

## Commercial and Investment

### Finance and Performance Report – Final Report 2017/18

## 1. SUMMARY

### 1.1 Finance

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

## 2. INCOME AND EXPENDITURE

### 2.1 Overall Position

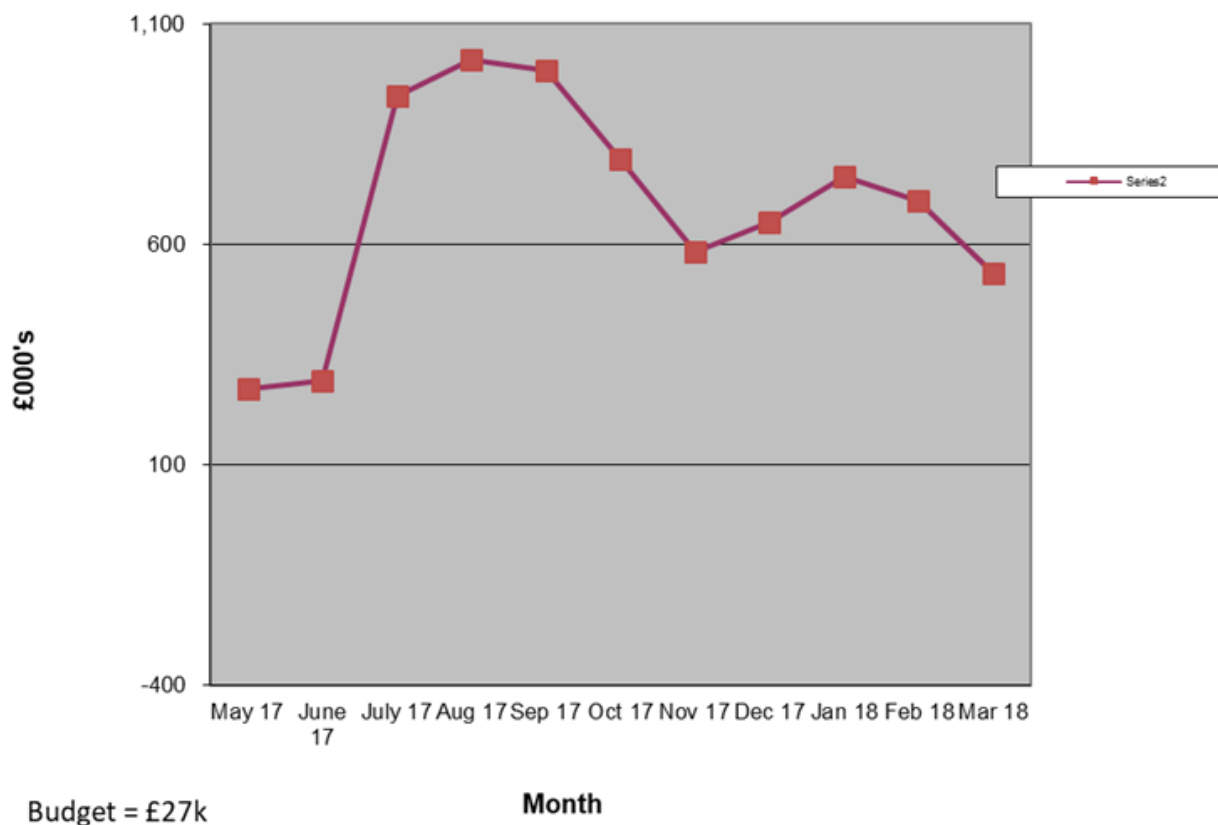
Original Budget as per BP <sup>(1)</sup>	Directorate	Current Budget	Forecast Variance - Outturn (Feb)	Forecast Variance - Outturn (Feb)	Actual Variance	Actual Variance	Current Status	DoT
£000		£000	£000	%	£000	%		
0	Commercial Activity	-1,624	612	38	739	45	Amber	↓
7,451	Property Services	6,302	-447	-7	-468	-7	Green	↑
-3,638	Strategic Assets	-3,935	409	10	211	5	Amber	↑
10	Traded Services To Schools and Parents	-716	126	17	52	7	Amber	↑
3,823	<b>Total</b>	<b>27</b>	<b>700</b>		<b>534</b>		<b>Amber</b>	<b>↑</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.

The service level budgetary control report for Commercial and Investment for the end of the financial year 2017-18 can be found in [C&I appendix 1](#).

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

## Commercial & Investment Committee Actual Variance 2017/18 \*



\* Forecast outturn variances were adjusted to reflect new budgets transferred to C&I.

## 2.2 Significant Issues – Commercial and Investment

The final position for Commercial and Investment as at the end of the 2017/18 financial year was an overspend of £534k, an improvement of £166k compared to the February forecast.

### Commercial Activity:

Housing Investment - This Land Companies - The final position for housing investment at the end of the 2017/18 financial year was an overspend of £1.4m. This was an increase of £527k compared to the February forecast, reflecting the final loan financing position for the company in 2017/18.

### Property Services:

Building Maintenance - Building Maintenance budgets reported a final overspend of £154k at the end of 2017/18, an increase of £154k on the February forecast. The reported overspend was due to:

- Lower level of eligible capitalisation of revenue costs than in previous years
- Catch-up of works from previous years
- Increasing age of portfolio, requiring increased expenditure
- Unexpected work that cannot be planned
- An increase in the size of the property portfolio

At year-end the majority of the £1.1m countywide maintenance budget is vired out to services to match the spending incurred during the year.

Corporate Offices - Corporate Offices' budgets finished the year with an underspend of £798k, an increase of £336k compared to the February F&PR report. The majority of the change (£250k) follows a reassessment of historic business rates liabilities. The main item relates to a building in the south of the County where it has been assessed that only a single year's NNDR liability needs to be provided for.

Property Services - There was a final year-end overspend of £105k on Property Services budgets, due mainly to additional one-off staffing costs with respect to the Children's Centre Rationalisation Programme and the District Delivery Model Programme.

### **Strategic Assets:**

Strategic Assets (excluding farms) - The final year-end position for Strategic Assets was an overspend of £90k, an improvement of £259k compared to the February forecast. As part of the annual review of capital receipts and completed disposals at year-end, staffing costs relating to capital appreciation were recharged against capital projects (£33k), and staffing costs relating to disposal of assets were charged against capital receipts (£51k). Disposal costs incurred in any given year can be charged against capital receipts achieved in the current financial year and those expected to be achieved in future years. The final position on the capital receipts expenses budget was an underspend of £113k, due to a £73k rebate on business rates for a surplus property, in addition to rental income received from other properties awaiting sale.

County Farms – The County Farms budgets recorded an overspend of £122k at year-end 2017/18, an increase of £62k compared to the February forecast. The underlying overspend was caused by a number of factors: significant additional costs were incurred in relation to professional fees on capital projects (£30k), an aging water supply infrastructure (£45k) and valuation fees (£45k), as well as a bad debt of £108k. In order to mitigate against this, additional capitalisation of revenue costs totalling £84k at year-end, were charged to the County Farms Investment capital budget.

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

No new items were recorded during March 2018.

A full list of additional grant income for Commercial and Investment 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 in March to reflect changes in responsibilities.

	<b>£000</b>	<b>Notes</b>
Non material virements (+/- £30k)	-3	Transfer of match funding re building maintenance costs, from C&I to P&E, Adults Services and LGSS Operational

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

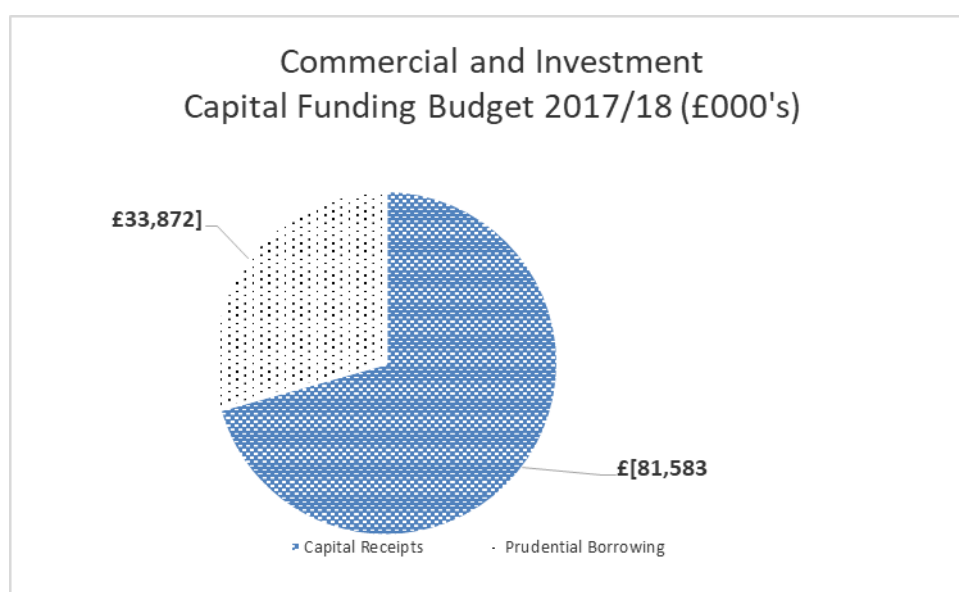
### 3. **BALANCE SHEET**

#### 3.1 **Reserves**

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

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

Commercial and Investment Committee had a capital budget of £115m in 2017/18, which was funded by the following capital resources:



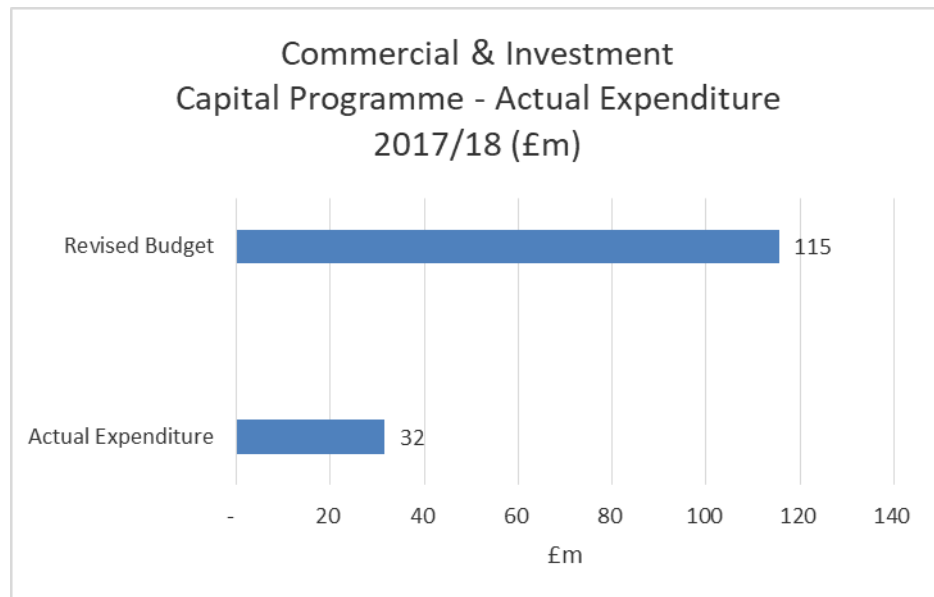
#### Variations Budget

A summary of the use of capital programme variations budget is shown below. As forecast underspends were reported, these were offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeded this budget. The capital programme variations budget line includes a £1k charge for the capitalisation of interest.

Service	Capital Programme Variations Budget £000	Actual Scheme Variances £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Capital Programme Budget Variance (excluding housing) £000
C&I – Non-Housing	-720	-1,533	721	100%	-812

## Expenditure

Commercial and Investment Committee incurred capital expenditure of £31.5m as at the end of the 2017/18 financial year.



In-year underspends of £1,533k were netted off against the Capital Programme Variations budget and there was a £1k charge for the capitalisation of interest. The net figure of £1,532k exceeded the variations budget of £720k, therefore the element of the C&I Committee capital programme budget that is subject to a capital variations budget was underspent by £812k at the end of 2017/18.

### **Commercial Activity**

An in-year underspend of £83.3m was reported on the Housing schemes at the end of 2017/18. This represented an increase of £36.1m compared to the position at the end of February, as a result of the previously reported re-profiling of the loan financing position.

### **Strategic Assets**

The Renewable Energy Soham scheme was underspent by £204k in 2017/18, a reduction of £81k since the February report. In March a pressure was reported on the MLEI Project, following a recent EU audit. It was agreed that £50k costs of the Renewable Energy scheme, that had previously been charge to the MLEI project, would instead be charged to the Renewable Energy scheme, as they were costs incurred in relation to this scheme. An additional £34k of generator connection costs were also capitalised and charged to the scheme. As a result of these additional costs, a total scheme underspend of £87k is now forecast over the lifetime of the scheme.

At GPC in March 2018, approval was given for £196k budget for the St Ives Smart Energy Grid in 2017/18. The scheme forms part of the business planning proposals for 2018/19, with a total scheme budget of £3.6m, funded from borrowing. At year-end 2017/18 the budget was underspent by £60k, with actual spend of £136k, as

some of the costs due to be funded in 17/18 had actually already been charged to revenue in a previous year.

The total capital programme underspend for 2017-18 was therefore £84.1m. Total scheme variances of £656k underspent were reported over the lifetime of the schemes.

## Funding

### **Strategic Assets**

As reported above, the C&I capital budget was increased in March following approval by GPC of £196k budget for the St Ives Smart Energy Grid. The scheme was funded by borrowing, therefore the final spend of £136k, resulted in an increase in the borrowing requirement of this amount.

In terms of funding, the impact of the reduced underspend on the Renewable Energy scheme at year-end was offset by the £62k underspend on the County Farms Viability budget. However, the increased in-year underspend of £83.3m reported on the Housing schemes at the end of 2017/18, led to a £36.1m reduction in the funding requirement.

Total in-year variances exceeded the allowance made in the capital variation budget by £813k. The capital programme budget was therefore underspent by £84.1m at year-end, resulting in a total reduction of this amount in the expected funding requirement.

As reported in previous months, the level of capital receipts available to fund C&I schemes has been affected by adjustment for the flexible use of capital receipts.

The year-end funding table reflects the final figure for capital receipts in the financial year 2017/18. This figure was reduced by £326k compared to the February forecast, due to a land swap in respect of caretaker properties, which did not complete before year-end. This reduction resulted in an increase in the borrowing requirement for C&I schemes.

The government directive permits transformation costs to be capitalised, but only if funded from capital receipts rather than any other source. The final year-end position resulted in a reduction in the flexible use of capital receipts across the planned areas, when compared to the February forecast (reductions of £126k on Transformation Team costs, £6k on redundancy costs and £185k for the Mosaic project). However, this reduction was offset by the further capitalisation of £198k of P&C transformation costs, giving a net reduction of £119k in flexible use of capital receipts, when compared to the February forecast. This resulted in a corresponding reduction in the C&I borrowing requirement.

Following the capitalisation of relevant transformation costs under the flexible use of capital receipts as described above, there remained a balance of £1.1m capital

receipts available to fund other schemes. Rather than funding property schemes, it was considered more cost effective to the Council to use these receipts to fund I.T. schemes which have a much shorter asset life (and therefore the cost to revenue would be charged over a much shorter time period if they were funded by borrowing). Therefore the balance of £1.1m capital receipts funding was applied against Corporate Service schemes, thereby increasing the C&I borrowing requirement and reducing the Corporate Services and LGSS Managed borrowing requirement.

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 was not available in 2017/18 as performance indicators were not 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 actual variances to the end of the 2017/18 financial year for Commercial and Investment were as follows:

Original Budget as per BP £000	Service	Current Budget for 2017/18 £000	Forecast Variance - Outturn (Feb) £000	Forecast Variance - Outturn (Feb) %	Actual Variance £000	Actual Variance %
<b><u>Commercial &amp; Investment</u></b>						
<b><u>Commercial Activity</u></b>						
0	Housing Investment - This Land Companies	-1,424	845	59	1,372	96
	0 Other Commercial Activity	-200	-233	-117	-634	-317
0		-1,624	612	38	739	45
<b><u>Property Services</u></b>						
2,222	Building Maintenance	-28	0	0	154	548
4,500	County Offices	5,693	-462	-10	-798	-14
718	Property Services	570	-39	-7	105	18
22	Property Compliance	68	53	79	57	84
-11	Capital Team	0	0	0	15	0
7,451		6,302	-447	-7	-468	-7
<b><u>Strategic Assets</u></b>						
766	Strategic Assets	804	349	43	90	11
-4,404	County Farms	-4,389	60	1	122	3
0	Grant Income	-350	0	0	0	0
-3,638		-3,935	409	10	211	5
<b><u>Traded Services to Schools and Parents</u></b>						
10	Traded Services to Schools and Parents	68	-160	-235	-155	-227
0	ICT Service (Education)	-200	-99	-50	-116	-58
0	Professional Development Centre Services	-71	0	0	1	0
0	Cambs Music	796	20	3	-7	-1
0	Outdoor Education (includes Grafham Water)	-77	136	176	151	196
0	Cambridgeshire Catering & Cleaning Services	-449	229	51	177	39
0	Grant Income	-784	0	0	0	0
10		-716	126	17	52	7
<b>3,823</b>	<b>COMMERCIAL &amp; INVESTMENT TOTAL</b>	<b>27</b>	<b>700</b>		<b>534</b>	
<b><u>MEMORANDUM - Grant Income</u></b>						
0	Music Education Hub Grant	-784	0	0	0	0
0	One Public Estate Grant	-350	0	0	0	0
<b>0</b>		<b>-1,134</b>	<b>0</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	Actual Variance	
		£'000	%
<b>This Land Housing Investment</b>	<b>-1,424</b>	<b>1,372</b>	<b>96</b>
An adverse variance of £1.4m was recorded for This Land housing investment budgets. This reflects the slower than originally planned progress in transfer of land and loan finance to the company. The Business Plan has realigned future expectations to revised This Land forecasts and the Committee has brought forward a portfolio sale during March and April 2018.			
<b>Other Commercial Activity</b>	<b>-200</b>	<b>-634</b>	<b>-317</b>
The favourable final variance reflects an expected overachievement on ESPO dividend compared to the budgeted expectation.			
<b>Building Maintenance</b>	<b>-28</b>	<b>154</b>	<b>548</b>
<p>Building Maintenance budgets reported a final overspend of £154k at the end of 2017/18, an increase of £154k on the February forecast. The reported overspend was due to:</p> <ul style="list-style-type: none"> <li>- Lower level of eligible capitalisation of revenue costs than in previous years</li> <li>- Catch-up of works from previous years</li> <li>- Increasing age of portfolio, requiring increased expenditure</li> <li>- Unexpected work that cannot be planned</li> <li>- An increase in the size of the property portfolio</li> </ul> <p>At year-end the majority of the £1.1m countywide maintenance budget is vired out to services to match the spending incurred during the year.</p>			
<b>Corporate Offices</b>	<b>5,693</b>	<b>-798</b>	<b>-14</b>
<p>Corporate Offices budgets were underspent by £798k at year-end, exceeding the February forecast by £336k. The majority of this change (£250k) was due to a reassessment of potential Business Rates liabilities on properties where there are delays in presentation of bills.</p> <p>In addition, Members will be aware that the Council increased public access to pay and display parking at the Shire Hall Campus and following successful implementation and marketing, this has generated significant additional revenue income (£105k). The balance of the underspend was due to a rebate (£345k) for business rate costs following the leasing of the Castle Court office building to a student accommodation provider.</p>			

Service	Current Budget £'000	Actual £'000	Variance %
<b>Property Services</b>	<b>570</b>	<b>105</b>	<b>18</b>
<p>There was a final year-end overspend of £105k on Property Services budgets, due mainly to additional one-off staffing costs with respect to the Children's Centre Rationalisation Programme and the District Delivery Model Programme.</p>			
<b>Strategic Assets</b>	<b>804</b>	<b>90</b>	<b>11</b>
<p>The final year-end position for Strategic Assets was an overspend of £90k, an improvement of £259k compared to the February forecast. This resulted from two factors: underspending on staffing budgets due staff costs being recharged against capital schemes; and a £113k underspend on the capital receipts expenses budget, due a £73k rent rebate from a surplus property, and rental income from other properties awaiting sale.</p> <p>The originally predicted £349k overspend was 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 applied for this service area, Cambridgeshire no longer received the benefit of savings made at other partners and had a remaining deficit on the delivery of these services compared to the budget.</p>			
<b>County Farms</b>	<b>-4,389</b>	<b>122</b>	<b>3</b>
<p>The County Farms budgets recorded an overspend of £122k at year-end 2017/18, an increase of £62k compared to the February forecast.</p> <p>The underlying overspend was caused by a number of factors: significant additional costs were incurred in relation to professional fees on capital projects (£30k), an aging water supply infrastructure (£45k) and valuation fees (£45k), as well as a bad debt of £108k.</p> <p>This was partially mitigated by capitalisation of additional revenue costs totalling £84k at year-end, which were charged to the County Farms Investment capital budget.</p>			
<b>Traded Services to Schools and Parents</b>	<b>68</b>	<b>-155</b>	<b>-227</b>
<p>The following 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:</p> <ul style="list-style-type: none"> <li>• ICT</li> <li>• Professional Development Centre Services</li> <li>• Cambridgeshire Music</li> <li>• Outdoor Education (includes Grafham Water).</li> </ul>			

Service	Current Budget £'000	Actual £'000	Variance %
A final underspend of £155k was reported, following a review of likely income achievable and the related utilisation of equipment replacement reserves, in the Education ICT and Cambridgeshire Music Services.			
<b>ICT Service (Education)</b>	<b>-200</b>	<b>-116</b>	<b>-58</b>
The ICT Service (Education) was underspent by £116k at year-end, following a substantial decrease in staffing due to holding vacancies pending a planned restructure.			
<b>Cambridgeshire Music</b>	<b>796</b>	<b>-7</b>	<b>-1</b>
Cambridgeshire Music finished the year with an underspend of £7k, an improvement of £27k compared to the February forecast. The £80k pressure previously reported against instrumental tuition had been mitigated by increased income resulting from a higher take up of private tuition. The service was investigating and reviewing chargeable activity and looking at mitigating actions for the 2017/18 financial year by reviewing tutors' core hours. Additional Music Hub funding in 2018/19 for music tuition was approved by the Arts Council South East Area Council, while further service planning contributed to mitigate the issues.			
<b>Outdoor Education (includes Grafham Water)</b>	<b>-77</b>	<b>151</b>	<b>196</b>
<p>Outdoor Education was overspent by £151k at the end of 2017/18, an increase of £15k compared to February. This overspend was due to lower than anticipated levels of income being achieved, in part due to three late cancellations of residential bookings for March 2018, totalling £10k.</p> <p>There was an ongoing pressure of £113k against Grafham Water which was identified during budget build. The budget included an internal loan of £97k in 17/18 relating to building and improvement works carried out a number of years ago. Although prices were increased for all user groups and the centre was running at high capacity, the centre was unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £27k over-recovery.</p> <p>This long standing issue has been addressed through a review of options for Grafham Water going forwards, with the aim of achieving a realistic and sustainable budget. We have looked to mitigate the pressure in the short term via any emerging underspends elsewhere within the service.</p> <p>Further, a £9k under recovery was forecast against Stibbington Centre which had an overall income target of £18k. Under recovery here was also addressed as part of the ongoing review of Outdoor Education services.</p>			

Service	Current Budget £'000	Actual Variance	
		£'000	%
<b>Cambridgeshire Catering &amp; Cleaning Services</b>	<b>-449</b>	<b>177</b>	<b>39</b>

CCS reported a final deficit of £177k, an improvement of £52k compared to the February forecast. This improvement was primarily due to reduced overall costs as shown below:

Provisions supplier rebates exceeding forecast	-17k
Catering equipment and repairs spend being less than forecast	-56k
Office accommodation charges less than forecast	-10k
Forecast vehicle costs for cleaning haven't materialised	- 7k
Schools catering income and related costs below forecast since Feb half term	+47k
Cafes ( Library and Shire Hall )	- 9k

CCS reported an under recovery of £266k in August. This had increased from the £216k pressure identified at budget build, and the £185k reported in July to CYP Committee. The movement primarily related to prior months' costs that weren't included in the July forecast, notably higher than expected variable staff hours from July paid in August.

The position improved due to revised staff and provision cost forecasts, 3 new school contracts, lower than budgeted insurance and buoyant meal sales through the colder weather period. In addition, the HofS and Client Development posts were held vacant since June, enabling an in year saving of £102k. However, CCS no longer supplied 3 schools within the Diamond Learning Trust from January 2018 following the conclusion of a tender process.

The outturn was largely determined by the service's success in achieving the targets for the take-up of school meals, and the related staffing costs by managing the staffing resources to maintain service provision through the winter period.

The Transformation team worked with CCS during 2017/18 to undertake the Outcome Focus Review (OFR), which has now reported to C&I. The decision was taken in the February C&I committee to close the service in 2018/19 in line with the proposed exit strategy.

### 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>			
One Public Estate	Cabinet Office	260	July 17
One Public Estate	Cabinet Office	90	September 17
Music Education Hub Grant		784	September 17
<b>Total Grants 2017/18</b>		<b>1,134</b>	

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

	£000	Reported
<b>Budget as per Business Plan</b>	<b>2,702</b>	
Business Plan adjustments	44	May 17
Transfer of Apprenticeship Levy from CS to C&I	6	May 17
Transfer of Energy Team from C&I to ETE	-58	May 17
Non-material virements (+/- £30k)	11	June 17
Transfer of LGSS savings from C&I to LGSS Cambridge Office	-349	July 17
Transfer of CCS budgets to C&I from C&YP	-449	August 17
Transfer from C&YP to C&I of Traded Services to Schools and Parents	-343	September 17
Head of Service – Traded Services	68	October 17
Transfer of CHIC costs from Debt Charges to C&I Committee	-1,424	November 17
Transfer of ESPO dividend budget from LGSS Managed to C&I	-200	November 17
Transfer from LGSS Managed of match funding re Insurance charges	22	February 18
Transfer to P&E, Adults and LGSS Operational of building maintenance match funding	-3	March 18
<b>Current Budget 2017/18</b>	<b>27</b>	

## C&I APPENDIX 5 – Reserve Schedule

### 1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2017	Movements in 2017/18	Balance as at 31 March 2018	Notes
	£'000	£'000	£'000	
<b><u>Equipment Reserves</u></b>				
The ICT Service (Education)	726	-46	680	1
subtotal	726	-46	680	
<b><u>Other Earmarked Funds</u></b>				
Manor school site demolition costs	362	105	468	2
Cambs Music Reserve	80	4	84	3
subtotal	442	110	552	
<b><u>Short Term Provisions</u></b>				
SPV provision	24	-24	0	
subtotal	24	-24	0	
<b>SUBTOTAL</b>	<b>1,192</b>	<b>40</b>	<b>1,232</b>	
<b><u>Capital Reserves</u></b>				
General Capital Receipts	0	0	0	4
subtotal	0	0	0	
<b>TOTAL</b>	<b>1,192</b>	<b>40</b>	<b>1,232</b>	

#### Notes

- 1 The reserve is committed to the replacement of essential equipment.
- 2 Rental income from Bellerbys buildings on Manor School 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 totalling £4.2m were used to fund the capital programme at year-end.

## C&I APPENDIX 6 – Capital Expenditure

### 1. Capital Expenditure Summary 2017/18

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	Actual Variance 2017/18 £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
113,476	<u>Commercial Activity</u>					
	Housing Schemes	112,209	28,919	(83,290)	183,226	-
113,476	<u>Property Services</u>	112,209	28,919	(83,290)	183,226	-
-	Office Portfolio Rationalisation	200	16	(184)	345	-
600	Building Maintenance	600	440	(160)	5,579	(160)
550	Shire Hall Campus	550	289	(261)	5,502	(261)
1,150		1,350	745	(605)	11,426	(421)
	<u>Strategic Assets</u>					
350	Local Plans Representations	350	264	(86)	3,902	(86)
500	County Farms Investment	818	756	(62)	4,017	(62)
-	Renewable Energy Soham	775	571	(204)	9,994	(87)
482	MAC Joint Highways Project	482	-	(482)	5,198	-
-	Shire Hall Relocation	171	137	(34)	16,606	-
-	St Ives Smart Energy Grid	196	136	(60)	3,645	-
-	Other Committed Projects	20	20	-	225	-
1,332		2,812	1,884	(928)	43,587	(235)
(550)	Capital Programme Variations	(720)	1	721	(487)	-
<b>115,408</b>	<b>TOTAL</b>	<b>115,651</b>	<b>31,550</b>	<b>(84,102)</b>	<b>237,752</b>	<b>(656)</b>



## **2. Previously Reported Amendments – Capital Expenditure Budgets 2017/18**

<b>Capital Scheme</b>	<b>2017/18 Original Budget £000</b>	<b>2017/18 Revised Budget £000</b>
<b>Energy Efficiency Fund</b>	<b>250</b>	<b>-</b>
<p>Reported in July 17:</p> <p>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.</p>		
<b>Sawston Community Hub</b>	<b>-</b>	<b>-</b>
<p>Reported in July 17, updated in November 17:</p> <p>The Sawston Community Hub scheme transferred from LGSS Managed to Commercial &amp; Investment in July 17. It had a 2017/18 budget of £1.2m (before changes to budget – see below); alongside this the capital programme variations budgets for Commercial &amp; Investment and LGSS Managed have been realigned, so the variations budget for Commercial &amp; Investment has returned to 20% of its budget (excluding housing schemes).</p> <p>The scheme subsequently transferred to Highways and Community Infrastructure Committee in November 17, resulting a reduction of £1.4m in the C&amp;I capital expenditure budget.</p>		
<b>County Farms Investment</b>	<b>500</b>	<b>818</b>
<p>Reported in November 17: (** Revised budget figure of £621k included £121k carry forward from 2016/17)</p> <p>In 2017/18, County Farms Investment expenditure has been dominated by three large investments totalling £640k, comprising:</p> <ul style="list-style-type: none"> <li>• a new cold store and HGV loading facilities to a holding at Milton</li> <li>• the conversion of a farm building to a farm shop and café near Farcet, Peterborough</li> <li>• extension to a dwelling at Benwick, near Chatteris.</li> </ul> <p>Additional requests for investment on the estate have included improvements to farm yards and buildings, security fencing, an equine arena and the installation of 3 phase electricity. The tenants have all agreed an Improvement Charge to provide a return on each project of 7%.</p> <p>The 2017/18 budget of £621k, which includes £121k funding carried forward from 2016/17, was forecast to be overspent by £197k, however, the overall budget will produce £55k additional revenue income for County Farms.</p>		

Capital Scheme	2017/18 Original Budget £000	2017/18 Revised Budget £000
General Purposes Committee approved the additional budget of £197k at its meeting on 23 January. This revision required an increase of £197k to the Prudential Borrowing requirement.		
<b>Shire Hall Relocation Project</b>	-	171
<p>Reported in December 17:</p> <p>General Purposes Committee approved additional budget of £171k in 2017/18 for the Shire Hall relocation project. This is to cover the cost of the business case and feasibility studies for the project, as detailed in the business case that was agreed as part of the Business Plan by C&amp;I in December, and subsequently by Full Council in February 18. The initial total cost over the lifetime of the scheme is expected to be £16.6m and this will be funded from borrowing.</p>		
<b>Capital Programme Variations</b>	<b>-550</b>	<b>-720</b>
The Capital Programme Variations budget has been recalculated each time a scheme has moved in or out of the Commercial & Investment budget, or as a result of any other changes to budget.		

### **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>
<b>Sawston Community Hub</b>	-	-
<p>Reported in July 17, updated November 17:</p> <p>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.</p> <p>General Purposes Committee approved the revised budget of £1.502m at its meeting on 19th September. This revision required an increase of £193k to the Prudential Borrowing requirement.</p> <p>As reported above, the Sawston Community Hub scheme subsequently transferred to Highways and Community Infrastructure Committee in November 17, with a total scheme budget of £1.5m.</p>		
<b>County Farms Investment</b>	<b>3,820</b>	<b>4,017</b>
<p>Reported in November 17:</p> <p>As reported above, General Purposes Committee approved additional budget of £197k at its meeting on 23 January, to fund additional requests for investment on the farms estate. This investment will produce £55k additional revenue income for County Farms. This revision required an increase of £197k to the Prudential Borrowing requirement.</p>		
<b>Shire Hall Relocation Project</b>	-	<b>16,606</b>
<p>Reported in December 17:</p> <p>As reported above, Full Council approved budget of £16,606 over the lifetime of the scheme as part of the 2018/19 Business Plan; this will be funded from borrowing.</p>		

#### **4. Previously Reported Exceptions – Capital Expenditure 2017/18**

<b>Capital Scheme</b>	<b>Current Budget 2017/18 £000</b>	<b>Actual Variance £000</b>
<b>Housing Schemes</b>	<b>112,209</b>	<b>-83,290</b>
<p>Reported in May 17, August 17 and December 17:</p> <p>At the end of the 2017/18 financial year, the Housing Scheme budgets reported an underspend of £83.3m.</p> <p>The budgets initially reflected the proposals included in the 2017/18 Business Plan. The This Land financial model was under review and any changes were anticipated to be reported when further information became available. Planning permission was actively progressed on schemes in order to maximise asset values.</p> <p>This position was subsequently amended in December when an underspend of £47.2m on the housing schemes was reported. As previously reported in separate papers to the committee, the Housing Schemes did not progress as quickly as originally anticipated in the initial draft model that was created for the 2017-18 Business Planning process. The company's financial model was refined and updated during 2017/18, alongside the progression of work on seeking planning permission, declaring assets surplus and moving towards a position of being able to dispose of the properties before the end of the financial year. The Council was therefore in a position to update the forecast in line with this work and as such, reported a £47.2m in-year underspend. This was subject to change following further progress of valuation work, by an external agent, as part of the portfolio sale. Due to the timing of the re-phasing, it was not possible to take this into account in preparing future year budgets, therefore these will need revising at the start of 2018/19.</p>		
<b>Office Portfolio Rationalisation</b>	<b>200</b>	<b>-184</b>
<p>Reported in February 18:</p> <p>Office Portfolio Rationalisation reported finished the year with an underspend of £184k due to re-scheduling of the Office Portfolio Rationalisation works at Sawtry Youth Centre and Hereward Hall, which will now be completed in 2018/19.</p>		
<b>Building Maintenance</b>	<b>600</b>	<b>-160</b>
<p>Reported in February 18:</p> <p>Building Maintenance reported an underspend of £160k due to slippage on the Ely and St Neots Library Lift projects, with installation works now expected to be completed in 2018/19.</p>		
<b>Shire Hall Campus</b>	<b>550</b>	<b>-261</b>

<b>Capital Scheme</b>	<b>Current Budget 2017/18 £000</b>	<b>Actual Variance £000</b>
<p>Reported in February 18 F&amp;PR:</p> <p>An underspend of £261k was recorded for the Shire Hall Campus scheme, resulting from reduced levels of spending on maintenance at the Shire Hall campus due to uncertainty over the future of the site.</p>		
<b>Renewable Energy Soham</b>	<b>775</b>	<b>-204</b>
<p>Reported in August 17:</p> <p>The Renewable Energy Soham scheme was underspent by £204k in 2017/18, a reduction of £81k since the February report.</p> <p>Of the previously reported underspend of £285k, £170k represented a reduction in the expected final cost of the project, leading to a predicted underspend against the total scheme budget, and £116k budget was required to be rolled forward into 2018/19 to meet retention costs..</p>		
<b>Sawston Community Hub</b>	<b>1,401</b>	<b>-500</b>
<p>Reported in August 17:</p> <p>In August the Sawston Community Hub scheme was forecasting an underspend of £500k in 2017/18. This was due to delays in the build start date which were expected to push some works back into 2018/19 and retention costs which will now be due in 2018/19; the total scheme cost was not affected. As reported above, the Sawston Community Hub scheme subsequently transferred to Highways and Community Infrastructure Committee in November 17.</p>		
<b>Local Plans and Representations</b>	<b>350</b>	<b>-86</b>
<p>Reported in September 17:</p> <p>The Local Plans and Representations budget was underspent by £86k in 2017/18, and this reduced 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 This Land; this change was addressed in the Business Planning proposals for 2018/19.</p>		
<b>Capital Programme Variations</b>	<b>-720</b>	<b>721</b>
<p>Reported in September 17, updated in November 17:</p> <p>As previously reported the capital programme figures included a revised Capital Programme Variations target, which effectively reduced the programme budget. As forecast underspends started to be reported, these were netted off against the forecast outturn for the variation budget, resulting in a forecast balanced budget up until the point when slippage exceeded the variation budget.</p>		

Capital Scheme	Current Budget 2017/18 £000	Actual Variance £000
The Capital Programme Variations budget was adjusted to reflect the transfer of the Sawston Community Hub scheme, resulting in a reduction of £280k in the Capital Programme Variations budget for Commercial and Investment.		
<b>MAC Joint Highways</b>	<b>482</b>	<b>-482</b>
<p>Reported in November 17:</p> <p>The project was underspent by £482k in 2017/18. Although some of the partners withdrew, the Highways Agency remained engaged, but there was no actual spend in 2017/18. The project received One Public Estate revenue grant funding of £50k which was used for some initial feasibility work.</p>		

## C&I APPENDIX 7 – Capital Funding

### 1. Capital Funding Summary 2017/18

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	Actual Spend £000	Actual Variance £000
81,583	Capital Receipts	C&I	81,583	-	(81,583)
33,825	Prudential Borrowing	C&I	34,068	31,549	(2,519)
<b>115,408</b>	<b>TOTAL</b>		<b>115,651</b>	<b>31,549</b>	<b>(84,102)</b>

### 2. Previously Reported Amendments – Capital Funding Budgets 2017/18

Capital Scheme	Original Budget 2017/18 £000	Revised Budget 2017/18 £000																		
<b>Roll Forwards (Prudential Borrowing)</b>	<b>982</b>	<b>2,098</b>																		
<p>Reported in May 17:</p> <p>Commercial and Investment Committee was asked to approve the carry forward of funding from 2016/17 into 2017/18 for the following schemes:</p> <table> <tr> <th>Scheme</th><th>£000</th><th>Notes</th></tr> <tr> <td>County Farms Viability</td><td>121</td><td>Carry forward £121k re Bettys Nose &amp; Whitehall farm shop.</td></tr> <tr> <td>OtherCommitted Projects - K2</td><td>20</td><td>Roll forward balance of K2 funding (£20k) to fund continuing work on CCC implementation</td></tr> <tr> <td>Soham Solar Farm</td><td>775</td><td>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.</td></tr> <tr> <td>Office Rationalisation</td><td>200</td><td>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.</td></tr> <tr> <td></td><td>1,116</td><td></td></tr> </table>			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, Butts Grove, Scott House/Stanton House and Meadows closure.		1,116	
Scheme	£000	Notes																		
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	1,116																			
<b>Housing Scheme Rephasing (Prudential Borrowing)</b>	<b>113,476</b>	<b>112,209</b>																		
<p>Reported in May 17:</p> <p>There was a reduction of £1.3m in respect of Housing Scheme funding which was brought forward from 2017/18 to fund expenditure in 2016/17.</p>																				

<b>Capital Programme Variations (Prudential Borrowing)</b>	<b>-550</b>	<b>-720</b>
<p>Reported in May 17:</p> <p>The Capital Programme Variations budget was recalculated each time a scheme was moved in or out of the Commercial &amp; Investment budget, or as a result of any other changes to budget.</p>		
<b>Energy Efficiency Fund (Prudential Borrowing)</b>	<b>250</b>	<b>-</b>
<p>Reported in July 17:</p> <p>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.</p>		
<b>Sawston Community Hub (Prudential Borrowing)</b>	<b>-</b>	<b>-</b>
<p>Reported in July 17, updated November 17:</p> <p>The Sawston Community Hub scheme transferred to the Commercial &amp; Investment Committee with an approved 2017/18 budget of £1.2m (and a request for additional funding of £0.2m – see below).</p> <p>In November 17 the scheme transferred to Highways and Community Infrastructure Committee, resulting in a £1.4m reduction in the Commercial and Investment borrowing requirement</p>		
<b>County Farms Investment (Prudential Borrowing)</b>	<b>500</b>	<b>818</b>
<p>Reported in November 17:</p> <p>General Purposes Committee approved additional budget of £197k at its meeting on 23 January, to fund additional requests for investment on the farms estate. This revision required an increase of £197k to the Prudential Borrowing requirement. This increase was in addition to £121k of funding carried forward from 2016/17, as described above.</p>		
<b>Shire Hall Relocation Project</b>	<b>-</b>	<b>171</b>
<p>Reported in December 17:</p> <p>As reported above, additional borrowing of £171k was required to fund the expected costs of the Shire Hall relocation project in 2017/18.</p>		



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

<b>Capital Scheme</b>	<b>Total Scheme Original Budget £000</b>	<b>Total Scheme Revised Budget £000</b>
<b>Sawston Community Hub (Prudential Borrowing)</b>	-	-
<p>Reported in July 17, updated in November 17:</p> <p>General Purposes Committee approved an increase of £193k in budget for the scheme, resulting in an increased borrowing requirement of this amount.</p> <p>In November 17 the scheme transferred to Highways and Community Infrastructure Committee, resulting in a £1.4m reduction in the Commercial and Investment borrowing requirement.</p>		
<b>County Farms Investment</b>	<b>3,820</b>	<b>4,017</b>
<p>Reported in November 17:</p> <p>As reported above, General Purposes Committee approved additional budget of £197k at its meeting on 23 January, to fund additional requests for investment on the farms estate. This revision required an increase of £197k to the Prudential Borrowing requirement.</p>		
<b>Shire Hall Relocation Project</b>	-	<b>16,606</b>
<p>Reported in December 17:</p> <p>As reported above, it was estimated that additional borrowing of £16.6m would be required to fund the costs of the Shire Hall relocation project over the lifetime of the scheme.</p>		

#### 4. Previously Reported Exceptions – Capital Funding 2017/18

Capital Scheme	Current Budget 2017/18 £000	Actual Variance £000
<b>General Capital Receipts</b>	<b>81,583</b>	<b>-81,583</b>
<p>Reported in September 17, updated in November 17 and December 17:</p> <p>The capital receipts forecast for 2017/18 was increased by £1.9m in September 17 to reflect additional monies received, including a £3m receipt in respect of land at Bassenhally (Phase 2). This increase was partly offset by a £350k reduction in capital receipts funding for C&amp;I schemes, which was replaced by an increase in borrowing for C&amp;I schemes. This reduction was as a result of a capital funding adjustment relating to the Mosaic project within Corporate Services, which necessitated £350k of Mosaic expenditure to be funded from capital receipts.</p> <p>Following a review of the Mosaic project, it was determined that £350k of Mosaic revenue costs could be classified as transformation work and was therefore eligible to be charged to capital and funded from capital receipts in 2017/18. These costs could only be classified as capital under the government directive on flexible use of capital receipts; therefore they had to be funded by capital receipts rather than any other source of capital funding. This adjustment removed 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 was unchanged by this adjustment. The final year-end figure for capitalisation of Mosaic costs through flexible use of capital receipts was £64k.</p> <p>In November 17 the capital receipts forecast was increased by £345k to reflect the latest estimates for predicted sales. This increase was partly offset by a capital funding adjustment relating to the capitalisation of Transformation Team costs. It was initially identified that an additional £86k of Transformation Team costs might need to be capitalised, and these costs could only be funded by capital receipts, under the flexible use of capital receipts government directive. The final position was that an additional £136k of transformation costs needed to be capitalised, including £198k of P&amp;C transformation work, therefore this adjustment resulted in a revised reduction of £136k in the use of capital receipts funding for C&amp;I schemes and a matching increase in Commercial and Investment borrowing.</p> <p>A capital funding adjustment was required in December 17, in relation to the Capitalisation of Corporate Redundancies budget within Corporate Services and Transformation. This budget was forecast to overspend by £328k in 2017-18, due to additional redundancy costs including the cost of the AL&amp;S restructure (£160k). The actual overspend at year-end increased to £491k, due to additional redundancy costs within P&amp;C, including a further £85k relating to the AL&amp;S restructure. Transformation costs could only be classified as capital under the government directive on flexible use of capital receipts, which permitted capital receipts to be used to fund transformation work, therefore they had to be funded by capital receipts rather than any other source of capital funding. This necessitated a corresponding reduction in capital receipts</p>		

Capital Scheme	Current Budget 2017/18 £000	Actual Variance £000
<p>funding in the Commercial &amp; Investment capital programme, offset by an increase of £491k in the C&amp;I borrowing requirement. C&amp;I was asked to acknowledge the impact on the level of borrowing required within the C&amp;I capital programme.</p> <p>As noted above, the forecast outturn position for the Housing Schemes was revised, and as such there was a corresponding reduction of £47.2m in the use of capital receipts to fund this scheme. In addition, the funding profile was updated to reflect the situation relating to commercial investment, which was agreed as part of the 2018/19 Business Plan by Full Council on 6 February 2018. The capital receipts generated by the sale of land to the company will now to be used to fund other commercial investment, and as a result was necessary to reduce the use of capital receipts to fund the Housing schemes and increase the level of prudential borrowing by an equivalent amount. Due to the nature of how the scheme is managed, updating the funding position at this point in time did not directly impact upon the revenue position, as this was forecast separately.</p>		
<b>Prudential Borrowing</b>	<b>34,068</b>	<b>-2,520</b>
<p>Reported in September 17, updated in November 17, December 17 and February 18:</p> <p>As reported above in relation to Capital Receipts, the prudential borrowing forecast was increased or decreased to off-set decreases or increases in the Capital Receipts outturn position.</p> <p>As reported in November 17 F&amp;PR, the MAC Joint Highways Project was underspent by £482k in 2017/18, resulting in a reduced borrowing requirement.</p> <p>In February 18 F&amp;PR, the Property Services capital schemes forecast to underspend by £540k, also resulting in a reduced borrowing requirement.</p>		