

Commercial and Investment

Finance and Performance Report – August 2017

1. SUMMARY

1.1 Finance

Previous Status	Category	Target	Current Status	Section Ref.
N/A	Income and Expenditure	Balanced year end position	Amber	2.1 – 2.4
N/A	Capital Programme	Remain within overall resources	Green	3.2

2. INCOME AND EXPENDITURE

2.1 Overall Position

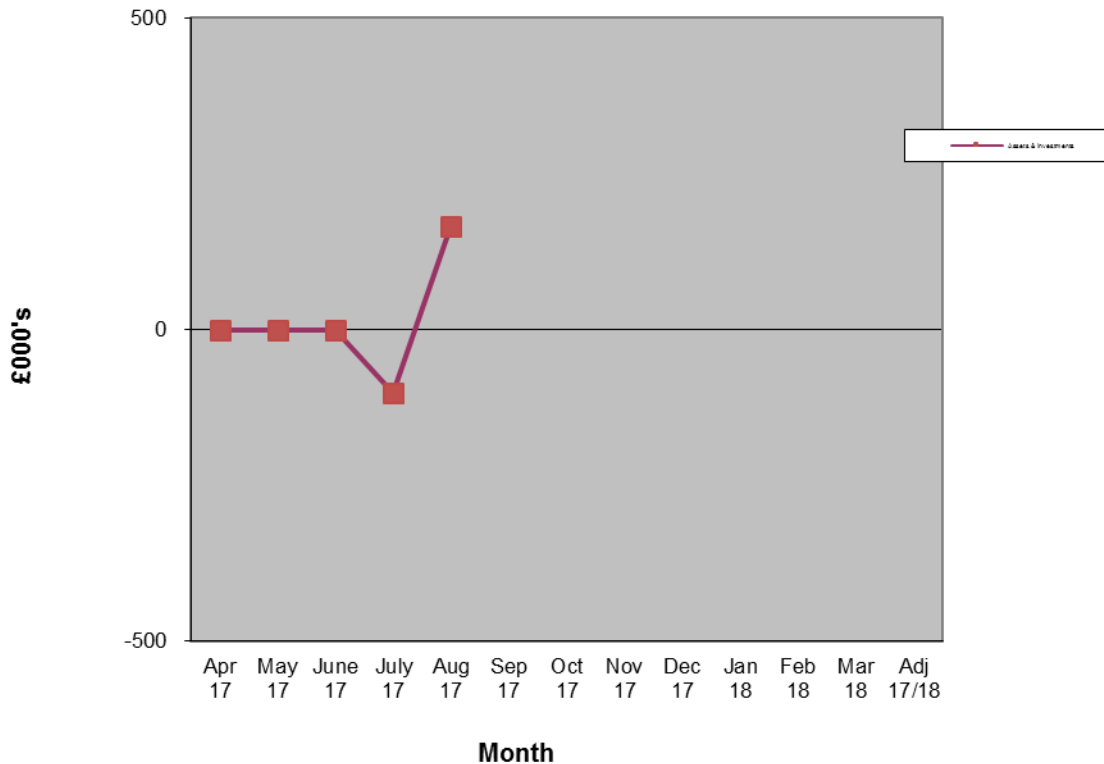
Original Budget as per BP ¹	Directorate	Current Budget	Forecast Variance - Outturn (July)	Forecast Variance - Outturn (August)	Forecast Variance - Outturn (August)	Current Status	DoT
£000		£000	£000	£000	%		
2,702	Commercial & Investment	1,907	84	165	9	Amber	↓
2,702	Total	1,907	84	165	9		

¹ The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan.

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

Further analysis of the results can be found in [C&I appendix 2](#).

Commercial & Investment - Outturn 2017/18



2.2 Significant Issues – Commercial and Investment

Commercial and Investment Committee is currently predicting an overspend of £165k at year-end, an adverse movement of £266k compared to the position reported last month.

This movement is due to the transfer of CCS (Cambridgeshire Catering & Cleaning Services), which was previously managed within the People & Communities directorate with an interim head of service. As part of recent internal re-organisations within P&C and CCS, the service is currently being led by the Resources directorate, and the financial contribution this service makes to the Council, and associated variances, are now reflected within the above tables. The Commercial & Investment Committee will oversee the service going forward, and as part of the transformation underway to ensure alignment to the Council's commercial interests.

CCS continues to report a forecast surplus contribution of £183k. The service is currently forecasting an under recovery of £266k, which has increased from the £216k pressure identified at budget build, and £185k as reported in July.

The movement in month primarily relates to prior months' costs that weren't included in the July forecast, notably higher than expected variable staff hours from July paid in August.

Plans are being progressed with the Transformation Team to develop strategies in which the service can be competitive in price, make efficiencies to the service, and increase customer engagement. The Management Team are considering a number of additional actions for potential delivery in-year, alongside wider considerations for long term model and structure. As a result of support from the Transformation Team and the wider considerations, the Head of Service and Client Development posts are being held vacant, enabling an in-year saving of £70k to be held whilst appropriate structure and future model discussions take place. The mothballed C3 cook freeze unit has a potential £500k dilapidations cost (awaiting verification) to resolve before the lease can be ended, and £80k p.a. ongoing costs until then.

2.3 Additional Income and Grant Budgeted this Period (De minimis reporting limit = £30,000)

No items above the de minimis reporting limit were recorded during August 2017.

A full list of additional grant income for Commercial and Investment Committee can be found in [C&I appendix 3](#).

2.4 Virements and Transfers to / from Reserves (including Operational Savings Reserve) (De minimis reporting limit = £30,000)

The following virements were recorded this month to reflect changes in responsibilities:

	£	Notes
Transfer of CCS budgets to C&I from P&C	-449,000	
Non material virements (+/- £30k)	0	

A full list of virements made in the year to date for Commercial and Investments can be found in [C&I appendix 4](#).

3. BALANCE SHEET

3.1 Reserves

A schedule of the Commercial and Investment reserves can be found in [C&I appendix 5](#).

3.2 Capital Expenditure and Funding

Expenditure

Commercial and Investment Committee has a capital budget of £116m in 2017/18 and there is £1.2m spend to date. Predicted in-year variances of £755k have been netted off against the Capital Programme Variations budget; therefore it is currently expected that the programme will be in balance at year-end 2017/18, and that there will be £140k total scheme variances over the lifetime of the schemes.

As previously reported, the Housing Scheme budgets reflect the proposals included in the Business Plan 2017/18. The CHIC financial model is under review and any changes to the forecasts will be reported when further information becomes available. Planning permission is being actively progressed on schemes in order to maximise asset values.

The Renewable Energy Soham scheme is currently predicted to underspend by £255k in 2017/18. Of this underspend, £140k represents a reduction in the expected final cost of the project, leading to a predicted underspend against the total scheme budget, and £116k budget will be required to meet retention costs in 2018/19.

The Sawston Community Hub scheme is forecasting an underspend of £500k in 2017/18. This is due to delays in the build start date which may push some works back into 2018/19 and retention costs which will now be due in 2018/19; the total scheme cost is not affected.

Funding

Commercial and Investment Committee has capital funding of £116m in 2017/18.

As reported above, projected in-year variances remain within the allowance made in the capital variation budget. The programme budget is therefore expected to be in balance at year-end, with the expectation that this funding will continue to be required in line with the revised budget proposals.

A detailed explanation of the position for Commercial and Investment Committee can be found in [C&I appendix 6](#).

4. PERFORMANCE

4.1 Performance data for Commercial and Investments is not currently available.

A&I APPENDIX 1 – Commercial and Investment Budgetary Control Report

The variances to the end of August 2017 for Commercial and Investment are as follows:

Original Budget as per BP £000	Service	Current Budget for 2017/18 £000	Forecast Variance - Outturn (July) £000	Forecast Variance - Outturn (August) £000	Forecast Variance - Outturn (August) %
	<u>Commercial & Investment</u>				
1,111	Building Maintenance	1,111	0	0	0
-4,404	County Farms	-4,404	0	0	0
4,500	County Offices	4,568	-450	-450	-10
718	Property Services	521	0	0	0
22	Property Compliance	106	0	0	0
-11	Capital Team	0	0	0	0
766	Strategic Assets	713	349	349	49
0	Cambridgeshire Catering & Cleaning Services	-449	185	266	59
0	Grant Income	-260	0	0	0
2,702		1,907	84	165	9
2,702	COMMERCIAL & INVESTMENT TOTAL	1,907	84	165	9
	-				
	MEMORANDUM - Grant Income				
0	One Public Estate Grant	-260	0	0	0
0		-260	0	0	0

C&I APPENDIX 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 Variance - Outturn	
		£'000	%
County Offices	4,568	-450	-10
County Offices budgets are forecast to underspend by £450k at year-end. Members will be aware that the Council has increased public access to pay and display parking at the Shire Hall Campus and following successful implementation and marketing, this is now generating significant additional revenue income (£105k). The balance of the underspend is due to a rebate (£345k) for business rate costs following the leasing of the Castle Court office building to a student accommodation provider.			
Strategic Assets	713	349	49
Strategic assets budgets are predicting a £349k overspend at year end. This is due to the ending of shared service arrangements for Property and Asset services with LGSS. Whilst shared service arrangements applied the Council benefitted from savings made across partners. At the ending of the arrangements, budgets were disaggregated to the partners. As the equalisation between LGSS partners no longer applies for this service area, Cambridgeshire no longer receives the benefit of savings made at other partners and has a remaining deficit on the delivery of these services compared to the budget.			
Cambridgeshire Catering & Cleaning Services	-489	266	54
<p>As part of recent internal re-organisations within P&C and CCS, the service is currently being led by the Resources directorate, and the financial contribution this service makes to the Council, and associated variances, are now reflected within the C&I tables. The Commercial & Investment Committee will oversee the service going forward, and as part of the transformation underway to ensure alignment to the Council's commercial interests.</p> <p>CCS is currently forecasting an under recovery of £266k, which has increased from the £216k pressure identified at budget build, and the £185k reported in July. The movement in month primarily relates to prior months costs that weren't included in the July forecast, notably higher than expected variable staff hours from July paid in August. Plans are being progressed with the Transformation Team to develop strategies in which the service can be competitive in price, make efficiencies to the service, and increase customer engagement. The Management Team are considering a number of additional actions for potential delivery in-year, alongside wider considerations for long term model and structure. As a result of support from the Transformation Team and the wider considerations, the Head of Service and Client Development posts are being held vacant, enabling an in-year saving of £70k to be held whilst appropriate structure and future model discussions take place. The mothballed C3 cook freeze unit has a potential £500k dilapidations cost (awaiting verification) to resolve before the lease can be ended, and £80k p.a. ongoing costs until then.</p>			

C&I APPENDIX 3 – Grant Income Analysis

The table below outlines the additional grant income, which was not built into base budgets.

Grant	Awarding Body	Expected Amount £000
Grants as per Business Plan		0
One Public Estate	Cabinet Office	260
Total Grants 2017/18		260

C&I APPENDIX 4 – Virements and Budget Reconciliation

	£000	Notes
Budget as per Business Plan	2,702	
Business Plan adjustments	44	
Transfer of Apprenticeship Levy from CS to C&I	6	
Transfer of Energy Team from C&I to ETE	-58	
Transfer of LGSS savings from C&I to LGSS Cambridge Office	-349	
Transfer of CCS budgets to C&I from P&C	-449	
Non-material virements (+/- £30k)	11	
Current Budget 2017/18	1,907	

C&I APPENDIX 5 – Reserve Schedule

1. Commercial and Investments Reserves

Fund Description	Balance at 31 March 2017	Movements in 2017/18	Balance as at 31 August 2017	Forecast Balance at 31 March 2018	Notes
	£'000	£'000	£'000	£'000	
<u>Other Earmarked Funds</u>					
Manor school site demolition costs	362	26	389	389	1
subtotal	362	26	389	389	
<u>Short Term Provisions</u>					
SPV provision	24	0	24	24	
subtotal	24	0	24	24	
SUBTOTAL	386	26	413	413	
<u>Capital Reserves</u>					
General Capital Receipts	0	3,076	3,076	0	2
subtotal	0	3,076	3,076	0	
TOTAL	386	3,103	3,489	413	

Notes

- 1 Rental income from Bellerbys buildings on Manor School site is being held to offset demolition costs when the lease expires in 2021.
- 2 Capital Receipts will be used to fund the capital programme at year-end.

C&I APPENDIX 6 – Capital Expenditure and Funding

Capital Expenditure

Commercial & Investment Capital Programme 2017/18						TOTAL SCHEME	
Original 2017/18 Budget as per BP £000	Scheme	Revised Budget for 2017/18 £000	Actual Spend 2017/18 £000	Forecast Spend - Outturn £000	Forecast Outturn Variance £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
550	Shire Hall Campus	550	202	550	-	5,502	-
350	Local Plans Representations	350	104	350	-	3,902	-
500	County Farms Viability	621	158	621	-	3,353	-
600	A&I - Building Maintenance	600	314	600	-	5,579	-
-	- Other Committed Projects	20	1	20	-	225	-
-	- Renewable Energy Soham	775	1	520	(255)	9,994	(140)
113,476	Housing Schemes	112,209	420	112,209	-	183,226	-
482	MAC Joint Highways Project	482	-	482	-	5,198	-
-	- Office Portfolio Rationalisation	200	6	200	-	345	-
1,068	Sawston Community Hub	1,401	9	901	(500)	1,502	-
(550)	Capital Programme Variations	(1,000)	-	(245)	755	(767)	-
116,476	TOTAL	116,208	1,216	116,208	-	218,059	(140)

Previously Reported Exceptions

- As previously reported, the Commercial and Investment capital programme budget reduced by £250k due to the removal of the Energy Efficiency Fund budget, which transferred to Economy, Transport and Environment Committee.
- The Sawston Community Hub scheme transferred from LGSS Managed to Commercial & Investment with a budget of £1.4m; alongside this the capital programme variations budgets for Commercial & Investment and LGSS Managed were realigned, so the variations budget for Commercial & Investment returned to 20% of its budget (excluding housing schemes).

The Sawston Community Hub scheme was placed on hold in 2016/17, following delays arising from prolonged negotiations with the parish council and the village college, before the planning application could be submitted. The scheme has since been reviewed, and following market testing the total scheme costs have now been re-assessed at £1.502m. This represents an increase of £178k over the estimated total scheme costs at Milestone 3+ (£1.324m), and an increase of £193k in the total scheme budget as recorded in the Business Planning proposals for 2017/18 (£1.309m); the programme budget had previously remained at the original estimate of £1.309m pending further review of the scheme. This cost increase is due to the actual cost inflation of materials over the period the project was delayed and issues arising from detailed design work.

General Purposes Committee was asked to approve the revised budget of £1.502m at its meeting on 19th September. This revision required an increase of £193k to the Prudential Borrowing requirement.

- As previously reported the capital programme figures include a revised Capital Programme Variations target, which effectively reduces the programme budget. As forecast underspends start to be reported, these are netted off against the forecast outturn for the variation budget, resulting in a forecast balanced budget up until the point when slippage exceeds the variation budget.
- The Housing Scheme budgets reflect the proposals included in the Business Plan 2017/18. The CHIC financial model is currently under review and any changes will be reported when further information becomes available.

Capital Funding

Commercial and Investment Capital Programme 2017/18				
Original 2017/18 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2017/18 £000	Forecast Outturn Spend (August) £000	Forecast Outturn Funding Variance (August) £000
81,583	Capital Receipts	81,583	81,583	-
33,825	Prudential Borrowing	34,625	34,625	-
115,408	TOTAL	116,208	116,208	-

Previously Reported Exceptions

- As reported above, the Energy Efficiency Fund budget of £250k transferred to Economy, Transport and Environment Committee, therefore the Commercial and Investment Committee borrowing requirement reduced by this amount.
- The Sawston Community Hub scheme transferred to the Commercial & Investment Committee with an approved budget of £1.2m; General Purposes Committee was asked to approve an increase of £193k in budget for the scheme, resulting in an increased borrowing requirement of this amount.
- The capital programme budget incorporates the following funding adjustments:
 - £1.1m funding for schemes carried-forward from 2016/17.
 - A reduction of £1.3m in respect of Housing Scheme funding which was brought forward from 2017/18 to fund expenditure in 2016/17.
 - £133k increase in the Capital Variation budget.
- Commercial and Investment Committee was asked to approve the carry forward of funding from 2016/17 into 2017/18 for the following schemes:

Scheme	£000	Notes
County Farms Viability	121	Carry forward £121k re Bettys Nose & Whitehall farm shop.
Other Committed Projects - K2	20	Roll forward balance of K2 funding (£20k) to fund continuing work on CCC implementation
Soham Solar Farm	775	Final network and construction costs of £315k and a retention payment of £460k are due in 17/18. A scheme underspend of £340k is forecast.
Office Rationalisation	200	Ongoing work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Butts Grove, Scott House/Stanton House and Meadows closure.
	1,116	

- The Capital Programme Variations target included in the Business Plan was updated based on 2016/17 slippage and to allow for other funding sources in addition to borrowing.

The Capital Programme variation target reduces the overall capital budget, resulting in a reduced funding requirement.