

## Commercial and Investment

### Finance and Performance Report – May 2018

## 1. SUMMARY

### 1.1 Finance

Previous Status	Category	Target	Current Status	Section Ref.
N/A	Income and Expenditure	Balanced year end position	Amber	2.1 – 2.3
N/A	Capital Programme	Remain within overall resources	Green	3.2

## 2. INCOME AND EXPENDITURE

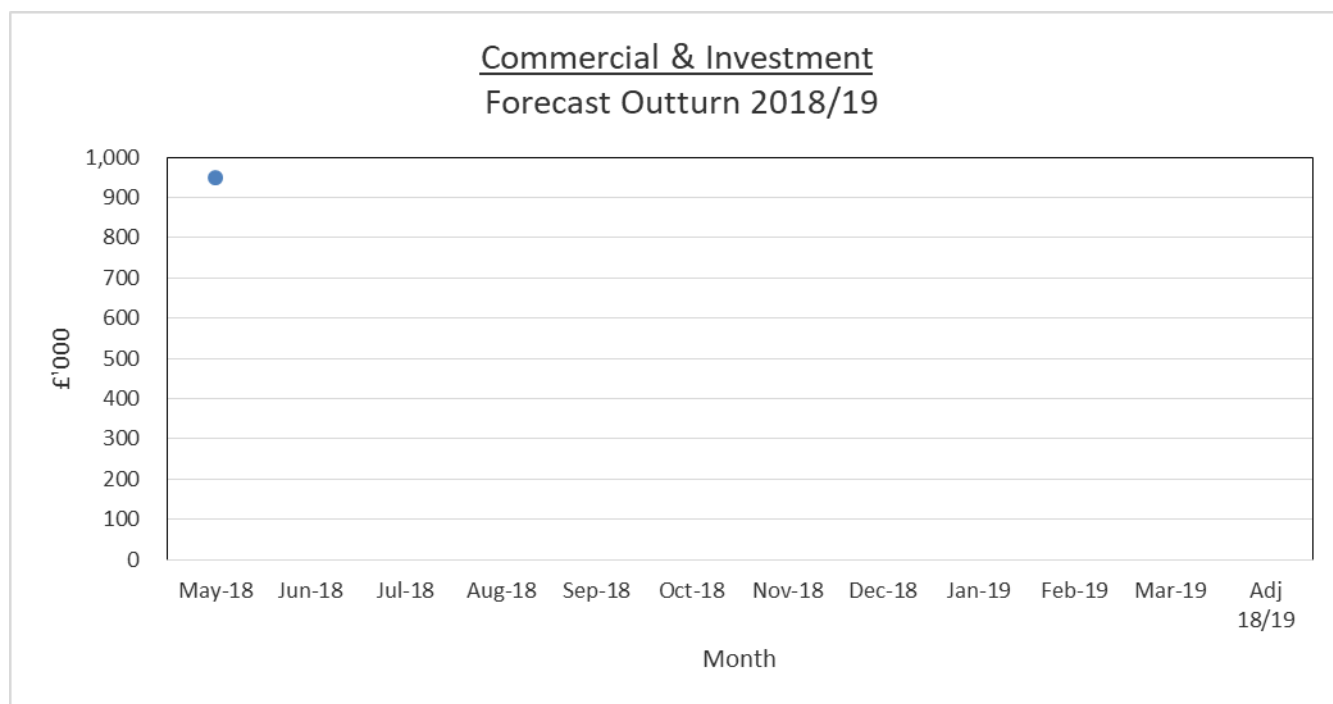
### 2.1 Overall Position

To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each F&PR. The same format is also applied to the Integrated Resources and Performance Report (IR&PR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
Commercial Activity	-9,446	425	500	5.3%
Property Services	6,122	945	0	0.0%
Strategic Assets	-3,583	-176	0	0.0%
Traded Services to Schools and Parents	-417	2,431	449	107.6%
<b>Total Expenditure including Grant Funded Spend</b>	<b>-7,324</b>	<b>3,626</b>	<b>949</b>	<b>13.0%</b>
Grant Funding	-1,298	-515	0	0.0%
<b>Above the Line Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11.0%</b>
<b>Overall Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11.0%</b>

The service level budgetary control report for Commercial and Investment for May 2018 can be found in [C&I appendix 1](#).

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



## 2.2 Significant Issues – Commercial and Investment

At the end of May 2018, Commercial and Investment is forecast to overspend by £949k in 2018/19, primarily due to predicted overspends in the following two areas:

Commercial Activity budgets are expected to overspend by £500k in 2018/19. The Council has considered and bid on a number of real estate / property acquisition opportunities, but to date has not been successful at a price deemed to deliver a satisfactory commercial return. Consideration is being given to wider opportunities and procurement of external investment advice is being progressed. A £500k pressure against target is considered to be the minimum non-delivery in 2018/19, with the potential for this to rise, although the longer term plan to generate commercial investment income in this way remains sound.

Traded Services to Schools and Parents are predicted to overspend by £449k due to the closure of Cambridgeshire Cleaning and Catering Services, following a Committee decision. The service has had a £449k recurring surplus budget expectation. As the service winds down approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure is the non-delivery of the recurring surplus, but it is likely to rise as the one-off costs of closure are quantified and confirmed further.

- 2.3 A list of additional grant income for Commercial and Investment can be found in [C&I appendix 3](#) and a full list of virements made in the year to date for Commercial and Investments can be found in [C&I appendix 4](#).

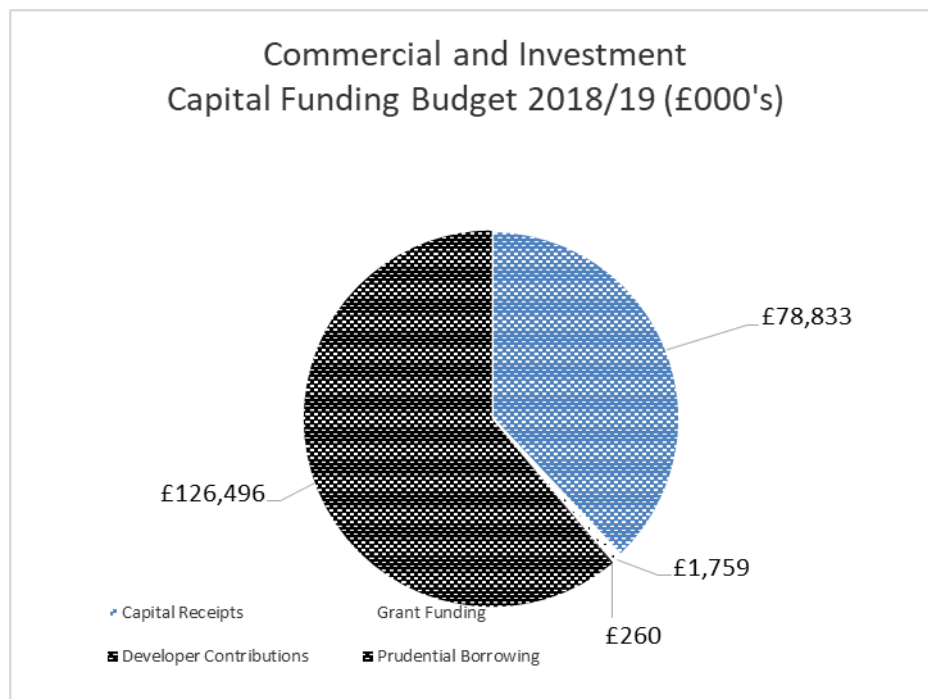
### 3. **BALANCE SHEET**

#### 3.1 **Reserves**

The Commercial and Investment reserves contain various earmarked reserves and funds held for specific purposes, and capital reserves. The schedule of these reserves can be found in [C&I appendix 5](#).

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

Commercial and Investment Committee has a capital budget of £207m in 2018/19, which is funded by the following capital resources:



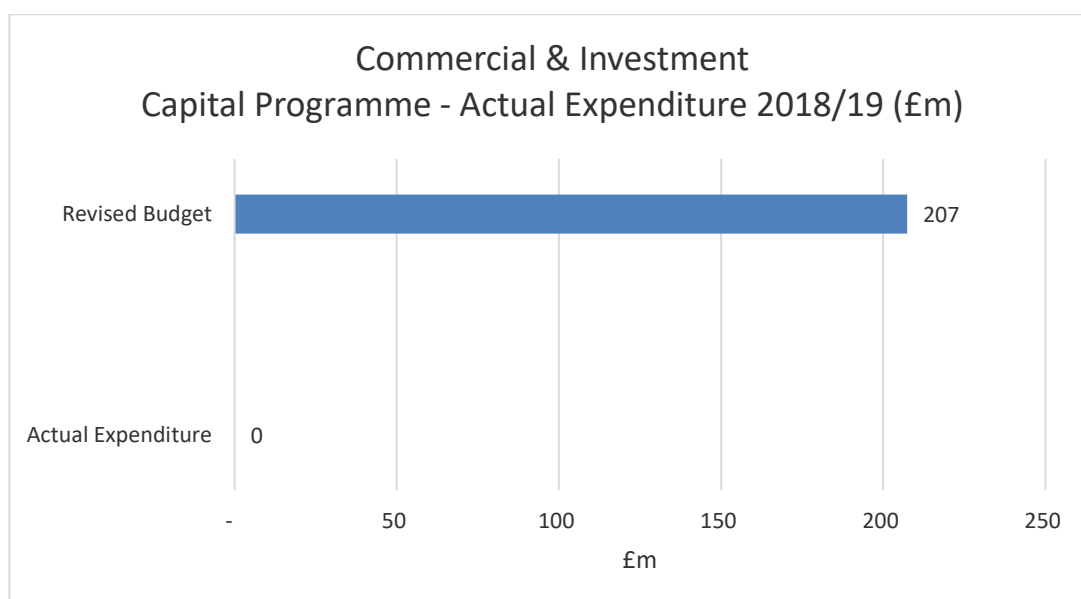
### Variations Budget

A summary of the use of capital programme variations budget is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (May) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Feb) £000
C&I – Non-Housing	-2,764	0	0	0%	0

### Expenditure

Commercial and Investment Committee has expenditure of £0m to date on the Capital Programme, against forecast expenditure of £207m:



In-year variances of £0k are predicted and a balanced position at year-end is currently forecast for 2018/19. Total scheme variances of £147k underspent are expected over the lifetime of the schemes.

There are no material changes to report on expenditure budgets for May.

## Funding

Commercial and Investment Committee has capital funding of £207m in 2018/19, which incorporates the following funding adjustments:

- £84m funding for schemes carried forward from 2017/18 which have been reviewed by Capital Programme Board.
- £711k virement from Shire Hall Maintenance budget to the Countywide Building Maintenance budget.

Commercial and investment Committee is asked to consider and approve the carry forward of funding from 2017/18 into 2018/19 for the following schemes:

<b>Scheme</b>	<b>Carry Forward £000</b>	<b>Notes</b>
Housing	83,290	This reflects the roll forward of 2017/18 underspends into 2018/19. It is expected that further rephasing over the remainder of the scheme will be included within the June 18 report.
Shire Hall Maintenance	261	Funds required to support the general building maintenance programme (see virement request below).
Building Maintenance	160	Funds required to fund a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services.
County Farms Investment	62	Budget required to fund ongoing planned works.
Renewable Energy - Soham	117	Required to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.
Office Rationalisation	184	Ongoing work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Butts Grove, Scott House/Stanton House and Meadows closure.
	<b>84,074</b>	

In addition to the carry forward of funds above, Commercial and Investment Committee is requested to consider and approve the virement of £711k from Shire Hall Maintenance budget to the Countywide Building Maintenance budget (this includes the £261k roll forward above, plus a further 450k of the 2018/19 budget). This is required to maintain County Office premises to compliance standards that will not interrupt delivery of Council services. This contributes to all the Council's strategic outcomes, and will assist the Shire Hall 2020 'Hub and Spokes' project to provide compliant and fit-for purpose premises identified to remain as 'spokes' and reduce expenditure on premises identified for disposal.

As reported above, projected in-year variances are within the allowance made in the capital variation budget. The programme budget is therefore expected to be in balance at year-end, leading to an unchanged funding requirement.

There are no material funding changes to report for May.

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 Investment Committee is not currently available as performance indicators have not yet been set for the committee; work to review all indicators is still ongoing. As the committee starts to undertake commercial investment, relevant indicators will be developed in conjunction with the committee and subsequently exceptions will be reported against these.

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

The variances to the end of May 2018 for Commercial and Investment are as follows:

Previous Month's Outturn		Budget for 2018/19	Actual to the end of May 18	Outturn Forecast	
£000's		£000's	£000's	£000's	%
<b>Commercial Activity</b>					
0	Commercial Investments	-5,100	425	500	10%
0	Cambridge Housing and Investment Company	-4,346	0	0	0%
0	<b>Commercial Activity Total</b>	<b>-9,446</b>	<b>425</b>	<b>500</b>	<b>5%</b>
<b>Property Services</b>					
0	Building Maintenance	1,136	620	0	0%
0	County Offices	4,396	210	0	0%
0	Property Services	444	81	0	0%
0	Property Compliance	147	34	0	0%
0	<b>Property Services Total</b>	<b>6,122</b>	<b>945</b>	<b>0</b>	<b>0%</b>
<b>Strategic Assets</b>					
0	County Farms	-4,905	-130	0	0%
0	Strategic Assets	1,321	-46	0	0%
0	<b>Strategic Assets Total</b>	<b>-3,583</b>	<b>-176</b>	<b>0</b>	<b>0%</b>
<b>Traded Services to Schools and Parents</b>					
0	Traded Services to Schools and Parents	-408	17	0	0%
0	ICT Service (Education)	-200	77	0	0%
0	Professional Development Centres	-71	16	0	0%
0	Cambridgeshire Music	788	541	0	0%
0	Outdoor Education (includes Grafham Water)	-77	256	0	0%
0	Cambridgeshire Catering & Cleaning Services	-449	1,525	449	100%
0	<b>Traded Services Total</b>	<b>-417</b>	<b>2,431</b>	<b>449</b>	<b>108%</b>
0	<b>Total</b>	<b>-7,324</b>	<b>3,626</b>	<b>949</b>	<b>13%</b>
<b>Grant Funding</b>					
0	Non Baseline Grants	-1,298	-515	0	0%
0	<b>Grant Funding Total</b>	<b>-1,298</b>	<b>-515</b>	<b>0</b>	<b>0%</b>
0	<b>Overall Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11%</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>Commercial Investments</b>	<b>-5,100</b>	<b>500</b>	<b>10</b>
<p>Reported in F&amp;PR May 18:</p> <p>Commercial Investment budgets are expected to overspend by £500k in 2018/19. The Council has considered and bid on a number of real estate / property acquisition opportunities, but to date has not been successful at a price deemed to deliver a satisfactory commercial return. Consideration is being given to wider opportunities and procurement of external investment advice is being progressed. A £500k pressure against target is considered to be the minimum non-delivery in 2018/19, with the potential for this to rise, although the longer term plan to generate commercial investment income in this way remains sound.</p>			
<b>Cambridgeshire Catering &amp; Cleaning Services</b>	<b>-449</b>	<b>449</b>	<b>100</b>
<p>Reported in F&amp;PR May 18:</p> <p>Traded Services to Schools and Parents are predicted to overspend by £779k. As previously reported, Cambridgeshire Cleaning and Catering Services is to close during 2018/19, following a Committee decision. The predicted overspend to the end of 2018/19 has increased by £300k to £749k, reflecting the estimated cost of dilapidations for the cook freeze unit. The service has had a £449k recurring surplus budget expectation. As the service winds down approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure represents the non-delivery of the recurring surplus, but it is likely to rise as the one-off costs of closure are quantified and confirmed further.</p>			

## C&I APPENDIX 3 – Grant Income Analysis

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

Grant	Awarding Body	Expected Amount £000	Reported
<b>Grants as per Business Plan</b>		<b>783</b>	
One Public Estate	Cabinet Office	515	May 18
<b>Total Grants 2018/19</b>		<b>1,298</b>	



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

The following table reflects changes in responsibilities that were made after the 2018/19 base budget was set.

	<b>£000</b>	<b>Reported</b>
<b>Budget as per Business Plan</b>	<b>-8,188</b>	
Transfer of Traded Services salary and recharge budgets to C&I	-74	May 18
Transfer of P&C ICT SLA budget to Director of Education from Head of Traded Services	-134	May 18
Transfer of ESPO dividend budget from LGSS Managed to C&I	-200	May 18
Transfer balance of Cleaning Contract saving from C&I to Corporate Services.	-26	May 18
<b>Current Budget 2018/19</b>	<b>-8,622</b>	

## C&I APPENDIX 5 – Reserve Schedule

### 1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Forecast Balance at 31 May 2018	Notes
	£'000		£'000	
<b><u>Equipment Reserves</u></b>				
The ICT Service (Education)	680	0	680	1
subtotal	680	0	680	
<b><u>Other Earmarked Funds</u></b>				
North Cambridge Academy site demolition costs	468	105	573	2
Cambs Music Reserve	84	0	84	3
subtotal	552	105	658	
<b><u>Capital Reserves</u></b>				
General Capital Receipts	0	0	0	
subtotal	0	0	0	4
<b>TOTAL</b>	<b>1,232</b>	<b>105</b>	<b>1,338</b>	

#### Notes

- 1 The reserve is committed to the replacement of essential equipment.
- 2 Rental income from Bellerbys buildings on North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 Annual reserve agreed by GPC to develop and support the Cambridgeshire Music CREATE program which will look to create new purpose-built accommodation.
- 4 Capital Receipts received during 2018/19 will be used to fund the capital programme at year-end.

## C&I APPENDIX 6 – Capital Expenditure

### 1. Capital Expenditure Summary 2018/19

Commercial & Investment Capital Programme 2018/19						TOTAL SCHEME	
Original 2018/19 Budget as per BP £000	Scheme	Revised Budget for 2018/19 £000	Actual Spend 2018/19 £000	Forecast Spend - Outturn £000	Outturn Variance 2018/19 £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
	<u>Commercial Activity</u>						
76,000	Commercial Investments	76,000	-	76,000	-	100,000	-
43,086	Housing Schemes	126,376	58	126,376	-	184,493	-
119,086		202,376	58	202,376	-	284,493	-
	<u>Property Services</u>						
-	Office Portfolio Rationalisation	184	-	184	-	345	-
600	Building Maintenance	1,471	-	1,471	-	6,290	-
550	Shire Hall Campus	100	-	100	-	4,791	-
1,150		1,755	-	1,755	-	11,426	-
	<u>Strategic Assets</u>						
100	Local Plans Representations	100	-	100	-	618	-
300	County Farms Investment	362	-	362	-	4,820	-
-	Renewable Energy Soham	117	-	117	-	9,994	(87)
100	MAC Joint Highways Project	100	-	100	-	5,198	-
1,919	Community Hubs - East Barnwell	1,919	-	1,919	-	1,950	-
-	Shire Hall Relocation	-	-	-	-	16,606	-
3,330	St Ives Smart Energy Grid	3,330	-	3,330	-	3,645	(60)
-	Other Committed Projects	-	-	-	-	-	-
5,749		5,928	-	5,928	-	42,831	(147)
53	Capitalisation of Interest Budget	53	-	53	-	-	-
(2,764)	Capital Programme Variations Budget	(2,764)	-	(2,764)	-	(5,930)	-
<b>123,274</b>	<b>TOTAL</b>	<b>207,348</b>	<b>58</b>	<b>207,348</b>	<b>-</b>	<b>332,820</b>	<b>(147)</b>

## **2. Previously Reported Amendments – Capital Expenditure Budgets 2018/19**

<b>Capital Scheme</b>	<b>2018/19 Original Budget £000</b>	<b>2018/19 Revised Budget £000</b>
		-
N/A		

## **3. Previously Reported Amendments - Total Scheme Expenditure Budgets**

<b>Capital Scheme</b>	<b>Total Scheme Original Budget £000</b>	<b>Total Scheme Revised Budget £000</b>
N/A		

## **4. Previously Reported Exceptions – Capital Expenditure 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Variance - Outturn £000</b>
	112,209	-47,209
N/A		

## C&I APPENDIX 7 – Capital Funding

### 1. Capital Funding Summary 2018/19

Commercial and Investment Capital Programme 2018/19					
Original 2017/18 Funding Allocation as per BP £000	Source of Funding		Revised Funding for 2018/19 £000	Actual Spend £000	Actual Variance £000
78,833	Capital Receipts	C&I	78,833	78,833	-
1,759	Grant Funding	C&I	1,759	1,759	-
260	Developer Contributions	C&I	260	260	-
42,422	Prudential Borrowing	C&I	126,496	126,496	-
<b>123,274</b>	<b>TOTAL</b>		<b>207,348</b>	<b>207,348</b>	<b>-</b>

### 2. Previously Reported Amendments – Capital Funding Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
N/A		

### 3. Previously Reported Amendments - Total Scheme Funding Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
	-	-
N/A		

#### **4. Previously Reported Exceptions – Capital Funding 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Variance - Outturn £000</b>
None reported.		