

# Business and Property Committee

Item No.

<b>Report title:</b>	<b>Finance Monitoring</b>
<b>Date of meeting:</b>	<b>15 May 2018</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe – Executive Director, Community and Environmental Services</b> <b>Simon George – Executive Director, Finance and Commercial Services</b>
<b>Strategic impact</b> 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 outturn for 2017 – 18, and the revenue budget values for 2018 – 19. It also provides an update 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 2017-18 net revenue budget for this Committee was £9.124m, and for 2018 – 19 is £8.241m. Details of the 2017 – 18 revenue outturn position are shown in Table 1 of this report.

The total capital programme relating to this Committee for the years 2017 – 18 to 2019 – 20 is £43.515m. 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 2017 – 18 revenue outturn position for this Committee, and the 2018 – 19 revenue budget values**
- b) **The capital programme for this Committee**
- c) **The actual use of reserves in 2017 – 18 and the balance of reserves carried forward to 2018 - 19**

## 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 outturn position as at the end of March 2018, and the revenue budget values for 2018 – 19.

## 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 £9.124m, the outturn position is an underspend of £0.150m, (previous forecast £0.120m). The use of reserves to support this position is shown in Table 3.

Table 1: Business & Property Committee: Net revenue budget 2017 - 18 and 2018 - 19					
	Budget - 2017 -18	Outturn - 2017 - 18	Outturn Variance - 2017 - 18	Forecast variance - 2017 - 18	Budget - 2018 -19
	£m	£m	£m	£m	£m
<b>Client Property Management</b>					
Corporate Offices	4.859	5.216	0.357	0.487	4.527
Estates Management	0.852	0.874	0.022	(0.081)	0.532
Building Maintenance	2.007	1.857	(0.150)	(0.011)	2.007
County Farms	(0.515)	(0.666)	(0.151)	(0.293)	(0.555)
Corporate Property Team	0.916	0.838	(0.078)	(0.102)	0.581
	<b>8.119</b>	<b>8.119</b>	<b>-</b>	<b>-</b>	<b>7.092</b>

<b>Economic Development</b>					
Economic Programmes	(0.085)	(0.086)	(0.001)	(0.002)	(0.084)
Strategy & Commissioning	0.809	0.734	(0.075)	(0.070)	1.304
Economic Development	0.118	0.118	-	0.010	
Employment & Skills	0.363	0.363	-	-	0.373
Scottow Enterprise Park	(0.200)	(0.274)	(0.074)	(0.058)	(0.444)
	<b>1.005</b>	<b>0.855</b>	<b>(0.150)</b>	<b>(0.120)</b>	<b>1.149</b>
	<b>9.124</b>	<b>8.974</b>	<b>(0.150)</b>	<b>(0.120)</b>	<b>8.241</b>

(For 2018 – 19 Strategy & Commissioning and Economic Development budgets are consolidated)

2.4. In addition to the services shown above that are accounted for via NCC, the draft pre-tax profit for Hethel Innovation Ltd (HIL) is £0.349m, (previous forecast £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 2017 – 18 outturn position is a surplus of £0.374m, of which £0.100m has been returned to reserves to cover future trading risks. Revenues were £1.253m, (forecast £1.255m), comprising rentals and service recharges of £0.797m, and rental income from the solar farm on site of £0.456m. Costs were £0.879m of which £0.188m related to salaries, and £0.691m general overheads. 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 £0.349m, (previous forecast £0.373m), revenues are £1.467m comprising £1.083m from tenancy and £0.384m from consultancy and funded programmes. Costs were £1.118m comprising salary and overhead costs of £0.891m, and financing costs of £0.227m.

### 3. Capital Programme

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

<b>Table 2: Business &amp; Property Committee: Capital Programme</b>				
	<b>Budget 2017 - 18</b>	<b>Actual Spend 2017 - 18</b>	<b>Budget 2018 - 19</b>	<b>Budget 2019 - 20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Scottow Enterprise Park</b>	<b>6.062</b>	<b>6.021</b>	<b>2.844</b>	<b>-</b>
Infrastructure	5.342	4.372	0.400	
Buildings refurbishment	0.720	1.649	2.444	
<b>Client Property Management</b>	<b>3.330</b>	<b>1.348</b>	<b>18.191</b>	<b>8.859</b>
Space 2019	0.750	0.333	8.592	
Asbestos	1.515	0.538	0.978	
Other works	1.065	0.477	8.621	8.859
<b>County Farms</b>	<b>3.871</b>	<b>4.318</b>	<b>1.334</b>	<b>0.600</b>
Purchase of Farms	3.161	3.161		
Other capital	0.710	1.157	1.334	0.600
	<b>13.263</b>	<b>11.687</b>	<b>22.369</b>	<b>9.459</b>

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 £6.021m is the amount 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

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. The capital budget for the period includes further funding of £13.057m under the heading of Client Property Management – Other Works.

- 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 was agreed for the 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 reserves and provisions as at 1<sup>st</sup> April 2018 stood at £2.991m.

4.10. The table below shows the balances of reserves and provisions and the actual usage for 2017-18.

**Table 3: Business & Property Committee: Reserves & Provisions**

<b>Reserves &amp; Provisions 2017-18</b>	<b>Balance at 1 April 2017</b>	<b>Balance at 31 March 2018</b>	<b>Change during 2017 - 18</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Corporate Property Management	2.633	1.102	1.531
Economic Development (including Scottow Enterprise Park)	2.640	1.889	0.751
<b>Committee Total</b>	<b>5.273</b>	<b>2.991</b>	<b>2.282</b>

The use of £0.931m of CPM reserves smoothes the effect of a reduced property maintenance budget during 2017 - 18. An additional release of £0.600m of CPM reserves was agreed in support of the 2017 – 18 Corporate budget planning process.

The Economic Development reserves relate to a number of projects and specific grant funding, drawn down and carried forward as applicable to each project. Scottow Enterprise Park has reserves of £0.257k included in the total above.

## 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

If you have any questions about matters contained in this paper, please get in touch with:

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