

# Business & Property Committee

Item No.

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| <b>Report title:</b>  | <b>Finance monitoring</b>  |
| <b>Date of meeting:</b>   | <b>8 September 2017</b>  |
| <b>Responsible Chief Officer:</b>   | <b>Tom McCabe – Executive Director, Community and Environmental Services, Simon George – Executive Director, Finance &amp; Commercial Services</b> |
| <b>Strategic impact</b><br>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 mainly delivered by Community and Environmental Services and Finance and Commercial Services.

The 2017-18 net revenue budget for this committee is £8.731m and this report reflects the risks and forecast outturn position as at period 4, July 2017-18.

The total capital programme, relating to this committee is £20.559m currently profiled for delivery within 2017-18. Details of the capital programme are shown in Section 3 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 £1.821m.

### 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 4, July 2017.

## 2. Evidence

### Revenue budget 2017-18

2.1. The services reporting to this Committee are mainly delivered by the Community and Environmental Services department and Finance and 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
- Client Property Management

2.3. The 2017-18 net revenue budget for this committee is £8.731m, we are currently forecasting a balanced budget.

**Table 1: Business and Property Net revenue Budget Forecast Out-turn 2017-18**

|                                   | 2017-18<br>Budget<br>£m | Forecast<br>Out-turn<br>£m | Forecast<br>Variance<br>£m |
|-----------------------------------|-------------------------|----------------------------|----------------------------|
| <b>Client Property Management</b> |                         |                            |                            |
| Corporate Offices                 | 4.630                   | 4.630                      | 0.000                      |
| Estates Management                | 0.852                   | 0.852                      | 0.000                      |
| Corporate Building Maintenance    | 2.007                   | 2.007                      | 0.000                      |
| County Farms                      | (0.476)                 | (0.476)                    | 0.000                      |
| Corporate Property Team           | 0.913                   | 0.913                      | 0.000                      |
| <b>Economic Development</b>       |                         |                            |                            |
| Economic Programmes               | (0.085)                 | (0.085)                    | 0.000                      |
| Economic Strategy & Commissioning | 0.809                   | 0.809                      | 0.000                      |
| Economic Development              | 0.118                   | 0.118                      | 0.000                      |
| Employment and Skills             | 0.363                   | 0.363                      | 0.000                      |
| Scottow Enterprise Park           | (0.200)                 | (0.200)                    | 0.000                      |
| <b>Total for Committee</b>        | <b>8.731</b>            | <b>8.731</b>               | <b>0.000</b>               |

- 2.4. We are currently forecasting a balanced revenue budget for the services that are accounted for through NCC.
- 2.5. Scottow Enterprise Park is forecast to generate £1.255m of income in 2017 – 18, including £0.447m of rental income from the land occupied by the solar farm on site. The surplus shown above is after a planned contribution to reserves of £0.286m, which will be used to invest in the site which reduce the need to draw down capital funding.

### 3. Capital Programme

- 3.1. The overall capital programme for the services reported to this Committee is £20.559m, currently profiled to be delivered in 2017-18, detailed as below.

| <b>2017 – 18</b>           |                      |
|----------------------------|----------------------|
| <b>Capital Programme</b>   |                      |
| <b>£m</b>                  |                      |
| Scottow                    | 6.062                |
| Corporate Property         | 12.794               |
| County Farms               | <u>1.703</u>         |
| <b>Total for Committee</b> | <b><u>20.559</u></b> |

- 3.2. The available funding for potential redevelopment of Scottow Enterprise Park is to make more units on the site available for letting to help create local jobs and to and support income generation
- 3.3. The Corporate Property funding is in support of further refurbishment to allow rationalisation and facilitate cost reductions within the corporate property portfolio
- 3.4. The County Farms funding represents the agreed refurbishment programme, including land drainage schemes, which maintains the value of the Farms estate

### 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 1<sup>st</sup> April 2017 stood at £5.273m.
- 4.10. The table below shows balance of reserves and the current planned usage for 2017-18.
- 4.11. The 2017-18 Budget included plans for available reserves totalling £5.813m to be identified during the process of closing the 2016-17 accounts. We have reviewed the reserves relating to this committee and have been able to identify £1.015m of reserves that were held for previous provisions at Hethel Engineering Centre (£0.415m) and general corporate property reserves (£0.600m) that can be released to help support this requirement and this is reflected in the tables below.
- 4.12. The remaining forecast use of the reserves within Corporate Property to support the property rationalisation programme to achieve savings in the next budget planning period. The forecast use of Economic development reserves is the planned use of project funding carried forward in relation to apprenticeship scheme and other economic programmes.

| <b>Table 3: Business and Property Reserves &amp; Provisions</b> |                                |  |                       |
|---|--------------------------------|--|-----------------------|
| <b>Reserves &amp; Provisions 2017-18</b>                        | <b>Balance at 1 April 2017</b> | <b>Forecast Balance at 31 March 2018</b> | <b>Planned Change</b> |
|   | <b>£m</b>                      | <b>£m</b>                                | <b>£m</b>             |
| Corporate Property  | 2.633                          | 0.570                                    | 2.063                 |
| Economic Development  | 2.640                          | 1.251                                    | 1.389                 |
| <b>Committee Total</b>  | <b>5.273</b>                   | <b>1.821</b>                             | <b>3.452</b>          |

## 5. Financial Implications

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

## 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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