

Commercial and Investment

Finance Monitoring Report – August 2019

1. KEY INDICATORS

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	Green	3.2

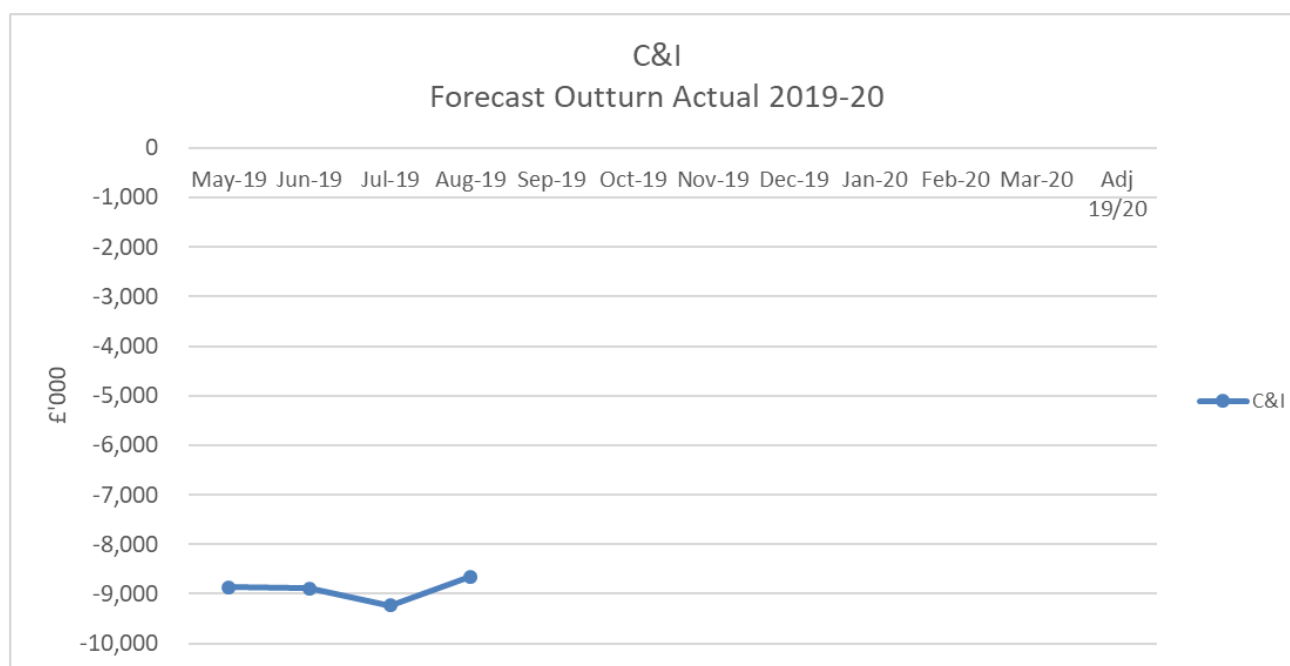
2. REVENUE EXECUTIVE SUMMARY

2.1 Overall Position

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

Outturn Variance (July) £000	Directorate	Budget £000	Actual £000	Outturn Variance (Aug) £000	Outturn Variance (Aug) %
58	Commercial Activity	-11,354	-989	16	0.1%
63	Property Services	6,229	2,922	63	1.0%
-66	Strategic Assets	-3,301	221	-66	2.0%
81	Traded Services	-343	131	102	29.7%
136	Total	-8,768	2,285	115	1.3%

- 2.1.2 Commercial and Investment (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 £115k means that C&I is expecting to achieve a net income position of -£8,653k by year-end as demonstrated in the following chart:



2.1.3 The service level budgetary control report for Commercial and Investment for August 2019 can be found in [C&I Annex 1](#).

2.2 Significant Issues

2.2.1 At the end of August 2019, Commercial and Investment is forecasting an underachievement of income of £115k in 2019/20, which is a decrease of £21k from the previous forecast. The change in forecast is mainly due to changes within Commercial Activity.

2.2.2 Commercial Activity

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.

The Contract Efficiencies & Other Income budget is forecast to underachieve by £200k in 2019/20. This is due to delays in putting in place plans for how to meet targets relating to savings from contract efficiencies and additional external income.

2.2.3 A detailed explanation of the position for Commercial and Investment Committee can be found the commentary on the forecast outturn position in [C&I Annex 2](#).

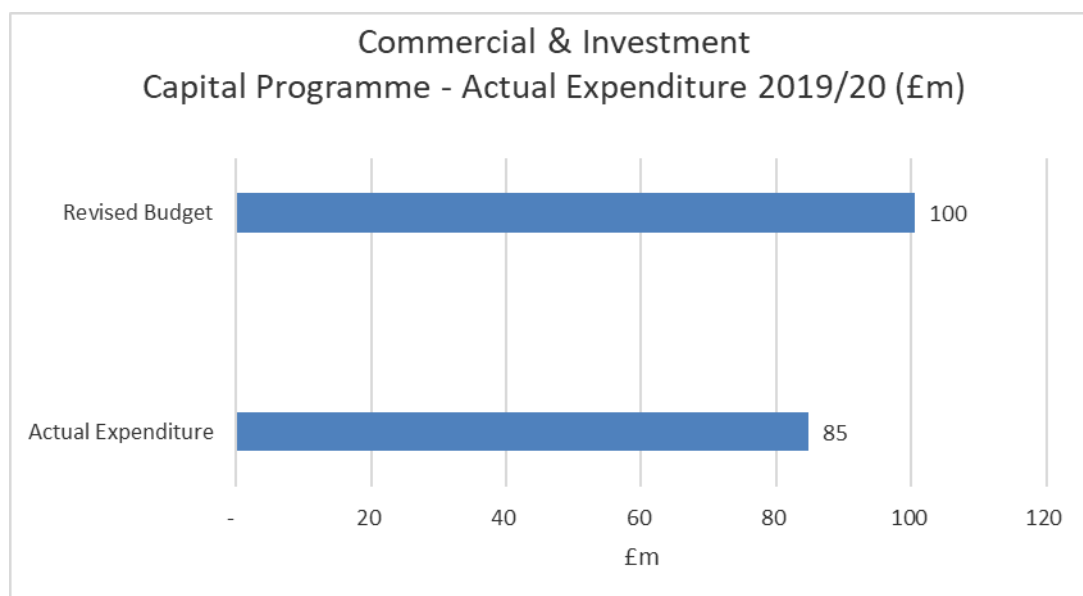
3. SAVINGS TRACKER SUMMARY

3.1.1 The savings tracker is produced quarterly; the next update will be in the October report.

4. CAPITAL EXECUTIVE SUMMARY

4.1 Expenditure

4.1.1 Commercial and Investment Committee has expenditure of £84.7m to date on the Capital Programme, against a revised budget of £100m:



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

4.1.2 Commercial Activity

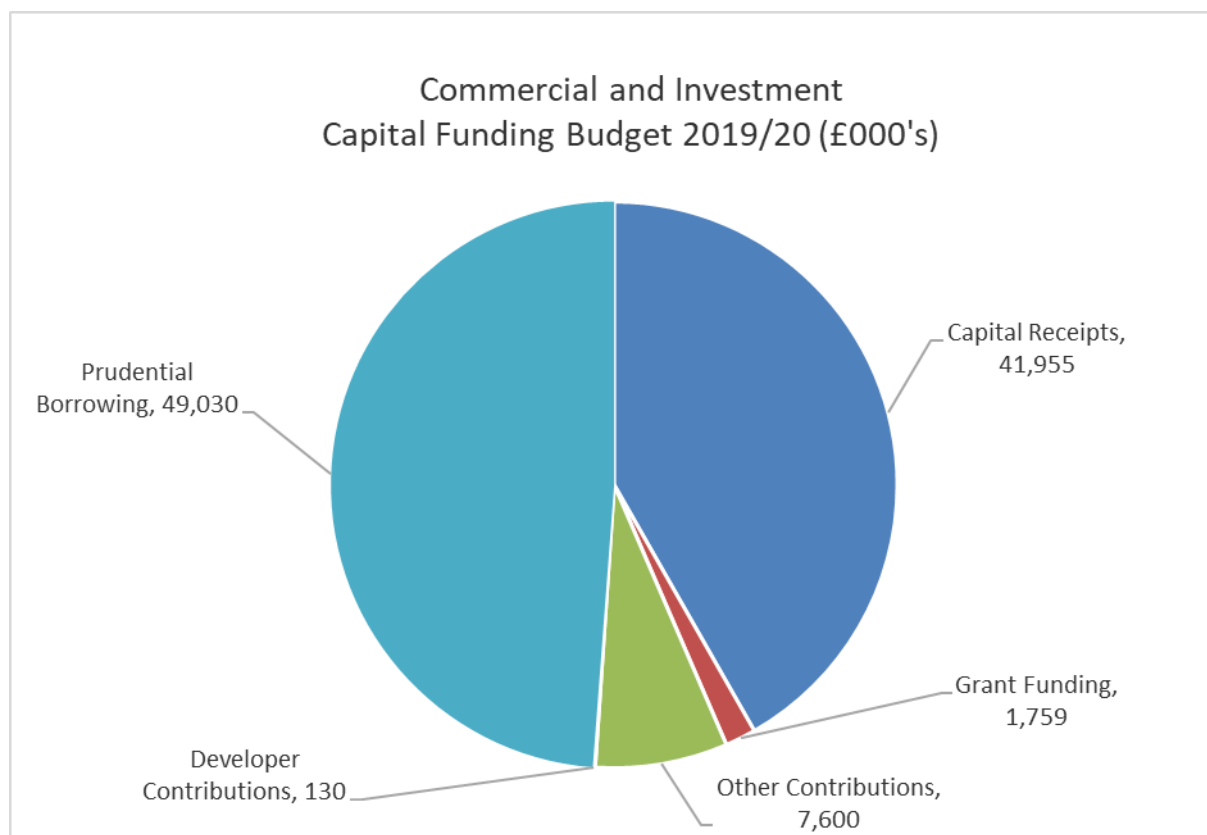
The expenditure on Commercial Investments for 2019/20 to date is £73m, which exceeds the budget of £52m. Active discussions are underway with the Investment Group on further investment activity and future planning; a request will be made to GPC in due course to confirm the funding arrangements for this activity. Forecast revenue returns factor in an element of borrowing, to be confirmed as part of this request.

4.1.3 Strategic Assets

The One Public Estate Joint Highways Project budget has been taken out of the capital programme. This project is being re-scoped, and a revised budget will be allocated based on the new requirements via the capital budget process. The intention is that this project will still be delivered, however further scoping of the service/build requirements is needed with Highways England, the main partner, and it is considered sensible to remove this from the current year plans as there is no realistic prospect of requiring prudential borrowing this year. Collaboration with blue light services will also be further explored as the scheme is re-scoped.

4.2 Funding

4.2.1 Commercial and Investment Committee has a capital budget of £100m in 2019/20, which is funded by the following capital resources:



4.2.2 Strategic Assets

As detailed above, the Joint Highways Project budget has been taken out of the C&I capital programme. This has reduced the Prudential Borrowing capital funding budget by £5.2m.

4.3 Variations Budget

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

Service	Capital Programme Variations Budget	Forecast Variance - Outturn (Aug)	Capital Programme Variations Budget Used	Capital Programme Variations Budget Used	Revised Forecast Variance - Outturn (Aug)
	£000	£000	£000	%	£000

C&I	-26,312	-6,706	-6,706	25.5%	0
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4.3.2 A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in [C&I Annex 4](#).

4. **TECHNICAL NOTE**

4.1.1 Technical financial information for C&I covering grants, reserves and budget virements is included in [C&I Annex 5](#).

C&I ANNEX 1 – Budgetary Control Report

The variances to the end of August 2019 for Commercial and Investment are as follows:

Forecast Outturn Variance (July)		Budget 2019/20	Actual August 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
0	Property Investments	-4,700	-898	0	0%
0	Shareholder Company Dividends	-206	530	-250	-121%
393	Housing Investment (This Land Company)	-5,728	74	401	7%
0	Contract Efficiencies & Other Income	-449	0	200	45%
-335	CCLA Managed Investment	0	-117	-335	0%
0	Renewable Energy Investments	-271	-578	0	0%
58	Commercial Activity Total	-11,354	-989	16	0%
Property Services					
63	Facilities Management	5,369	2,513	63	1%
0	Property Services	655	353	0	0%
0	Property Compliance	205	56	0	0%
63	Property Services Total	6,229	2,922	63	1%
Strategic Assets					
-66	County Farms	-4,114	-137	-66	-2%
0	Strategic Assets	813	357	0	0%
-66	Strategic Assets Total	-3,301	221	-66	2%
Traded Services					
0	Traded Services - Central	0	27	0	0%
-8	ICT Service (Education)	-200	-610	-6	-3%
0	Professional Development Centres	-71	-25	0	0%
0	Cambridgeshire Music	5	547	0	0%
89	Outdoor Education (includes Grafham Water)	-77	192	108	140%
81	Traded Services Total	-343	131	102	30%
136	Total	-8,768	2,285	115	1%

C&I ANNEX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Shareholder Company Dividends	-206	-456	-250	-121
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.				
Housing Investment (This Land Company)	-5,728	-5,335	401	7
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.				
Contract Efficiencies & Other Income	-449	-249	200	45
The Contract Efficiencies & Other Income budget is forecast to underachieve by £200k in 2019/20. This is due to delays in putting in place plans for how to meet targets relating to savings from contract efficiencies and additional external income.				
CCLA Managed Investment	-	-335	-335	-
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 £335 in 2019/20.				

C&I ANNEX 3 – Savings Tracker

The savings tracker is produced quarterly; the next update will be in the October report.

C&I ANNEX 4 – Capital Expenditure and Funding

1. Capital Expenditure Summary 2019/20

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
91,907	51,907	<u>Commercial Activity</u>				
		Commercial Investments	52,444	73,213	52,444	-
153,009	43,067	Housing Schemes	56,847	10,042	54,903	(1,944)
3,645	3,280	St Ives Smart Energy Grid	3,378	-	190	(3,188)
11,399	383	Babraham Smart Energy Grid	452	0	380	(72)
6,969	292	Trumpington Smart Energy Grid	314	0	1	(313)
9,745	397	Stanground Closed Landfill Energy Project	454	-	291	(163)
2,526	246	Woodston Closed Landfill Energy Project	285	-	100	(185)
23,219	672	North Angle Solar Farm	695	-	695	-
302,419	100,244		114,869	83,255	109,004	(5,865)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	931	1,338	-
6,150	-	Shire Hall Campus	81	-	81	-
345	-	Office Portfolio Rationalisation	47	27	47	-
550	550	Investment in the CCC asset portfolio	550	-	550	-
13,045	1,150		2,016	958	2,016	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	11	300	-
-	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	466	7,971	-
113	-	Marwick Centre Roof Repairs	113	-	113	-
295	-	Meads Farm House Replacement	295	-	295	-
24,684	11,559		9,820	492	8,979	(841)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	(19,606)	6,706
299,313	90,443	TOTAL	100,474	84,706	100,474	-

2. Capital Funding Summary 2019/20

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	41,955	41,955	-
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	49,030	50,919	1,889
90,443	TOTAL	100,474	100,474	-

3. Reported Exceptions – Capital Expenditure and Funding

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Revised Budget for 2019/20	Forecast Spend - Outturn (Aug)	Forecast Variance (Aug)	Variance Last Month (July)	Movement	Breakdown of Variance	
					Underspend/Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>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 £1,429k.</p>						
Babraham Smart Energy Grid						
452	380	-72	-72	-	-	-72
<p>The Babraham Smart Energy Grid scheme is expected to underspend by £72k 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 £72k.</p>						
Trumpington Smart Energy Grid						
314	1	-313	-313	-	-	-313
<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 £313k.</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	295	-	-	-	-	-
<p>Commercial and Investment Committee is requested to recommend 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>						

C&I 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 2019/20	Balance at 31 August 2019	Forecast Balance at 31 March 2020	Notes
	£'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	13,208	33,623	0	3
subtotal	20,415	13,208	33,623	0	
TOTAL	21,070	13,208	34,278	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.