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Corporate Performance Report

Quarter 4

2020/21 financial year

Commercial and Investment Committee

Business Intelligence
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Key

Data Item	Explanation
Target / Pro Rata Target	The target that has been set for the indicator, relevant for the reporting period
Current Month / Current Period	The latest performance figure relevant to the reporting period
Previous Month / previous period	The previously reported performance figure
Direction for Improvement	Indicates whether 'good' performance is a higher or a lower figure
Change in Performance	Indicates whether performance is 'improving' or 'declining' by comparing the latest performance figure with that of the previous reporting period
Statistical Neighbours Mean	Provided as a point of comparison, based on the most recently available data from identified statistical neighbours.
England Mean	Provided as a point of comparison, based on the most recent nationally available data
RAG Rating	• **Red** – current performance is off target by more than 10% • **Amber** – current performance is off target by 10% or less • **Green** – current performance is on target by up to 5% over target • **Blue** – current performance exceeds target by more than 5% • **Baseline** – indicates performance is currently being tracked in order to inform the target setting process • **Contextual** – these measures track key activity being undertaken, but where a target has not been deemed pertinent by the relevant service lead
Indicator Description	Provides an overview of how a measure is calculated. Where possible, this is based on a nationally agreed definition to assist benchmarking with statistically comparable authorities
Commentary	Provides a narrative to explain the changes in performance within the reporting period
Actions	Actions undertaken to address under-performance. Populated for ‘red’ indicators only
Useful Links	Provides links to relevant documentation, such as nationally available data and definitions

Indicator 164: Annual forecast of the gross income from our commercial property as a percentage of initial investment

Return to Index

June 2021

Target	2020-21 Actual	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	4.4%	4.6%	↑	Declining

RAG Rating

Red

Indicator Description

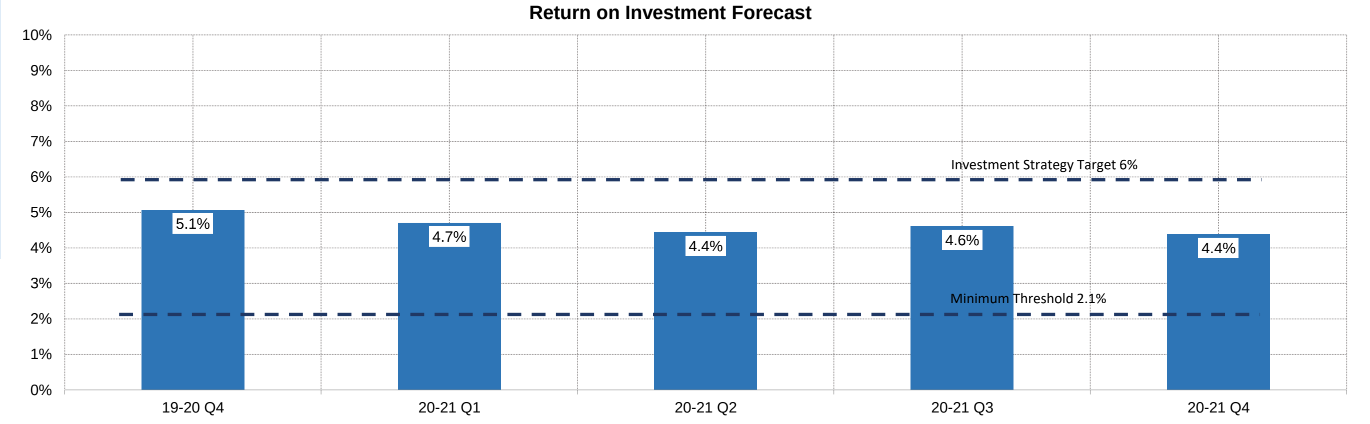
This indicator projects our expected net income from all commercial property income against the 6% target set within the non-financial Investment Strategy.

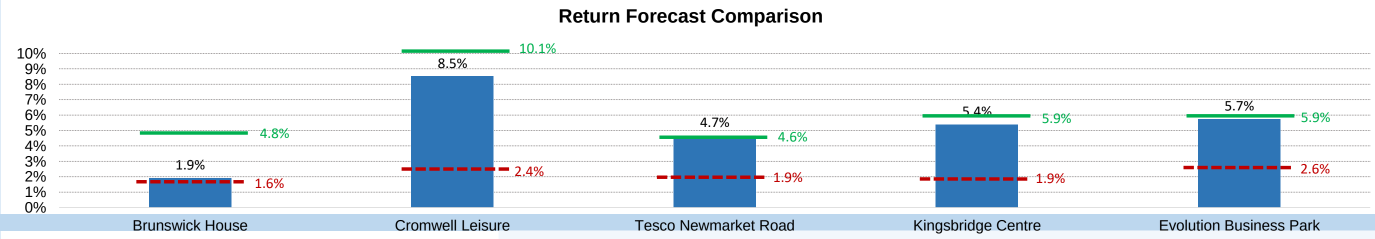
It is important to note, not all investments will achieve 6% from the outset. However, over the medium to longer term (by 2014-25) it is expected that the portfolio will meet the target. The overall minimum threshold for Property Assets is calculated using an average of the borrowing interest rates for all of the properties. Any differences will be explained within the commentary.

This indicator should be used to judge the performance of our investment portfolio/commercial property income as a whole. It should not be used to predict any differences in actual income against budget. This is detailed within the Finance Monitoring Report.

The return figure includes investment that has already been made. It also includes investments that are expected to be made up to the end of March 2021. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY
The figures for individual properties on the lower graph have the original Business Case forecast return as their target (shown with solid line). The minimum thresholds are the borrowing interest rate for each property (irrespective of whether borrowing was used to fund the asset purchase; shown with dashed line).





Commentary

The Covid-19 pandemic has had an adverse impact on income from Brunswick house as a number students left early and were given refunds from April 2020. The reduction in income continued throughout the pandemic and as a consequence the outturn income for 2020/21 is £1.3m lower than expected.

At Cromwell Leisure Park units were closed during the Covid 19 lockdown and this has impacted on rent payment in Q3 and Q4 of 2020/21. The Cinema and Prezzo restaurant reopened briefly in the summer and were closed again during this quarter. They are expected to open for customers on 17th May 2021. The Frankie & Benny restaurant will not reopen and the unit was returned to the Council at the end of March as set out in the Compulsory Voluntary Arrangement. Carter Jonas, the Councils managing agents, are actively marketing the vacant unit and a couple of offers have been made to date.

Actions

For Brunswick House, prices will be monitored and incentives put in place if required to ensure that we continue to be attractive in what is a highly competitive market.

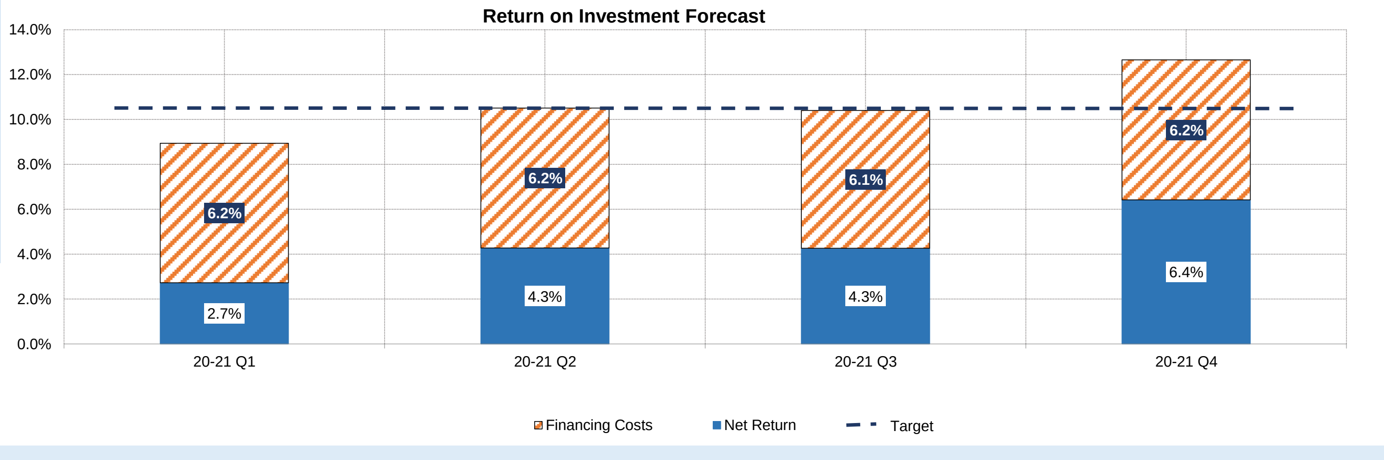
Indicator 165: Annual forecast of the net amount of income from our energy investments as a percentage of initial investment

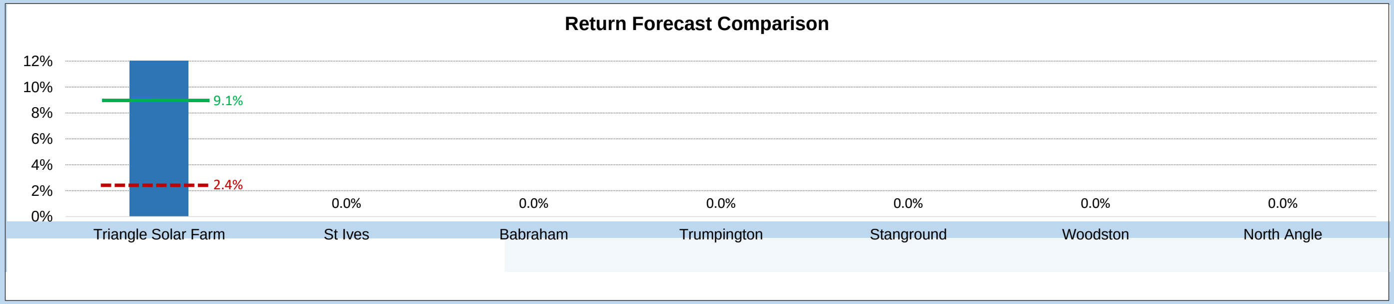
Return to Index June 2021

Target	2020-21 Actual	Previous Quarter	Direction for Improvement	Change in Performance
9.1%	12.6%	12.6%	↑	Unchanged

RAG Rating

Blue





Indicator Description

This indicator projects our expected net income from our energy investments. Currently, the target for the gross percentage return on our energy investments only takes into account the solar farm. This is already yielding income. The current target is based on the Business Case for Triangle Solar Farm. Therefore, this may change as new projects come online. Business Cases for the remaining projects in the pipeline are continuing to be developed.

The indicator should be used to judge the performance of our energy investment portfolio as a percentage of income. It should not be used to predict any differences in actual income against budget. This is detailed within the Finance Monitoring Report.

KEY
The figures for individual projects on the lower graph have the original Business Case forecast return as their target (shown with solid line). The minimum threshold is based on the borrowing interest rate for Triangle Solar Farm (shown with dashed line). However, financing costs on the upper graph also include repayment of principle.

Commentary

Triange Solar Farm operates on a minimum performance guarantee and this minimum performance is expected to achieve 9.1% yield per annum. Subject to variations in weather conditions an annual reconciliation is carried out to reflect any over-performance.

Triange Solar Farm achieves around 3,750 tonnes of carbon savings annually.

The Contract for Difference arrrangement in place at Triange Solar Farm guarantees a minimum income per kWh as central government are committed to topping up income. With low market prices currently this contract has contributed to the better than expected performance of this investment. The Contract for Difference is an important factor in securing the on-going returns from this investment.

Actions

Indicator 169: Number of contract waivers submitted without adequate time for procurement

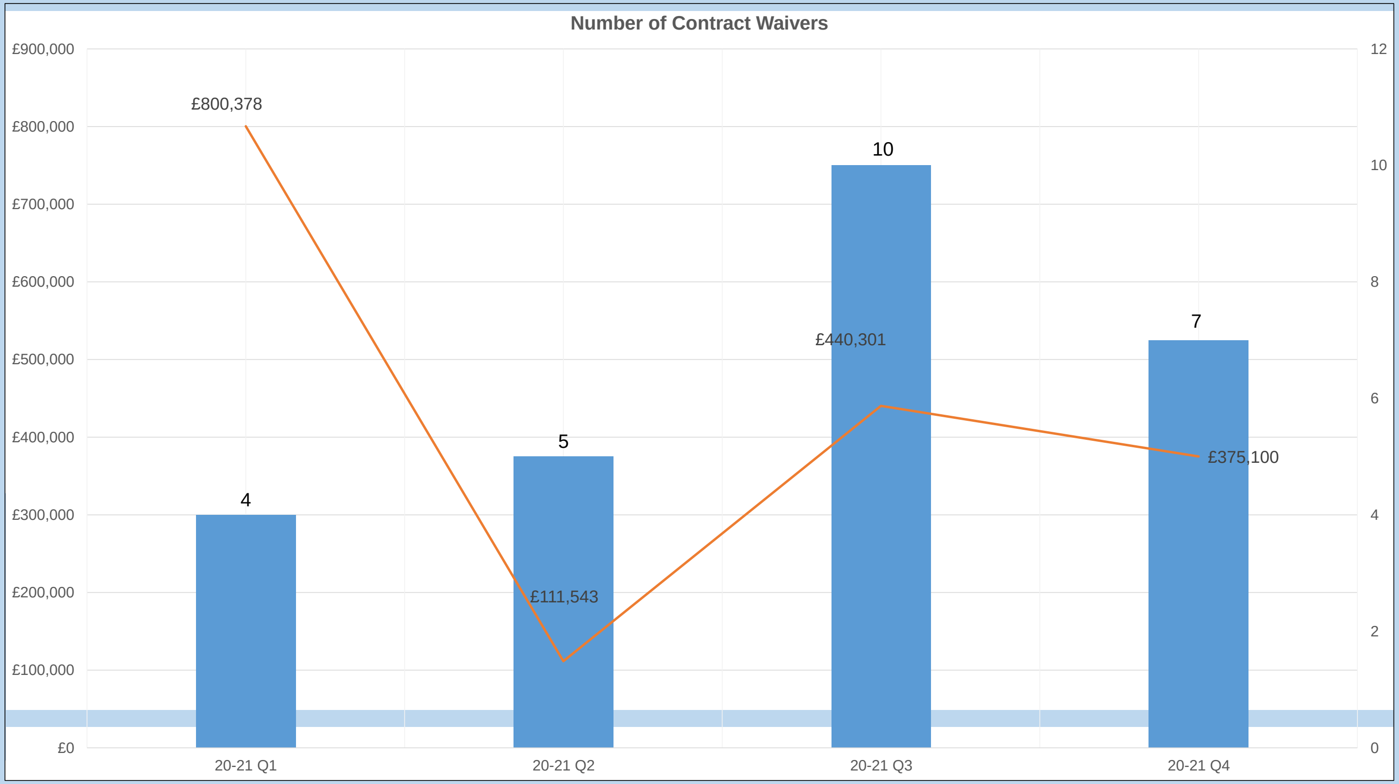
Return to Index

June 2021

Target	Current Quarter	Previous Quarter	Direction for Improvement	Change in Performance
TBC	7	10	↓	Improving

RAG Rating

Baseline



Indicator Description

The Council's Contract Procedure Rules allow the Council to bypass the rules in certain instances. This include a lack of suppliers in the market or that going to market does not offer any benefit. In such instances, a request is made to Procurement to seek agreement to 'waive' the rules. These approvals are known as Waivers.

Enough time should be given to seek the waiver, so that alternative options can be considered. Requests presented to Procurement, that have not allowed time for a procurement exercise to be undertaken, could indicate that the expiry of the contract has not been managed as well as it could. However, there could be valid reasons for normal timescales to be unachievable.

The reason for tracking this indicator is to give a reasonable indication of whether we are planning our procurements better. This has been applied to all contract values and has been extracted from the contract database. Any waivers above £500,000 will not be recorded on the contracts database as this is a committee decision.

The validity of this indicator will be reviewed to ensure that it is relevant and functional.

Commentary

The waivers during Q4 2020/21 were across all Directorates and generally related to failure to start the process early enough. In all 26 waivers with a total value of £1,727,322 were submitted over the course of the year without adequate time for procurement. This is less than last year (2019/20) when 34 waivers had been submitted with a total value of £4,010,000 by the year end. An improvement of 8 waivers less for the year. A review of the waiver process is underway, finding compliant solutions to areas that have regular waivers and improving highlighting to contract managers when a contract is ending.

Actions

KPI 169 is under review for reporting in the new financial year along with other procurements KPI's.

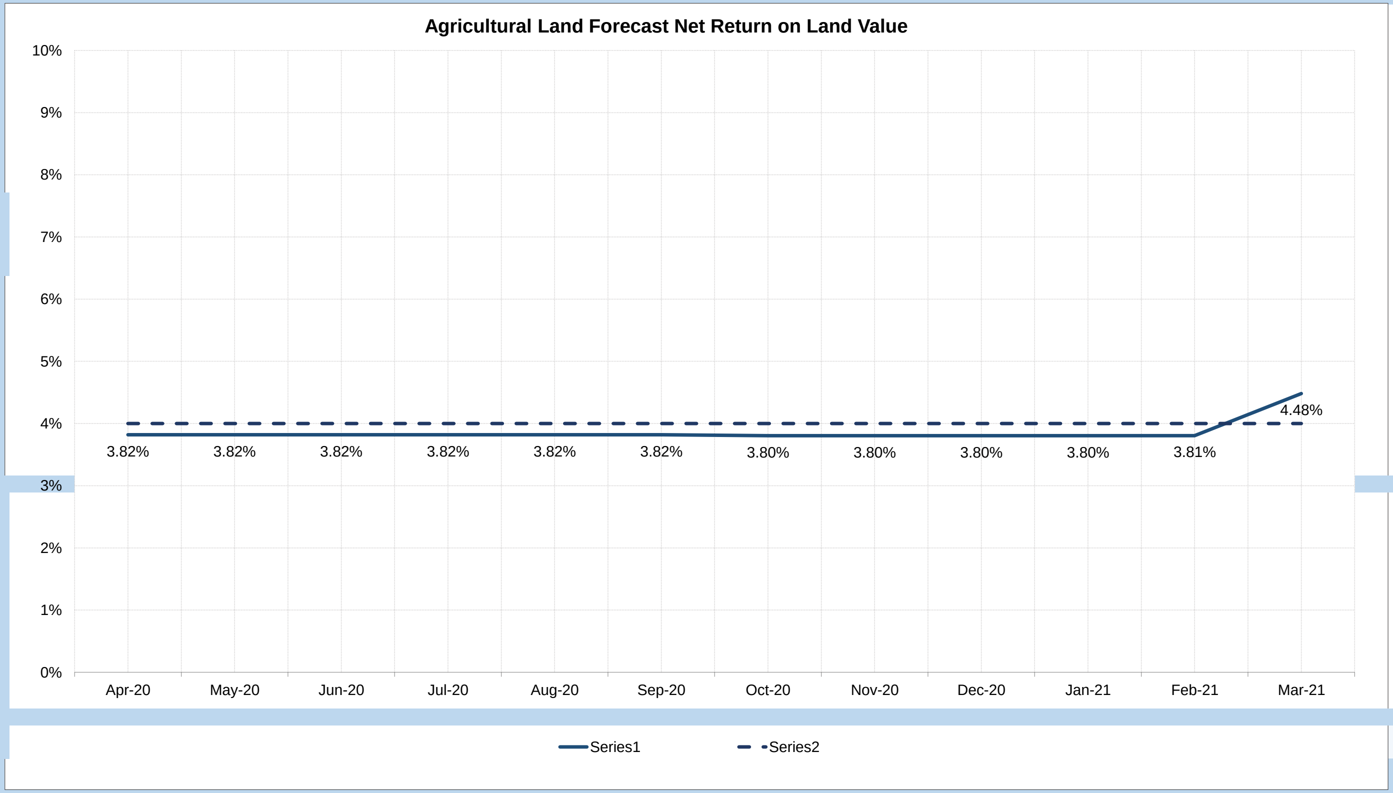
Indicator 171: Percentage change in value of income obtained from agricultural farmland

Return to Index June 2021

Target	2020-21 Actual	Previous Quarter Forecast	Direction for Improvement	Change in Performance
4.0%	4.5%	3.8%	↑	Improving

RAG Rating

Blue



Indicator Description

This indicator demonstrates the forecast net return on the income received from renting out this land to tenants. It is recorded as a percentage of the value of the farm's estate that is used for agricultural purposes. It is the net of some revenue expenses. For example, maintenance costs, utilities, insurance, rates and staff costs. However, it does not include the revenue cost of financing minor capital improvement works.

This indicator should be used to understand if the overall agricultural land is achieving the percentage of returns being targeted.

Commentary

As at 31/03/2020, the Council owns £105.3m of agricultural farm land across Cambridgeshire.

These figures exclude the return generated by the solar farm, as this is making a return on a commercial basis and should therefore be evaluated independently (see Indicator 165). The 4% target return that was proposed initially included the solar farm; however the County Farms Estate Strategy agreed by C&I Committee in February has retained this 4% target as a stretch target.

The increase in return from February to March 2021 is due to the increased half year rent amount accounted for in March (Oct 20- Mar 21).

Actions

External consultants have been instructed to carry out an analysis of all farm buildings to identify potential opportunities on the estate to increase diversified revenue streams – either by working with tenants to create suitable on-farm diversifications or, where appropriate, to let directly to the market. The approach will be determined by each site's potential, the desire for on-farm diversification by tenants and the Council's requirements for income generation, based on a managed risk approach.

Indicator 172: Change in value of income obtained from traded services

Return to Index

June 2021

2019/20 Year End Income	2020-21 Actual	Previous Quarter Forecast	Direction for Improvement	Change in Performance
-£368,337	-£48,000	-£47,000		Declining

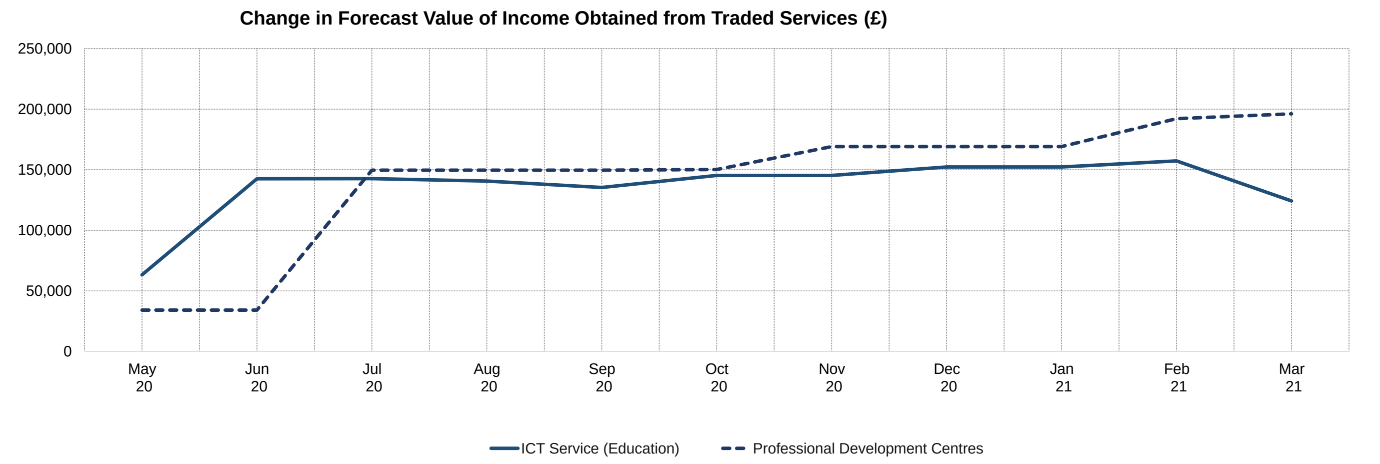
RAG Rating

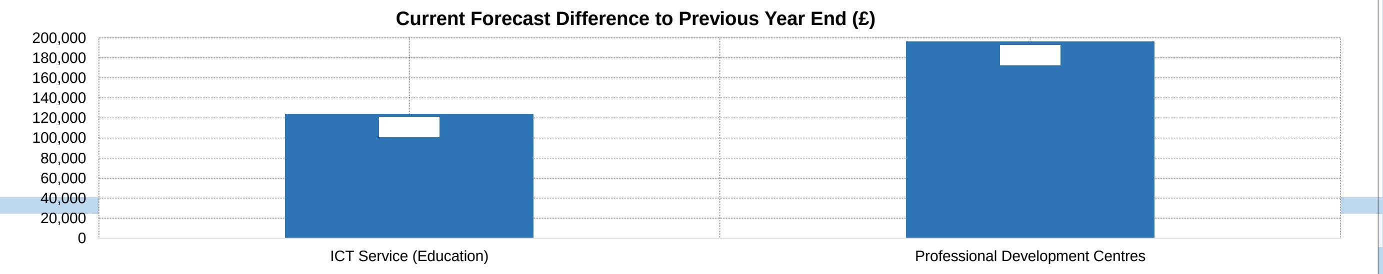
Contextual

Indicator Description

There are two services in Corporate and Investment that we describe as Traded Services that provide income through charging for their services. This indicator shows any changes in the annual net income received from traded services. It achieves this by comparing the forecast outturn for the current year with the actual outturn position for the previous year. An increase in the net income position is shown by a negative change.

The purpose of this indicator is not to understand whether a particular traded service is expecting to achieve its forecast budget position. This is monitored through the Finance Monitoring Report. It is instead to show the differences in profit being made against its forecast position last year. It shows whether a traded service is expected to make more or less profit compared to last year. This allows for a direction of travel to be established.





Commentary

It is important to note that with this indicator, where there are positive values, the forecast profit is expected be less than the previous year. And conversely, a negative value indicates a forecast increase in profit. Therefore, neither service is currently expecting to generate more profit than last year 2019/20. However, it should be recognised that both the Professional Development Centres and the ICT Service overachieved against income targets last year.

The outturn position for the ICT is an underachievement of its surplus (£61K) for 2020/21. This is less than the previous year becuase of the effects of Covid 19 on operations and access to customers.The PDC closed as part of the Cambs 2020 Hub and Spokes building programme and no further income was generated during the financial year. It will not be reporting as a traded service in the new financial year 2021/22.

Actions

Indicator 204: Annual forecast of the gross income from our total commercial investment as a percentage of initial investment

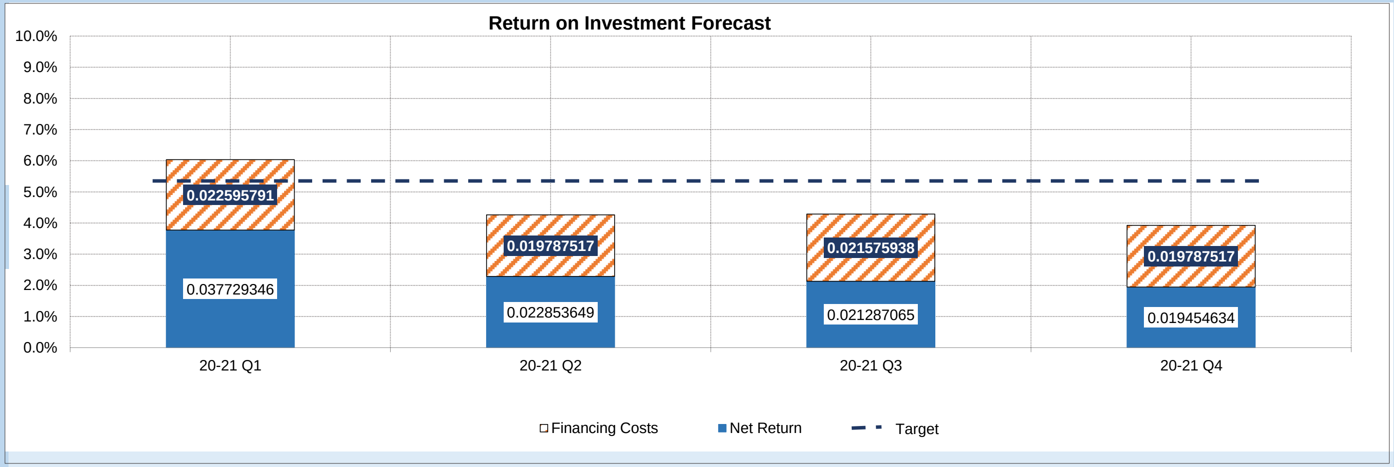
Return to Index

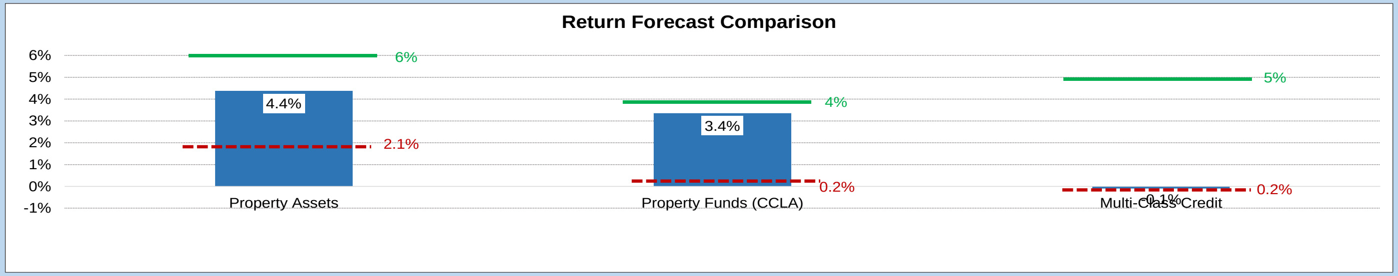
June 2021

Target	2020-21 Actual	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	3.9%	4.1%	↑	Declining

RAG Rating

Red





Indicator Description

This indicator projects our expected net income from all commercial investments against the 6% target. This target was set within the non-financial Investment Strategy. It is important to note that not all investments will achieve 6% from the outset. However, over the medium to longer term (by 2024-25) it is expected that the portfolio will meet the target. Any specific differences will be explained within the commentary.

This indicator should be used to judge the performance of our commercial investment portfolio as a whole. It should not be used to predict any differences in actual income against budget. This is detailed within the Finance Monitoring Report.

The return figure includes investment that has already been made. It also includes the investment that is expected to be made up to the end of March 2021. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY
The figures for individual asset classes on the lower graph have the Investment Strategy target or the original Business Case forecast return as their target (shown with solid line). The minimum threshold for Property Assets is calculated using an average of the borrowing interest rates for all the properties (shown with dashed line). The minimum threshold for Property Funds is the return that would have been achieved if the money had remained invested within Money Market Funds, rather than investing it in property funds (shown with dashed lines).

Commentary

Unsurprisingly, all investments have underperformed in the market during 2020/21 due to the Covid-19 pandemic and our results, illustrated here, tell that story. £14.5m has been invested in a Multi Class Credit fund with high ESG criteria during the latter part of Q2. This means that results illustrated here represent 7 months of the investment. A small return has been generated, but this has not exceeded the opportunity cost of investing, and as such it is not yet contributing to this performance indicator. Investment is currently underway in green infrastructure funds in order to diversify our portfolio.

The Covid-19 pandemic has had an adverse impact on some property income, with a loss of income of £1.392m expected. More details about this are included in the commentary for Indicator 164. The pandemic has also affected the forecast dividend from the CCLA property funds due to increased market uncertainty and the suspension of transactions in the fund during the quarter.

Actions