

Business and Property Committee

Item No.

Report title:	Finance monitoring
Date of meeting:	3 July 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 revenue budget position for services reporting to Business & Property Committee for 2018 -19. It also provides information on the 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 2018-19 net revenue budget for this Committee is £7.901m. Details of the 2018 – 19 revenue position are shown in Table 1 of this report.

The total capital programme relating to this Committee for the years 2017 – 18 to 2020 – 21 is £45.974m. Details are shown in Table 2 of this report.

The balance of reserves and provisions relating to this Committee as of 1 April 2018 is £2.991m. Details are shown in Table 3 of this report.

Recommendations:

Members are recommended to note:

- a) **The 2018 – 19 revenue position for this Committee**
- b) **The 2018 – 19 to 2020 - 21 capital programme for this Committee**
- c) **The 2018 - 19 reserves position for this Committee**

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 financial position relating to this Committee as at the end of May 2018.

2. Evidence

Revenue budget 2018 - 19

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 Programmes
- Strategy & Commissioning, including Economic Development
- 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 £8.311m, there are minimal identified variances at this stage of the year. The use of reserves to support this position is shown in Table 3.

Table 1: Business & Property Committee: Net revenue budget and forecast outturn position 2018 – 19, actual outturn 2017 - 18

	Outturn 2017 - 18	Budget 2018 - 19	Year to date 2018 - 19	Outturn Forecast 2018 - 19	Variance 2018 -19
	£m	£m	£m	£m	£m
Client Property Management					
Corporate Offices	5.216	4.528	0.468	4.528	0.000
Estates Management	0.874	0.532	0.010	0.532	0.000
Building Maintenance	1.857	1.733	(0.061)	1.844	0.111
County Farms	(0.666)	(0.555)	0.109	(0.666)	(0.111)
Corporate Property Team	0.838	0.854	0.223	0.580	0.000
	8.119	7.092	0.749	7.092	0.000
Economic Development					
Economic Programmes	(0.086)	(0.084)	0.234	(0.084)	0.000
Strategy & Commissioning, including	0.852	0.894	0.097	0.894	0.000

Economic Development

Employment & Skills	0.363	0.373	(0.020)	0.373	0.000
Scottow Enterprise Park	(0.274)	(0.374)	0.088	(0.374)	0.000
	0.855	0.809	0.399	0.809	0.000
	8.974	7.901	1.148	7.901	0.000

2.4. Other legal entities –

2.4.1. Client Property Management – Repton Property Developments Ltd is subject to separate reports to this Committee. The next Board Meeting is scheduled for 05th July 2018.

2.4.2. Economic Development - the unaudited pre tax profit for Hethel Innovation Ltd (HIL) for 2017 – 18 is £0.335m.

2.5. Client Property Management (CPM)

The CPM budget is reduced by £1.027m in 2018 – 19, continuing to reflect planned savings to be met principally by reduced costs of property maintenance, including fewer properties to maintain via property disposals. CPM plan to smooth the impact of this significant reduction 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 2018 – 19 business plan is an operating surplus (excluding financing costs) of £0.374m, (2017 – 18 £0.274m). The business plan comprises revenues of £1.311m (2017 – 18 £1.253m), £0.854m is derived from buildings rental and service charges, £0.457m from the solar farm on site. Costs are £0.937m (2017 – 18 £0.979m), of which £0.185m relates to staff salaries and £0.752m relates to other labour and general premises costs. In addition Enterprise Zone funding of £0.125m per annum has been secured to support the financing of site development costs. 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 Ltd (HIL). Subject to audit the pre tax profit for 2017 – 18 is £0.335m, comprising revenues of £1.467m, £1.083m from tenancy and £0.384m from consultancy and funded programmes. Costs were £1.132m comprising salary and overhead costs of £0.905m, and financing costs of £0.227m. The 2018 – 19 business plan outlines revenues and pre tax profit consistent with 2017 – 18.

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

	Actual spend 2017 - 18 £m	Budget 2018 - 19 £m	Spend to date 2018 - 19 £m	Budget 2019 - 20 £m	Budget 2020-211 £m
Scottow Enterprise Park	6.062	6.021	0.721	0.000	0.000
Infrastructure	5.342	4.372	0.504		
Buildings refurbishment	0.720	1.649	0.217		
Client Property Management	1.348	18.191	0.797	8.091	0.000
Space 2019	0.333	8.592	0.000		
Asbestos	0.538	0.978	0.109		
Other works	0.477	8.621	0.688	8.091	
County Farms	4.317	1.344	0.260	0.600	0.000
Purchase of Farms	3.161				
Other capital	1.156	1.344	0.260	0.600	
	11.727	25.556	1.778	8.691	0.000

3.2. **SEP** - the total available corporate and Enterprise Zone supported capital funding for the redevelopment (excluding site purchase costs) of SEP is £9.694m, plus an additional £0.096m from the Pooled Business Rate Fund, of which £6.062m is the amount spent on redevelopment and refurbishment to date. The current estimates are as follows –

- £4.976m 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.
- £4.814m is earmarked for specific buildings to be brought into a lettable condition, the principle expenditure, (£3.200m), relates to Hangars 1,2 and 3. It should be noted that expenditure is only made against a business case from specific enquiries leading to lettings income.

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.

4. Reserves 2018 - 19

- 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 reserves and provisions as at 1st April 2018 totalled £2.991m.
- 4.10. The table below shows the balances of reserves and provisions and the actual usage for 2018 - 19.

Reserves & Provisions 2018-19	Balance at 1 April 2018	Forecast Balance at 31 March 2019	Change during 2018 - 19
	£m	£m	£m
Corporate Property Management	1.102	0.000	1.102
Economic Development (including Scottow Enterprise Park)	1.889	1.655	0.234
Committee Total	2.991	1.655	1.326

The Economic Development reserves relate to specific project and grant funding, drawn down and carried forward as applicable to each project. Only currently known specific drawdowns have been shown above, the final use of reserves in 2018 – 19 is anticipated to be much higher than currently shown.

5. Financial Implications

6. Issues, risks and innovation

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