

Service	Commercial & Investment
Subject	Finance Monitoring Report – May 2020
Date	10 th July 2020

KEY INDICATORS

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

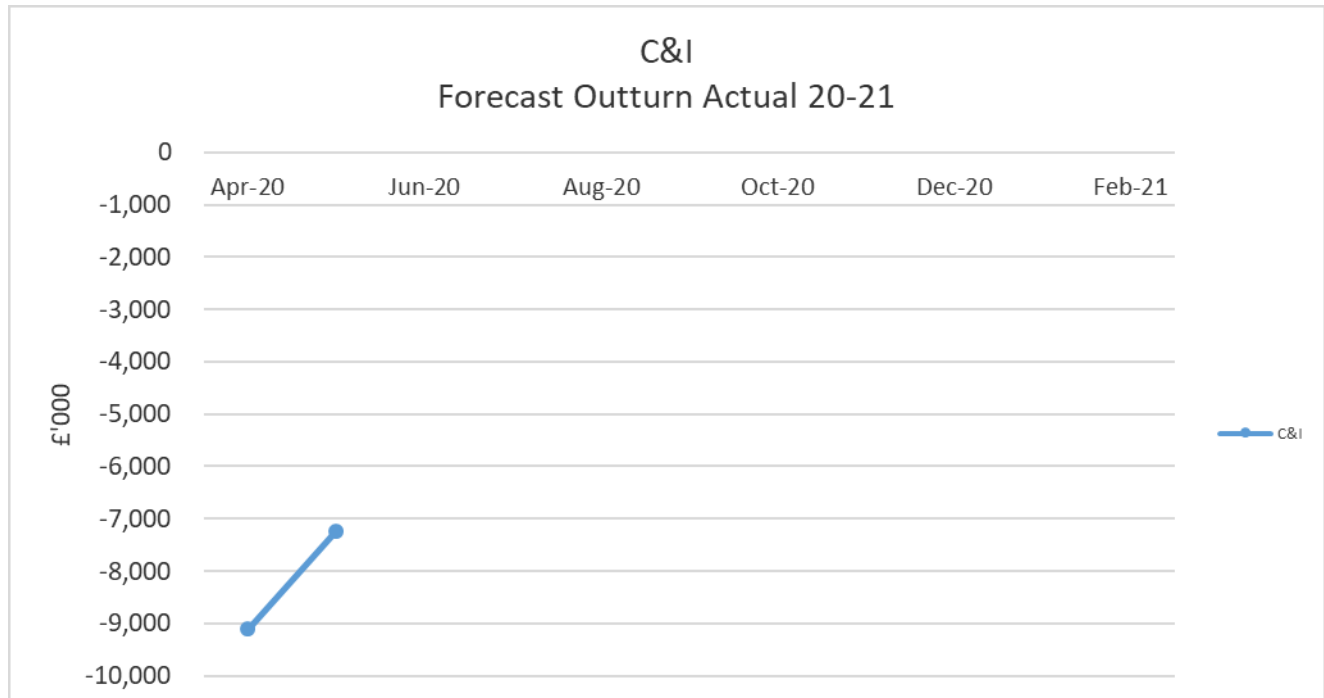
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Annex 4	Savings Tracker	Each quarter, the Council's savings tracker is produced to give an update of the position of savings agreed in the business plan.	N/A
Annex 5	Technical Appendix	This contains technical financial information for Commercial & Investment showing: <ul style="list-style-type: none"> • Grant income received • Budget virements into or out of Commercial & Investment • Service reserves 	12

1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) has a negative budget as it has an income target for 2020/21 of -£9,108k. As such, the forecast outturn variance of £1,874k means that C&I is expecting to achieve a net income position of -£7,234k as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Outturn Variance (Previous) £000	Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
N/A	Commercial Activity	-12,068	-37	1,889	16%
N/A	Property Services	6,726	1,103	-132	-2%
N/A	Strategic Assets	-3,494	-733	20	-1%
N/A	Traded Services	-271	-980	97	36%
N/A	Total	-9,108	-648	1,874	21%

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 May 2020, C&I is forecasting an underachievement of £1,874k. This is mainly due to under achievement of income in relation to Commercial Activity.

Commercial Activity

At the end of May 20 an underachievement of income of £1,889k is forecast. This is due to:

- The expected loss of rental income of £970k on some properties due to the Covid-19 pandemic.
- Delayed and staggered investment into a multi-class credit fund, reducing the forecast return by £523k.
- A delay in Contract Efficiencies will result in the saving of £249k not being achievable.
- A reduced return on investment of £147k on the annual return from the CCLA fund due to the pandemic.

Traded Services

At the end of May 2020 an underachievement of income of £97k is forecast for Professional Development Centres. The Professional Development Centre at Cambridge Professional Development Centre (CPDC) will be closing in 2020/21 as part of Cambs 2020, causing a £45k pressure due to reduced income in-year. Provision for the loss of income of this closure has been included in the Business Plan for 2021/22, and as such this will be a one-off pressure.

The service has also seen a loss of £52k income due to being unable to trade as expected in the early months of the year as a result of Covid-19.

Property Services

The 2020/21 revenue budget for the Alconbury Weald Civic Hub is £175k. Based on the expected completion date for the building (Spring 2021), this budget should no longer be required during 2020/21, therefore creating a -£175k underspend.

The Shire Hall Car Park Income budget is forecasting to underachieve by £44k in 2020/21. This is based on not charging for the car park for 4 months.

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

Covid-19 – Financial Impact

The current projected financial costs associated with managing the implications of the Coronavirus pandemic, including any loss of income:

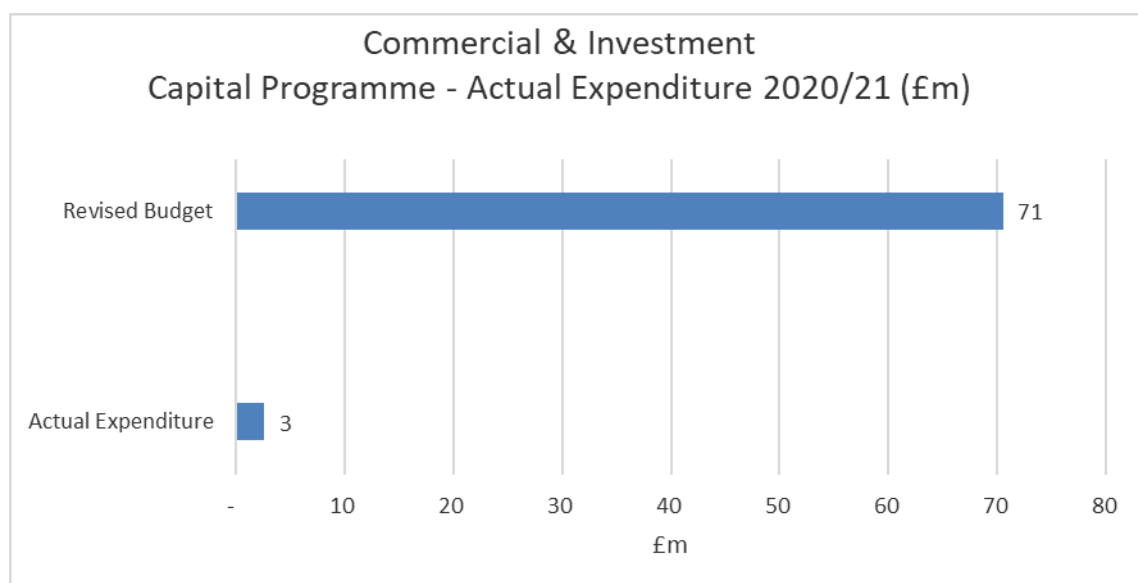
Service Area	Details	Estimated cost 2020-21 £000	April & May impact £000
Property Services	Loss of income from Shire Hall & Castle Court Car park (based on 4 months)	44	22
CCLA Managed Investment	Anticipate a 35% reduction on annual return from CCLA fund	147	50
Contract Efficiencies & Other Income	There is expected to be a delay in contract negotiations during this time	249	42

Property Investments	Cambs 2020 programme removal costs with regards to H&S	20	-
Property Investments	Reduction in rent received from commercial properties	970	568
Traded Services	Reduction in income due to CPDC being closed	52	52
Multi-Class Credit	Anticipate reduction in the return in investment	523	-

2. Capital Executive Summary

2.1 Expenditure

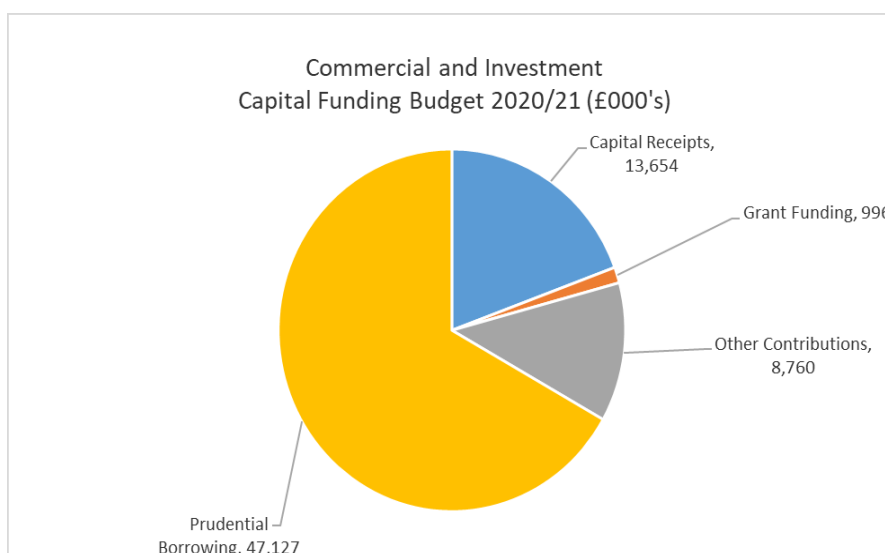
Commercial and Investment Committee has expenditure of £2.6m to date on the Capital Programme, against a revised budget of £70.5m:



In-year, a balanced position is forecast. The total scheme forecast is also on budget.

2.2 Funding

Commercial and Investment Committee has a capital budget of £70.5m in 2020/21. This includes £28m of funding carried forward from 2019/20, which has been reviewed by Capital Programme Board.



Commercial and Investment Committee is asked to consider and recommend to General Purposes Committee to approve the carry forward of funding from 2019/20 into 2020/21 and rephasing budgets for the following schemes:

Scheme	Carry Forward/Rephasing Amount 20-21	
	Prudential Borrowing £'000	Capital Receipts £'000
Commercial Investments (carry forward 11,323 & reduction in budget -4,101)		7,222
Housing Schemes (carry forward 10,089 & budget increase 161)	9,000	1,250
Building Maintenance	90	
Office Portfolio Rationalisation	11	
Investment in the CCC Assets Portfolio	1,440	
Community Hubs - East Barnwell	699	
Shire Hall Relocation	3,955	
St Ives Smart Energy Grid - rephasing	-1,098	-1,098
Babraham Smart Energy Grid - rephasing	-241	
Trumpington Smart Energy Grid - rephasing	87	
Stanground Closed Landfill Energy Project - rephasing	-7,536	
North Angle Solar Farm - rephasing	-20,331	
Swaffham Prior Energy Project	96	441
Cambridgeshire Outdoor Centres	56	
LGSS Law Equity – rephasing (spent in 19-20)	-475	

Additional capital funding requests over £250k have also been received for consideration:

Building Maintenance	- Essential work from surveys	£352k
Mill Rd – Former Library	- Essential repairs	£330k
Investment in the CCC Assets Portfolio	- Acquisition (Library Service)	£330k

Building Maintenance

Additional funding of £352k is requested in 2020/21 for Building Maintenance. This request is in order to undertake statutory works to various CCC buildings, highlighted in condition

surveys. The request relates to level 1 works such as accessible toilet compliance and roof repairs. The scheme will be funded by borrowing; the estimated annual cost of borrowing for this scheme will start in 2021/22 at £20k, and decreases each year thereafter.

Commercial and Investment Committee is asked to consider and recommend to General Purposes Committee to approve the additional budget.

Mill Rd – Former Library

Mill Road Former Library Building is a Grade II listed building that was vacated in January 2020 when the tenancy was brought to an end. It was returned in a state of disrepair due to the tenants neglect and inability to fund repairs. Throughout the tenancy, it was regularly inspected on behalf of CCC as freeholder and appropriate steps were taken against the tenant to force them to address the condition issues. Urgent works are now required in order to rectify problems with the structure to ensure that it is safe, wind and water tight at an estimated cost of £330k; Cambridge City Conservation officers will serve a notice on CCC if these works are not carried out. The cost is based on detailed inspections carried out by conservation architects Donald Insall Associates who are currently obtaining quotations for the work.

The Cambs 2020 Board is considering if the building is required partially/wholly for CCC office use; further fit out costs will be required depending on the final use. If the building is not required for the Cambs 2020 Programme, the proposal would be to dispose of the asset on the open market to generate a capital receipt – there have been approaches from several parties. The scheme will be funded by borrowing; the estimated annual cost of borrowing for this scheme will start in 2021/22 at £18k, and decreases each year thereafter.

Commercial and Investment Committee is asked to consider and recommend to General Purposes Committee to approve the additional budget.

Investment in the CCC Assets Portfolio

A paper was approved at the June C&I Committee to increase the Investment in the CCC Assets Portfolio budget by £330k in order to purchase St Ives Industrial Unit.

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

3. Savings Tracker Summary

The savings tracker is produced three times a year. The first quarter will be reported in the July FMR.

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

C&I Service Level Finance & Performance Report Finance & Performance Report for C&I - May 2020

Previous Forecast Outturn Variance		Budget 2020/21	Actual May 2020	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
0	Property Investments	-4,683	-412	1,493	32%
0	Shareholder Company Dividends	-456	480	0	0%
0	Housing Investment (This Land Company)	-5,796	166	0	0%
0	Contract Efficiencies & Other Income	-449	0	249	55%
0	CCLA Managed Investment	-420	0	147	35%
0	Renewable Energy Investments	-265	-272	0	0%
0	Commercial Activity Total	-12,068	-37	1,889	16%
Property Services					
0	Facilities Management	5,855	1,051	-132	-2%
0	Property Services	665	119	0	0%
0	Property Compliance	206	-67	0	0%
0	Property Services Total	6,726	1,103	-132	-2%
Strategic Assets					
0	County Farms	-4,211	-120	0	0%
0	Strategic Assets	717	-613	20	3%
0	Strategic Assets Total	-3,494	-733	20	-1%
Traded Services					
0	Traded Services - Central	0	0	0	0%
0	ICT Service (Education)	-200	-1,005	0	0%
0	Professional Development Centres	-71	25	97	137%
0	Traded Services Total	-271	-980	97	36%
0	Total	-9,108	-648	1,874	21%
Grant Funding					
0	Non Baselined Grants	0	0	0	0%
0	Grant Funding Total	0	0	0	0%
0	Overall Total	-9,108	-648	1,874	21%

ANNEX 2 - Service Commentaries on the Revenue 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	Outturn Actual £000	Outturn Variance	
			£000	%
Property Investments	-4,683	-3,190	1,493	32
<p>The Property Investments budget is forecast to underachieve by £1,493k for the following reasons:</p> <ul style="list-style-type: none"> The current expected loss from rental income for two of the Council's properties due to the impact of the Covid-19 pandemic is forecast to be £970k. A £20m investment into a multi-class credit fund was scheduled to take place in April/May 2020, however due to the impact of Covid-19 on the financial markets, it was necessary to reassess the viability of this fund to ensure that it still met the Council's investment objectives. Furthermore, due to market volatility the investment will now be staggered as opposed to a single lump investment. As a result, the forecast return has reduced by £523k. 				
Contract Efficiencies & Other Income	-449	-200	249	55%
<p>The Contract Efficiencies & Other Income budget is forecasting to underachieve by £249k in 2020/21. This is due to the targets for savings and additional income not being met.</p> <p>Covid-19 has impacted on all of the Council's suppliers across the organisation. Some of these suppliers are seeking relief under the PPN 02/20 guidance. It is likely that these businesses will be very much focused on recovering from the impacts of this pandemic and will not be open (or capable) of negotiating contracts.</p>				
CCLA Managed Investment	-420	-273	147	35%
<p>A reduced return on investment of £147k on the annual return from the CCLA due to the pandemic fund is forecast.</p>				
Professional Development Centres	-71	26	97	137%
<p>The Professional Development Centre budget is forecasting to underachieve by £97k. The centre at CPDC will be closing in 2020/21 as part of Cambs 2020, causing a £45k pressure due to reduced income in-year. Provision for the loss of income of this closure has been included in the Business Plan for 2021/22, and as such this will be a one-off pressure.</p> <p>The service have seen a further loss of £52k income due to being unable to trade as expected in the early months of the year as a result of Covid-19.</p>				
Property Services	5,855	5,723	-132	-2%
<p>The 2020/21 revenue budget for the Alconbury Weald Civic Hub is £175k. Based on the expected completion date for the building (Spring 2021), this budget should no longer be</p>				

required during 2020/21, therefore creating a -£175k underspend.

The Shire Hall Car Park Income budget is forecasting to underachieve by £44k in 2020/21. This is based on not charging for the car park for 4 months.

ANNEX 3 - Capital Position

3.1 Capital Expenditure

Commercial & Investment Capital Programme 2020/21						
Total Scheme Revised Budget £000	Original 2020/21 Budget as per BP £000	Scheme	Revised Budget for 2020/21 £000	Actual Spend 2020/21 £000	Forecast Spend - Outturn £000	Forecast Variance 2020/21 £000
206,393	4,101	<u>Commercial Activity</u>				
158,222	32,050	Commercial Investments	11,323	0	11,323	-
200	-	Housing Schemes	42,300	1,011	42,300	-
3,645	3,306	Development Funding	200	-	200	-
6,306	563	St Ives Smart Energy Grid	1,110	-	1,110	-
6,969	-	Babraham Smart Energy Grid	322	0	322	-
8,267	8,027	Trumpington Smart Energy Grid	87	-	87	-
2,526	-	Stanground Closed Landfill Energy Project	491	(4)	491	-
26,258	25,345	Woodston Closed Landfill Energy Project	-	(11)	-	-
40	20	North Angle Solar Farm	5,014	(273)	5,014	-
643	-	Light Blue Fibre	20	-	20	-
907	-	Swaffham Prior Energy Project	537	20	537	-
-	-	Cambridgeshire Outdoor Centres	864	12	864	-
		Marwick Centre Roof Repair	-	59	-	-
420,376	73,412		62,267	815	62,267	-
		<u>Property Services</u>				
6,352	600	Building Maintenance	1,042	30	1,042	-
345	-	Office Portfolio Rationalisation	11	(6)	11	-
6,365	2,965	Investment in the CCC asset portfolio	4,753	191	4,753	-
90	-	Property Asset Database	90	-	90	-
15,000	3,000	Decarbonisation Fund	3,000	8	3,000	-
200	200	Electric Vehicle Chargers	200	0	200	-
28,352	6,765		9,096	223	9,096	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	-	100	-
3,000	300	County Farms Investment	300	88	300	-
1,981	885	Community Hubs - East Barnwell	1,584	-	1,584	-
18,326	9,721	Shire Hall Relocation	13,676	1,439	13,676	-
295	-	Meads Farm House Replacement	272	60	272	-
330	-	Mill Rd - Former Library	330	-	330	-
24,932	11,006		16,262	1,587	16,262	-
669	603	Capitalisation of Interest Budget	603	-	603	-
(32,137)	(17,692)	Capital Programme Variations Budget	(17,692)	-	(17,692)	-
442,192	74,094	TOTAL	70,537	2,625	70,537	-

3.2 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.

2020/21					
Service	Capital Programme Variations Budget £'000	Outturn Variance 2020/21 £'000	Capital Programme Variations Budget Used £'000	Capital Programme Variations Budget Used %	Revised Outturn Variance 2020/21 £'000
C&I	-17,692	0	0	0%	0

3.3 Capital Funding

Commercial and Investment Capital Programme 2020/21					
Original 2020/21 Funding Allocation as per BP £000	Source of Funding		Revised Funding for 2020/21 £000	Forecast Spend £000	Variance £000
6,432	Capital Receipts	C&I	13,654	13,654	-
1,653	Grant Funding	C&I	996	996	-
8,760	Other Contributions	C&I	8,760	8,760	-
57,724	Prudential Borrowing	C&I	47,127	47,127	-
74,569	TOTAL		70,537	70,537	-

ANNEX 5 – Technical Note

1. Grant Income Analysis

There is no additional grant income to record in 2020/21.

2. Virements and Budget Reconciliation

	£'000	Reported
Budget as per Business Plan	-9,205	
Transfer of budget to Shire Hall Relocation, as agreed for the Babbage House move.	15	May 2020
Transfer of the Ely Archive Centre budget from P&C to Property Services	83	May 2020
Revised Budget	-9,108	

3. Reserve Schedule

Fund Description	Balance at 01 April 2020	Movements in 2020/21	Balance at 31 May 2020	Forecast Balance at 31 March 2021	Notes
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	705	0	705	705	1
subtotal	705	0	705	705	
<u>Capital Reserves</u>					
General Capital Receipts	11,632	0	11,632	0	2
subtotal	11,632	0	11,632	0	
TOTAL	12,337	0	12,337	705	

Notes

- 1 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 2 General Capital Receipts received during 2020/21 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used for This Land equity or Commercial Investment.