

Commercial and Investment

Finance Monitoring Report – July 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

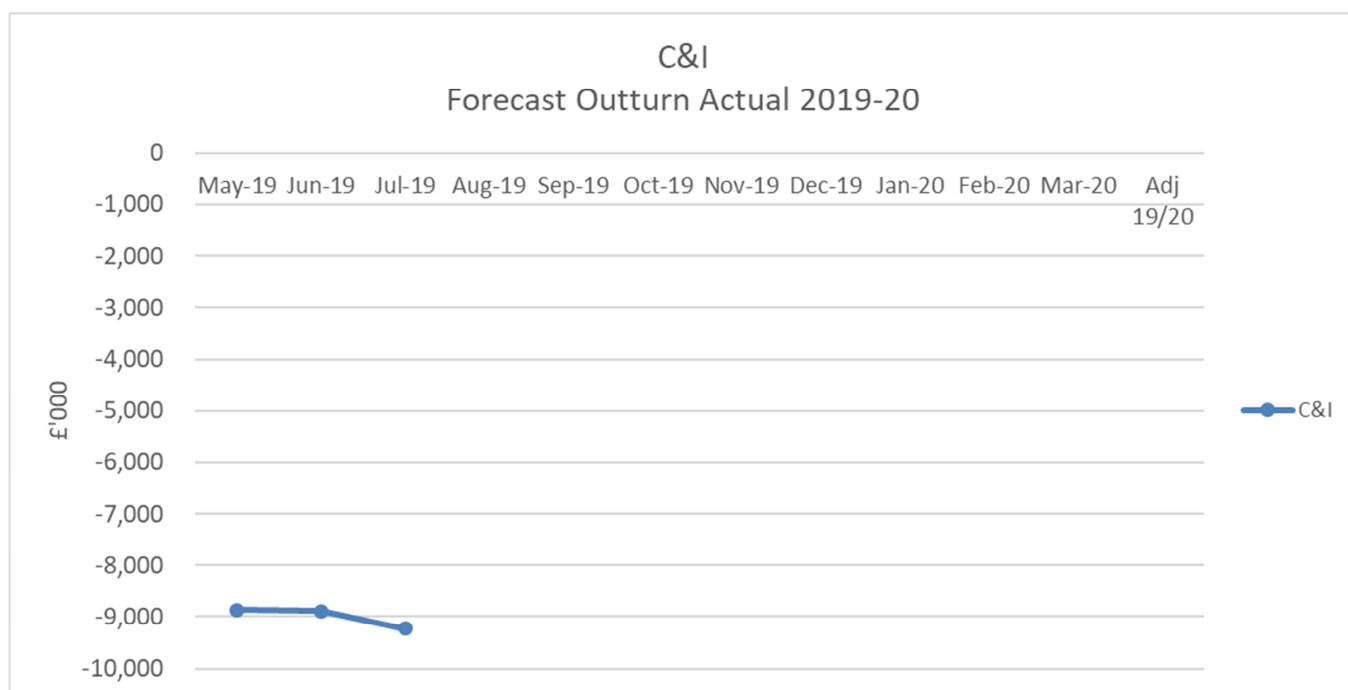
2. REVENUE EXECUTIVE SUMMARY

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 (June) £000	Directorate	Budget £000	Actual £000	Outturn Variance (July) £000	Outturn Variance (July) %
393	Commercial Activity	-11,957	-550	58	0.5%
63	Property Services	6,229	2,234	63	1.0%
-54	Strategic Assets	-3,301	-472	-66	2.0%
83	Traded Services	-343	-377	81	23.7%
484	Total	-9,371	836	136	1.5%

- 2.1.2 Commercial and Investment (C&I) has a negative budget as it has an income target for 2019/20 of -£9,371k. As such, the forecast outturn variance of £136k means that C&I is expecting to achieve a net income position of -£9,235k by year-end as demonstrated in the following chart:



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

2.2 Significant Issues

2.2.1 At the end of July 2019, Commercial and Investment is forecasting an underachievement of income of £136k in 2019/20, which is a decrease of £348k from the previous forecast. The change in forecast is mainly due to additional investment income from the CCLA Managed Investment Fund.

2.2.2 Commercial Activity

An investment in the Charities Churches and Local Authorities (CCLA) Local Authorities Property 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.

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](#).

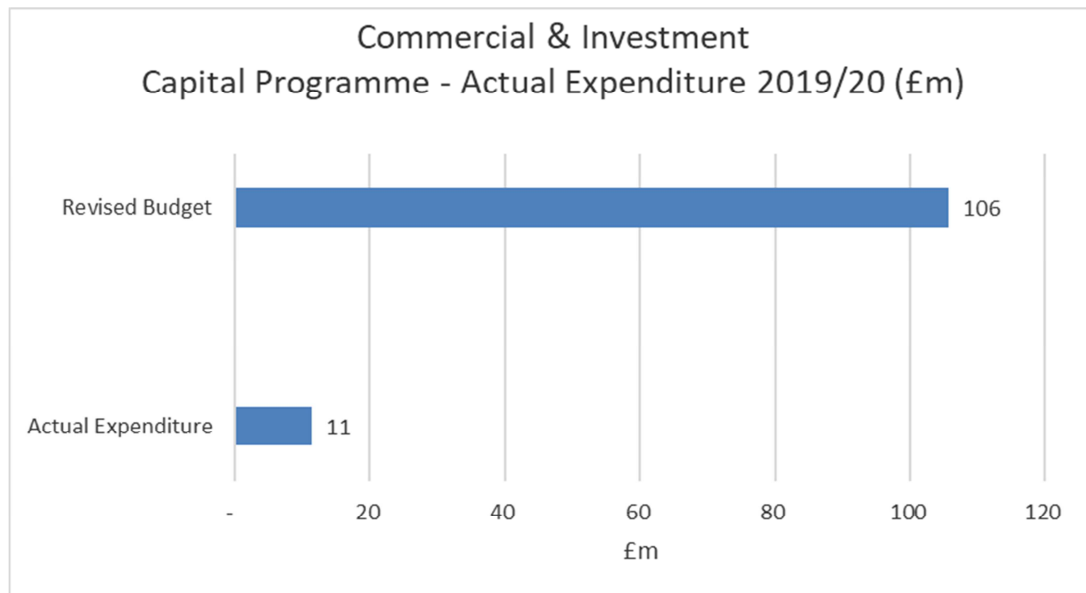
3. SAVINGS TRACKER SUMMARY

3.1.1 The savings tracker is produced quarterly. The latest savings tracker for C&I can be found in [C&I Annex 3](#).

4. **CAPITAL EXECUTIVE SUMMARY**

4.1 **Expenditure**

4.1.1 Commercial and Investment Committee has expenditure of £11.3m to date on the Capital Programme, against a revised budget of £106m:



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

4.1.2 **Commercial Activity**

The Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This is due to some loans to This Land being issued later than anticipated, therefore some loans that were initially planned for 2019/20 will be pushed back into 2020/21.

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.

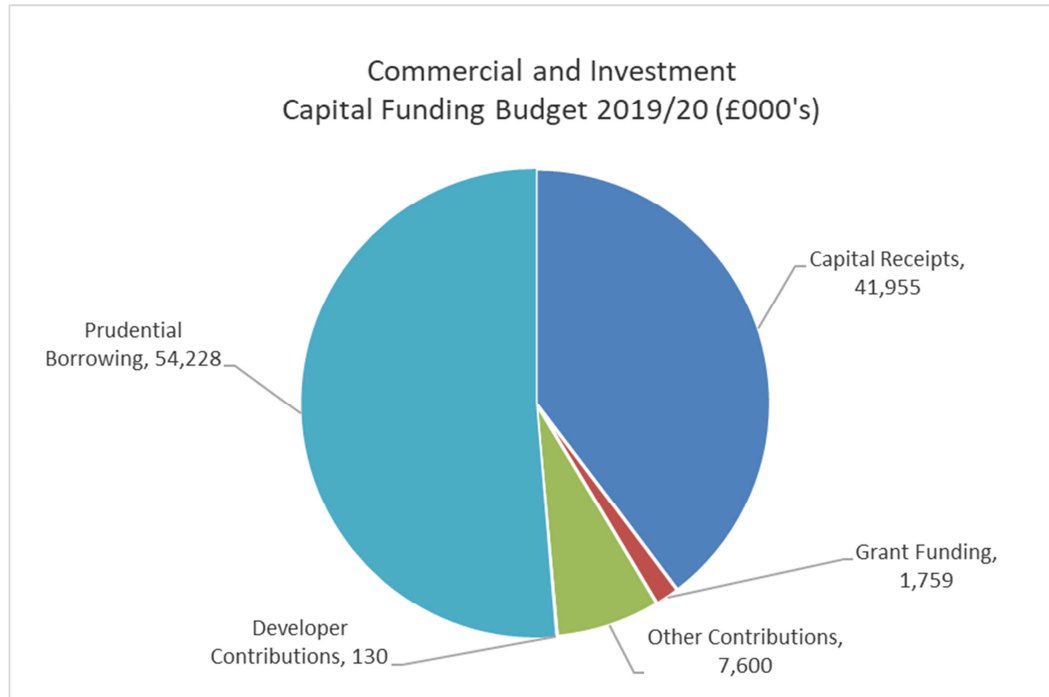
The Trumpington Smart Energy Grid scheme is expected to underspend by £313k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.

4.1.3 **Strategic Assets**

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.

4.2 Funding

4.2.1 Commercial and Investment Committee has a capital budget of £106m in 2019/20, which is funded by the following capital resources:



4.2.2 Commercial Activity

As detailed above, the Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This will reduce the prudential borrowing requirement by this amount. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

As detailed above the two Smart Energy Grid schemes are expected to have a total underspend of £3.5m in 2019/20. This will reduce the grant funding applied in 2019/20 by £1.8m and the prudential borrowing requirement by £1.7m. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

4.2.3 Strategic Assets

As detailed above, the Community Hubs – East Barnwell budget is expected to underspend by £841k in 2019/20. This will reduce the anticipated developer contributions funding by £130k and reduce the prudential borrowing requirement by £711k. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

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.

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 £000	Forecast Variance - Outturn (July) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (July) £000
C&I	-26,312	-6,706	-6,706	25.5%	0

- 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 July 2019 for Commercial and Investment are as follows:

Forecast Outturn Variance (June)		Budget 2019/20	Actual July 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
0	Property Investments	-4,700	-716	0	0%
-0	Shareholder Company Dividends	-206	530	-0	0%
393	Housing Investment (This Land Company)	-5,728	74	393	7%
-0	Contract Efficiencies & Other Income	-449	-4	-0	0%
0	CCLA Managed Investment	0	0	-335	0%
0	Renewable Energy Investments	-874	-433	0	0%
393	Commercial Activity Total	-11,957	-550	58	0%
Property Services					
63	Facilities Management	5,369	1,913	63	1%
0	Property Services	655	292	0	0%
0	Property Compliance	205	28	0	0%
63	Property Services Total	6,229	2,234	63	1%
Strategic Assets					
-54	County Farms	-4,114	-107	-66	-2%
0	Strategic Assets	813	-365	0	0%
-54	Strategic Assets Total	-3,301	-472	-66	2%
Traded Services					
0	Traded Services - Central	0	24	0	0%
-5	ICT Service (Education)	-200	-913	-8	-4%
0	Professional Development Centres	-71	-22	0	0%
0	Cambridgeshire Music	5	437	0	0%
88	Outdoor Education (includes Grafham Water)	-77	98	89	116%
83	Traded Services Total	-343	-377	81	24%
484	Total	-9,371	836	136	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	%
Housing Investment (This Land Company)	-5,728	-5,335	393	7
An underachievement of income of £393k 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.				
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.				

Savings Tracker 2019-20

			Investment £000				Prior Years	Planned Savings 2019-20 £000						Prior years	Forecast Savings 2019-20 £000											
			2,577	928	-21	0	-8,138	0	0	0	0	0	-1,736	-3,960	0	0	0	0	-219	-1,744	-208					
Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	RAG	Officer RAG	Direction of travel	Forecast Commentary	Links with partner organisations
F/R.6.001	BP 19/20 Contract Efficiency	A review of specific areas identified within the contract register to discover what potential there is for savings through more commercially minded renegotiation, re-consideration of service specifications and consideration of where smarter payment processes may assist in driving down costs.	0	0	0	0	0	0	0	0	0	-200	0	0	0	0	-200	0	0	No	0.00	Green	Green	↑	Contracts and expected savings have been identified	
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs. Links to capital proposal F/C.2.119	0	0	0	0	-39	0	0	0	0	-19	-39	0	0	0	-19	-19	0	No	0.00	Green	Green	↔		
F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Element surplus to repaying financing costs.	0	0	0	0	-15	0	0	0	0	16	-15	0	0	0	0	16	0	No	0.00	Green	Green	↔		
F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Links to capital proposal F/C.2.101.	0	0	0	0	-97	0	0	0	0	-16	-95	0	0	0	0	-16	0	No	0.00	Green	Green	↔		
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to repay financing costs. Links to capital proposal C/C.2.102 in BP 2016-17.	0	0	0	0	-877	0	0	0	0	-8	-877	0	0	0	0	-8	0	No	0.00	Green	Green	↔		
F/R.7.106	Utilisation/commercialisation of physical assets	One Public Estate Asset plan Maximise the income generated from parking Venue request tool	0	0	0	0	0	0	0	0	0	-21	0	0	0	0	0	-21	0	No	0.00	Green	Green	↔		
F/R.7.113	Invest to Save Housing Schemes - Income Generation	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	2,577	928	-21	0	-6,923	0	0	0	0	-1,483	-2,747	0	0	0	0	-1,691	-208	No	-14.03	Blue	Green	↔	Dependent on loans going through to This Land as per schedule in 19-20	
F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to surplus to repaying financing costs.	0	0	0	0	-187	0	0	0	0	-5	-187	0	0	0	0	-5	0	No	0.00	Green	Green	↔		

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	6,927	52,444	-
153,009	43,067	Housing Schemes	56,847	2,941	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	9,868	109,004	(5,865)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	926	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	953	2,016	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	11	300	-
5,198	4,616	MAC Joint Highways Project	5,198	-	5,198	-
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	-
29,882	11,559		15,018	492	14,177	(841)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	(19,606)	6,706
304,511	90,443	TOTAL	105,672	11,312	105,672	-

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	54,228	56,117	1,889
90,443	TOTAL	105,672	105,672	-

3. Reported Exceptions – Capital Expenditure and Funding

[illegible]

Revised Budget for 2019/20	Forecast Spend - Outturn (July)	Forecast Variance (July)	Variance Last Month (June)	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	-252	150	-	-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
Revised Budget	-9,371	

3. Reserve Schedule

Fund Description	Balance at 01 April 2019	Movements in 2019/20	Balance at 31 July 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	13,208	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.