

Service	Commercial & Investment
Subject	Finance Monitoring Report – October 2019
Date	16 th December 2019

KEY INDICATORS

Previous Status	Category	Target	Current Status	Section Ref.
Amber	Revenue position by Directorate	Balanced year end position	Amber	1.2
Green	Capital Programme	Remain within overall resources	Green	2

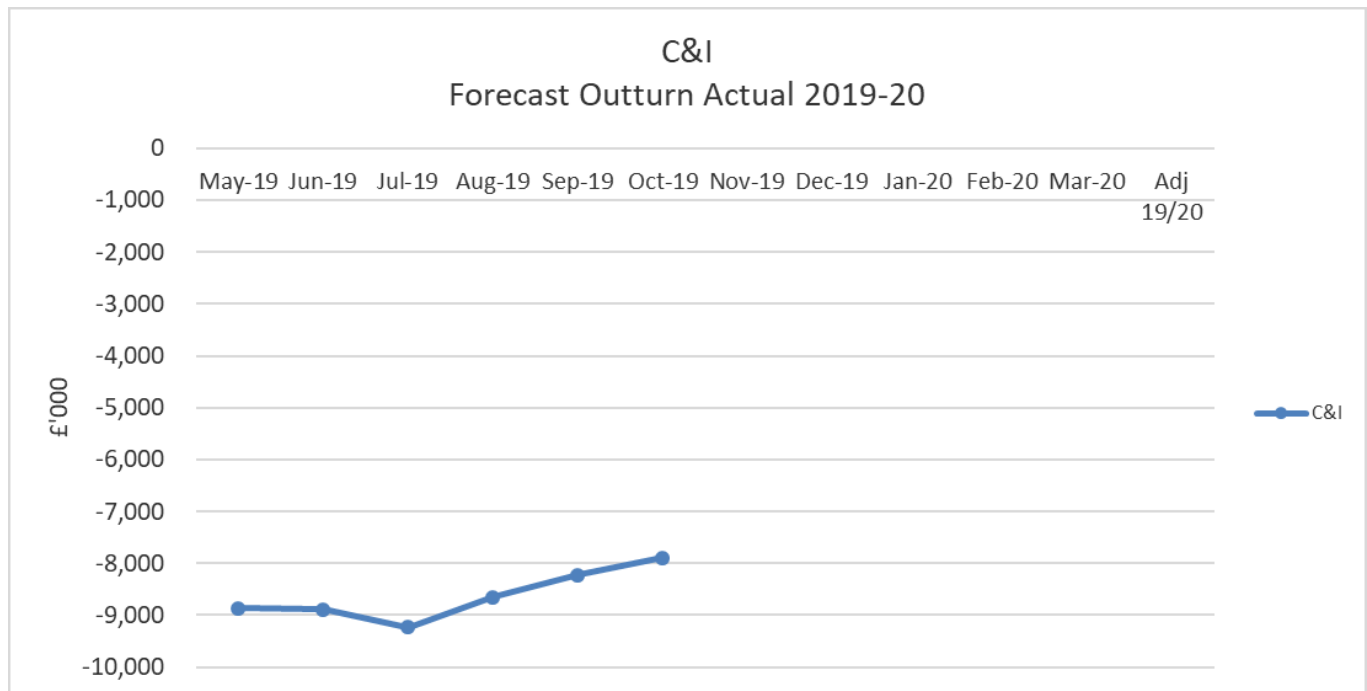
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Annex 3	Capital Position	This will contain more detailed information about Commercial & Investment's Capital programme, including funding sources and variances from planned spend.	8
<i>The following appendices are not included each month as the information does not change as regularly</i>			
Annex 4	Savings Tracker	Each quarter, the Council's savings tracker is produced to give an update of the position of savings agreed in the business plan.	13
Annex 5	Technical Appendix	Twice yearly, this will contain technical financial information for Commercial & Investment showing: <ul style="list-style-type: none"> • Grant income received • Budget virements into or out of Commercial & Investment • Service reserves 	15

1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £877k at the end of October, which is an increase of £335k from the previous forecast. C&I has a negative budget as it has an income target for 2019/20 of -£8,768k. As such, the forecast outturn variance of £877k means that C&I is expecting to achieve a net income position of -£7,891k by year-end as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Outturn Variance (Previous) £000	Directorate	Budget 2019/20 £000	Actual £000	Outturn Variance (Oct) £000	Outturn Variance %
155	Commercial Activity	-11,354	-2,852	335	3.0%
224	Property Services	6,229	4,271	322	5.2%
-66	Strategic Assets	-3,301	-2,218	-64	1.9%
229	Traded Services	-343	-475	283	82.5%
542	Total	-8,768	-1,275	877	10.0%

A service level budgetary control report for Commercial and Investment Committee can be found in Annex 1.

1.3 Significant Issues

At the end of October 2019, the overall position for C&I is an underachievement of £877k.

Significant issues are detailed below:

Property Investments

The Property Investments budget is forecast to underachieve by £180k, which is an increase of £180k from the previous forecast. This will mean that over £4.5m in net income will be generated from Commercial Property investments this financial year. There are two potential likely adverse pressures facing this area:

- The occupancy of Brunswick House (student accommodation) is below target for the current academic year. There is a brand new competing property in the vicinity of Brunswick House, however, the Council is confident the offer and location of Brunswick House overall will remain very appealing to students for the years ahead, and active/varied marketing activity is continuing via the operator of the accommodation.
- A further commercial property investment anticipated in South Cambridgeshire has not yet completed, due to delays in receiving information as part of the purchase process.

Property Services

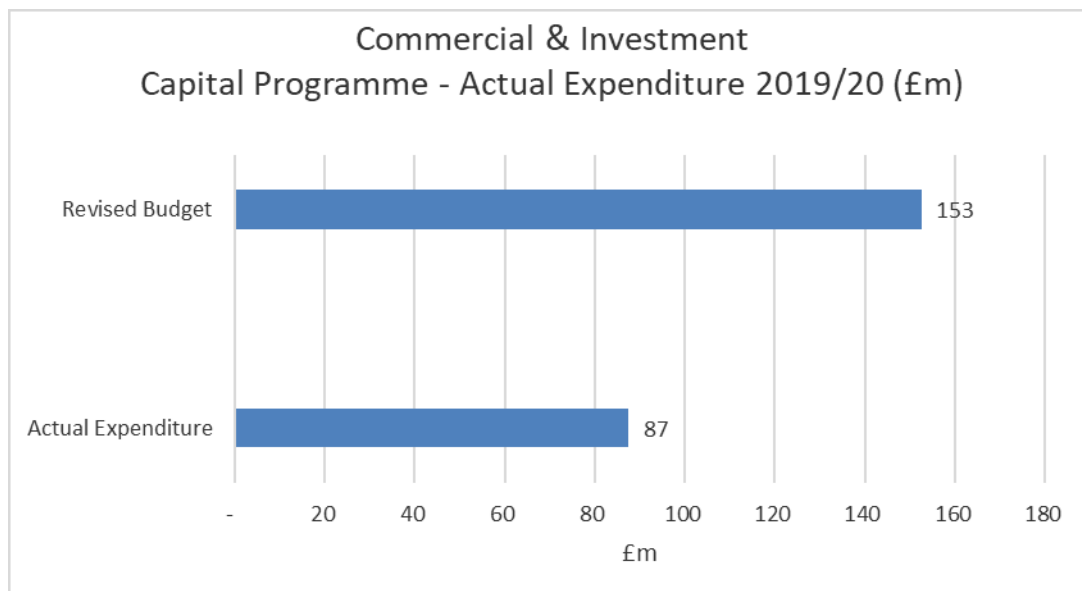
The Property Services budget is forecast to overspend by £322k in 2019/20, which is an increase of £98k from the previous forecast. This is mainly due to overspends on Facilities Management as a result of additional reactive maintenance required to corporate buildings, which are necessary for those buildings to meet required standards.

A detailed explanation of the revenue position for Commercial and Investment Committee can be found in Annex 2.

2. Capital Executive Summary

2.1 Expenditure

Commercial and Investment Committee has expenditure of £87.4m to date on the Capital Programme, against a revised budget of £152.6m:

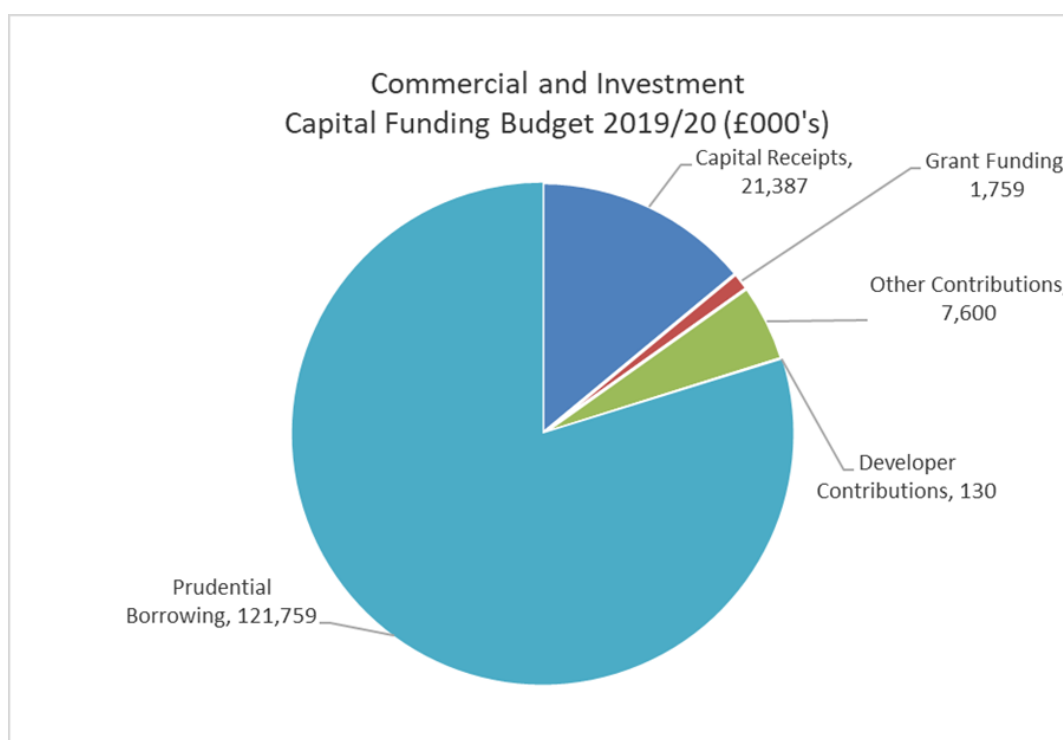


In-year, an underspend of £4,995k is forecast. The total scheme forecast is on budget.

There are no new material variances to report this month.

2.2 Funding

Commercial and Investment Committee has a capital budget of £152.6m in 2019/20, which is funded by the following capital resources:



A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in Annex 3.

There are no new material budget movements to report this month.

3. Savings Tracker Summary

The savings tracker is produced quarterly, and the latest savings tracker can be found in Annex 4.

4. Technical note

A technical financial appendix is included as Annex 5, which covers:

- Grants that have been received by the service, and where these have been more or less than expected
- Budget movements (virements) into or out of Commercial & Investment from other services (but not within Commercial & Investment), to show why the budget might be different from that agreed by Full Council
- Service reserves – funds held for specific purposes that may be drawn down in-year or carried-forward – including use of funds and forecast draw-down

ANNEX 1 – Service Level Financial Information

Forecast Outturn Variance (Sept)		Budget 2019/20	Actual October 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
0	Property Investments	-4,700	-2,498	180	4%
-250	Shareholder Company Dividends	-206	530	-250	-121%
401	Housing Investment (This Land Company)	-5,728	74	401	7%
350	Contract Efficiencies & Other Income	-449	0	350	78%
-335	CCLA Managed Investment	0	-117	-335	0%
-11	Renewable Energy Investments	-271	-841	-11	-4%
155	Commercial Activity Total	-11,354	-2,852	335	3%
Property Services					
241	Facilities Management	5,369	3,759	341	6%
0	Property Services	655	442	0	0%
-17	Property Compliance	205	70	-19	-9%
224	Property Services Total	6,229	4,271	322	5%
Strategic Assets					
-66	County Farms	-4,114	-2,160	-64	-2%
0	Strategic Assets	813	-58	0	0%
-66	Strategic Assets Total	-3,301	-2,218	-64	2%
Traded Services					
0	Traded Services - Central	0	11	0	0%
0	ICT Service (Education)	-200	-872	-18	-9%
0	Professional Development Centres	-71	-62	0	0%
0	Cambridgeshire Music	5	251	0	0%
229	Outdoor Education (includes Grafham Water)	-77	197	301	391%
229	Traded Services Total	-343	-475	283	83%
542	Total	-8,768	-1,275	877	10%

ANNEX 2 – Service Commentaries on the Revenue Forecast Outturn Position

Narrative is given below where there is an adverse/positive variance greater than 2% of annual budget or £100,000 whichever is greater for a service area.

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Property Investments	-4,700	-4,520	180	4
<p>The Property Investments budget is forecast to underachieve by £180k, which is an increase of £180k from the previous forecast. This will mean that over £4.5m in net income has been generated from Commercial Property investments this financial year. There are two potential likely adverse pressures facing this area. The occupancy of Brunswick House (student accommodation) is below target for the current academic year. There is a brand new competing property in the vicinity of Brunswick House, however, the Council is confident the offer and location of Brunswick House overall will remain very appealing to students for the years ahead, and active/varied marketing activity is continuing via the operator of the accommodation. Additionally, a further commercial property investment anticipated in South Cambridgeshire has not yet completed, due to delays in receiving information as part of the purchase process.</p>				
Shareholder Company Dividends	-206	-456	-250	-121
<p>The Shareholder Company Dividends budget is forecast to overachieve by £250k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.</p>				
Housing Investment (This Land Company)	-5,728	-5,327	401	7
<p>An underachievement of income of £401k is forecast on Housing Investment. This relates to interest received on loans made to This Land, and the underachievement is a result of delays in making those loans.</p>				
Contract Efficiencies & Other Income	-449	-99	350	78
<p>The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20. This is due to the targets for savings and additional income not being expected to be met in the year. However, work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once the team is in place. In addition, it has been concluded that whilst there may be some financial benefit for charities of creating a CCC lottery, this could be outweighed by the possibility of losing support through direct contributions and anxieties about control and financial burden. Resources will therefore be refocused to support other commercial initiatives.</p>				
CCLA Managed Investment	-	-335	-335	-
<p>An investment in the CCLA Managed Investment Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £335k in 2019/20.</p>				
Facilities Management	5,369	5,710	341	6
<p>The Facilities Management budget is forecast to overspend by £341k in 2019/20. This is due to</p>				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
additional works following service in operational buildings, which are required for those buildings to meet required standards.				
Outdoor Education	-77	224	301	391%
<p>A structural pressure of £113k has been identified at Grafham Water Centre during budget preparation and has been reported from the beginning of 2019/20. This has been partially offset by underspends elsewhere in the service. A Business Development Plan is underway to address the financial sustainability of the service.</p> <p>In addition to this, there is a one-off cost in this year which is estimated at £114k, which relates to backdated pay for staff at Grafham Water Centre as a result of National Minimum Wage requirements.</p> <p>Some underachievement of income is expected at Grafham Water due to staff turnover in year which has caused numbers of bookings outside peak times to fall.</p>				

ANNEX 3 – Capital Position

3.1 Capital Expenditure

Commercial & Investment Capital Programme 2019/20						
Total Scheme Revised Budget £000	Original 2019/20 Budget as per BP £000	Scheme	Revised Budget for 2019/20 £000	Actual Spend 2019/20 £000	Forecast Spend - Outturn £000	Forecast Variance 2019/20 £000
144,068	51,907	<u>Commercial Activity</u>				
		Commercial Investments	104,605	73,614	104,605	-
153,009	43,067	Housing Schemes	56,847	10,048	30,372	(26,475)
3,645	3,280	St Ives Smart Energy Grid	3,378	17	202	(3,176)
11,399	383	Babraham Smart Energy Grid	452	11	350	(102)
6,969	292	Trumpington Smart Energy Grid	314	1	-	(314)
9,745	397	Stanground Closed Landfill Energy Project	454	8	291	(163)
2,526	246	Woodston Closed Landfill Energy Project	285	2	100	(185)
23,219	672	North Angle Solar Farm	695	23	908	213
354,580	100,244		167,030	83,724	136,828	(30,202)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	1,222	1,338	-
6,150	-	Shire Hall Campus	81	7	81	-
345	-	Office Portfolio Rationalisation	47	28	47	-
550	550	Investment in the CCC asset portfolio	550	1	550	-
13,045	1,150		2,016	1,258	2,016	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	44	216	(84)
-	4,616	MAC Joint Highways Project	-	-	-	-
1,950	910	Community Hubs - East Barnwell	1,041	-	200	(841)
18,326	5,633	Shire Hall Relocation	7,971	2,397	7,971	-
113	-	Marwick Centre Roof Repairs	113	-	113	-
295	-	Meads Farm House Replacement	295	-	115	(180)
24,684	11,559		9,820	2,456	8,715	(1,105)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	-	26,312
351,474	90,443	TOTAL	152,635	87,438	147,640	(4,995)

3.3 Capital Variation

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.

2019/20					
Service	Capital Programme Variations Budget £000	Forecast Outturn Variance (Oct 2019) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Oct 2019) £000
C&I	-26,312	-31,307	-26,312	100%	-4,995

3.4 Capital Funding

Commercial and Investment Capital Programme 2019/20				
Original 2019/20 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2019/20 £000	Actual Spend £000	Actual Variance £000
42,077	Capital Receipts	21,387	23,409	2,022
2,309	Grant Funding	1,759	-	(1,759)
7,600	Other Contributions	7,600	7,600	-
130	Developer Contributions	130	-	(130)
38,327	Prudential Borrowing	121,759	116,631	(5,128)
90,443	TOTAL	152,635	147,640	(4,995)

3.2 Service Commentaries on the Capital Position

The schemes with significant variances (>£250k) either due to changes in phasing or changes in overall scheme costs can be found in the following table:

Revised Budget for 2019/20	Forecast Spend - Outturn (Oct)	Forecast Variance (Oct)	Variance Last Month (Sep)	Movement	Breakdown of Variance	
					Underspend/Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Investments						
104,605	104,605	-	-	-	-	-
<p>Commercial & Investment Committee recommended to GPC in November the approval of an additional £52m budget for Commercial Investments, but an additional £73m of Prudential Borrowing. The Council has spent, or has committed to spend, £105m on commercial property</p>						

Revised Budget for 2019/20	Forecast Spend - Outturn (Oct)	Forecast Variance (Oct)	Variance Last Month (Sep)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>investments in 2019/20. This also requires an amendment to the capital funding for Commercial Investments. This will reduce funding from Capital Receipts by £21m and increase the Prudential Borrowing requirement by £73m.</p> <p>The reduction in available capital receipts is due to rephasing of the timing of expected overage payments from This Land.</p>						
Housing Schemes						
56,847	30,372	-26,475	-26,475	-	-	-26,475
<p>The Housing Schemes budget is forecast to underspend by £26m in 2019/20. This follows reprofiling of expected loans in relation to both overage and construction.</p> <p>This will reduce the prudential borrowing requirement in year by £26m.</p>						
Community Hubs – East Barnwell						
1,041	200	-841	-841	-	-	-841
<p>The Community Hubs – East Barnwell scheme is expected to underspend by £841k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.</p> <p>This will reduce the developer contributions applied this year by £130k and the prudential borrowing requirement in year by £711k.</p>						
St Ives Smart Energy Grid						
3,378	202	-3,176	-3,176	-	-	-3,176
<p>The St Ives Smart Energy Grid scheme is expected to underspend by £3.2m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.</p> <p>This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,417k.</p>						
Babraham Smart Energy Grid						
452	350	-102	-102	-	-	-102
<p>The Babraham Smart Energy Grid scheme is expected to underspend by £102k in 2019/20. Development work on the Investment Grade Proposal for the Babraham Smart Energy Grid Project has been slower than anticipated due to uncertainties in the battery energy storage market and the simultaneous development of several large energy projects in 2018/19.</p> <p>This will reduce the prudential borrowing requirement in year by £102k.</p>						

Revised Budget for 2019/20	Forecast Spend - Outturn (Oct)	Forecast Variance (Oct)	Variance Last Month (Sep)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trumpington Smart Energy Grid						
314	-	-314	-314	-	-	-314
<p>The Trumpington Smart Energy Grid scheme is expected to underspend by £314k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.</p> <p>This will reduce the prudential borrowing requirement in year by £314k.</p>						
Investment in the CCC Asset Portfolio						
550	550	-	-	-	-	-
<p>This scheme was reported in the 2019/20 Business Plan as funded from Capital Maintenance Grant. The scheme will actually be funded from Prudential Borrowing, and the revised funding has been updated to reflect this.</p>						
Meads Farm House Replacement						
295	115	-180	-180	-	-	-180
<p>Commercial and Investment Committee recommended to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income.</p> <p>This will increase the prudential borrowing requirement in year by £295k.</p>						

ANNEX 4 – Savings Tracker

Reference	Title	Committee	Original Saving 19-20	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.6.001	BP 19/20 Contract Efficiency	C&I	-200	0	0	0	0	0	200	100.00	Black	Any savings made in 2019/20 will go towards the savings target carried forward from 2018/19 which was not met in that year.
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	C&I	-19	0	0	0	-19	-19	0	0.00	Green	
F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	C&I	16	0	0	0	0	16	0	0.00	Green	
F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	C&I	-16	0	0	0	0	-16	0	0.00	Green	
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	C&I	-8	0	0	0	0	-8	0	0.00	Green	
F/R.7.106	Utilisation/commercialisation of physical assets	C&I	-21	0	0	0	0	-21	0	0.00	Green	

Reference	Title	Committee	Original Saving 19-20	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.7.113	Invest to Save Housing Schemes - Income Generation	C&I	-1,483	0	0	0	0	-1,183	300	20.23	Red	Dependent on land values and This Land's readiness for construction loans.
F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	C&I	-5	0	0	0	0	-5	0	0.00	Green	

ANNEX 5 – Technical Note

1. Grant Income Analysis

There is no additional grant income recorded in 2019/20.

2. Virements and Budget Reconciliation

	£'000	Reported
Budget as per Business Plan	-9,502	
Movement of Contract Efficiency saving target from Corporate Services	-49	May 2019
Clear Traded Services Central income target from Central Services Risks budget	58	May 2019
Deployment of budget to Housing Investment to mitigate overspends, as agreed by GPC July 2019	122	June 2019
Transfer budget from Debt Charges and Interest for the debt charges relating to the Triangle solar farm	603	August 2019
Revised Budget	-8,768	

3. Reserve Schedule

Fund Description	Balance at 01 April 2019	Movements in 2018/19	Balance at 31 October 2019	Forecast Balance at 31 March 2020	Notes
	£'000	£'000	£'000	£'000	
<u>Equipment Reserves</u>					
The ICT Service (Education)	56	0	56	0	1
subtotal	56	0	56	0	
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	600	0	600	679	2
subtotal	600	0	600	679	
<u>Capital Reserves</u>					
General Capital Receipts	20,415	13,549	33,964	0	3
subtotal	20,415	13,549	33,964	0	
TOTAL	21,070	13,549	34,619	679	

Notes

- 1 ICT Equipment Reserve will to be used to replace critical equipment in 2019/20
- 2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 General Capital Receipts received during 2019/20 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used for Commercial Investment.