

Business and Property Committee

Item No.

Report title:	Finance Monitoring
Date of meeting:	14 March 2018
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services, Simon George – Executive Director, Finance and Commercial Services
Strategic impact This report provides the Committee with information on the budget position for services reporting to Business & Property Committee for 2017-18. It provides information on the revenue budget including any forecast over or underspends and any identified budget risks. It also provides an update on the forecast use of reserves and details of the capital programme.	

Executive summary

The services reporting to this Committee are delivered by Community & Environmental Services, and Finance & Commercial Services.

The 2017-18 net revenue budget for this Committee is £9.084m and this report reflects the risks and forecast outturn position as at period 10, January 2018. Details are shown in Table 1 of this report.

The total capital programme relating to this committee to 2019 – 20 is £35.976m. Details are shown in Table 2 of this report.

The balance of Business and Property reserves as of 1 April 2017 was £5.273m, and the forecast balance at 31 March 2018 is £2.780m. Details are shown in Table 3 of this report.

Recommendations:

Members are recommended to note:

- a) The forecast out-turn position for the Business and Property Committee**
- b) The capital programme for this Committee.**
- c) The current planned use of the reserves and the forecast balance of reserves as at the end of March 2018.**

1. Proposal

1.1. Members have a key role in overseeing the financial position for the services under the direction of this committee, including reviewing the revenue and capital position and reserves held by the service.

Although budgets are set and monitored on an annual basis it is important that the ongoing position is understood and the previous year's position, current and future plans and performance are considered.

1.2. This report reflects the budgets and forecast out-turn position as at the end of Period 10, January 2018.

2. Evidence

Revenue budget 2017-18

2.1. The services reporting to this Committee are delivered by Community & Environmental Services, and Finance & Commercial Services.

2.2. This report reflects the forecast outturn position for the Services that are relevant to this Committee, which are:

- Economic Development
- Economic Programmes
- Economic Strategy & Commissioning
- Employment and Skills

- Scottow Enterprise Park
- Hethel Engineering Centre – operated as Hethel Innovation Ltd

- Client Property Management

2.3. The 2017-18 net revenue budget for this committee is £9.084m, we are currently forecasting an underspend of £0.120m, using reserves and returning grant funding as detailed in Section 3 of this report.

Table 1: Business & Property Committee: Net revenue budget and forecast outturn 2017 - 18

	Current Budget	Actual year to date	Forecast outturn	Forecast variance
	£m	£m	£m	£m
Client Property Management				
Corporate Offices	4.819	5.259	5.306	0.487
Estates Management	0.852	0.609	0.771	(0.081)
Corporate Building Maintenance	2.007	1.134	1.996	(0.011)
County Farms	(0.515)	(0.167)	(0.808)	(0.293)
Corporate Property Team	0.916	0.774	0.814	(0.102)
	8.079	7.609	8.079	-
Economic Development				
Economic Programmes	(0.085)	0.119	(0.087)	(0.002)
Economic Strategy & Commissioning	0.809	0.962	0.739	(0.070)
Economic Development	0.118	0.239	0.128	0.010
Employment & Skills	0.363	0.414	0.363	0.000
Scottow Enterprise Park	(0.200)	(0.263)	(0.258)	(0.058)
	1.005	1.471	0.885	(0.120)
	9.084	9.080	8.964	(0.120)

2.4. In addition to the current forecast of a balanced revenue budget for the services that are accounted for through NCC, we are also forecasting a pre tax profit in Hethel Innovation Ltd. of £0.377m.

2.5. Client Property Management (CPM)

The CPM budget was reduced by £1.667m in 2017 – 18 to reflect planned savings to be met principally by reduced costs of property maintenance, including fewer properties to maintain via property disposals. The CPM planned to smooth the impact of this significant reduction by a reduced spend in 2016 – 17 allowing an increase in reserves to be released in 2017 – 18.

A balanced budget is thus achieved by the planned use of reserves as shown in Table 3 later in this report.

Economic Development

- 2.6. The main element of spend within Economic Development is staff related expenditure, with all spend related to planned programme activity. A number of staff are engaged in the delivery of externally funded projects where the spend profile does not always match a financial year, where this is the case project funding will be carried forward in reserves as an unspent grant.
- 2.7. Scottow Enterprise Park (SEP) – the forecasts remain unchanged since the previous report. SEP is currently forecasting to generate £1.330m of income in 2017 – 18, comprising £0.874m buildings rental, and £0.456m of rental income from the land occupied by the solar farm on site. SEP is currently forecasting a balanced budget as any additional surplus will be returned to SEP reserves for future site development. SEP is not accounted for as a separate legal entity.
- 2.8. Hethel Engineering Centre - is accounted for via the separate legal entity of Hethel Innovation Limited. Revenues for 2017 – 18 are forecast to be £1.536m comprising £1.064m from buildings rental and conferencing, £0.249m from external Consultancy and the Innovation New Anglia programme, and £0.223m from other funded programmes. The company operates on a profitable basis, forecasting to achieve a pre tax profit of £0.377m to be retained for future development of the site, an increase of £0.074m over the previously reported profit forecast.

3. Capital Programme

- 3.1. The capital programme for the services reported to this Committee is currently profiled to be delivered as detailed below.

Table 2: Business & Property Committee: Capital Programme

	Spend			
	Budget 2017 - 18 £m	to date 2017 - 18 £m	Budget 2018 - 19 £m	Budget 2019 - 20 £m
Scottow Enterprise Park	6.062	5.233	3.632	-
Infrastructure	5.342	4.276	0.496	
Buildings refurbishment	0.720	0.957	3.136	
Client Property Management	3.330	1.531	16.006	1.500
Space 2019	0.750	0.887	8.174	
Asbestos	1.515	0.631		
Other works	1.065	0.013	7.132	1.500

Grants to Community organisations			0.700	
County Farms	3.871	3.558	1.575	-
Purchase of Farms	3.161	3.161		
Other capital	0.710	0.397	1.575	
	13.263	10.322	21.213	1.500

3.2. SEP - the total available corporate and Enterprise Zone supported capital funding for the redevelopment of SEP is £9.694m, plus an additional £0.096m from the Pooled Business Rate Fund, of which £5.233m has been spent to date. The breakdown of the planned spend is as follows –

- £5.838m for essential infrastructure work to the site, £3.900m for water supply facilities, the balance principally relates to asbestos removal, security fencing, fire alarms, heating systems and utility metering to facilitate recharges back to tenants
- £3.856m is earmarked for specific buildings to be brought into a lettable condition, Hangars 1, 2 and 3 are estimated to cost £3.200m of this sum. It should be noted that expenditure is only made against a business case from specific enquiries leading to lettings income

A bid for grant funding from the Heritage Enterprise Lottery is also in progress.

3.3. The Corporate Property capital funding is in support of further refurbishment to allow rationalisation and facilitate cost reductions within the corporate property portfolio, in addition to routine general maintenance and minor works funded via capital. The principal identifiable expenditure relates to the Space 2019 programme.

3.4. The County Farms capital funding represents the agreed refurbishment programme, including land drainage schemes, which maintains the value of the Farms estate. Additional funding of £3.161m has been added for the agreed purchase of Bank House Farm.

4. Reserves 2017-18

- 4.1. The Council holds both provisions and reserves.
- 4.2. Provisions are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.
- 4.3. Reserves (or Earmarked Reserves) are held in one of three main categories:
- 4.4. Reserves for special purposes or to fund expenditure that has been delayed, and in many cases relate to external Grants and Contributions - reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.
- 4.5. Local Management of Schools (LMS) reserves that are held on behalf of schools – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.
- 4.6. General Balances – reserves that are not earmarked for a specific purpose. The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.
- 4.7. The reserves falling under this Committee would fall into the first category. Additionally, balances may relate specific grant income where we have received the income but are yet to incur the expenditure, or the grant was planned to be used over a period of time, not related to a specific financial year.
- 4.8. We will continue to review the reserve balances to ensure that their original objectives are still valid and would identify any reserves that could be considered available for re-allocation.
- 4.9. The committees' unspent grants, reserves and provisions as at 1st April 2017 stood at £5.273m.
- 4.10. The table below shows balance of reserves and the current planned usage for 2017-18.

Table 3: Business & Property Committee: Reserves & Provisions

Reserves & Provisions 2017-18	Balance at 1 April 2017	Forecast Balance at 31 March 2018	Planned Change
	£m	£m	£m
Corporate Property Management	2.633	1.345	1.288
Economic Development (including Scottow Enterprise Park)	2.640	1.435	1.205
Committee Total	5.273	2.780	2.493

The planned use of CPM reserves is to smooth the effect of a reduced property maintenance budget, £0.688m. An additional release of £0.600m of CPM reserves was agreed in support of the 2017 – 18 Corporate budget planning process.

The balance of Economic Development reserves relates to a number of projects and specific grant funding, and includes Scottow Enterprise Park. The forecast use of reserves reflects the funding required to deliver those projects, with underspends being returned to support future project spend.

5. Financial Implications

5.1. There are no decisions arising from this report. The financial position for Communities Committee services is set out within the paper and appendices.

6. Issues, risks and innovation

6.1. This report provides financial performance information on a wide range of services responsible to the committee.

Officer Contact

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