

## **Commercial and Investment**

### **Finance and Performance Report – September 2017**

#### **1. SUMMARY**

##### **1.1 Finance**

<b>Previous Status</b>	<b>Category</b>	<b>Target</b>	<b>Current Status</b>	<b>Section Ref.</b>
<b>N/A</b>	Income and Expenditure	Balanced year end position	<b>Amber</b>	2.1 – 2.4
<b>N/A</b>	Capital Programme	Remain within overall resources	<b>Green</b>	3.2

#### **2. INCOME AND EXPENDITURE**

##### **2.1 Overall Position**

<b>Original Budget as per BP <sup>(1)</sup></b>	<b>Directorate</b>	<b>Current Budget</b>	<b>Forecast Variance - Outturn (Aug) <sup>(2)</sup></b>	<b>Forecast Variance - Outturn (Sept)</b>	<b>Forecast Variance - Outturn (Sept)</b>	<b>Current Status</b>	<b>DoT</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>		
2,702	Commercial & Investment	1,564	269	245	16	Amber	↑
<b>2,702</b>	<b>Total</b>	<b>1,564</b>	<b>269</b>	<b>245</b>	<b>16</b>		

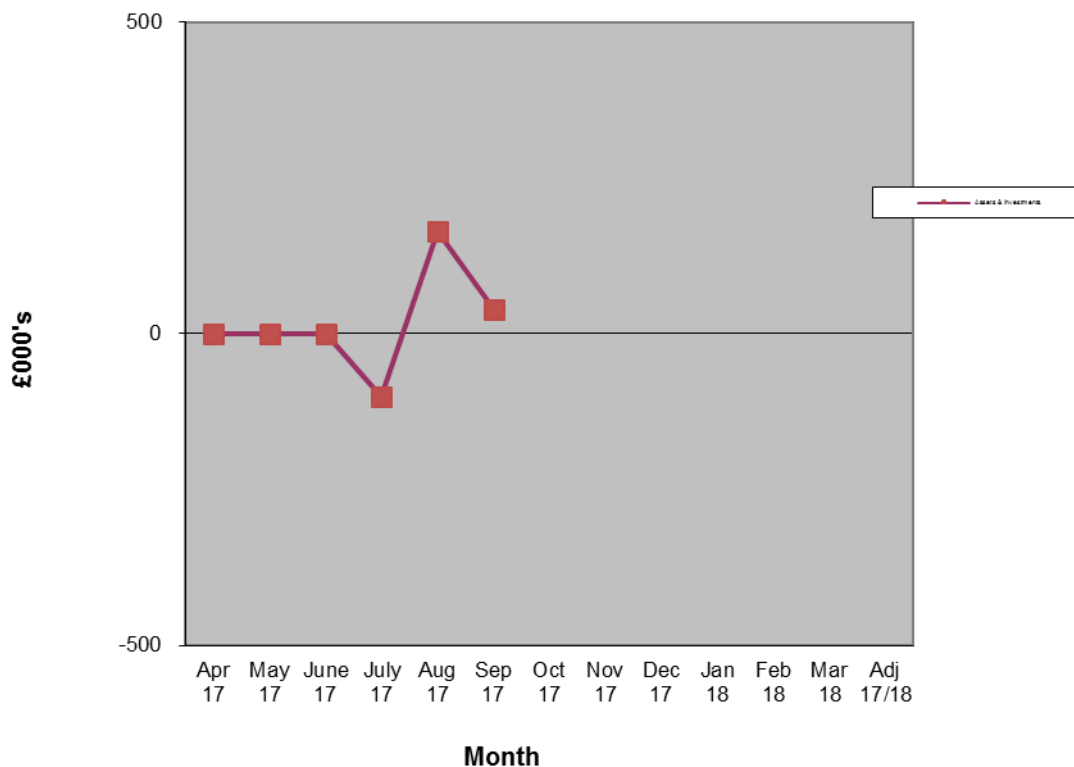
<sup>1</sup> The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan.

<sup>2</sup> The August forecast outturn variance in the table has been adjusted to reflect August forecasts for new budgets transferred in from Children and Young People Committee.

The service level budgetary control report for Commercial and Investment Committee for September can be found in [C&I appendix 1](#).

Further analysis of the results can be found in [C&I appendix 2](#).

## Commercial & Investment - Outturn 2017/18



## 2.2 Significant Issues – Commercial and Investment

Commercial and Investment Committee is currently predicting an overspend of £245k at year-end. This is a favourable change of £24k on the equivalent budget areas in the previous month.

Traded Services to Schools and Parents have been transferred from the Children & Young People Committee and are reported within the C&I tables for September. The following services have transferred:

- Education ICT
- Professional Development Centre Services
- Cambs Music
- Outdoor Education (includes Grafham Water)

There is a pressure of £104k against Grafham Water which was identified during budget build. The budget includes an internal loan of £97k in 17/18 relating to building and improvement works carried out a number of years ago. Although prices have been increased for all user groups and the centre is running at high capacity, the centre is currently unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £27k over-recovery. This long standing issue

will be addressed through a review of options for Grafham Water going forward, including pricing, with the aim of achieving a realistic and sustainable budget.

### 2.3 Additional Income and Grant Budgeted this Period (De minimis reporting limit = £30,000)

The following items above the de minimis reporting limit were recorded during September 2017.

Grant	Awarding Body	Expected Amount £000
One Public Estate	Cabinet Office	90,000
Music Education Hub Grant		783,759
Non-material grants (+/- £30k)		0

A full list of additional grant income for Commercial and Investment Committee can be found in [C&I appendix 3](#).

### 2.4 Virements and Transfers to / from Reserves (including Operational Savings Reserve) (De minimis reporting limit = £30,000)

The following virements were recorded this month to reflect changes in responsibilities:

	£	Notes
Transfer of ICT budgets to C&I from C&YP	-200,000	
Transfer of PCDS budgets to C&I from C&YP	-71,000	
Transfer of Cambs Music budgets to C&I from C&YP	5,268	
Transfer of Outdoor Education budgets to C&I from C&YP	-77,123	
Non material virements (+/- £30k)	0	

A full list of virements made in the year to date for Commercial and Investments can be found in [C&I appendix 4](#).

### **3. BALANCE SHEET**

#### **3.1 Reserves**

A schedule of the Commercial and Investment reserves can be found in [C&I appendix 5](#).

#### **3.2 Capital Expenditure and Funding**

##### Expenditure

Commercial and Investment Committee has a capital budget of £116m in 2017/18 and there is £1.6m spend to date. Predicted in-year variances of £905k have been netted off against the Capital Programme Variations budget; as a result it is currently expected that the programme will be in balance at year-end 2017/18. Total scheme variances of £290k are expected over the lifetime of the schemes.

The Local Plans and Representations budget is predicted to underspend by £150k in 2017/18, and this will reduce the total cost of the scheme by the same amount. There will be a reduced budget requirement for this function in future years as more projects are developed by CHIC; this change is being addressed in the Business Planning proposals for 2018/19.

##### Funding

Commercial and Investment Committee has capital funding of £116m in 2017/18.

As reported above, projected in-year variances remain within the allowance made in the capital variation budget. The programme budget is therefore expected to be in balance at year-end, with the expectation that this funding will continue to be required in line with the revised budget proposals.

The capital receipts forecast for 2017/18 has been increased by £1.9m to reflect additional monies received, including a £3m receipt in respect of land at Bassenhally (Phase 2). This increase is partly offset by a £350k reduction in capital receipts funding for C&I schemes, which is replaced by an increase in borrowing. This reduction is as a result of a capital funding adjustment relating to the Mosaic project within Corporate Services, which necessitates £350k of Mosaic expenditure to be funded from capital receipts.

Following a review of the Mosaic project, it has been determined that £350k of Mosaic revenue costs can be classified as transformation work and is therefore eligible to be charged to capital and funded from capital receipts in 2017/18. These costs can only be classified as capital under the government directive on flexible use of capital receipts; therefore they must be funded by capital receipts rather than any other source of capital funding. This adjustment removes a pressure on the Mosaic revenue budget, bringing both revenue and capital budgets in on target. The overall level of funding through capital receipts and borrowing across the two committees is unchanged by this adjustment.

A detailed explanation of the position for Commercial and Investment Committee can be found in [C&I appendix 6](#).

#### **4. PERFORMANCE**

**4.1** Performance data for Commercial and Investments is not currently available.

## A&I APPENDIX 1 – Commercial and Investment Budgetary Control Report

The variances to the end of September 2017 for Commercial and Investment are as follows:

Original Budget as per BP £000	Service	Current Budget for 2017/18 £000	Forecast Variance - Outturn (August) £000	Forecast Variance - Outturn (Sept) £000	Forecast Variance - Outturn (Sept) %
<u>Commercial &amp; Investment</u>					
1,111	Building Maintenance	1,111	0	0	0
-4,404	County Farms	-4,404	0	0	0
4,500	County Offices	4,568	-450	-450	-10
718	Property Services	521	0	0	0
22	Property Compliance	106	0	0	0
-11	Capital Team	0	0	0	0
766	Strategic Assets	803	349	349	43
0	ICT	-200	0	0	0
0	Professional Development Centre Services	-71	0	0	0
0	Cambs Music	789	0	0	0
0	Outdoor Education (includes Grafham Water)	-77	104	104	134
0	Cambridgeshire Catering & Cleaning Services	-449	266	243	54
0	Grant Income	-1,134	0	0	0
<b>2,702</b>		<b>1,564</b>	<b>269</b>	<b>245</b>	<b>16</b>
<b>2,702</b>	<b>COMMERCIAL &amp; INVESTMENT TOTAL</b>	<b>1,564</b>	<b>269</b>	<b>245</b>	<b>16</b>
<b>MEMORANDUM - Grant Income</b>					
0	Music Education Hub Grant	-784	0	0	0
0	One Public Estate Grant	-350	0	0	0
<b>0</b>		<b>-1134</b>	<b>0</b>	<b>0</b>	<b>0</b>

## C&I APPENDIX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

Service	Current Budget £'000	Forecast Variance - Outturn	
		£'000	%
<b>County Offices</b>	<b>4,568</b>	<b>-450</b>	<b>-10</b>
County Offices budgets are forecast to underspend by £450k at year-end. Members will be aware that the Council has increased public access to pay and display parking at the Shire Hall Campus and following successful implementation and marketing, this is now generating significant additional revenue income (£105k). The balance of the underspend is due to a rebate (£345k) for business rate costs following the leasing of the Castle Court office building to a student accommodation provider.			
<b>Strategic Assets</b>	<b>803</b>	<b>349</b>	<b>43</b>
Strategic assets budgets are predicting a £349k overspend at year end. This is due to the ending of shared service arrangements for Property and Asset services with LGSS. Whilst shared service arrangements applied the Council benefitted from savings made across partners. At the ending of the arrangements, budgets were disaggregated to the partners. As the equalisation between LGSS partners no longer applies for this service area, Cambridgeshire no longer receives the benefit of savings made at other partners and has a remaining deficit on the delivery of these services compared to the budget.			
<b>Outdoor Education (includes Grafham Water)</b>	<b>-77</b>	<b>104</b>	<b>134</b>
<p>Traded Services to Schools and Parents have been transferred from the Children and Young People Committee and are reported within the C&amp;I tables. The following services have transferred:</p> <ul style="list-style-type: none"> <li>• ICT</li> <li>• Professional Development Centre Services</li> <li>• Cambs Music</li> <li>• Outdoor Education (includes Grafham Water)</li> </ul> <p>There is a pressure of £104k against Grafham Water which was identified during budget build. The budget includes an internal loan of £97k in 17/18 relating to building and improvement works carried out a number of years ago. Although prices have been increased for all user groups and the centre is running at high capacity, the centre is currently unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £27k over-recovery. This long standing issue will be addressed through a review of options for Grafham Water going forwards, with the aim of achieving a realistic and sustainable budget.</p>			

<b>Cambridgeshire Catering &amp; Cleaning Services</b>	<b>-449</b>	<b>243</b>	<b>54</b>
<p>As part of recent internal re-organisations within People and Communities and CCS, the service is currently being led by the Resources directorate, and the financial contribution this service makes to the Council, and associated variances, are now reflected within the C&amp;I tables. The Commercial &amp; Investment Committee will oversee the service going forward, and as part of the transformation underway to ensure alignment to the Council's commercial interests.</p> <p>CCS is currently forecasting an under recovery of £243k, which has increased from the £216k pressure identified at budget build, but an improvement of £23k compared to the figure reported in August. The movement in month primarily relates to actual staff costs for September 2017 being slightly reduced when compared with the August forecast. CCS have commenced catering service at three new schools in September 2017.</p> <p>Plans are being progressed with the transformation team to develop strategies in which the service can be competitive in price, make efficiencies to the service, and increase customer engagement. The Management Team are considering a number of additional actions for potential delivery in year, alongside wider considerations for long term model and structure. As a result of support from Transformation Team and the wider considerations, the HoS and Client Development posts are being held vacant enabling an in year saving of £70k to be held whilst appropriate structure and future model discussions take place.</p> <p>The mothballed C3 cook freeze unit has a potential £500k dilapidations cost (awaiting verification) to resolve before the lease can be ended, and ongoing £80k+ p.a. costs until then.</p>			

### **C&I APPENDIX 3 – Grant Income Analysis**

The table below outlines the additional grant income, which was not built into base budgets.

<b>Grant</b>	<b>Awarding Body</b>	<b>Expected Amount £000</b>
<b>Grants as per Business Plan</b>		0
One Public Estate	Cabinet Office	350
Music Education Hub Grant		784
<b>Total Grants 2017/18</b>		<b>1,134</b>



## C&I APPENDIX 4 – Virements and Budget Reconciliation

	£000	Notes
<b>Budget as per Business Plan</b>	<b>2,702</b>	
Business Plan adjustments	44	
Transfer of Apprenticeship Levy from CS to C&I	6	
Transfer of Energy Team from C&I to ETE	-58	
Transfer of LGSS savings from C&I to LGSS Cambridge Office	-349	
Transfer of CCS budgets to C&I from C&YP	-449	
Transfer from C&YP to C&I of Traded Services to Schools and Parents	-343	
Non-material virements (+/- £30k)	11	
<b>Current Budget 2017/18</b>	<b>1,564</b>	

## C&I APPENDIX 5 – Reserve Schedule

### 1. Commercial and Investments Reserves

Fund Description	Balance at 31 March 2017	Movements in 2017/18	Balance as at 31 September 2017	Forecast Balance at 31 March 2018	Notes
	£'000	£'000	£'000	£'000	
<b><u>Equipment Reserves</u></b>					
ICT Equipment Replacement Reserve	726	0	726	0	3
subtotal	726	0	726	0	
<b><u>Other Earmarked Funds</u></b>					
Manor school site demolition costs	362	26	389	468	1
Cambs Music Reserve	80	0	80	90	3
subtotal	442	26	469	558	
<b><u>Short Term Provisions</u></b>					
SPV provision	24	0	24	24	
subtotal	24	0	24	24	
<b>SUBTOTAL</b>	<b>1,192</b>	<b>26</b>	<b>1,219</b>	<b>582</b>	
<b><u>Capital Reserves</u></b>					
General Capital Receipts	0	3,076	3,076	0	2
subtotal	0	3,076	3,076	0	
<b>TOTAL</b>	<b>1,192</b>	<b>3,103</b>	<b>4,295</b>	<b>582</b>	

#### Notes

- 1 Rental income from Bellerbys buildings on Manor School site is being held to offset demolition costs when the lease expires in 2021.
- 2 Capital Receipts will be used to fund the capital programme at year-end.
- 3 Reserve balances transferred from P&C Committee as part of Traded Services to Schools and Parents.

## C&I APPENDIX 6 – Capital Expenditure and Funding

### Capital Expenditure

Commercial & Investment Capital Programme 2017/18						TOTAL SCHEME	
Original 2017/18 Budget as per BP £000	Scheme	Revised Budget for 2017/18 £000	Actual Spend 2017/18 £000	Forecast Spend - Outturn £000	Forecast Outturn Variance £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
550	Shire Hall Campus	550	236	550	-	5,502	-
350	Local Plans Representations	350	104	200	(150)	3,902	(150)
500	County Farms Viability	621	213	621	-	3,353	-
600	A&I - Building Maintenance	600	314	600	-	5,579	-
-	- Other Committed Projects	20	1	20	-	225	-
-	- Renewable Energy Soham	775	118	520	(255)	9,994	(140)
113,476	Housing Schemes	112,209	573	112,209	-	183,226	-
482	MAC Joint Highways Project	482	-	482	-	5,198	-
-	- Office Portfolio Rationalisation	200	8	200	-	345	-
1,068	Sawston Community Hub	1,401	77	901	(500)	1,502	-
(550)	Capital Programme Variations	(1,000)	-	(95)	905	(767)	-
<b>116,476</b>	<b>TOTAL</b>	<b>116,208</b>	<b>1,645</b>	<b>116,208</b>	<b>-</b>	<b>218,059</b>	<b>(290)</b>

### Previously Reported Exceptions

- As previously reported, the Renewable Energy Soham scheme is currently predicted to underspend by £255k in 2017/18. Of this underspend, £140k represents a reduction in the expected final cost of the project, leading to a predicted underspend against the total scheme budget, and £116k budget will be required to meet retention costs in 2018/19.
- The Commercial and Investment capital programme budget reduced by £250k due to the removal of the Energy Efficiency Fund budget, which transferred to Economy, Transport and Environment Committee.
- The Sawston Community Hub scheme is forecasting an underspend of £500k in 2017/18. This is due to delays in the build start date which may push some works back into 2018/19 and retention costs which will now be due in 2018/19; the total scheme cost is not affected. The scheme transferred from LGSS Managed to Commercial & Investment with a budget of £1.4m. Alongside this transfer, the capital programme variations budgets for Commercial & Investment and LGSS Managed were realigned, so the variations budget for Commercial & Investment returned to 20% of its budget (excluding housing schemes).

The Sawston Community Hub scheme was placed on hold in 2016/17, following delays arising from prolonged negotiations with the parish council and the village college, before the planning application could be submitted. The scheme has since been reviewed, and following market testing the total scheme costs have now been re-assessed at £1.502m. This represents an increase of £178k over the estimated total scheme costs at Milestone 3+ (£1.324m), and an increase of £193k in the total scheme budget as recorded in the Business Planning proposals for 2017/18

(£1.309m); the programme budget had previously remained at the original estimate of £1.309m pending further review of the scheme. This cost increase is due to the actual cost inflation of materials over the period the project was delayed and issues arising from detailed design work.

General Purposes Committee was asked to approve the revised budget of £1.502m at its meeting on 19th September. This revision required an increase of £193k to the Prudential Borrowing requirement.

- The Housing Scheme budgets reflect the proposals included in the Business Plan 2017/18. The CHIC financial model is currently under review and any changes will be reported when further information becomes available. Planning permission is being actively progressed on schemes in order to maximise asset values.
- As previously reported the capital programme figures include a revised Capital Programme Variations target, which effectively reduces the programme budget. As forecast underspends start to be reported, these are netted off against the forecast outturn for the variation budget, resulting in a forecast balanced budget up until the point when slippage exceeds the variation budget.

### Capital Funding

Commercial and Investment Capital Programme 2017/18				
Original 2017/18 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2017/18 £000	Forecast Outturn Spend (Sept) £000	Forecast Outturn Funding Variance (Sept) £000
81,583	Capital Receipts	81,583	83,122	1,539
33,825	Prudential Borrowing	34,625	33,086	(1,539)
<b>115,408</b>	<b>TOTAL</b>	<b>116,208</b>	<b>116,208</b>	<b>-</b>

### Previously Reported Exceptions

- As reported above, the Energy Efficiency Fund budget of £250k transferred to Economy, Transport and Environment Committee, therefore the Commercial and Investment Committee borrowing requirement reduced by this amount.
- The Sawston Community Hub scheme transferred to the Commercial & Investment Committee with an approved budget of £1.2m; General Purposes Committee was

asked to approve an increase of £193k in budget for the scheme, resulting in an increased borrowing requirement of this amount.

- The capital programme budget incorporates the following funding adjustments:
  - £1.1m funding for schemes carried-forward from 2016/17.
  - A reduction of £1.3m in respect of Housing Scheme funding which was brought forward from 2017/18 to fund expenditure in 2016/17.
  - £133k increase in the Capital Variation budget.
- Commercial and Investment Committee was asked to approve the carry forward of funding from 2016/17 into 2017/18 for the following schemes:

Scheme	£000	Notes
County Farms Viability	121	Carry forward £121k re Bettys Nose & Whitehall farm shop.
OtherCommitted Projects - K2	20	Roll forward balance of K2 funding (£20k) to fund continuing work on CCC implementation
Soham Solar Farm	775	Final network and consruction costs of £315k and a retention payment of £460k are due in 17/18. A scheme underspend of £340k is forecast.
Office Rationalisation	200	Ongoing work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Buttsgrrove, Scott House/Stanton House and Meadows closure.
	1,116	

- The Capital Programme Variations target included in the Business Plan was updated based on 2016/17 slippage and to allow for other funding sources in addition to borrowing.

The Capital Programme variation target reduces the overall capital budget, resulting in a reduced funding requirement.