

Service: Commercial & Investment

Subject: Finance Monitoring Report – October 2020

Date: 18th December 2020

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

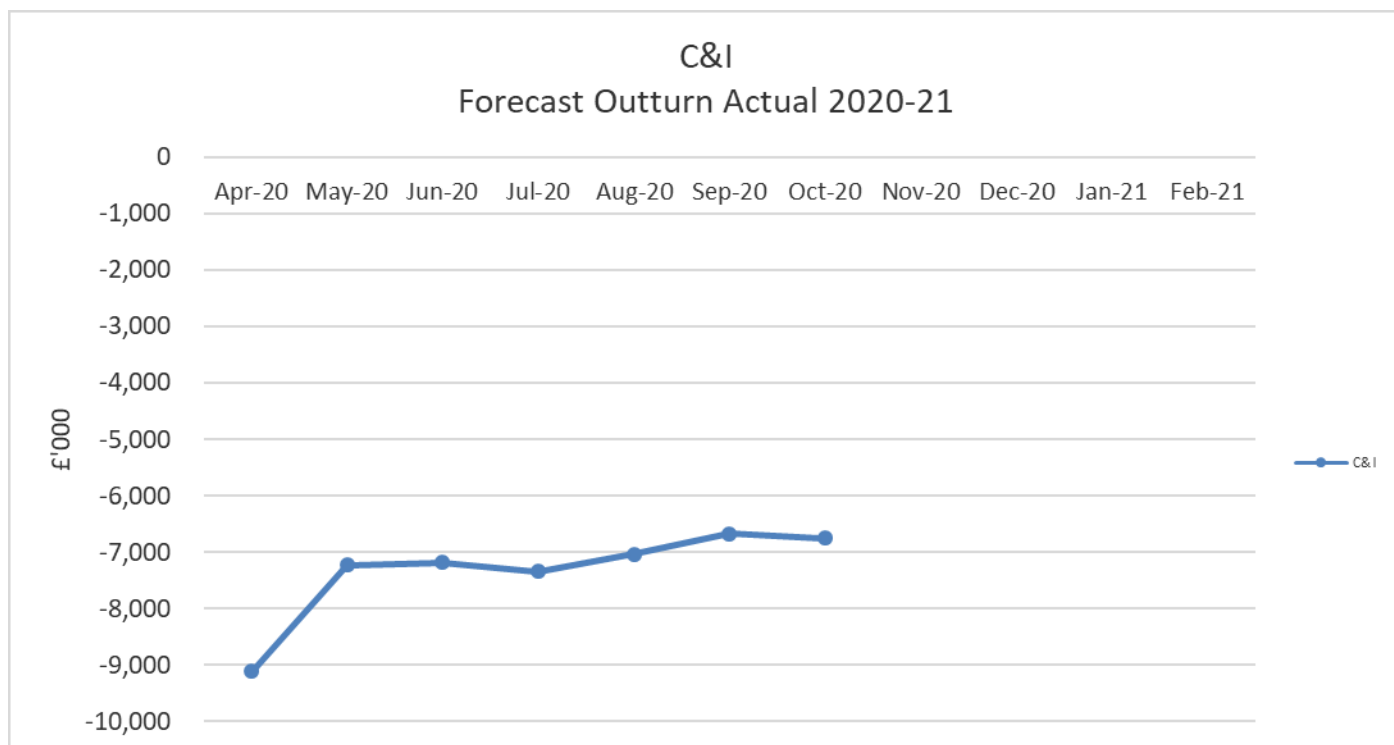
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1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £2,403k at the end of October, which is a decrease of £53k from the previous forecast. Commercial & Investment (C&I) has a negative budget as it has an income target for 2020/21 of -£9,159k. As such, the forecast outturn variance of £2,403k means that C&I is expecting to achieve a net income position of -£6,756k as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
Commercial Activity	-12,225	-3,020	2,090	17%
Property Services	6,833	3,312	85	1%
Strategic Assets	-3,495	-2,265	31	-1%
Traded Services	-271	-130	198	73%
Total	-9,159	-2,103	2,403	26%

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 2020, the overall position for C&I is an underachievement of £2,403K.

Significant issues are detailed below:

Commercial Activity

At the end of October 20 an underachievement of income of £2,090k is forecast, a decrease of £64k since the September report due to:

- The Housing Investment budget is forecasting an underachievement of income of £194k, on its £5.8m budget. As a result of positive cashflows into the company from a property sale, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. The company is noting progress with planning and construction closely, given the ongoing pandemic.
- The Cromwell Leisure Park forecast within Property Investments has improved by £258k, due to now expecting to be able to reclaim rent owed on one of the units, plus a Company Voluntary Arrangement has been confirmed for one of the newly vacated units which will cover the rent owed on that lease.

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:

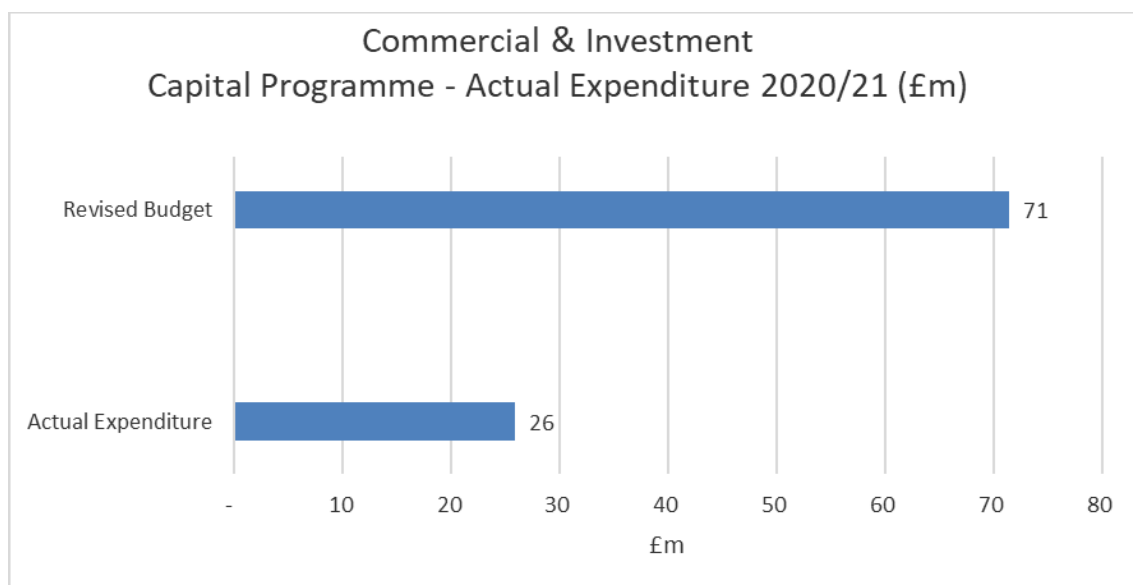
Service Area	Details	Estimated cost 2020-21 £000	April –Oct impact £000
Property Services	Loss of income from Shire Hall & Castle Court Car park	80	53
Collective Investment Funds	Anticipate a 23% reduction on annual return from CCLA fund	98	98
Contract Efficiencies & Other Income	There is expected to be a delay in contract negotiations during this time	249	140
Property Services	Cambs 2020 programme removal costs with regards to H&S	20	5
Property Investments	Reduction in rent received from commercial properties	1,152	892
Traded Services	Reduction in income due to CPDC being closed	52	52
Collective Investment Funds	Anticipate reduction in the return in investment	859	665

Service Area	Details	Estimated cost 2020-21 £000	April –Oct impact £000
Property Services	Cost of additional signage and H&S supplies and resource	24	15
Traded Services	Reduction in ICT Service income due to the closure of schools and change of roles	77	45

2. Capital Executive Summary

2.1 Expenditure

Commercial and Investment Committee has expenditure of £25.8m to date on the Capital Programme, against a revised budget of £71m:



In-year, an underspend of £5.7m is forecast; this is in addition to the Capital Variations budget of £17.6m.

Significant issues are detailed below:

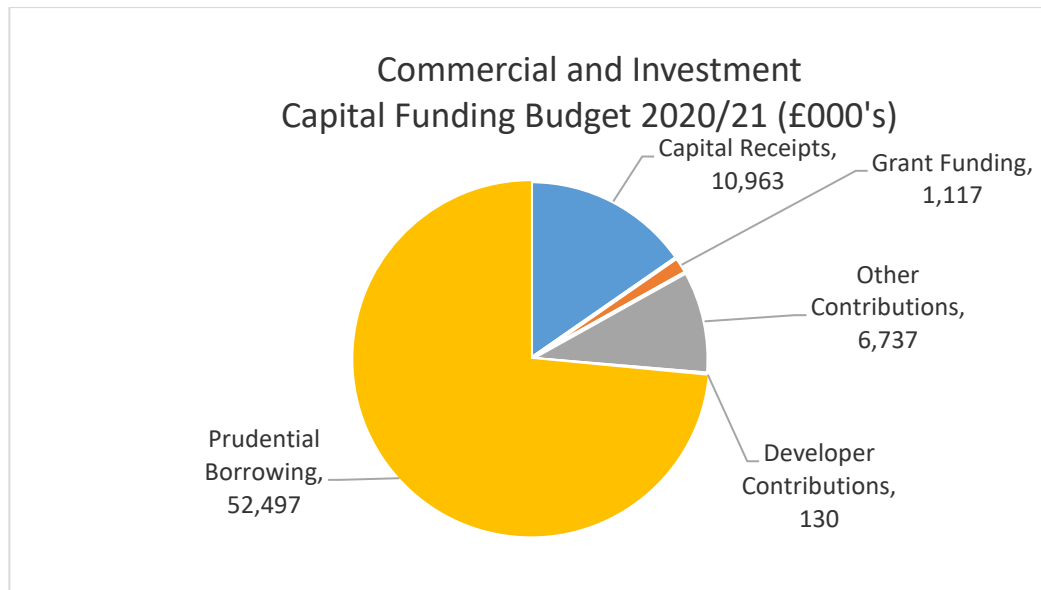
Commercial Activity

The Commercial Investment scheme is forecast to underspend by £11.3m. There are no active plans at this stage for investment prior to the end of the financial year, given the current market conditions and general uncertainty. This will reduce the capital receipt requirement.

The Housing scheme is forecasting to underspend by £9.8m. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. This will reduce the borrowing requirement in year by £9.4m and the capital receipts requirement by £0.4m.

2.2 Funding

Commercial and Investment Committee has a revised capital funding budget of £71m in 2020/21.



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 quarter two table is included as [Annex 4](#). The quarter three table will be published in the December report.

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 Finance & Performance Report – October 2020

Previous Forecast Outturn Variance £000's	Service	Budget 2020/21 £000's	Actual Sept 2020 £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Commercial Activity					
1,186	Property Investments	-3,665	-2,525	928	25%
-159	Shareholder Company Dividends	-491	433	-159	-32%
0	Housing Investment (This Land Company)	-5,796	173	194	3%
249	Contract Efficiencies & Other Income	-449	0	249	55%
1,028	Collective Investment Funds	-1,560	-96	1,028	66%
-150	Renewable Energy Investments	-265	-1,006	-150	-57%
2,154	Commercial Activity Total	-12,225	-3,020	2,090	17%
Property Services					
84	Facilities Management	5,835	3,149	85	1%
0	Property Services	792	497	0	0%
0	Property Compliance	206	-334	0	0%
84	Property Services Total	6,833	3,312	85	1%
Strategic Assets					
0	County Farms	-4,211	-2,225	0	0%
31	Strategic Assets	716	-41	31	4%
31	Strategic Assets Total	-3,495	-2,265	31	-1%
Traded Services					
0	Traded Services - Central	0	0	0	0%
72	ICT Service (Education)	-200	-205	82	41%
116	Professional Development Centres	-71	75	116	163%
188	Traded Services Total	-271	-130	198	73%
2,456	Total	-9,159	-2,103	2,403	27%

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.

Property Investments

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-3,665	-2,727	928	25

The Property Investments budget is forecast to underachieve by £928k for the following reasons:

- 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 £1,152k.
- The Kingsbridge forecast has improved by £225k because the debt charge has reduced due to application of capital receipts to fund most of the purchase.

Shareholder Company Dividends

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-491	-650	-159	-32%

The Shareholder Company Dividends budget is forecasting to overachieve by £159k in 2020/21. This is due to underestimating the reserve amount for the 2019/20 ESPO Dividend.

Housing Investment (This Land Company)

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-5,796	-5,602	194	3%

The Housing Investment budget is forecasting an overspend of £194k, on its £5.8m budget. As a result of positive cashflows into the company from a property sale, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. The company is noting progress with planning and construction closely, given the ongoing pandemic.

Contract Efficiencies & Other Income

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-449	-200	249	55%

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.

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.

Collective Investment Funds

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-1560	-532	1,028	66%

The Collective Investment Funds budget is forecast to underachieve by £1,028k.

- A reduced return on investment of £98k on the annual return from the CCLA fund is forecast due to the pandemic.
- 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. A lower overall yield has been selected than originally anticipated, taking account of environmental and sustainability governance. 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 been reduced to £281k, a variance of £930k.

Renewable Energy Investments

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-265	-415	-150	57%

The income received from the Solar Farm has increased due to the favourable weather conditions over the spring and summer; an overachievement of income of £150k is forecast in 2020/21.

Facilities Management

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
5,835	5,920	85	1%

At the end of October 20 an overspend of £85k is forecast. This is due to:

- The rateable value for the newly refurbished Cambridgeshire Archives Centre has increased and business rates are now expected to cost £145k per annum. This came into effect from October 2019, which has resulted in an in-year pressure for the backdated amount. The total overspend for business rates in 2020/21 is £119k.
- The budget for the new Spokes building Bernard Sunley is £44k for 2020/21, which is not sufficient for the amount required to occupy the building. The total forecast overspend is £77k.
- 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 is not required during 2020/21, therefore creating a -£175k underspend.
- The Shire Hall Car Park Income budget is forecasting to underachieve by £80k in 2020/21. This is based on not charging for the car park for 3 months, and less income being received once charging commences.

ICT Service (Education)

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-200	-118	82	41%

The ICT Service are forecasting an underachievement of income of £82k in 2020/21. This is due to a combination of reduced training income over the school closure period, and reduced earning potential while staff have been working on the set up of devices provided by the Department for Education. A greater online training offer is being delivered which is helping to mitigate the position.

Professional Development Centres

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-71	45	116	163%

The Professional Development Centre budget is forecasting to underachieve by £116k. The centre at CPDC will be closing in 2020/21 as part of Cambs 2020, causing a £64k 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 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.

Annex 3 – Capital Position

3.1 Capital Expenditure 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
192,416	4,101	Commercial Activity				
158,222	32,050	Commercial Investments	11,323	-	-	(11,323)
200	-	Housing Schemes	42,300	19,942	32,500	(9,800)
3,645	3,306	Development Funding	200	-	200	-
6,306	563	St Ives Smart Energy Grid	1,110	-	260	(850)
6,969	-	Babraham Smart Energy Grid	322	94	262	(60)
8,267	8,027	Trumpington Smart Energy Grid	87	-	45	(42)
2,526	-	Stanground Closed Landfill Energy Project	491	14	336	(155)
26,258	25,345	Woodston Closed Landfill Energy Project	-	(11)	-	-
40	20	North Angle Solar Farm	5,014	(178)	5,014	-
643	-	Light Blue Fibre	20	-	20	-
907	-	Swaffham Prior Energy Project	537	194	537	-
-	-	Cambridgeshire Outdoor Centres	864	238	864	-
-	-	Marwick Centre Roof Repair	-	59	59	59
-	-	March Community Centre	400	-	400	-
475	475	LGSS Law Equity	-	-	-	-
406,874	73,887		62,667	20,354	40,497	(22,170)
6,352	600	Property Services				
345	-	Building Maintenance	1,042	252	1,042	-
6,405	2,965	Office Portfolio Rationalisation	11	(6)	11	-
90	-	Investment in the CCC asset portfolio	4,793	848	4,793	-
15,000	3,000	Property Asset Database	90	-	90	-
200	200	Decarbonisation Fund	3,000	107	3,353	353
28,392	6,765	Electric Vehicle Chargers	200	0	200	-
1,000	100	Strategic Assets	9,136	1,202	9,489	353
3,000	300	Local Plans Representations	100	-	100	-
1,981	885	County Farms Investment	300	107	300	-
18,326	9,721	Community Hubs - East Barnwell	1,584	9	100	(1,484)
295	-	Shire Hall Relocation	14,076	4,034	14,076	-
330	-	Meads Farm House Replacement	272	166	272	-
24,932	11,006	Mill Rd - Former Library	330	7	330	-
669	603	Capitalisation of Interest Budget	603	-	603	-
(32,070)	(17,692)	Capital Programme Variations Budget	(17,625)	-	-	17,625
428,797	74,569	TOTAL	71,443	25,878	65,767	(5,676)

3.2 Capital Variation 2020/21

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 £000	Forecast Outturn Variance (Oct 2020) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Oct 2020) £000
C&I	-17,625	-17,625	-17,625	100%	(5,676)

3.3 Capital Funding 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
3,736	Capital Receipts	10,963	1,931	(9,032)
1,373	Grant Funding	1,117	841	(276)
6,731	Other Contributions	6,737	8,500	1,763
130	Developer Contributions	130	-	(130)
62,599	Prudential Borrowing	52,497	54,495	1,998
74,569	TOTAL	71,443	65,767	(5,676)

3.4 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 below:

Commercial Investment

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
11,323	-	-	-	-11,323	-11,323	-

The Commercial Investment scheme is forecast an underspend of £11.3m. There are no active plans at this stage for investment prior to the end of the financial year, given the current market conditions and general uncertainty. This will reduce the capital receipts requirement by £11.3m.

St Ives Smart Energy Grid

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
1,110	260	-850	-850	-	-	-850

Due to ongoing delays in securing necessary grant funding, forecast expenditure to support the construction of the Smart Energy Grid has been delayed until 2021/22.

The Community Hubs – East Barnwell

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
1,584	100	-1,484	-1,484	-	-	-1,484

The Community Hubs – East Barnwell scheme is forecasting an underspend of £1,484k; the only costs expected in 20/2021 will be related to planning, and any construction costs will be in future years. This will reduce the developer contributions applied this year by £260k and the prudential borrowing requirement in year by £1,193K.

Decarbonisation Fund

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
3,000	3,353	353	353	-	-	353

The Decarbonisation scheme is forecasting an overspend of £353k due to accelerated spend; this forecast is based on the number of projects expected to go ahead and estimated costs of the projects. There are between 14 and 19 projects expected to complete this year. The accelerated spend means that the benefits will be gained earlier than originally anticipated; the total scheme forecast remains a balanced budget, therefore this will increase the borrowing requirement in year by £353k and reduce borrowing in future years.

Housing Schemes

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
42,300	32,500	-9,800	-	-9,800	-	-9,800

The Housing scheme is forecasting an underspend of £9.8m. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. This will reduce the borrowing requirement in year by £9.4m and the capital receipts requirement by £0.4m.

Annex 4 – Savings Tracker Quarter 2

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.6.003	Babbage House closure	-397	0	0	0	-397	-397	0	0	Green	Babbage House to close 31 July
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	-8	0	0	0	-8	-8	0	0	Green	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs.
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	-18	-18	0	0	0	-18	0	0	Green	Increased income received to date
F/R.7.106	Utilisation/commercialisation of physical assets (One Public Estate)	-36	0	0	0	-36	-36	0	0	Green	
F/R.7.110	Return on Commercial Property Investments	-105	0	0	0	0	105	105	100	Black	This was an extension of the current target, which will not be met due to delayed investment.
F/R.7.113	Invest to Save Housing Schemes - Income Generation	54	0	0	0	54	54	0	0	Green	Net reduction in income from loans from This

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
											Land expected in 20/21
F/R.7.127	County Farms – Commercial uses	-75	-38	0	-37	0	-75	0	0	Green	Rental income on target
F/R.7.130	Increase in ESPO dividend	-250	0	0	0	-250	-250	0	0	Green	
F/R.7.129	Pooled Property Fund Investment (CCLA)	-420	-95	-80	-80	-67	-322	98	23	Amber	Anticipate lose 23% of annual return from CCLA fund, due to the fund granting rental breaks

Annex 5 – Technical Note

1. Grant Income Analysis

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

2. Virements and Budget Reconciliation

Budgets and Movements	£'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
Transfer of budget from Property Services to Information Management for offsite storage	-20	June 2020
Transfer of budget from Finance to This Land budget for Non-Exec Director costs.	-35	September 2020
Transfer for the pay award and mileage savings for Q2.	4	October 2020
Revised Budget	-9,159	

3. Reserve Schedule

Fund Description	Balance at 01 April 2020	Movements in 2020/21	Balance at 31 Oct 2020	Forecast Balance at 31 March 2021	Notes
Other Earmarked Funds					
North Cambridge Academy site demolition costs	705	0	705	0	1
subtotal	705	0	705	0	
Capital Reserves					
Capital Receipts	11,632	325	11,957	12,518	2
subtotal	11,632	0	11,632	0	
TOTAL	12,337	0	12,337	0	

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 to purchase equity in This Land, or for Commercial Investment.