

FINANCE AND PERFORMANCE REPORT – OCTOBER 2017

To: **Commercial and Investment Committee**

Meeting Date: **15 December 2017**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To present to Commercial and Investment Committee (C&IC) the October 2017 Finance and Performance Report for Commercial and Investment Committee.**

The report is presented to provide C&IC with an opportunity to comment on the projected financial and performance outturn position, as at the end of October 2017.

Recommendation: **The Committee is asked to:**

- a) review, note and comment upon the report in the appendix**
- b) approve a loan facility to Cambridgeshire Housing & Investment Company, of up to £2.040m, for the scheme set out in section 3 of this report; authorising the deputy section 151 officer to agree detailed terms in consultation with the Chairman of the Committee.**

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1. BACKGROUND

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance and Performance Report at all of its meetings, where it will be asked to review, note and comment on the report and to consider and approve recommendations as necessary, to ensure that the budgets and performance indicators for which the Committee has responsibility remain on target.

2. MAIN ISSUES

- 2.1 Attached as **appendix A**, is the October 2017 Finance and Performance report.
- 2.2 **Revenue:** Following the transfer to C&I of budgets relating to Traded Services to Schools and Parents, there is a favourable change of £144k reported this month. At the end of October, Commercial and Investment Committee is forecasting an overspend of £101k on revenue budgets. There is one material variance reported for October.
- 2.3 **Capital:** Predicted in-year variances of £905k have been netted off against the Capital Programme Variations budget. This does not exceed the variations budget, therefore at the end of October Commercial and Investment Committee is forecasting that the capital programme budget will be in balance at year-end. There are no new significant variances (over £500k) to report on capital for October.
- 2.4 There are no Commercial and Investment Committee **performance indicators** reported for October 2017.

3. FINANCING OF A PROPOSED LAND PURCHASE BY CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY (CHIC) FROM A THIRD PARTY

- 3.1 CHIC has approached the Council requesting a loan in order that the company can acquire a 0.35 hectare site in the Abbey division of the county (CB5). The site has detailed planning consent for the construction of individual dwellings. This acquisition would differ from the arrangements considered elsewhere at this Committee meeting (portfolio sale) in that the vendor is a third party rather than the County Council itself.
- 3.2 In order to finance the purchase, CHIC is requesting a loan of up to £2.040m to cover the costs of the purchase and associated taxes and fees. The CHIC business model does not envisage that the company will generate surpluses for reinvestment for some time, meaning that the company's main source of financing at this stage is borrowing from the County Council. The Council charges interest on monies loaned to CHIC at a commercially competitive rate.
- 3.3 Council finance officers have reviewed the development appraisal submitted by CHIC in support of the loan request. Overall costings and other assumptions are judged to be reasonable and the appraisal demonstrates a favourable financial return against performance measures, in line with industry norms. Modelling assumes a loan period of up to three and half years to reach the stage where dwellings are occupied.
- 3.4 At this stage, CHIC only requests to borrow to finance the site acquisition, where

costs are known but have some commercial and time-constrained sensitivity. A further request is expected in due course to fund construction. It is therefore likely that the Council will seek to secure this land acquisition loan against the value of the site by way of a legal charge, meaning that there is an asset the Council can recover in the unlikely event of non-repayment of the loan in future. Once the loan is in place, CHIC will begin interest payments to the Council, creating an additional revenue stream in the relatively near term. The interest rate charged by the Council needs to be at a commercial level, and in accordance with national reference levels for loans of this type and risk.

- 3.5 The board of directors of CHIC is responsible for taking the decision about the acquisition of the site and progress of the proposed scheme, as well as entering into a loan agreement on behalf of the company. Owing to the time and commercial sensitivity of the proposed purchase, and that the detailed arrangements of the loan offered by the Council will reflect professional advice, **it is recommended that the Committee approve provision of the loan by the Council, with a delegation to agree more detailed terms to the deputy section 151 officer in consultation with the Chairman.**

4. ALIGNMENT WITH CORPORATE PRIORITIES AND SIGNIFICANT IMPLICATIONS

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4.4 Resource Implications

This report sets out details of the overall financial position for Commercial and Investment for this Committee.

4.5 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.6 Statutory, Risk and Legal Implications

There are no significant implications within this category, apart from those set-out in section 3.

4.7 Equality and Diversity Implications

There are no significant implications within this category.

4.8 Engagement and Consultation Implications

There are no significant implications within this category.

4.9 Localism and Local Member Involvement

There are no significant implications within this category.

4.10 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	T Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	N/A
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	M McMurtry
Are there any Equality and Diversity implications?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Are there any Localism and Local Member involvement issues?	N/A
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
C&I Finance & Performance Report (October 17)	1 st Floor, Octagon, Shire Hall, Cambridge