New Indicator: Annual forecast of the gross income from our total commercial investment as a percentage of initial investment

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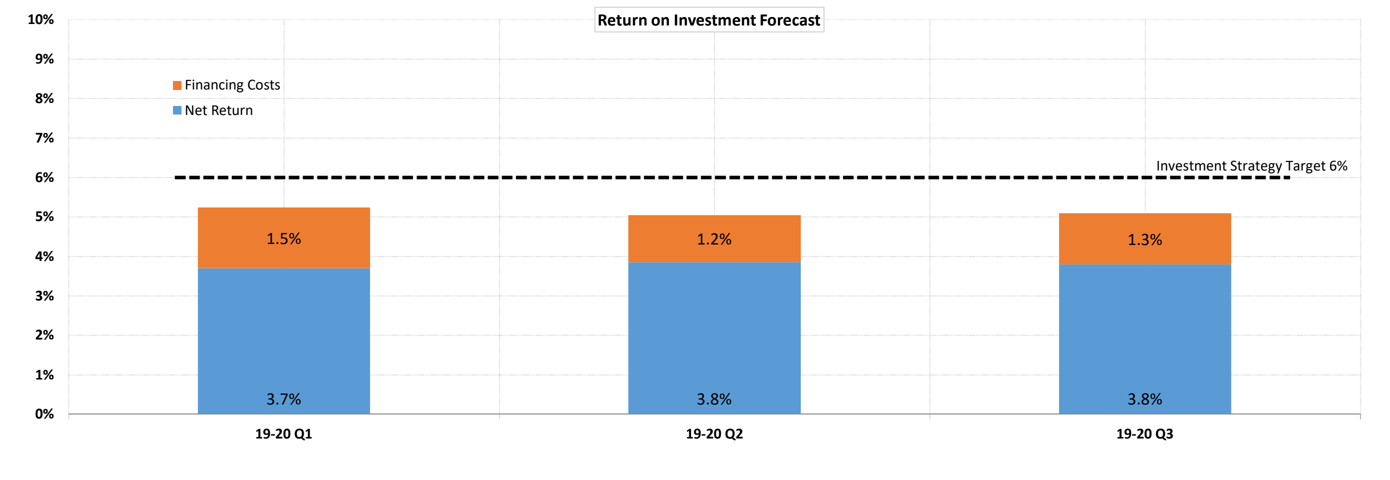
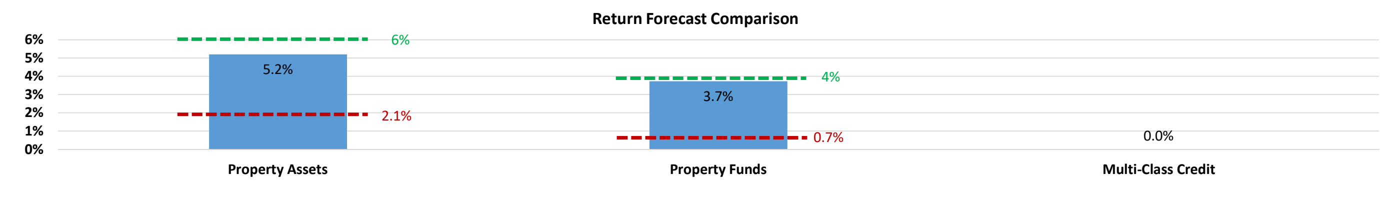
March 2020

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	5.1%	5.0%	↑	↑

RAG Rating

R





Indicator Description

This indicator projects our expected net income from all commercial investments against the 6% target set within the non-financial Investment Strategy. It is important to note that not all investments will achieve 6% from the outset, however over the medium to longer term (by 2024-25) it is expected that the portfolio will meet the target. Any specific variances will be explained within the commentary.

This indicator should be used to judge the performance of our commercial investment portfolio as a whole. It should not be used to predict any variances of actual income against budget - this is detailed within the Finance Monitoring Report.

The return figure includes investment that has already been made, as well as investment that is expected to be made, up to the end of March 2020. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY

The figures for individual asset classes on the lower graph have the Investment Strategy target or the original Business Case forecast return as their target (shown in green). The minimum threshold for Property Assets is calculated using an average of the borrowing interest rates for all of the properties (shown in red). The minimum threshold for Property Funds is the return that would have been achieved if the money had remained invested within Money Market Funds, rather than investing it in property funds (shown in red).

Commentary

In January, C&I Committee agreed to investment of £20m into a multi-class credit fund and the Council also completed on the purchase of Evolution Business Park.

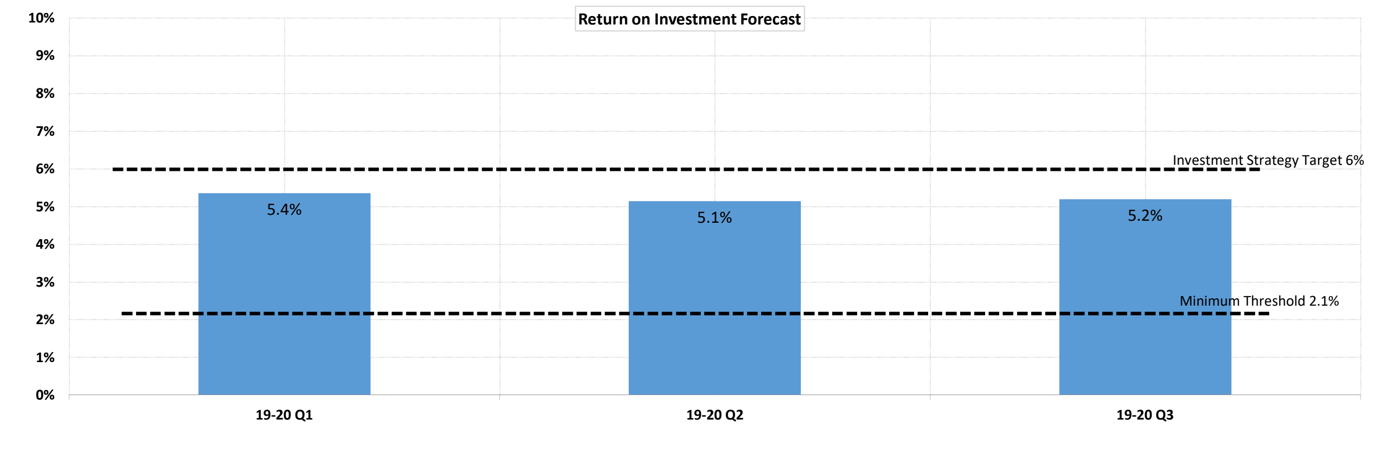
The Council is currently in the process of appointing a Fund Manager to manage the multi-class credit fund. It is anticipated that this investment will now not be made until Q1 of 2020/21, and as such it is not currently contributing to the performance of this indicator.

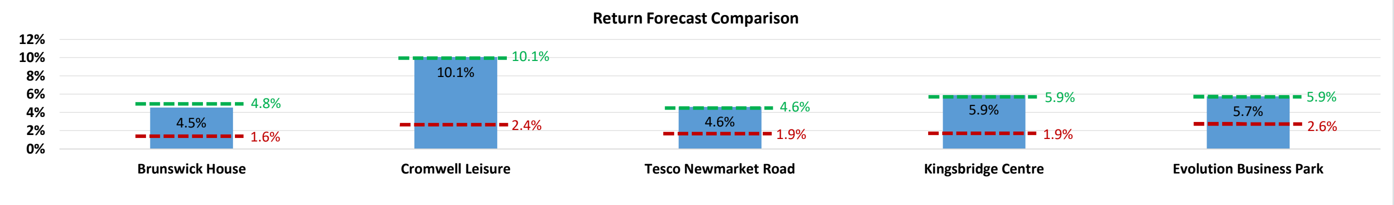
The Council's Property Assets currently represent the asset class with the highest rate of return from our portfolio and we will continue to investigate new opportunities in this sector. However, it is important to have a diversified portfolio and therefore other asset classes will also continue to be explored going forward.

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	5.2%	5.1%	↑	↑

RAG Rating

R





Indicator Description

This indicator projects our expected net income from all commercial property income against the 6% target set within the non-financial Investment Strategy.

It is important to note that not all investments will achieve 6% from the outset, however over the medium to longer term (by 2014-25) it is expected that the portfolio will meet the target. The minimum threshold for Property Assets overall is calculated using an average of the borrowing interest rates for all of the properties. Any specific variances will be explained within the commentary.

This indicator should be used to judge the performance of our investment portfolio/commercial property income as a whole. It should not be used to predict any variances of actual income against budget - this is detailed within the Finance Monitoring Report.

The return figure includes investment that has already been made, as well as investment that is expected to be made, up to the end of March 2020. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY

The figures for individual properties on the lower graph have the original Business Case forecast return as their target (shown in green). The minimum thresholds are the borrowing interest rate for each property (irrespective of whether borrowing was used to fund the asset purchase; shown in red).

Commentary

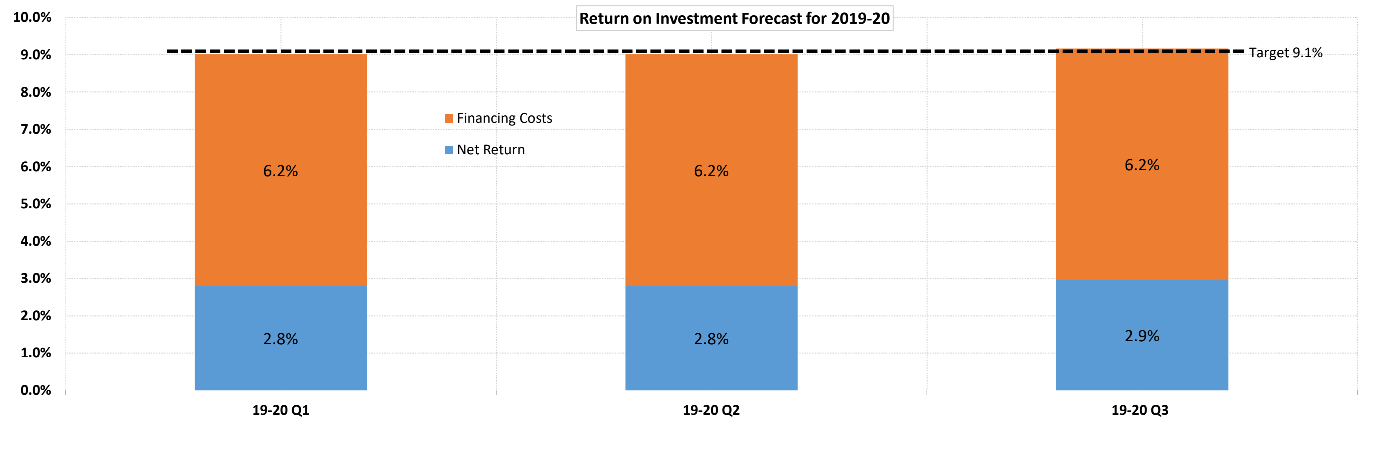
The majority of our investments receive income through the leases paid and these lease payments are fixed until the lease expires. As such, the income from these investments are fixed. The exception to this is Brunswick House, where income is dependant on the income received from the number of rooms let. Due a new competitor joining the market with an aggressive price strategy, the income from this investment has reduced during this financial year. However, prices are being monitored and Investment Group recommended that we retain our current pricing levels as it is expected that new competitors prices will increase to reflect the typical market rates.

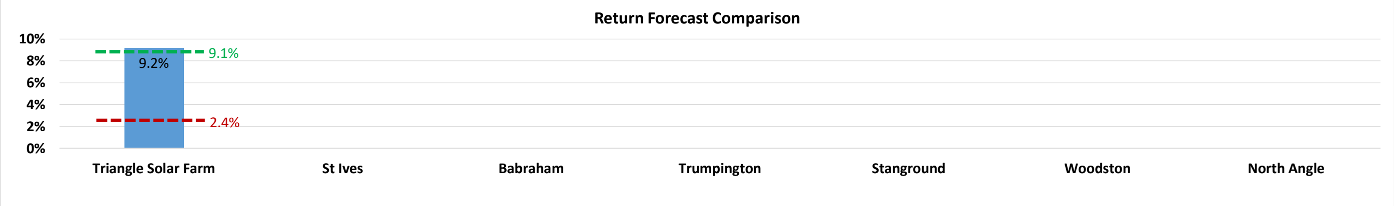
We have four units as part of Cromwell Leisure Centre. One of these units is vacant, but is subject to a rent guarantee for the first two years. Work is already underway to explore opportunities for future tenants, prior to this having an impact on income.

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
9.1%	9.2%	9.0%	↑	↑

RAG Rating

G





Indicator Description

This indicator projects our expected net income from our energy investments. At present the target for the gross percentage return on our energy investments only takes into account the solar farm which is already yielding income. The current target is based on the Business Case for Triangle Solar Farm and so may change as new projects come online. Business Cases for the remaining projects in the pipeline are continuing to be developed.

The indicator should be used to judge the performance of our energy investment portfolio as a percentage of income. It should not be used to predict any variances of actual income against budget - this is detailed within the Finance Monitoring Report.

KEY

The figures for individual projects on the lower graph have the original Business Case forecast return as their target (shown in green). The minimum threshold is based on the borrowing interest rate for Triangle Solar Farm (shown in red), however financing costs on the upper graph also include repayment of principle.

Commentary

Triange Solar Farm operates on a minimum performance guarantee and this minimum performance is expected to achieve 9.1% yield per annum. Subject to variations in weather conditions an annual reconciliation is carried out to reflect any over-performance.

Triange Solar Farm achieves around 3,750 tonnes of carbon savings annually (compared with North Angle Solar Farm, which would expect to deliver 8,240 tonnes)

Indicator 169: Number of contract waivers submitted without adequate time for procurement

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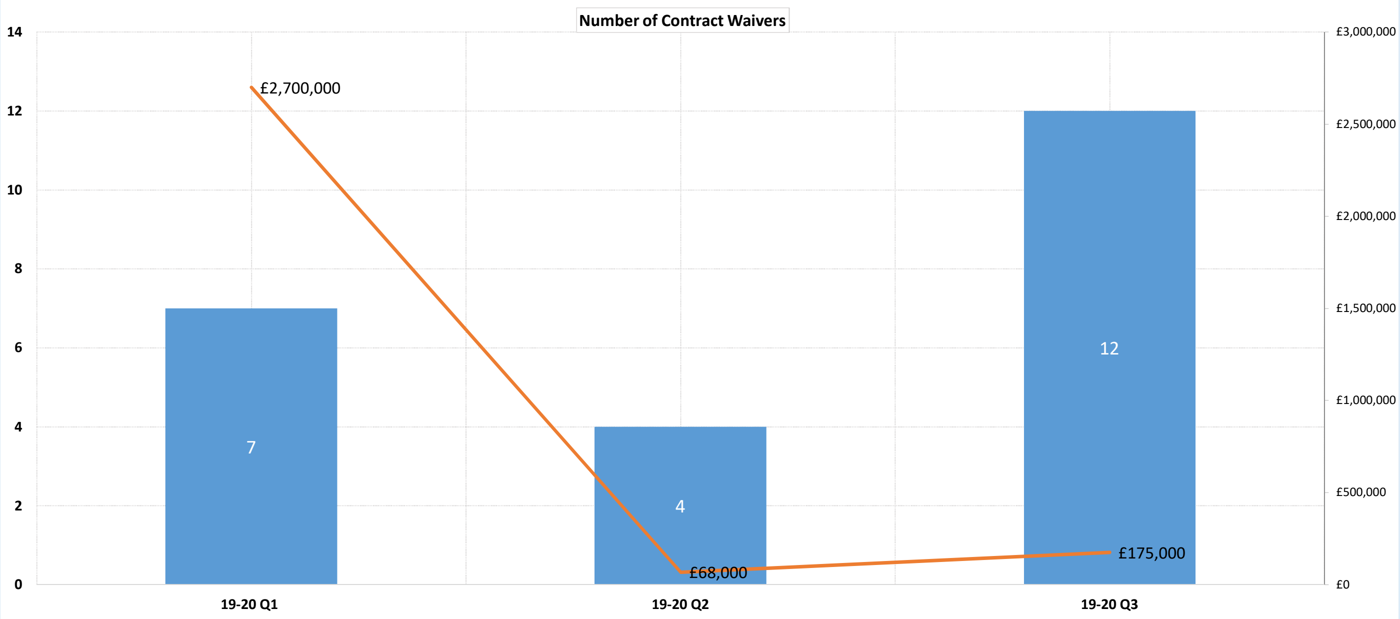
March 2020

Target	Current Quarter	Previous Quarter	Direction for Improvement	Change in Performance
TBC	12	4	↓	↓

RAG Rating

N/A



Indicator Description

The Council's Contract Procedure Rules allow the Council to bypass the rules in certain instances (such as lack of suppliers in the market or that going to market does not offer any benefit). In such instances, a request is made to Procurement to seek agreement to 'waive' the rules. These approvals are known as Waivers.

Adequate time should be given to seek the waiver, so that alternative options can be considered. Where requests are presented to procurement that has not allowed time for a procurement exercise to be undertaken, this could indicate that the expiry of the contract has not been managed as well as it could (however, there could be valid reasons for normal timescales to be unachievable).

The tracking of this KPI is to give a reasonable indication of whether we are planning our procurements better. This has been applied to all contract values and has been extracted from the contract database. Any waivers above £500k will not be recorded on the contracts database as this is a committee decision.

This validity of this indicator will be reviewed to ensure that it is relevant and functional.

Commentary

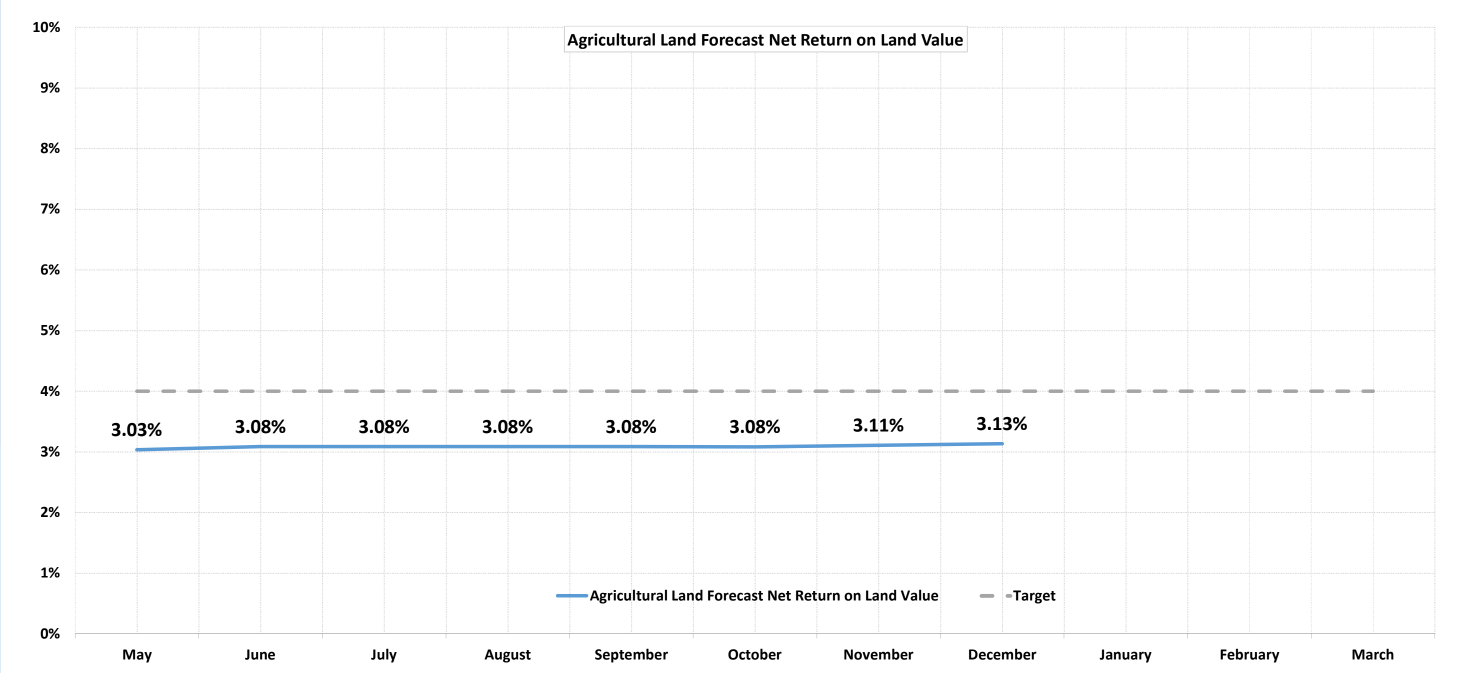
During October to December there were 12 waivers that were submitted for approval within a timescale that prevented a full tender exercise to be carried out (should the waiver had been rejected). All of the 12 waivers that were submitted during this quarter had annual values of less than £25k.

Improvements in this indicator can be achieved by on-going awareness raising and training for staff using the Contract Register. This will allow for forthcoming opportunities to be identified and planned accordingly. Commercial Board are scrutinising waivers, and tools are currently being produced to help services understand how future waivers can be avoided (i.e. improved supplier management).

Target	Current Forecast	Previous Month Forecast	Direction for Improvement	Change in Performance
4.0%	3.1%	3.1%	↑	↑

RAG Rating

R



Indicator Description

As at 31/03/2019, the Council owns £127.8m of agricultural farm land across Cambridgeshire . This indicator demonstrates the forecast net return on the income received from renting out this land to tenants. It is recorded as a percentage of the value of the farm's estate that is used for agricultural purposes. It is net of some revenue expenses e.g. maintenance costs, utilities, insurance, rates, staff costs, but does not include the revenue cost of financing minor capital improvement works.

This indicator should be used to understand whether the overall agricultural land is achieving the percentage of returns being targeted.

Commentary

These figures exclude the return generated by the solar farm, as this is making a return on a commercial basis and should therefore be evaluated independently (see Indicator 165). The 4% target return that was proposed initially included the solar farm; however the County Farms Estate Strategy agreed by C&I Committee in February has retained this 4% target as a stretch target.

External consultants have been instructed to carry out an analysis of all farm buildings to identify potential opportunities on the estate to increase diversified revenue streams – either by working with tenants to create suitable on-farm diversifications or, where appropriate, to let directly to the market. The approach will be determined by each site’s potential, the desire for on-farm diversification by tenants and the Council’s requirements for income generation, based on a managed risk approach.

Useful Links

Indicator 172: Change in value of income obtained from traded services

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March 2020

2018/19 Year End Income	Current Forecast	Previous Month Forecast	Direction for Improvement	Change in Performance
-£132,312	-£13,310	-£113,855	↓	↓

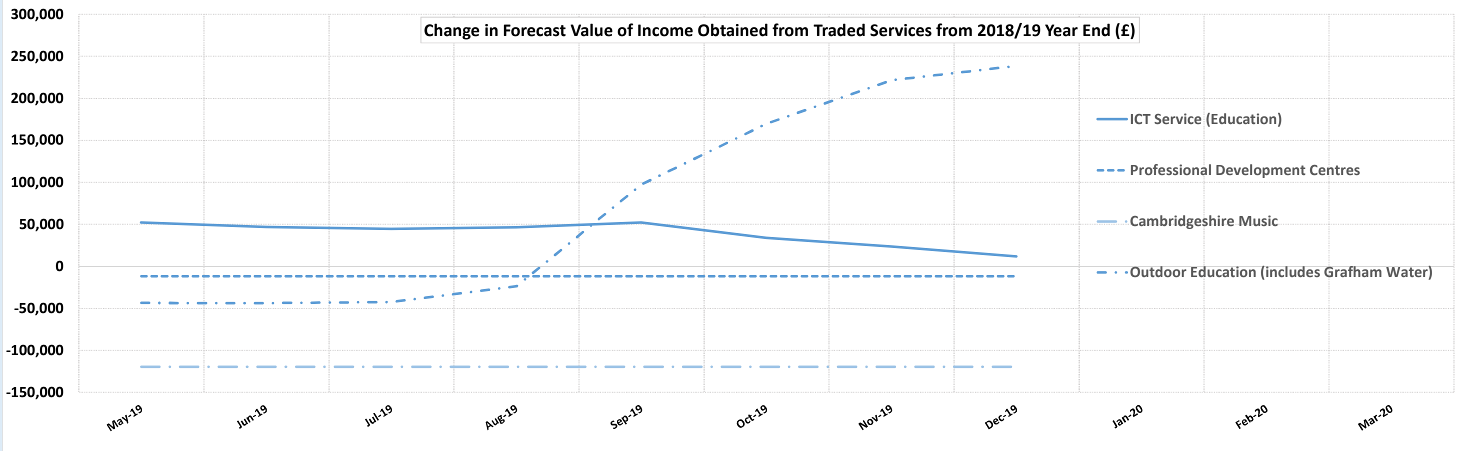
RAG Rating

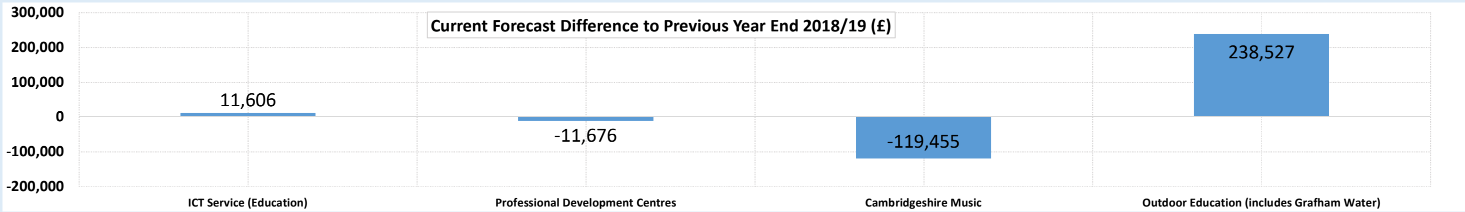
N/A

Indicator Description

There are four services that we describe as Traded Services, which provide income through charging for their services. This indicator demonstrates any changes in the annual net income received from traded services, comparing the forecast outturn for the current year with the actual outturn position for the previous year. An increase in the net income position is demonstrated by a negative change.

The purpose of this indicator is not to understand whether a particular traded service is expecting to achieve its forecast budget position (this is monitored through the Finance Monitoring Report), instead this indicator shows the variance in profit being made against its forecast position last year. Put simply, it shows whether a traded service is expected to make more or less profit compared to last year allowing for a direction of travel to be established.





Commentary

It is important to recognise that with this indicator, where there are positive values, this means that the forecast profit is expected be less than the previous year. And conversely, a negative value indicates a forecast increase in profit. Therefore, only the Professional Development Centres and Cambridgeshire Music are expecting to generate more profit than the previous year. However, it should be recognised that The ICT Centre overachieved against its income target last year by a larger amount than it is forecasting to achieve this year, which explains why the direction of travel indicates lower profit.

As part of the Commercial Strategy, there is considerable activity taking place across the key traded services. The ICT Service, Cambridgeshire Music and the Outdoor Centres are developing more robust business plans. These business plans, amongst other things, are identifying risks to income and growth and putting in place measures (such as more targeted sales and marketing plans, improved products and better pricing strategies) to mitigate these challenges. In addition, where a traded services is providing social value, the business plan will outline the procedures that will be put in place to gather more robust evidence on the reach and impact of its services on areas of society that would benefit most.

The Outdoor Education budget is expected to overspend by £336k in 2019/20, which is an increase of £107k from Q2. This is in part due to a one-off cost relating to backdated pay for staff at Grafham Water Centre.