that are required for the building improvement grants, therefore £0.110m has been reprofiled into 2023/24.
33. 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.
34. **Affordable Housing** – The total budget for 2022/23 is £1.686m with an actual spend to the end of December 2022 of £0.007m.
35. Passivhaus South Petherton - planning application expected to be determined in the coming months. If planning permission is approved, then £1.200m of funding will be allocated towards the development. It is anticipated the likely spend in year



## South Somerset District Council

will be £1.010m and therefore £0.190m has been reprofiled into 2023/24. The Registered Housing Provider is aiming to start construction in March 23 and we are currently working on a legal agreement for the funding.

### SERVICE DELIVERY

36. **Disabled Facilities Grants (DFG's)** - The revised budget for 2022/23 is £1.233m with an actual spend to the end of December 2022 of £0.945m. This is an ongoing project funded by Central Government's Better Care Fund and will continue to be live until such time Central Government ends this scheme.
37. The budget has been reprofiled from 2022/23 to 2023/24 by £0.488m due to the continued resource and contractor availability problem which is being felt across the entire Capital Programme. There is an SLA (Service Level Agreement) in place with Somerset Independence Plus to help try and address this. They are also engaged in helping SSDC align procedures and processes for Somerset Council which should help aid a smoother transition.
38. Work is in progress to address this and demand for DFGs continues to be high.

### Support Services & Strategy

39. **Leisure Centre Capital Works** - The revised budget for 2022/23 is £3.563m with an actual spend to the end of December 2022 of £1.521m. 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.
40. Due to retention requirements, there will be a continued financial obligation up to 2024/25 which totals £0.384m which is shown in Appendix A.
41. 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 and Area Funding

42. The Area Committee updates for Q3, are shown in table seven.
43. There were eleven new projects awarded totalling £0.081m, these have been funded from the Unallocated Budgets for the Area Committees.
44. Four projects were completed, and the remaining budgets returned to the Unallocated Budgets totalling £0.010m.



45. The Unallocated budgets were approved in the February 2022 Budget Report and therefore have no impact on the overall capital programme total.

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

Area / Project	Forecast 2022/23 £000's	Forecast 2023/24 £000's	Total
<b>Area North</b>			
Q2 Unallocated Budget	27	-	27
- Ash Village Hall Car Park	4		4
- East Lambrook School Room Renovations		11	11
- Support of Economic Vitality in Area North (Signage for marketing programme)	(3)		(3)
Q3 Remaining Unallocated Budget	26	11	15
<b>Area South</b>			
Q2 Unallocated Budget	134	-	134
- West Coker Commemoration Fund (WCCF)	(0)		(0)
- West Coker Solar Panels		12	12
Q3 Remaining Unallocated Budget	134	12	122
<b>Area East</b>			
Q2 Unallocated Budget	29	-	29
- Castle Cary Pavilion	4		4
- Chilthorne Domer Play Equipment	8		8
- Queen Camel Old School Toilet Conversion	3		3
- Wincanton Men's Shed Extension		12	12
Q3 Remaining Unallocated Budget	14	12	2
<b>Area West</b>			
Q2 Unallocated Budget	23	-	23
- Ashill Village Hall Project		6	6
- Combe St Nicholas Primary School Running Track	6		6
- George Reynolds Centre Project	5		5
- Hinton St George Pre-School Appeal	(6)		(6)
- North Perrott Cricket Club	(0)		(0)
- West & Middle Chinnock Play Equipment Project	10		10
Q3 Remaining Unallocated Budget	8	6	2
<b>Total</b>	<b>31</b>	<b>41</b>	<b>72</b>

46. Eight additional projects have been identified in Q3 for 2022/23 which will be funded from Section 106 contributions and one project with a reduced budget.

**Table Eight: S106 Additions for 2022/23**

Area / Project	Forecast 2022/23 £000's
<b>Area North</b>	
- Stoke Sub Hamdon Floodpitch	13
- Cricket Ground Water St Martock	6



<b>Sub-Total</b>	<b>19</b>
- Hardington Mandeville Rec Group	1
- Keinton Mandeville Changing Rm	18
<b>Sub-Total</b>	<b>19</b>
<b>Area East</b>	
Grant to Milborne Port Rec	(14)
<b>Sub-Total</b>	<b>(14)</b>
<b>Area West</b>	
- Grants for Parishes Play Areas	0
- Grants to Youth Dev Facilities	5
- Henhayes Recreation Ground	2
- Henson Park Chard	2
<b>Sub-Total</b>	<b>9</b>
<b>Total</b>	<b>33</b>

## Financing of the Capital Programme

**Table Nine: Financing of the Capital Programme**

<b>Funding Stream</b>	<b>Q2 Approved 2022/23 £000's</b>	<b>Q3 Updates 2022/23 £000's</b>	<b>Q3 Revised 2022/23 £000's</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>	<b>Funding Stream Total £000's</b>
Grants & Contributions	8,599	(1,775)	6,824	21,360	3,846	325	<b>32,355</b>
S106 Contributions	(48)	365	317	340	-	400	<b>1,057</b>
Usable Capital Receipts	1,718	(411)	1,307	1,609	411	-	<b>3,327</b>
CIL Funding	1,335	(1,335)	-	1,335	-	-	<b>1,335</b>
Use of Loan Repayment	1,438	1,555	2,993	-	-	-	<b>2,993</b>
Prudential Borrowing	15,759	(5,942)	9,817	22,593	12,141	298	<b>44,849</b>
<b>Yearly Total</b>	<b>28,801</b>	<b>(7,543)</b>	<b>21,258</b>	<b>47,237</b>	<b>16,398</b>	<b>1,023</b>	<b>85,916</b>

### 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 4.00% as at 6 February 2023. The Council's treasury management advisors released their economic and interest rate forecast after the latest Monetary Policy Committee at which the Bank of England increased interest rates by 0.50% to the current rate.
48. The advisors are forecasting a further rise in the bank rate to 4.25% in March 2023. The advisors are currently expecting the MPC to cut interest rates in the first quarter of 2024 with a rate of in the region of 3% expected by 2025. It should be noted that the timing and the extent of the rates cut remains highly uncertain.
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 current and future external debt of the council. This in turn depends largely on the amount of expenditure incurred



## South Somerset District Council

on the capital budget. The latest forecast is that external borrowing will be in the region of £149m 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 £1.460m. The 2022/23 revised revenue budget for interest payable is £1.856m.

### **Legal Implications**

51. 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.

### **Financial Implications**

52. These are covered in the report.