

COMMERCIAL AND INVESTMENT COMMITTEE



Friday, 13 September 2019

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

**Kreis Viersen Room
Shire Hall, Castle Hill, Cambridge, CB3 0AP**

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>
2. **Minutes and Action Log of the Commercial and Investment Committee held 12th July 2019** **5 - 18**
3. **Petitions and Public Questions**

KEY DECISIONS

4. **Procurement options for Energy Project Delivery Contractor** **19 - 34**
5. **Finance Monitoring Report - July 2019** **35 - 52**

OTHER DECISIONS

- | | | |
|------------|--|----------------|
| 6. | Notice to proceed with St Ives Smart Energy Grid | 53 - 58 |
| 7. | Performance Report - Quarter 2 of 2019-20 | 59 - 70 |
| 8. | Sawtry Man Cave
<i>to follow</i> | |
| 9. | Meads Farmhouse, Warboys – Replacement Dwelling | 71 - 76 |
| 10. | Commercial and Investment Committee Agenda Plan and Training Plan | 77 - 82 |
| 11. | This Land - Periodic and Financing Update | 83 - 88 |
| 12. | Exclusion of Press and Public

<i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> | |
| 13. | Shire Hall disposal - draft Heads of Terms

<ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |

The Commercial and Investment Committee comprises the following members:

Councillor Josh Schumann (Chairman) Councillor Anne Hay (Vice-Chairwoman)

Councillor Ian Bates Councillor Lorna Dupre Councillor John Gowing Councillor David Jenkins Councillor Linda Jones Councillor Terence Rogers Councillor Mike Shellens and Councillor Tim Wotherspoon

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution:

<https://tinyurl.com/CommitteeProcedure>

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COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 12 July 2019

Time: 10:00-11.45am

Venue: Room 128, Shire Hall, Cambridge

Present: Councillors J Schumann (Chairman), I Bates, L Dupré, A Hay (Vice Chairman), J Gowing, D Jenkins, L Jones, T Rogers, M Shellens and T Wotherspoon

In attendance: Councillors S Bywater and P Hudson

Apologies: None

249. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

No apologies for absence or declarations of interest were received.

250. MINUTES OF THE MEETING HELD ON 21 JUNE 2019 AND ACTION LOG

The minutes of the meeting held on 21 June 2019 were approved as a correct record.

The following items were discussed:

Item 162/Older People's Accommodation Strategy – an update had been circulated following publication of the agenda. Members and officers were still working on this issue.

Item 209/This Land shareholder update – a date had not yet been confirmed. Members stressed the importance of this meeting, and the Chairman agreed to contact the Managing Director, stressing the urgency and highlighting the concerns raised by the Committee. **Action required.**

Item 235(2)/officers representing the Cambridgeshire Music Service had been invited to the meeting to explain the significant variance at the end of the financial year. It was noted that Cambridgeshire Music had had a lower level of sales than expected during the 2018/19 financial year and had been unable to flex the overhead, as around 85% of costs were staffing. There has been a balancing act over recent years and until 2018/19, a balanced budget had been achieved. Steps were being taken through the Outcome Focused Review process, looking at the whole structure of Cambridgeshire Music and alternative delivery models. Many schools were now choosing self-employment options, but there were questions nationally as to whether this was compliant with HMRC employment practice. There were also different models operating in Peterborough City and Cambridgeshire County Councils. A lot of time was being spent analysing costs, identifying pressures, and removing turmoil from the Service.

The instrumental tuition element was the main issue as it changed from year to year, with many schools now choosing to take cheaper options. It was noted that Councillors

Hudson and Every, members of the Outcome Focused Review, had visited a number of services recently to see how they operated.

A Member asked if there was a danger of 'mission drift', as fewer schools took up the service, and this was compensated by pursuing more commercial opportunities. Officers reassured Members that they had a very clear idea of the Service's objectives, and this was reinforced by their major funder, Arts Council England. A new National Music Education Plan was being developed, but there was still demand for music lessons – the focus was generally on interventions that impacted on the majority of pupils.

In response to a query about sales in 2018/19, it was noted that organisational income was around £300K (against £776K budgeted), whilst income from individuals stood at around £490K (against £349K budgeted), which gave an indication as to the direction of the music education sector. It was noted that there had been discussions with the Transformation team about assessing social value, but this had not been concluded. A Member suggested that this needed to be completed as a matter of some urgency. It was confirmed that demand had been increasing from individuals, and this income stream could be further grown as long as staff with sufficient competency could be recruited – the recruitment sector for music education was not as robust. However, the Service was cautious about taking on more staff, and there was a discussion around the appetite for risk.

In response to a Member question, it was noted that in terms of timescales, a report on the options appraisal would be presented to the Commercial & Investment Committee in September. A significant piece of work was required to examine the business case, legal and employment models of proposals going forward. By that date, there should also be a better idea of school take up in the coming year. It was likely that Arts Council England would roll over the current grant funding process for another year, given that the outcome of the national studies would not be known until later in the year. Generally, it was likely that school sales would continue to decline, but probably at slower rate. Individual income had the potential to increase but the right employment structure needed to be in place. Additional projects were being put in place to attract more funding, but staffing would need to flex to accommodate change. It was agreed that the report presented to the September meeting would provide the necessary detail on Social Value.

It was noted that the Arts Council England (ACE) grant was around £800K, and funded approximately 50% of the Cambridgeshire Music service.

The Committee sought reassurance that there was a robust process going forward, and officers gave that assurance, and that the work required would be undertaken over the summer.

The Chairman concluded by thanking officers for attending, but observed that when the Service's deficits had been reported in year as part of the Finance & Performance report, it had been suggested that these deficits would be recovered by year end, but those mitigating measures had clearly failed. It was vital that traded services were proactive in keeping the Committee updated in such circumstances.

Item 242(2)/it was confirmed that the next meeting of the Commercial Board would review scaling of contracts/engagement with smaller businesses alongside KPIs.

Item 242(3)/it was confirmed that a report on the Commercial Team would be considered at the September meeting.

Item 244/Babraham Smart Energy Grid (Biomedical campus) – officers confirmed that they had had discussions with Addenbrookes who were interested in a Power Purchase Agreement, and a meeting had been scheduled for the end of July with their chief engineers.

Item 244/Babraham Smart Energy Grid (electric buses) – an update would be circulated to the Committee. **Action required: Cherie Gregoire.**

It was resolved to note the action log.

251. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

252. WATER PROCUREMENT

The Committee received a report on the procurement of water and sewerage services. Members noted that the retail market for non-households was deregulated in 2017, and that Crown Commercial Service (CCS) in conjunction with ESPO (Eastern Shires Purchasing Organisation) and other purchasing organisations had established a framework contract. It had been considered prudent to wait for the market to mature before appointing a supplier.

ESPO had previously suggested that they had plans to run a secondary procurement exercise in the form of a bulk aggregated further competition, but had subsequently advised that they were no longer planning to do this. Ofwat was in the middle of its five yearly Price Review, which would set wholesale prices to 2020 to 2025. This would set the wholesale price limits which accounted for the largest share of the costs.

In addition to potential financial savings, the benefits of appointing water and sewerage supplier would critically include improved water data and customer service. Since margins overall in this market were narrow, the greatest benefits came from cutting water consumption. In response to Member questions, it was noted that existing water data was not great, and only separate bills were available for each site, making analysis and insight difficult. A particular point of interest would be identifying where consumption dramatically increased, indicating a leak.

With regard to ESPO abandoning their plans to run a secondary procurement exercise, no real reason had been given for this. Councillor Bates advised that he and Councillor Howell were the County Council's ESPO representatives, and he undertook to raise this question with ESPO. **Action required.**

There was a discussion regarding the practicalities of staff at smaller sites monitoring water meter readings, and that in practice a corporate resource would be required to undertake this task, at a cost. It was confirmed that this procurement applied to 160 County Council sites, which excluded schools.

Councillor Shellens declared an interest as a former employee of Anglian Water.

In response to a Member question, it was confirmed that water consumption at the majority of sites was insufficient to justify installing data loggers on to meters, and that unlike electricity, there were no “smart meters” for water. However, moving to the proposed procurement option would mean that discussions could take place on better reporting: when entering in to a contract, more frequent meter readings could be stipulated. Billing could also be consolidated so that all sites appeared on one list. It was confirmed that there had been no water consumption campaigns run by the EIU, and that a new contract may open up the option of water efficiency audits by the providers.

It was resolved unanimously to:

Proceed with a water services procurement in early 2020 (Option B from this report) using ‘Lot 3’ of the CCS framework contract with a 3-year term including the option of a further 1-year extension.

253. ELECTRICITY PROCUREMENT FOR 2020-2024

The Committee considered a report on the strategy for the procurement of an electricity supply contract for 2020 to 2024.

Both the County Council and Peterborough City Council were significant consumers of electricity, for their buildings, street lighting, traffic signals, etc. The current cost was around £6.2M per annum (excluding schools) for the two Councils combined, Cambridgeshire’s share being around £3.4M. Cambridgeshire’s current electricity contract would expire on 30/09/2020, and two options to purchase through a purchasing body, either ESPO or Crown Commercial Services (CCS) were being considered. This approach represented good value for money, and not using a purchasing body would be incredibly difficult, costly and risky. Electricity markets were very complex and trading directly would be undesirable. The current electricity provider was Total’s ‘Pure Green’ electricity tariff, which gives the Council zero net greenhouse gas emissions for electricity for a small additional cost, in line with the Council’s Corporate Energy Strategy and the Environment Motion passed by full Council in May 2019.

Having compared the ESPO and CCS options, the joint officer working group had concluded that ESPO offer the better value option, so it was recommended that the renewed electricity supply contract for 2020-2024 was with ESPO.

Arising from the report:

- A Member queried why the energy costs were unknown for both ESPO and CCS. Officers explained that electricity markets fluctuate constantly, due to wholesale energy markets and non-commodity costs, e.g. charges for transmission and distribution. Whilst the Council had no influence over wholesale markets, traders in purchasing organisations could achieve the best prices;
- Members noted that the County Council and Peterborough City Council were both members of ESPO, but Peterborough were currently using CCS. Peterborough had agreed to move over to ESPO and synchronise the contractual timeline with Cambridgeshire;

- Members noted the focus on reducing consumption and introducing energy efficiency measures;
- A Member observed that Cambridgeshire and Peterborough collectively generate more electricity (from Cambridgeshire's Solar Farm and Peterborough's Energy Recovery Facility) than they consume. Officers explained that because these sites were in different physical locations to where the electricity was consumed, it had to go through the Grid, which had costs. The possibility of the Council selling electricity to itself had been explored in depth, but for the majority of consumption this could not be done directly, it had to go through the Grid. Therefore the strategy for the next four years was to buy at the best possible price, and sell at the best possible price, optimising against the sets of parameters on both sides.

The Chairman thanked officers for both this and the Water Procurement report, commenting that it was refreshing to see both reports, helping the Committee meet its objective on savings as well as income.

It was resolved unanimously to:

- a) Approve renewing Cambridgeshire County Council's electricity supply contract for 2020-2024 with ESPO.

254. CAMBRIDGESHIRE OUTDOORS

Members considered the conclusions and recommendations following completion of the Outcome Focused Review (OFR) process of the Cambridgeshire Outdoors service. The Chairman reminded Members that the appendices were confidential, and that the Committee would need to move in to confidential session if Members wished to discuss the detail of those appendices.

Introducing the report, Councillor Bywater reminded Members of the different options for the Council's three Outdoor Centres previously explored by the Committee. Whilst the Outdoor Centres would never generate significant income, other aspects of the services provided needed to be considered, including the Social Value of this service. The proposed solution would reduce subsidies, with a potential for creating a surplus position, and upskilling existing staff. The value that the Centres gave in terms of the County Council's outcomes, including Public Health, children with disabilities and Looked After Children were noted.

Arising from the report:

- A Member thanked Councillor Bywater for sight of previous drafts of the Cambridgeshire Outdoors OFR reports. She queried the objective of upskilling existing staff, but noted that the Business Improvement Plan only referred to staff models and not staff development. She also queried the Value For Money and Unique Selling Point aspects of the Business Improvement Plan. In response, it was noted that the Working Group would be looking at those areas;

- In response to a Member question about the wide divergence in costs for residential courses, Members were advised that this was dependent on what was being offered e.g. water sports had a higher cost. The key point was to ensure that all Centres offered affordable day and residential opportunities.
- A Member stressed the importance of assessing Social Value;
- A Member suggested that the governance of this Outcome Focused Review should remain with the Commercial & Investment Committee rather than CYP Committee. Following discussion, especially on the Social Value aspects, it was agreed that future governance should be through the CYP Committee;
- Members discussed how the different scenarios in the appendices would result in a surplus position as more efficiency savings were achieved.

Councillor Bywater paid tribute to officers for all their hard work on this matter, and his comments were echoed by the Chairman.

It was resolved unanimously to note the research, options appraisal and conclusion of the OFR process and approve the officers' recommendation to:

- a) Retain the three Outdoor Centres recognising that short term subsidies will be required in order to continue to deliver the positive outcomes for our young people;
- b) Approve the next phase of work and set up governance arrangements as described in paragraph 4.1, to be overseen by Children and Young People Committee (CYP); and
- c) Agree that officers should develop a business improvement plan in line with the governance arrangements above and to deliver the efficiency savings as part of the ongoing improvements to the Centres (described in paragraph 2.8 and Appendices 3 and 4 of the report).

255. INVESTMENT GRADE PROPOSAL (IGP) STAGE 1 UPDATE ON THE DEVELOPMENT OF THE NORTH ANGLE SOLAR FARM

The Committee considered an update on Stage 1 of the Investment Grade Proposal development process for this project and seek approval to proceed to Stages 2-3. The report outlined progress made on the site, previously known as Mere Farm, and sought approval to continue with the project. It was acknowledged that Phase 1 not complete e.g. the seasonal survey work needed to be done. A Grid connection option been secured with UK Power Networks (UKPN), but the indicative cost was higher than originally forecast. Pre-application Planning advice had been sought, and the potential issues around a full Environmental Impact Assessment (EIA) were noted: a similar project adjacent to the site did not need an EIA, but the quantum of the projects in this area may result in an EIA being required.

It was confirmed that the planning application would be dealt with under Regulation 3 i.e. it would be dealt with by the County Council's own Planning Committee. Joint Interim Assistant Director (Environment and Commercial) advised that the County's Planning team were working with East Cambridgeshire District Council colleagues, and looking to source an officer to second to the project. With regard to the EIA, there was a strong recommendation from Historical England, and also the Council's own Historical Environmental team, so a precautionary approach would probably be taken on Historical Environment and Landscape issues. Acknowledging these points, the Chairman commented that scoping of any EIA would be important.

Noting that progress had not been as advanced as anticipated, that capital costs had increased by £5M, and that there were still potential issues around the Grid connection, a Member suggested that the third report recommendation be amended, to approve progress *subject to consideration by the Energy Investment Programme Member Working Group*.

It was resolved unanimously to:

- a) note the findings of the Stage 1 work; and
- b) note the risks around grid connection costs; and
- c) approve the progression to Stage 2 and 3 of the Investment Grade Proposal (IGP) development, subject to consideration by the Energy Investment Programme Member Working Group.

256. SECOND QUARTERLY MONITORING REPORT, MOBILISING LOCAL ENERGY INVESTMENT

The Committee considered the second quarterly monitoring reporting on the four energy investment programmes.

The Energy Efficiency Fund was a four year fund with the funding needing to be spent by March 2020. Due to some delay in delivering LED lighting projects, it was unlikely to meet this deadline. 25 projects had been scoped and quoted but were on hold pending approval from the Cambs 2020 Board, who requested the delay in order to complete the 'Spokes' work before deciding which priorities to invest in. The Committee was therefore asked to approve a one year extension.

The Environment Motion was made at full Council in May, and acceptance that the Council was facing a climate and environmental emergency. There were also legislative requirements, e.g. new buildings not being connected to gas network. To date most the most cost effective mechanism of replacing boilers in schools has been more efficient gas boilers. Work has commenced with Comberton Village College to pilot a ground source heat pump. The challenge was the business case and how it would work for schools: schools may not want ownership of those assets, the asset may need to be owned by the Council and the heat sold back to the school. It was confirmed that this would be on a lease agreement, not as an energy provider, but the regulation of the Heat industry was changing so tighter controls were anticipated. There was a discussion on the vision for community based ground source heat pumps based at schools.

The development of a Smart Energy Grid project Trumpington Park & Ride (P&R) had been delayed, as the Greater Cambridge Partnership were looking to develop a second P&R site on the western side of the M11 agreed. Additionally, the existing Park & Ride site was identified as a potential development site in the forthcoming Cambridge City/South Cambridgeshire Local Plan, although it was clarified that this was very much a long term possibility. A Member commented that the long term nature of this proposal should be made clear in reports.

It was unanimously resolved to:

- a) approve the second quarterly report;
- b) note the key challenges and risks delivering the programmes;
- c) approve a one year extension to the Energy Efficiency Fund as set out in paragraph 2.3 of the report.

257. FINANCE AND PERFORMANCE REPORT – MAY 2019

The Committee considered a report on the financial and performance information relating to the areas within the Commercial and Investment Committee's remit, for the period ending 31st May 2019.

At the end of the period, an overspend of £626K was forecast on revenue budgets. There was one significant forecast outturn variance by value, which related to an underachievement of income of £475K on Housing Investment. This related to interest received on loans made to This Land, resulting from delays in issuing further loans.

The Capital budget was currently forecasting a balanced position. The Committee was asked to recommend to General Purposes Committee for approval the carry forward of funding from 2018/19 to 2019/20, for a number of schemes.

It was noted that references to 2018/19 in the graph at 2.1 in the appendix should read 2019/20.

It was noted that Key Performance Indicators had been developed for the Committee, in line with the development of the Commercial Strategy. However, the mechanism for reporting these was being reviewed across the Council. The July Finance and Performance report reported to Committee in September should include the first quarter's performance.

In response to Member questions, it was confirmed that:

- two major property acquisitions had been completed, and three other were in the pipeline;
- the £88K variance for Outdoor Education related to Grafham Water.

It was resolved unanimously to:

- 1) review, note and comment upon the report;

- 2) recommend to the General Purposes Committee for approval the changes to the capital programme budgets from the 2019-20 Business Plan as summarised in Section 3.5 of Appendix A of the report.

258. COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN AND TRAINING PLAN

Members considered the Agenda Plan, including a number of change since publication, and the Training Plan. It was agreed to cancel the provisional Committee training session scheduled for 16th July, and also cancel the Committee meeting scheduled for 16th August.

It was resolved to note the agenda plan and training plan.

Chairman

COMMERCIAL & INVESTMENT COMMITTEE

Minutes-Action Log



Agenda Item no. 3

Cambridgeshire
County Council

Introduction:

This is the updated action log as at **5th September 2019** and captures the actions arising from the most recent Commercial & Investment Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 19th October 2018

Item no.	Item	Action to be taken by	Action	Comments/Status	Estimated completion date/ Completed
162.	Service Committee Review of the draft 2019-20 Capital Programme	Oliver Hayward/ Will Patten	Last two meetings of the Older People's Accommodation Strategy Working Group had been cancelled (concern that these issues were not being picked up).	See response from Service Director (appended). Cllr Rogers to request an update from the Adults Committee Chair.	Ongoing

Minutes of 14th December 2018

183.	Disposal of ransom strip at St Ives	John Macmillan	The ownership of different parts of the site to be fully detailed in the revised report, and the planning application for the residential development be included in that report.	The Education Capital team have been carrying out feasibility work to extend school capacity at St Ives and are preparing a Justification of Need with regard to acquiring additional land at the St Ivo school. This would include the Council's land. This was considered by the Capital Prog. Board in July and will be reported to C&I and GPC in due course.	Ongoing
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Minutes of 22nd March 2019

Item no.	Item	Action to be taken by	Action	Comments/Status	Estimated completion date/ Completed
209.(1)	Property at Burwell and Soham – Transfer to This Land and financing (Phase 2)	Tom Kelly	With regard to the “standardisation of routine monitoring” referred to in the report, it was noted that this referred to regular Member meetings with This Land, and it was agreed that these should be diarised quarterly, going forward.	A Shareholder update meeting, to which the Committee was invited, was held on 02/08/19.	Completed
209.(2)	Property at Burwell and Soham – Transfer to This Land and financing (Phase 2)	Tom Kelly	Routine monitoring should include regular reports from Council’s own officers, providing a view on the This Land monitoring reports and performance.	This will be provided at the September meeting.	Ongoing Sept 2019
211.	Milestone 3 Report for the Alconbury Weald Civic Hub: Cambs 2020 Programme	Andy Preston/ Kim Davies	Project Risk Register would be shared as part of future reports.	This will be included in future C&I Committee papers as planned. Currently these are proposed for the end of MS4 (October 2019) and the end of MS6 (January 2021)	October 2019

Minutes of 26th April 2019

225.	Estates and Building Maintenance Inspections	Alex Gee/ John Macmillan	Action Plan and related KPIs and timescales to be brought to a future meeting	This will form part of a broader Estates Strategy being worked on jointly by the Estates and Transformation teams.	Autumn 2019
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Minutes of 24th May 2019

235.(1)	Finance & Performance Report	Tom Kelly/ Ellie Tod	It was agreed that ways of reporting capital financing to the Committee would be explored further outside the meeting.	Report to be considered at the 13th September 2019 meeting.	Completed.
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Minutes of 21st June 2019

242.(2)	Commercial Strategy and Action Plan	Commercial Board/Dan Sage/ Amanda Askham	Commercial Board to review scaling of contracts/ engagement with smaller businesses alongside KPIs.		
242.(3)	Commercial Strategy and Action Plan	Dan Sage/ Amanda Askham/ Dawn Cave	Report to be produced for a future meeting on cost of the Commercial team.	On 13/09/19 agenda.	Completed
244.	Babraham Smart Energy Grid – Investment Grade Proposal Stage 1 Update	Sheryl French/ Cherie Gregoire	Officers to revisit discussions with the new Stagecoach management team about electric buses.	Circulated by email 02/09/19	Completed.
244.	Babraham Smart Energy Grid – Investment Grade Proposal Stage 1 Update	Sheryl French/ Cherie Gregoire	Officers to look in to approaching organisations on the Biomedical Campus.	A very positive meeting took place with Addenbrookes on 22/07/19 where they expressed strong interest in working with CCC. Since then, they have shared energy usage data and schematics that are important for the development of the project. Cherie has drafted an MOU for their review and agreement.	Completed

Minutes of 12th July 2019

252.	Water Procurement	Cllr Bates	Councillor Bates to raise a question with ESPO as to why ESPO had abandoned their plans to run a secondary procurement exercise.	Emailed to Committee 04/09/19.	Completed.
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Response from Service Director – Commissioning (Will Patten):

A key theme of the accommodation strategy is to increase capacity in residential based care.

This included the potential to develop a strategic and commercial relationship with a provider(s) and include land and capital options. This work was banded under workstream 3.

As part of this strategy, we have also been working with the market and pursuing two other options and activity. These are:

1. Extending existing block contracts (workstream 1)
2. Working with the market to develop and release further existing capacity onto block contract arrangements in specific geographical areas (workstream 2)

The outcome of workstream 1 & 2 are likely to deliver the capacity we require and as a result, held workstream 3.

Once the dust has settled from the workstream 1 & 2 work, we will have a much clearer picture of what, if anything is required under workstream 3.

I would be very happy to bring a detailed report to the C&I committee if helpful.

PROCUREMENT OPTIONS FOR ENERGY PROJECT DELIVERY CONTRACTOR

To: **Commercial and Investment Committee**

Meeting Date: **13 September 2019**

From: **Executive Director, Place and Economy**

Electoral division(s): **All**

Forward Plan ref: **2019/031** *Key decision:* **Yes**

Purpose: **To consider options for the procurement of a new Energy Project Delivery Contract to commence after the current contract for services under the Refit 3 Framework expires in April 2020.**

Recommendation: **The Committee is being asked to:**

- a) approve the recommended procurement route set out in paragraph 2.5;**
- b) approve the development of an Invitation to Tender, which will be shared with the Member Working Group for comment ahead of issuing to the market; and**
- c) delegate authority to the Chief Finance Officer, in consultation with the Chairman of Commercial and Investment Committee, to award the contract.**

<i>Officer contact:</i>		<i>Member contacts:</i>	
Name:	Cherie Gregoire & Chris Parkin	Names:	Councillors Schumann and Hay
Post:	Energy Project Manager	Post:	Chair/Vice-Chair
Email:	Cherie.gregoire@cambridgeshire.gov.uk Christopher.parkin@cambridgeshire.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk Anne.hay@cambridgeshire.gov.uk
Tel:	01223 715689 / 01223 715909	Tel:	01353 362912 07841 524007

1. BACKGROUND

- 1.1 In 2014 and again in 2016¹, the Economy & Environment Committee approved using the Greater London Authority's (GLA's) Refit Framework to run a mini-competition and procure an Energy Performance Contractor for the Council and its Local Authority Partners. The GLA's Framework is an Official Journal of the European Union (OJEU) compliant procurement, which made available a number of service providers from which Local Authorities could appoint a contractor via a mini-competition. To use the Framework, the Council signed an access agreement with the GLA and pays a framework levy to Crown Commercial Services for its use for each project (excluding schools). In addition a support agreement is required with Local Partnerships for the quality assurance review of projects at pre-agreed fees. The Council originally accessed the Refit 2 iteration of the Framework and subsequently accessed Refit 3. Both times, Bouygues Energies and Services Ltd were appointed as the Council's provider.
- 1.2 All of the Council's energy projects e.g. the schools retrofit programme, solar farm projects, battery energy storage projects, smart grid projects and heat network projects are being scoped and delivered under these procurements. The Refit 3 Framework will expire in April 2020, after which new projects will need to be commissioned through a new procurement arrangement.
- 1.3 In anticipation of the expiry of the Refit 3 Framework, the Energy Investment Unit (EIU) has formed a working group of Local Authorities potentially interested in working as partners in a joint procurement of a replacement contract. The working group is formed of representatives from Cambridge City Council, South Cambridgeshire District Council, Huntingdonshire District Council, Fenland District Council, Peterborough City Council and Suffolk County Council.

2. MAIN ISSUES

Experience with Refit 3

- 2.1. The Energy Performance Contract procured under Refit 3 has successfully enabled the Council to progress our programme of energy projects. However, the Council and District Councils have experienced the following issues with Refit 3:
 - i) Non-school projects are liable to pay a Crown Commercial Services fees (0.25% of contract value with no cap) which is substantial on large projects;
 - ii) As the knowledge and capacity in the Energy Investment Unit and the Local Authorities has grown, the value for money of the Local Partnerships' fees to review project business cases etc. has declined. Our review requirements are now increasingly focused on energy market expertise and potential emerging revenues.

¹ Economy & Environment Committee minutes 14th July 2016

- iii) A more flexible approach is needed within the procurement to allow for projects where an energy performance contract, i.e. with a guarantee on energy savings/generation, is not the best value approach. Examples include smaller schools projects, and projects focussed on measures such as LED lighting, where risk of underperformance arising in service is minimal.

Procurement Route Options

2.2. The working group has considered three potential procurement routes:

- the Greater London Authority's Refit 4 Framework;
- conducting our own Official Journal of the European Union (OJEU) compliant procurement; and
- making use of other, existing, public sector frameworks e.g. frameworks owned by Leicestershire County Council, Stoke City Council, Swindon Borough Council or Crown Commercial Services' HELGA Framework (see Appendix 1 for details).

2.3. The 3 options are described in further detail below:

Option	Description
Refit 4	Co-owned by Local Partnerships (LP) and the Greater London Authority (GLA), the Refit 4 Framework is a planned Energy Performance Contracting Framework to replace Refit 3. The basic premise of providing Local Authorities with the confidence of guaranteed savings or generation remains. LP and the GLA plan to have a contract in place in time for local authorities to access and run mini-competitions from January 2020.
Own OJEU procurement	The project Partners conduct our own, OJEU-compliant procurement against our own agreed Specification, Terms and Conditions and Evaluation Criteria.
Other existing Framework	The project partners access one or more existing public sector Frameworks other than Refit.

2.4. A qualitative Strengths, Weakness, Opportunities & Threats (SWOT) analysis has been conducted on these options (Appendix 1). In addition lifetime contract costs, for an indicative £93million programme of energy projects, have been estimated and compared under Refit 4 and own OJEU procurement options (Appendix 2).

2.5. On the basis of this analysis the working group recommends that a new Energy Project Delivery Contract is procured by conducting our own OJEU procurement. The key reasons are as follows:

- i) **Cost:** over a 4 year contract duration we estimate our own procurement would save the Council in the order of £130k-160k. These savings are largely due to reduced costs of project review. Under Refit 4 we would be tied to Local Partnerships reviews at a cost of x% of project capex (capped at £x per project). We believe that if we

conducted our own OJEU procurement these reviews could be procured at lower cost by separate competitive tender.

- ii) **Review Quality:** Project reviews will be procured separately. Although this will involve increased staff and Legal time, we estimate these costs to be outweighed by the potential savings in review cost. The opportunity to specify how reviews are conducted and which expertise is needed will also lead to better and earlier understanding of revenue risks and opportunities.
- iii) **Completeness:** no single existing framework covers the full scope of services we require. Our own OJEU procurement would be comprehensive and tailored to our precise needs. Refit 4 would also be a good fit for our requirements based on discussions with Local Partnerships, although we would not have quite the same opportunity to tailor the specification to our precise needs.

Timescales

2.6. Projected procurement timescales are as follows:



- 2.7. These timescales are ambitious, but achievable. If we achieve these timescales there would be no significant gap between the end of Refit 3 and the start of a new contract. However, if the process were to take up to a full 12 months, this would not create a major problem. This is because we are able to continue to progress any projects initiated under Refit 3 prior to April 2020, up to their completion. Any gap between the end of Refit 3 and a new contract therefore only presents a hiatus to the initiation of new projects, rather than to the programme as a whole.

Developing an Invitation to Tender

- 2.8. The Local Authority officer working group will develop a specification for the procurement drawing on the Partners' experience under Refit 2 and 3. The specification may include pilot projects that tenderers are asked to produce a

High Level Assessment for, as part of their tender and/or an indicative list of potential projects that may be commissioned from the successful tenderer. The Invitation to Tender (ITT) will, however, be for a call-off contract and will not commit the Council or our Partners to procure any minimum value of project work under the contract.

- 2.9. Drafting of Terms and Conditions will be commissioned from LGSS Law with the Partners providing input and review of drafts. The costs of this legal work will be shared with the Partners, accounting for the differing sizes of their likely programmes of energy projects. At present we anticipate the County Council covering 30% of these costs and the other Partners the remaining 70%. We would make the Framework procured available, after its award, to further public sector bodies for an access fee. Revenue from access fees would be shared amongst the Partners in proportion to their contribution to the legal costs.
- 2.10. We plan to hold a pre-launch event with potential suppliers, prior to publication of the ITT for soft market testing purposes. The draft ITT documents will be shared with the Energy Investment Programme Member Working Group² for comment prior to publication of the ITT.

Delegated Authority

- 2.11. In order to be able to progress the tender process and move it to a conclusion as swiftly as possible, delegated authority is sought to allow the Chief Finance Officer, in consultation with the Chairman of Commercial and Investment Committee, to award the final 'call off' contract outlined in paragraph 2.8. In progressing such a contract, the County Council would not be precluded from entering into discussions about Refit 4 e.g. if the savings estimated in Appendix 2 are not realised as individual projects come forward.
- 2.12. In light of the above, the request for delegated authority is necessary to ensure that the contract can be awarded within the timescales set out in paragraph 2.6 above, and ensure the Council meets the necessary procurement regulation requirements.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority. This procurement will allow the development of clean energy projects, reduce energy consumption, reduce carbon emissions and help tackle climate change.

3.2 Thriving places for people to live

The continued ability to deliver energy projects under a new contract has the potential to support economic growth by making local energy infrastructure

² As established by C&I Committee on 21st June 2019

more resilient, less susceptible to grid capacity constraints and by enabling reduced cost energy supply to local businesses.

3.3 The best start for Cambridgeshire's children

The continued ability to deliver energy projects under a new contract has the potential to support Cambridgeshire's children by enabling continued delivery of schools energy projects that help schools manage their energy costs, reducing pressure on their budgets.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The contract would be procured on a call off basis, with no guaranteed minimum value of work to be let under it. Resource implications of larger projects let under the contract will be set out in Committee papers seeking approval for those projects. The only immediate resource implications are therefore the costs of running the procurement itself.

The Local Authority Partners have provisionally agreed cost sharing of Legal costs enabling the Council to recover 70% of these costs. The balance of costs were approved as part of the EIU transformation Fund bid approved by Committee on 26th April 2019³.

The following bullet points set out details of significant implications identified by officers (assumptions are set out in Appendix 2). Staff time requirements can be met from within existing headcount:

- £38k estimated revenue cost for EIU staff time to conduct the procurement.
- £18k estimated revenue cost for Procurement staff time to conduct the procurement.
- £42k estimated revenue cost for LGSS Law activity on drafting Terms & Conditions etc.

We will explore whether Local Authority Partners are willing to contribute towards EIU and Procurement staff costs. As they will be contributing their own staff time to the Local Authority officer working group and for their own internal approval processes, they may be resistant to this.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The OJEU procurement will be delivered in compliance with the Council's contract procedure rules. The contract would provide an Energy Project Delivery Contractor until April 2024. This 4 year contract duration is in line with Crown Commercial Services guidance⁴ on the maximum permissible duration of framework agreements.

³ Commercial & Investment Committee minutes 26th April 2019

⁴ Crown Commercial Services – Guidance on Framework Agreements

4.3 Statutory, Legal and Risk Implications

Legal support will be needed to draft Terms & Conditions to ensure that the new contract provides at least as much protection for the Council and its procurement Partners as provided by Refit 3 Terms & Conditions.

Commissioning of independent reviews of project documents from third parties may create tensions in terms of commercial confidentiality and/or ability of reviewers to participate in supply chains for subsequent projects. This will be explored with Legal and Procurement colleagues to ensure that the Invitation to Tender and Terms & Conditions explicitly set out how this will be handled.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

To raise awareness amongst potential contractors a pre-launch event is planned for November to present and discuss our requirements. This will include providing potential suppliers with a soft market testing questionnaire. Results from this questionnaire, and from discussions at the event, will inform the finalisation of the specification for the Invitation to Tender and the Terms & Conditions.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus DeSilva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Debbie Carter-Hughes
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Joanna Shilton
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Stuart Keeble

Source Documents	Location
1. Economy & Environment Committee minutes 14 th July 2016	1. https://tinyurl.com/yxuao4xl
2. Commercial & Investment Committee minutes 21 st June 2019	2. https://tinyurl.com/y26a5st9
3. Commercial & Investment Committee minutes 26 th April 2019	3. https://tinyurl.com/y3pxs7su
4. Crown Commercial Services – The Public Contracts Regulations 2015 & The Utilities Contracts Regulations 2016 – Guidance on Framework Agreements	4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/560268/Guidance_on_Frameworks_-_Oct_16.pdf

APPENDIX 1: SWOT Analysis

Post April 2020 EPDC Procurement Contracting Options SWOT Analysis

Context

1. Contract scope will be discussed and agreed elsewhere, but, for context, it is expected that the contract will cover the following services:
 - a. Energy Performance Contracts (EPCs) for schools and council buildings, including operation & maintenance of equipment as an option;
 - b. EPCs for larger “income generating” projects e.g. solar farm, battery energy storage, smart energy grids etc, including operation and maintenance of equipment;
 - c. Design & installation of energy conservation and generation measures, rather than a full EPC e.g. as a more cost effective route for projects such as LED lighting for small schools etc.
2. It is expected that the contract duration will be 4 years (the maximum duration for a Framework Agreement, other than in exceptional cases). The intention is that the contract will be accessible to partner authorities either from its commencement or from a later date when they join.

Options

3. **ReFit4:** Local Partnerships’ and GLA’s planned Energy Performance Contracting Framework to replace ReFit3. LP and GLA plan to have a contract in place in time for local authorities to access and run mini-competitions from January 2020.
4. **Own OJEU Procurement:** The project Partners conduct our own, OJEU-compliant procurement against our own Specification, Terms & Conditions and Evaluation Criteria.
5. **Other Existing Frameworks:** The project Partners access an existing Framework other than ReFit4 (see Annex for notes on a range of potential Framework Agreements).

SWOT Analysis

Option	Strengths	Weaknesses	Opportunities	Threats
ReFiT4	<ul style="list-style-type: none"> • Specification, Terms & Conditions and mini-competition template drafted by LP/GLA reducing cost and staff resource to Partners • Scope expected to be comprehensive • Access fees relatively competitive for larger programmes • Energy saving guarantees a core feature • Minimal gap between ReFiT3 and 4 contract targeted 	<ul style="list-style-type: none"> • Unknown contractors at this stage • Framework access fee significant for Partners with small programmes • Scope of project reviews e.g. no site visits or key market revenue indications • Cost of LP reviews of Investment Grade Proposals (IGPs) etc. 	<ul style="list-style-type: none"> • Partners can influence drafting of Specification etc. • In-built reviews of mini-competition, High Level Assessment (HLA) and IGP documents 	<ul style="list-style-type: none"> • Detailed terms, scope etc. not yet defined • Risk that a comprehensive specification adds supply chain layers and cost • Risk of no or few tenders from mini-competition • Risk of procurement delays • Risk that all Partners may not be able to be covered under a single Framework access agreement, increasing cost • Risk of overlooking key requirements in mini-competition Specification drafting
Own OJEU procurement	<ul style="list-style-type: none"> • Specification and Terms tailored to Partners' needs • Longest contract duration • Set-up and review costs likely to be 	<ul style="list-style-type: none"> • Cost and staff resource required to develop Specification, Terms & Conditions • Unknown contractor 	<ul style="list-style-type: none"> • Potential for Partners to recover costs or generate revenue by third parties paying to access Framework • Flexibility to 	<ul style="list-style-type: none"> • Risk of overlooking key requirements in Specification drafting • Risk that an "all-singing, all-dancing" Specification adds supply chain layers and cost

	<p>cheaper than ReFiT4 fees</p> <ul style="list-style-type: none"> • Not tied to ReFiT4, or other framework, start and end dates • Energy saving guarantees a core feature • Minimal gap between ReFiT3 and new contract targeted 	<ul style="list-style-type: none"> • Partners (rather than LP / GLA) will have to perform the due diligence on tenderers 	<p>procure expert third parties to review HLAs and IGPs</p>	<ul style="list-style-type: none"> • Risk of few or no tenders • Risk of procurement delays
Other public sector Frameworks	<ul style="list-style-type: none"> • Specification, Terms & Conditions already exist reducing cost and staff resource impact to Partners • Some frameworks are more focussed, stripping out the top layer in the supply chain. • Known contractors 	<ul style="list-style-type: none"> • No single framework covers the full scope we require • Shorter remaining contract duration • Less visibility of contractor pricing / value for money 	<ul style="list-style-type: none"> • Potential to learn from Framework providers • Mix and match use of multiple Frameworks may offer better value for money by stripping out layers in supply chain 	<ul style="list-style-type: none"> • May need to access multiple Frameworks requiring significant staff resource

NB key criteria are emboldened

Annex – Notes on ReFiT & Other Framework Agreements

ReFiT4

- Local Partnerships & GLA Energy Performance Contract Framework
- Planned to be in place by January 2020
- £x Framework Access fee including review of mini-competition ITT
- x% per project fee (including cost of reviewing HLAs and IGPs), capped at £x
- Key changes relative to the ReFiT3 Framework include:
 - No BEIS grant funding so fees will be set on a full cost recovery basis
 - CCS not involved therefore their fee is removed
 - New fee structure including: increased Access fee; reduced per project fees with a maximum cap on fee/project
 - Will aim to better reflect a multi-stage Investment Grade Proposal development process (as used by CCC for large generation, storage and smart grid projects)
 - Will consider how performance guarantees can be tailored to large scale generation projects
 - Will include lighter touch Measurement & Verification options e.g. first 3 years only M&V period
 - Increasing LP & GLA's powers to take action, at the framework level, against under-performing suppliers
 - Inclusion of Schedules with standard Power Purchase Agreement and Heat Purchase Agreement terms

Leicestershire County Council – Energy Performance Contract

- Energy Performance Contract
- Covering Leicestershire County Council and public bodies within approx. 50 miles of Leicester
- Scope covers energy efficiency and renewable energy including:
 - Solar PV
 - Lighting
 - Metering
 - Heating
- 2 year contract with option to extend by a further 2 years (2018-2022)

Swindon Borough Council – Public Power Solutions

- An OJEU compliant “dynamic purchasing system”
 - a framework of agreed suppliers to which others can be added prior to an ITT for a specific project.
 - set up with energy from waste and solar farm development in mind (covering ground mount, rooftop, and carport systems), but includes battery energy storage
 - not really designed for building energy conservation measures like LED lighting, boilers etc or for street lighting or for energy performance contracts
- 4 years duration

Stoke City Council – Decentralised Energy Networks Framework

- Suitable for a wide range of public sector-commissioned energy projects including: energy performance contracts, larger generation projects and district heating. Focus is on feasibility studies and heat network development work.
- Contract duration is until the end of January 2023
- The cost of accessing the framework is 2% of invoice value levied on the supplier
- Flexible over works contracting terms i.e. JCT, NEC or other form of contract can be used as appropriate.

Crown Commercial Services – Heat Networks & Electricity Generation Assets (HELGA) Dynamic Purchasing System

- Scope covers advice, design, installation and management of demand management and generation technologies including:
 - Solar
 - Battery energy storage
 - Wind turbines
 - Heat pumps
 - Biomass & Biogas
 - Heat networks
 - Anaerobic digestion
 - CHP and trigeneration
 - Building energy efficiency
 - Provision of PPAs and HPAs
- HELGA is a dynamic procurement system, with electronic sourcing and the ability for new suppliers to join the framework
- Lots expire in November 2022

APPENDIX 2: Refit 4 v OJEU Procurement Estimate Cost Comparison Over Contract Life

	Refit 4 Cost Estimate No Access Fee Sharing	Refit 4 Cost Estimate With Access Fee Sharing	OJEU Procurement Cost Estimate
Access fee	£x	£x	NA
LP Review Fees	£x	£x	NA
Staff costs initial procurement	£24,800	£24,800	£55,200
Staff costs procuring reviews	NA	NA	£7,728
Legal costs	£1,346	£1,346	£12,600
Alternative 3rd party review	NA	NA	£509,889
TOTAL	£745,998	£717,998	£585,417

Key Assumptions

- Costs are those borne by County Council only, does not include the Partners' costs.
- 4 year contract duration under both Refit 4 and OJEU Procurement.
- Refit 4 fees are:
 - £x access fee inclusive of mini-competition documentation review. NB LP have indicated that the full fee would not be charged to each partners under a joint procurement, but fees under such an arrangement are still TBD. To cover the potential range of costs, the table presents costs without sharing of the £x fee (worst case) and with the £x split across project Partners (best case);
 - Project review fees are x% of project capital value, capped at £x;
 - Reviews of school projects are assumed to be on a 1 in 5 sample rate as per Refit 3.
- Under a joint procurement CCC will pay 30% of total Legal costs and (in the best case) 30% of the Refit 4 access fee.
- Under an OJEU procurement independent reviews of project documentation would still be required, but would be competitively procured separately. Estimated costs and savings of this are:
 - 25% saving in review fees compared to Refit 4 fees;
 - 10 hours staff time at £46/hr to procure each review (assuming that standard specification and tendering templates will be used).
- CCC indicative programme of projects:
 - 6 school projects per annum, average capital value £135k (as per our average under Refit 3);
 - 3 large Energy Investment Programme projects per annum, average capital value £7.5m.
- Staff costs for initial procurement via Refit 4 are based on actual costs from Refit 3 mini-competition less 20% for learning.
- Staff costs for OJEU procurement are assumed to be around 50% higher than via the Refit 4 route.

- Legal costs for procurement under Refit 4 are based on actual costs from Refit 3, with CCC paying 30% of costs and partners the balance.
- Legal costs for OJEU procurement are estimated to be £42k, with CCC paying 30% of costs and partners the balance.

FINANCE MONITORING REPORT – JULY 2019

To: **Commercial and Investment Committee**

Meeting Date: **13th September 2019**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **2019/064** *Key decision:* **Yes**

Purpose: **To present to Commercial and Investment (C&I) Committee the July 2019 Finance Monitoring Report for C&I Committee.**

The report is presented to provide C&I Committee with an opportunity to comment on the projected financial and performance outturn position, as at the end of July 2019.

The Council's existing Mechanical & Electrical and Building Fabric Maintenance contracts are due to expire on 31st October 2019.

Recommendation: **The Committee is asked to:**

- **review, note and comment upon the report**
- **recommend to General Purposes Committee to approve 295k of prudential borrowing for the demolition and rebuilding of the house at Meads Farm**
- **approve the re-procurement of the Mechanical & Electrical and Building Fabric Maintenance contracts in order to maintain the Authority's statutory obligations.**

<i>Officer contact:</i>	<i>Member contacts:</i>
Name: Eleanor Tod	Cllrs Schumann and Hay
Post: Strategic Finance Manager	Chairman and Vice-Chairwoman
Email: Eleanor.Tod@cambridgeshire.gov.uk	Joshua.schumann@cambridgeshire.gov.uk anne.hay@cambridgeshire.gov.uk
Tel: 01223 715333	01223 706398

1. BACKGROUND

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance Monitoring Report at all of its meetings (except June, as there is no April report), where it will be asked to review, note and comment on the report and to consider and approve recommendations as necessary, to ensure that the budgets for which the Committee has responsibility remain on target.

2. MAIN ISSUES

- 2.1 Attached as **Appendix A**, is the July 2019 Finance and Performance report.
- 2.2 As agreed by General Purposes Committee in July 2019, the Finance Monitoring Reports for all committees have been re-ordered and the technical sections streamlined, removing repetition, so that content is focused on concise accounts of the forecast position on an exception/recent change basis. Greater standardisation and summary has also been brought to the capital monitoring sections, in order to distinguish between changes in costs and slippage/accelerated spend. In addition, specifically for this Committee, the chart in section 2.1 of Appendix A has been amended in order to provide a more intuitive representation of the Committee's financial position.
- 2.3 As well as the above changes, some budgets have been relocated to align with the Business Plan and ensure that the commercial activity of the committee is reported together. As such, the net return from the Council's solar farm and all of the energy investment capital projects have been moved to sit under the Commercial Activity heading. In addition, the return on investment in the CCLA Property Fund is also now being reported under Commercial Activity (having previously not been reported, as it is a new income stream).
- 2.4 Currently, Housing Investment is the only area where the estimated debt charges (revenue costs of financing capital) related to the scheme are recharged from the overall debt charges budget (this sits within Corporate Services under General Purposes Committee) in order to provide a true net return figure within C&I. It is not possible to split out the debt charges budget fully across all capital schemes, however it is felt that it would be beneficial to do this for all commercial schemes in order to aid transparency and report a net return within Commercial Activity. This will be implemented for the August Finance Monitoring Report.
- 2.5 General Purposes Committee also agreed in July to separate out performance reporting from financial reporting. As such, the performance indicators for Commercial and Investment Committee will be reported separately at the end of each quarter (with the first report being presented to the September 2019 Committee).
- 2.6 **Revenue:** At the end of July, Commercial and Investment Committee is forecasting an overspend of £136k on revenue budgets. There is one new significant forecast outturn variance by value (over £100k) to report since the last report that Committee received for May 2019.
- 2.7 **Capital:** At the end of July, Commercial and Investment Committee is

forecasting a balanced position on the capital programme budget. There are four new significant forecast outturn variances by value (over £250k) to report since the last report that Committee received for May 2019. **Commercial and Investment Committee is asked to recommend to General Purposes Committee for approval 295k capital funding for the demolition and rebuilding of the house at Meads Farm.**

- 2.8 Attached as **Appendix B** is a report on the re-tendering of the Mechanical & Electrical and Building Fabric Maintenance contracts. These contracts are due to expire on 31st October 2019. **Commercial & Investment Committee is asked to approve the re-procurement of these contracts in order to maintain the authority's statutory obligations.**

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

This report sets out details of the overall financial position for Commercial and Investment for this Committee.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Relevant procurement and contract procedure rules will need to be complied with for the re-procurement of the Mechanical & Electrical and Building Fabric Maintenance contracts. Colleagues in LGSS Contracts & Procurement and LGSS Law have been fully involved in the procurement process to ensure compliance.

4.3 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Consultation Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Eleanor Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	N/A
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	N/A
Are there any Equality and Diversity implications?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Are there any Localism and Local Member involvement issues?	N/A
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
C&I Finance Monitoring Report (July 19)	1 st Floor, Octagon, Shire Hall, Cambridge

Commercial and Investment

Finance Monitoring Report – July 2019

1. KEY INDICATORS

Previous Status	Category	Target	Current Status	Section Ref.
Amber	Income and Expenditure	Balanced year end position	Amber	2.1 – 2.4
Green	Capital Programme	Remain within overall resources	Green	3.2

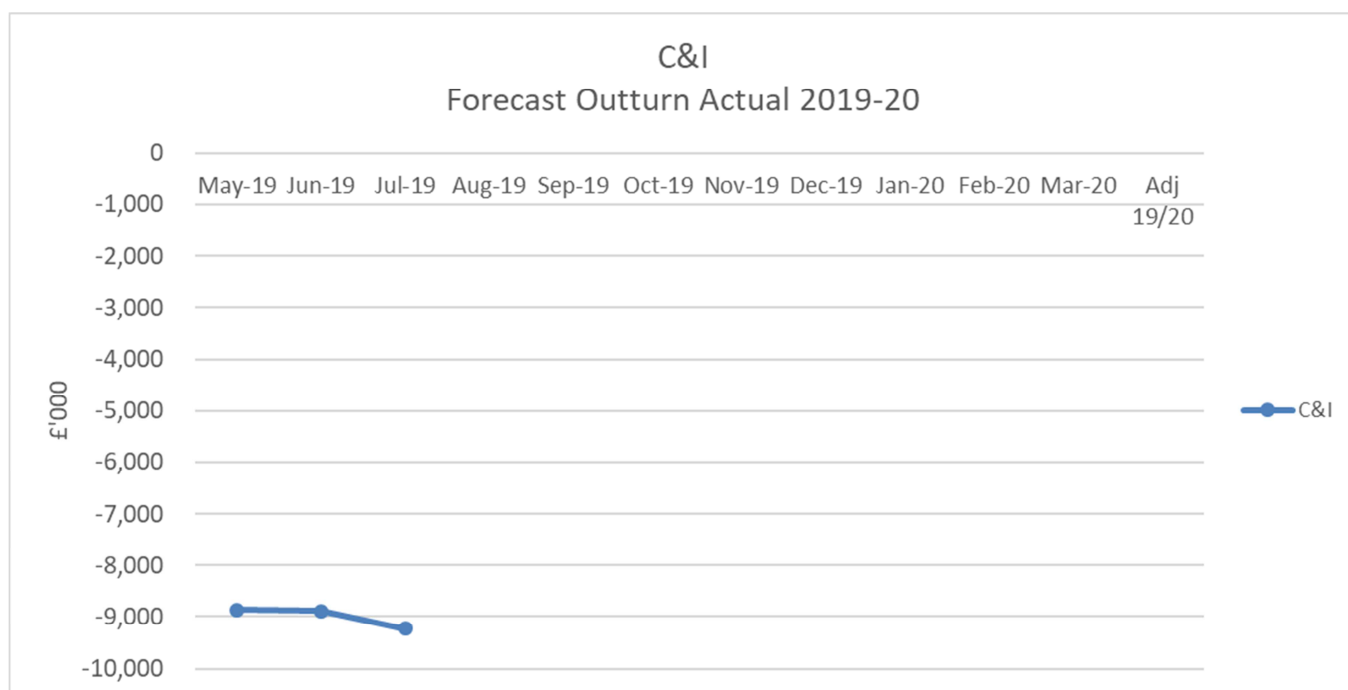
2. REVENUE EXECUTIVE SUMMARY

2.1 Overall Position

- 2.1.1 To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each FMR. The same format is also applied to the Integrated Finance Monitoring Report (IFMR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

Outturn Variance (June) £000	Directorate	Budget £000	Actual £000	Outturn Variance (July) £000	Outturn Variance (July) %
393	Commercial Activity	-11,957	-550	58	0.5%
63	Property Services	6,229	2,234	63	1.0%
-54	Strategic Assets	-3,301	-472	-66	2.0%
83	Traded Services	-343	-377	81	23.7%
484	Total	-9,371	836	136	1.5%

- 2.1.2 Commercial and Investment (C&I) has a negative budget as it has an income target for 2019/20 of -£9,371k. As such, the forecast outturn variance of £136k means that C&I is expecting to achieve a net income position of -£9,235k by year-end as demonstrated in the following chart:



2.1.3 The service level budgetary control report for Commercial and Investment for July 2019 can be found in [C&I Annex 1](#).

2.2 Significant Issues

2.2.1 At the end of July 2019, Commercial and Investment is forecasting an underachievement of income of £136k in 2019/20, which is a decrease of £348k from the previous forecast. The change in forecast is mainly due to additional investment income from the CCLA Managed Investment Fund.

2.2.2 Commercial Activity

An investment in the Charities Churches and Local Authorities (CCLA) Local Authorities Property Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £335k in 2019/20.

2.2.3 A detailed explanation of the position for Commercial and Investment Committee can be found the commentary on the forecast outturn position in [C&I Annex 2](#).

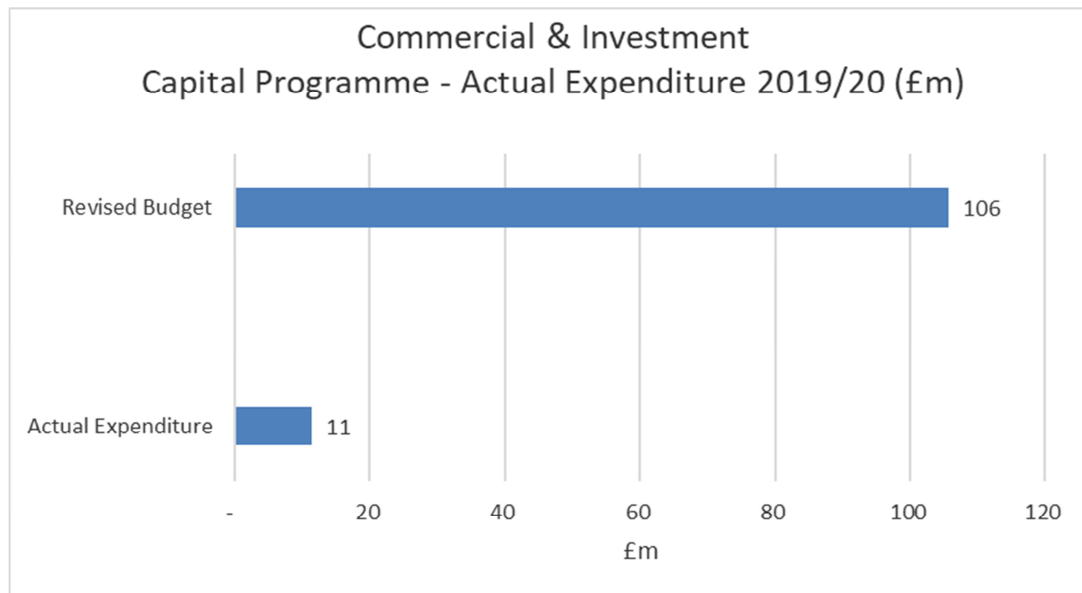
3. SAVINGS TRACKER SUMMARY

3.1.1 The savings tracker is produced quarterly. The latest savings tracker for C&I can be found in [C&I Annex 3](#).

4. **CAPITAL EXECUTIVE SUMMARY**

4.1 **Expenditure**

4.1.1 Commercial and Investment Committee has expenditure of £11.3m to date on the Capital Programme, against a revised budget of £106m:



In-year, a balanced position is forecast. The total scheme forecast is also on budget.

4.1.2 **Commercial Activity**

The Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This is due to some loans to This Land being issued later than anticipated, therefore some loans that were initially planned for 2019/20 will be pushed back into 2020/21.

The St Ives Smart Energy Grid scheme is expected to underspend by £3.2m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.

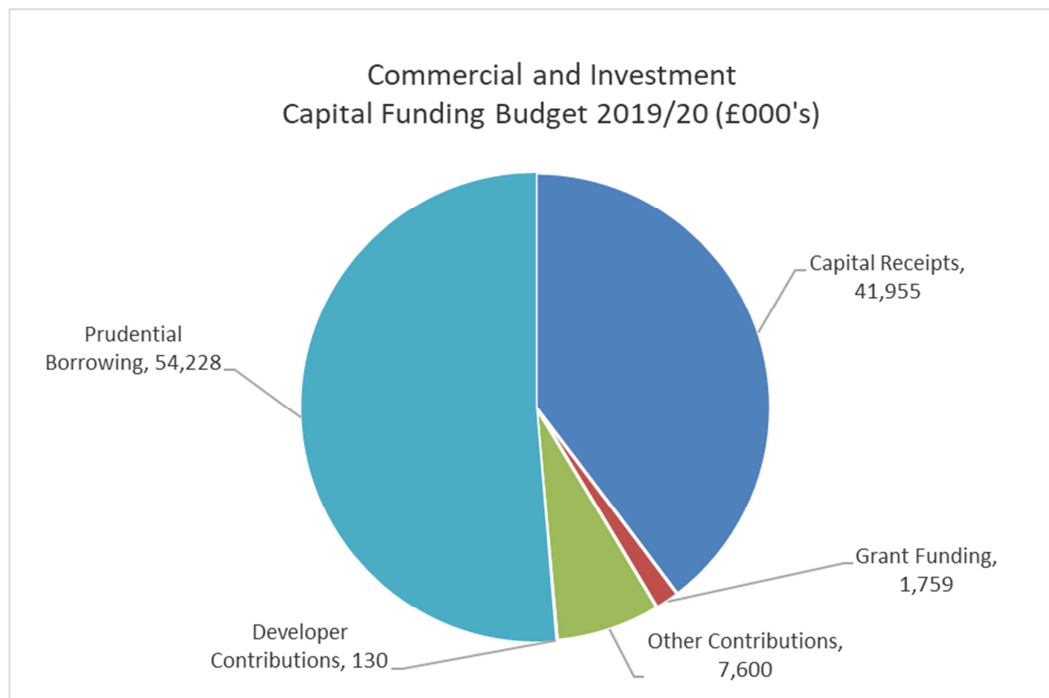
The Trumpington Smart Energy Grid scheme is expected to underspend by £313k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.

4.1.3 **Strategic Assets**

The Community Hubs – East Barnwell scheme is expected to underspend by £841k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.

4.2 Funding

4.2.1 Commercial and Investment Committee has a capital budget of £106m in 2019/20, which is funded by the following capital resources:



4.2.2 Commercial Activity

As detailed above, the Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This will reduce the prudential borrowing requirement by this amount. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

As detailed above the two Smart Energy Grid schemes are expected to have a total underspend of £3.5m in 2019/20. This will reduce the grant funding applied in 2019/20 by £1.8m and the prudential borrowing requirement by £1.7m. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

4.2.3 Strategic Assets

As detailed above, the Community Hubs – East Barnwell budget is expected to underspend by £841k in 2019/20. This will reduce the anticipated developer contributions funding by £130k and reduce the prudential borrowing requirement by £711k. However, the borrowing reduction will be managed by the variations budget, so will not impact on the overall funding requirement.

Commercial and Investment Committee is requested to recommend to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond

economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income.

4.3 Variations Budget

- 4.3.1 A summary of the use of capital programme variations budget is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (July) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (July) £000
C&I	-26,312	-6,706	-6,706	25.5%	0

- 4.3.2 A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in [C&I Annex 4](#).

4. TECHNICAL NOTE

- 4.1.1 Technical financial information for C&I covering grants, reserves and budget virements is included in [C&I Annex 5](#).

C&I ANNEX 1 – Budgetary Control Report

The variances to the end of July 2019 for Commercial and Investment are as follows:

Forecast Outturn Variance (June)		Budget 2019/20	Actual July 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
0	Property Investments	-4,700	-716	0	0%
-0	Shareholder Company Dividends	-206	530	-0	0%
393	Housing Investment (This Land Company)	-5,728	74	393	7%
-0	Contract Efficiencies & Other Income	-449	-4	-0	0%
0	CCLA Managed Investment	0	0	-335	0%
0	Renewable Energy Investments	-874	-433	0	0%
393	Commercial Activity Total	-11,957	-550	58	0%
Property Services					
63	Facilities Management	5,369	1,913	63	1%
0	Property Services	655	292	0	0%
0	Property Compliance	205	28	0	0%
63	Property Services Total	6,229	2,234	63	1%
Strategic Assets					
-54	County Farms	-4,114	-107	-66	-2%
0	Strategic Assets	813	-365	0	0%
-54	Strategic Assets Total	-3,301	-472	-66	2%
Traded Services					
0	Traded Services - Central	0	24	0	0%
-5	ICT Service (Education)	-200	-913	-8	-4%
0	Professional Development Centres	-71	-22	0	0%
0	Cambridgeshire Music	5	437	0	0%
88	Outdoor Education (includes Grafham Water)	-77	98	89	116%
83	Traded Services Total	-343	-377	81	24%
484	Total	-9,371	836	136	1%

C&I ANNEX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Housing Investment (This Land Company)	-5,728	-5,335	393	7
An underachievement of income of £393k is forecast on Housing Investment. This relates to interest received on loans made to This Land, and the underachievement is a result of delays in making those loans.				
CCLA Managed Investment	-	-335	-335	-
An investment in the CCLA Managed Investment Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £335 in 2019/20.				

Savings Tracker 2019-20

			Investment £000				Prior Years	Planned Savings 2019-20 £000						Prior years	Forecast Savings 2019-20 £000											
			2,577	928	-21	0	-8,138	0	0	0	0	0	-1,736	-3,960	0	0	0	0	-219	-1,744	-208					
Reference	Title	Description	Budgeted Investment - Prior Years £000	Actual Investment - Prior Years £000	Budgeted Investment - 19-20 £000	Actual Investment - 19-20 £000	Original Saving - Prior Years	Original Phasing - Q1	Original Phasing - Q2	Original Phasing - Q3	Original Phasing - Q4	Original Saving 19-20	Savings Achieved - Prior Years	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	Saving complete?	% Variance	RAG	Officer RAG	Direction of travel	Forecast Commentary	Links with partner organisations
F/R.6.001	BP 19/20 Contract Efficiency	A review of specific areas identified within the contract register to discover what potential there is for savings through more commercially minded renegotiation, re-consideration of service specifications and consideration of where smarter payment processes may assist in driving down costs.	0	0	0	0	0	0	0	0	0	-200	0	0	0	0	-200	0	0	No	0.00	Green	Green	↑	Contracts and expected savings have been identified	
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs. Links to capital proposal F/C.2.119	0	0	0	0	-39	0	0	0	0	-19	-39	0	0	0	-19	-19	0	No	0.00	Green	Green	↔		
F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Element surplus to repaying financing costs.	0	0	0	0	-15	0	0	0	0	16	-15	0	0	0	0	16	0	No	0.00	Green	Green	↔		
F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	Increase in County Farms rental income resulting from capital investment. Links to capital proposal F/C.2.101.	0	0	0	0	-97	0	0	0	0	-16	-95	0	0	0	0	-16	0	No	0.00	Green	Green	↔		
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to repay financing costs. Links to capital proposal C/C.2.102 in BP 2016-17.	0	0	0	0	-877	0	0	0	0	-8	-877	0	0	0	0	-8	0	No	0.00	Green	Green	↔		
F/R.7.106	Utilisation/commercialisation of physical assets	One Public Estate Asset plan Maximise the income generated from parking Venue request tool	0	0	0	0	0	0	0	0	0	-21	0	0	0	0	0	-21	0	No	0.00	Green	Green	↔		
F/R.7.113	Invest to Save Housing Schemes - Income Generation	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	2,577	928	-21	0	-6,923	0	0	0	0	-1,483	-2,747	0	0	0	0	-1,691	-208	No	-14.03	Blue	Green	↔	Dependent on loans going through to This Land as per schedule in 19-20	
F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	Income generation resulting from capital investment in solar farm at Soham. Element to surplus to repaying financing costs.	0	0	0	0	-187	0	0	0	0	-5	-187	0	0	0	0	-5	0	No	0.00	Green	Green	↔		

C&I ANNEX 4 – Capital Expenditure and Funding

1. Capital Expenditure Summary 2019/20

Commercial & Investment Capital Programme 2019/20						
Total Scheme Revised Budget £000	Original 2019/20 Budget as per BP £000	Scheme	Revised Budget for 2019/20 £000	Actual Spend 2019/20 £000	Forecast Spend - Outturn £000	Forecast Variance 2019/20 £000
91,907	51,907	<u>Commercial Activity</u>				
		Commercial Investments	52,444	6,927	52,444	-
153,009	43,067	Housing Schemes	56,847	2,941	54,903	(1,944)
3,645	3,280	St Ives Smart Energy Grid	3,378	-	190	(3,188)
11,399	383	Babraham Smart Energy Grid	452	0	380	(72)
6,969	292	Trumpington Smart Energy Grid	314	0	1	(313)
9,745	397	Stanground Closed Landfill Energy Project	454	-	291	(163)
2,526	246	Woodston Closed Landfill Energy Project	285	-	100	(185)
23,219	672	North Angle Solar Farm	695	-	695	-
302,419	100,244		114,869	9,868	109,004	(5,865)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	926	1,338	-
6,150	-	Shire Hall Campus	81	-	81	-
345	-	Office Portfolio Rationalisation	47	27	47	-
550	550	Investment in the CCC asset portfolio	550	-	550	-
13,045	1,150		2,016	953	2,016	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	11	300	-
5,198	4,616	MAC Joint Highways Project	5,198	-	5,198	-
1,950	910	Community Hubs - East Barnwell	1,041	-	200	(841)
18,326	5,633	Shire Hall Relocation	7,971	466	7,971	-
113	-	Marwick Centre Roof Repairs	113	-	113	-
295	-	Meads Farm House Replacement	295	-	295	-
29,882	11,559		15,018	492	14,177	(841)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	(19,606)	6,706
304,511	90,443	TOTAL	105,672	11,312	105,672	-

2. Capital Funding Summary 2019/20

Commercial and Investment Capital Programme 2019/20				
Original 2019/20 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2019/20 £000	Actual Spend £000	Actual Variance £000
42,077	Capital Receipts	41,955	41,955	-
2,309	Grant Funding	1,759	-	(1,759)
7,600	Other Contributions	7,600	7,600	-
130	Developer Contributions	130	-	(130)
38,327	Prudential Borrowing	54,228	56,117	1,889
90,443	TOTAL	105,672	105,672	-

3. Reported Exceptions – Capital Expenditure and Funding

Revised Budget for 2019/20	Forecast Spend - Outturn (July)	Forecast Variance (July)	Variance Last Month (June)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Schemes						
56,847	54,903	-1,944	-	-1,944	-	-1,944
The Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This is due to some loans to This Land being issued later than anticipated, so some loans that were initially planned for 2019/20 will be pushed back into 2020/21.						
Community Hubs – East Barnwell						
1,041	200	-841	-	-841	-	-841
The Community Hubs – East Barnwell scheme is expected to underspend by £841k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.						
St Ives Smart Energy Grid						
3,378	190	-3,188	-3,188	-	-	-3,188
The St Ives Smart Energy Grid scheme is expected to underspend by £3.2m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over						

Revised Budget for 2019/20	Forecast Spend - Outturn (July)	Forecast Variance (July)	Variance Last Month (June)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.</p> <p>This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,429k.</p>						
Babraham Smart Energy Grid						
452	380	-72	-252	150	-	-72
<p>The Babraham Smart Energy Grid scheme is expected to underspend by £72k in 2019/20. Development work on the Investment Grade Proposal for the Babraham Smart Energy Grid Project has been slower than anticipated due to uncertainties in the battery energy storage market and the simultaneous development of several large energy projects in 2018/19.</p> <p>This will reduce the prudential borrowing requirement in year by £72k.</p>						
Trumpington Smart Energy Grid						
314	1	-313	-313	-	-	-313
<p>The Trumpington Smart Energy Grid scheme is expected to underspend by £314k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.</p> <p>This will reduce the prudential borrowing requirement in year by £313k.</p>						
Investment in the CCC Asset Portfolio						
550	550	-	-	-	-	-
<p>This scheme was reported in the 2019/20 Business Plan as funded from Capital Maintenance Grant. The scheme will actually be funded from Prudential Borrowing, and the revised funding has been updated to reflect this.</p>						
Meads Farm House Replacement						
295	295	-	-	-	-	-
<p>Commercial and Investment Committee is requested to recommend to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income.</p>						

C&I ANNEX 5 – Technical Note

1. Grant Income Analysis

There is no additional grant income recorded in 2019/20.

2. Virements and Budget Reconciliation

	£'000	Reported
Budget as per Business Plan	-9,502	
Movement of Contract Efficiency saving target from Corporate Services	-49	May 2019
Clear Traded Services Central income target from Central Services Risks budget.	58	May 2019
Deployment of budget to Housing Investment to mitigate overspends, as agreed by GPC July 2019	122	June 2019
Revised Budget	-9,371	

3. Reserve Schedule

Fund Description	Balance at 01 April 2019	Movements in 2019/20	Balance at 31 July 2019	Forecast Balance at 31 March 2020	Notes
	£'000	£'000	£'000	£'000	
<u>Equipment Reserves</u>					
The ICT Service (Education)	56	0	56	0	1
subtotal	56	0	56	0	
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	600	0	600	679	2
subtotal	600	0	600	679	
<u>Capital Reserves</u>					
General Capital Receipts	20,415	13,208	33,623	0	3
subtotal	20,415	13,208	33,623	0	
TOTAL	21,070	13,208	34,278	679	

Notes

- 1 ICT Equipment Reserve will to be used to replace critical equipment in 2019/20
- 2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 General Capital Receipts received during 2019/20 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used for Commercial Investment.

Commencement of the re-tendering process for Mechanical & Electrical and Building Fabric Maintenance Contract

1. Background

- 1.1 In 2015 LGSS Property re-tendered the existing Cambridgeshire County Council (CCC) maintenance contracts to include Northamptonshire County Council (NCC). For CCC, Imtech was awarded the contract for mechanical and electrical work, and Graham Facilities Management was awarded the contract for building fabric work. Both of these contracts were for a period of 3 years plus a 1 year extension.
- 1.2 The contracts delivered statutory servicing, maintenance and reactive repairs to a portfolio of corporate buildings from which CCC services are delivered, including offices, libraries, social care (respite and community centres) and children's centres. In order to maintain our statutory obligation, CCC needs to re-procure the contract, to ensure buildings are safe, secure and watertight.

2. Main Issues

- 2.1 Servicing and maintenance of corporate buildings is a mandatory responsibility for Cambridgeshire County Council. It is of the utmost importance to make sure our buildings are safe. The contract delivers early warning for critical systems in failure so that repair or replacement can be planned with little interruption. The proposal is for a three year contract with two extensions of one year each, giving an overall contract period of 5 years.
- 2.2 The budget for maintenance is £1.1m annually and is made up of the following elements:
 - Planned preventative maintenance
 - Reactive maintenance
 - Work required following service
 - Requests for work (for example in support of soft FM requirements)
 - Condition surveys and other testing (not within the above contract)

It is difficult to predict the exact value of this contract because the requirements are likely to vary over the contract term. The contract is estimated to cost around £1 million annually. Additionally there is the opportunity to deliver capital maintenance works where it is in the interest of the Council to do so. Therefore with a contract life of 5 years the overall contract value is expected to be around £5m. This makes it a key decision for the Council.

- 2.3 The contracts for mechanical & electrical (M&E) and building fabric are to be combined in order to deliver economies of scale with savings coming from management costs applied to materials and subcontracts. Further savings will come from a coordinated response to reported issues and planned works where M&E and building works are delivered by one supplier. The tender specification has been re-designed to allow for flexibility to suit our corporate strategy. Planned preventative maintenance is by tendered cost per unit of serviced item and therefore changes

when buildings are acquired or disposed of. Reactive works are tendered by time (relative to the type of engineer) and materials (subject to a management mark-up). Other works will be by quoted specification. The prices for the period of the contract from contract commencement until 31st October 2022 will remain fixed.

2.4 The procurement timetable is as follows:

Site visits	Week Commencing 29 th July 2019
Deadline for Potential Provider's ITT clarification questions	7 th August 2019
Deadline for Authority's response to Potential Provider's clarification questions	13 th August 2019
Tender responses deadline (the "Deadline")	21 st August 2019
Evaluation	22 nd August (onwards) 2019
Anticipated Award week commencing	16 th September 2019
Mobilisation Period	Following award of contract to 31 st October 2019
Implementation by	1 st November 2019

2.5 LGSS Contracts & Procurement and LGSS Law have been fully involved in the procurement process, and will continue to be involved in the process. The Property FM team have developed a detailed tender specification and will review submissions, manage the exit of the existing contract and the mobilisation of the new contract with minimal disruption to services.

6NOTICE TO PROCEED FOR ST IVES SMART ENERGY GRID

To: **Commercial and Investment Committee**

Meeting Date: **13 September 2019**

From: **Executive Director, Place and Economy**

Electoral division(s): **St Ives South and Needingworth**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To update Members on progress with the St Ives Park and Ride smart energy grid.**

Recommendation: **The Committee is being asked to:**

- a) Note progress with the project**
- b) Delegate the final project decisions to the Chief Finance Officer in consultation with the Chairman of Commercial and Investment Committee, including the issuing of a 'Notice to Proceed' as set out in paragraph 2.5**

<i>Officer contact:</i>		<i>Member contacts:</i>	
Name:	Cherie Gregoire	Names:	Councillors Schumann and Hay
Post:	Project Manager, Energy Investment Unit	Post:	Chair/Vice-Chair
Email:	Cherie.gregoire@cambridgeshire.gov.uk	Email:	Joshua.Schumann@cambridgeshire.gov.uk Anne.Hay@cambridgeshire.gov.uk
Tel:	01223 715689	Tel:	01223 706398

1. BACKGROUND

- 1.1 The Smart Energy Grid will combine solar panels installed on canopies over the car parking spaces, with battery storage to power the site after dark or when there is insufficient sunlight. The electricity generated will serve all the electricity demand of the site and all excess electricity will be sold to local industrial customers. Additional electric vehicle charging points will be added which will also be powered by the low-carbon electricity generated.
- 1.2 Other than briefing papers keeping Members informed of progress and risks, the project was last brought before the Commercial and Investment Committee in December 2017. At that meeting approval was granted for:
- additional funding to bring the total investment to £3.6M;
 - Council match funding of 50%; and
 - delegated approval of the detailed negotiations to the Chief Finance Officer in consultation with the Chairman of Commercial and Investment Committee.
- 1.3 That paper also laid out conditions CCC were required to meet in order to secure European Regional Development Fund (ERDF) grant funding for the balance of required funding.
- 1.4 Separately, areas of work were agreed in the construction contract between Bouygues and CCC as pre-conditions before work could commence on site (called the 'Notice to Proceed'). These were negotiated in recognition that there was likely to be a gap between signing the contract and when work could commence on-site while the full application for grant funding was being assessed.
- 1.5 An update on each of these conditions is included below.

2. MAIN ISSUES

- 2.1 **The ERDF grant and funding agreement is a condition before construction work can commence.** To secure the grant, the funding application has been evaluated and key compliance issues approved.
- The Minister of Housing, Communities and Local Government (MHCLG) has approved the Council's procurement of Bouygues Energies & Services after an extensive review of both the top-level Official Journal of the European Union procurement conducted by the Greater London Authority and the Council's mini-competition.
 - A 'No State Aid' position has been agreed with MHCLG in December 2018. This confirms that the Council is eligible for 50% match funding of eligible costs once in a Funding Agreement. Costs became eligible from April 2017.
 - Discharging pre-construction planning conditions. Planning approval was granted in July 2017. All pre-construction planning conditions have been discharged.
 - MHCLG identified that securing the land title is the last condition prior to offering the funding agreement and the Council will need to file a Deed of Covenant on the title under the terms of the grant. The land title is nearly secured. LGSS Law must now finalise the Transfer, apply to pay for stamp duty and apply to register the Transfer with the Land Registry. Given the involvement of third parties, its difficult to set a

timeframe for this to be completed but once in place, we expect MHCLG will offer the Funding Agreement.

- 2.2 **Finalising project costs.** As the quotes making up the Investment Grade Proposal expire after 90 days, the project components were put out to tender again in June and July 2019. Tenders have been returned for the majority of the project. For three of the major components, solar modules, battery energy storage and the carports, costs for are wither below or within the original budget. However, as much of the equipment will be imported there is significant cost uncertainty should the UK exit the European Union without a deal on 31st October 2019 despite these tender quotes. The cost to connect to the grid is also unknown until UK Power Networks respond to an application to connect but this is not anticipated to be a high cost. The grid connection application process is underway. However, the site will soon be included in UKPN's flexible distributed generation area, indicating there is a mechanism to connect to the grid subject to some curtailment.
- 2.3 **Power Purchase Agreements.** The business case for the project is predicated on selling energy to local businesses. Discussions have been ongoing with the two potential customers and one has indicated their willingness to negotiate a Power Purchase Agreement (PPA). Whilst these negotiations are still in progress, there is risk granting Bouygues the Notice to Proceed with on-site works.
- 2.4 Amongst these pre-conditions, securing a PPA with a customer and obtaining approval for a grid connection pose the greatest risks. Table 1 below identifies the risks and mitigation strategies.

Table 1. Project Risks and Mitigation Strategies

Risks	Mitigation Strategy
We're unable to negotiate satisfactory PPAs with customers.	The business case is revised to examine the expansion of electric vehicle chargers on-site as a means of replacing revenue from the PPA customer.
The revised Investment Grade Proposal exceeds the approved costs and/or the investment parameters.	Appropriate scrutiny will be applied to the business case inputs to confirm that costs are appropriate. Should the cost or investment parameters be exceeded but the project is still sound, a paper will be brought forward to Committee for direction.
Exiting the EU with a No deal Brexit is a risk to the project costs. The risks include exchange rate losses and tariffs on goods.	We can assume that the tenders being supplied now for major imported materials will have priced in the risk of changes to exchange rates. It's conceivable that should the UK exit the EU without a deal, that tariffs could be removed from imported goods, however tariffs could also increase. If these assumptions are incorrect the mitigation strategy will be the same as for the above risk of the IGP exceeding approved costs or investment parameters.
Delays in negotiating either the PPA or the Funding Agreement, or securing the land	Registering the land title is the major challenge to signing a Funding Agreement.

title result in the quotes forming the business case to expire, resulting in another round of tendering, further delaying the project.	This issue is being managed at Executive Director level. The intent of one PPA customer to negotiate is positive.
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2.5 While there are still some items to finalise listed below, on-site works will have to commence quickly in order to keep to deadlines for construction within the grant timelines. Bouygues will therefore require a Notice to Proceed. On this basis, delegation of the final decisions on the project to the Chief Finance Officer in consultation with the Chair of Commercial and Investment Committee is sought, on the basis that the following conditions are met:

- A signed Funding Agreement with MHCLG;
- PPA commitments from a customer or customer(s) are secured, although final negotiations on contractual terms are still underway; and
- the Chair and CFO agree the revised IGP is acceptably aligned with the payback period and IRR agreed at Committee in 2017.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

The project will provide clean renewable energy to power the Park and Ride site's usage, and local customers either directly or via electric vehicle charging, thereby reducing the Council's and Cambridgeshire's carbon footprint and mitigating climate change.

3.2 Thriving places for people to live

As part of the project, a Business Support Programme will be delivered to share the lessons learned in developing and designing a Smart Energy scheme. Twelve hours of business support for a minimum of 40 companies will be delivered and this is costed as part of the overall business case. The expectation is that the support will reduce barriers for other companies to develop complex energy projects like this one.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The ERDF grant will cover almost 50% of the overall scheme funding of £3,624,907. The Council will fund the remaining half of the project funding with borrowing through a PWLB loan. Staff and project development costs will be reimbursed from the grant. Costs for developing the grant application and all associated conditions are not eligible for reimbursement under the grant. These costs will be recovered by revenue generated by the project once operational. Therefore the Council contribution towards the project will be somewhat higher than from ERDF.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Bouygues Energies & Services were originally procured under a mini-competition run under the Refit 2 Framework. CCC and Bouygues entered into a construction contract in November 2016 prior to its expiration. That contract will be varied to reflect changes since it was agreed and prior to works commencing. Those negotiations started in April 2019 and can only be finalised once the IGP is agreed.

4.3 Statutory, Legal and Risk Implications

Please see Table 1. There are no statutory or legal risks.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

Local Members, the St Ives Town Council, commuters, the Park and Ride team and St Ives in Bloom (a voluntary gardening group that plant at the park and ride) have been notified as to the status of the project. An article on the recent status will be published in the Town Council publication *The Bridge* in September, and has been posted online at various corporate sites and local newspapers. Communication with the public and local Members will increase once a Funding Agreement is offered.

4.6 Localism and Local Member Involvement

See paragraph 4.5 above.

4.7 Public Health Implications

There are no significant implications within this category. To the extent the project offsets fossil fuel powered electricity generation or petrol fuel for vehicles, there would be a small improvement in public health.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus DeSilva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Debbie Carter-Hughes
Have the equality and diversity	Yes

implications been cleared by your Service Contact?	Name of Officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Joanna Shilton
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green

Source Documents	Location
<ol style="list-style-type: none"> 1. Smart Energy Grid Demonstrator Project, St Ives Park and Ride – Outline Business Case, paper to 16 September 2016 Assets and Investment Committee 2. Smart Energy Grid – Update on European Regional Development Funding and Risks, paper to 15 September 2017 Commercial and Investment Committee 3. Smart Energy Grid – Business Case and European Regional Development Fund Update, paper to 15 December 2017 Commercial and Investment Committee 4. Progress and Risk Update for St Ives Smart Energy Grid project Member briefing note, June 2018 5. Progress and Risk Update for the St Ives Smart Energy Grid project, 13 December 2018 	<ol style="list-style-type: none"> 1. https://tinyurl.com/yxaytd88 2. https://tinyurl.com/y3d25zgw 3. https://tinyurl.com/yyc46odl 4. Available upon request 5. Available upon request

PERFORMANCE REPORT – QUARTER 2 OF 2019/20

To: Commercial and Investments Committee

Meeting Date: 13th September 2019

From: Daniel Sage – Senior Transformation Advisor

Electoral division(s): All

Forward Plan ref: N/a **Key decision:** No

Purpose: To provide Commercial and Investments Committee with the Key Performance Indicators associated with the delivery of the Commercial Strategy 2019-2021

Recommendation: To note and comment on performance information and take remedial action as necessary.

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Amanda Askham Post: Director Business Improvement Email: Amanda.Askham@Cambridgeshire.gov.uk Tel: 01223 703565	Name: Cllr Joshua Schumann Post: Committee Chair Email: Joshua.Schumann@Cambridgeshire.gov.uk Tel: 01223 706398

1. COMMERCIAL STRATEGY 2019-2021

- 1.1. In April 2019, Commercial and Investment Committee approved the Council's Commercial Strategy 2019-21 and in June 2019 the Action Plan accompanying the Strategy was agreed. It was acknowledged that the Key Performance Indicators relating to the Strategy would follow after its adoption.
- 1.2. The dashboard (**Appendix 1**) being used to report these KPIs has been agreed by GPC and is the template being used by all Committees across the organisation. The indicators contained within the report have been developed in consultation with Members and Lead Officers as part of a workshop that was held in December.
- 1.3. As many of the indicators included within this report have not been measured before, unless there are clearly linked targets outlined in other strategies or plans, targets have not been set. In these instances, an initial baseline will need to be formed, which can then lead to a target being established which is challenging, relevant and rational.
- 1.4. These indicators have been selected to ensure that a robust performance system is in place for assessing performance against the Commercial Strategy. The KPIs should be frequently tested against this objective and can be adjusted as necessary, with approval from the Committee, to ensure it is being achieved.
- 1.5. The following RAG statuses are being used:
 - Red – current performance is 10% or more from target
 - Amber – current performance is off target by less than 10%
 - Green – current performance is on target or better by up to 4%
 - Very Green – current performance is better than target by 5% or more
- 1.6. Red and Very Green indicators will be reported to General Purposes Committee in a summary report.
- 1.7. The KPIs will be reported monthly, although not all the indicators will be updated each reporting period, as more time is needed for any meaningful change to be evident.
- 1.8. Information about all performance indicators monitored by the Council Committees will be published on the internet at <https://www.cambridgeshire.gov.uk/council/finance-and-budget/finance-&-performance-reports/> following the General Purposes Committee meeting in each quarterly cycle.

2. ALIGNMENT WITH CORPORATE PRIORITIES

- 2.1. The KPIs have been developed to inform the performance of activity against the objectives of the Commercial Strategy, which includes creating commercial returns to support the delivery of crucial frontline services, which drives positive impacts on all three Corporate Priorities.
 - A good quality of life for everyone
 - Thriving places for people to live

- The best start for Cambridgeshire's children

3. SIGNIFICANT IMPLICATIONS

3.1 Resource Implications

The data that informs the KPIs being proposed are provided by Officers from finance, procurement, property and transformation. The report is generated by Business Intelligence. It is not anticipated that there will be any significant resource implications with providing these KPIs.

3.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

3.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

3.4 Equality and Diversity Implications

There are no significant implications within this category.

3.5 Engagement and Communications Implications

There are no significant implications within this category.

3.6 Localism and Local Member Involvement

Members of the C&I Committee will be involved in reviewing the KPIs, setting targets and agreeing reporting frequency.

It is not envisaged that reporting the KPIs will have any direct impact in a particular locality. However, the delivery of the strategy may have a direct impact, and where this is reflected and noted within the KPIs, Local Members will be notified.

3.7 Public Health Implications

There are no significant implications within this category.

The KPIS has been agreed by the Joint Management Team as part of the Commercial Strategy.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	N/A
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	N/A
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	N/A
Have the equality and diversity implications been cleared?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Have any localism and Local Member involvement issues been cleared?	N/A
Have any Public Health implications been cleared by Public Health?	N/A

Source Documents	Location
Minutes and reports of the Commercial & Investment Committee meetings held April and June 2019	https://cambridgeshire.cmis.uk.com/ccs_live/Committees/tabid/62/ctl/ViewCMIS_Committee_Details/mid/381/id/31/Default.aspx

Target	Current Forecast	Previous Month	Direction for Improvement	Change in Performance
6.0%	5.35%	N/A	↑	N/A
Statistical Neighbours Mean	England Mean	RAG Rating		
N/A	N/A	R		

Indicator Description

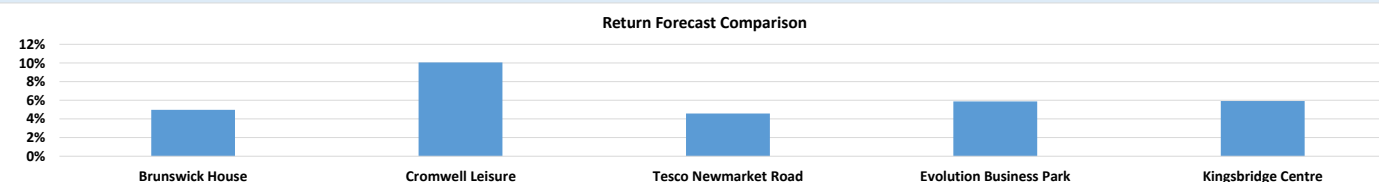
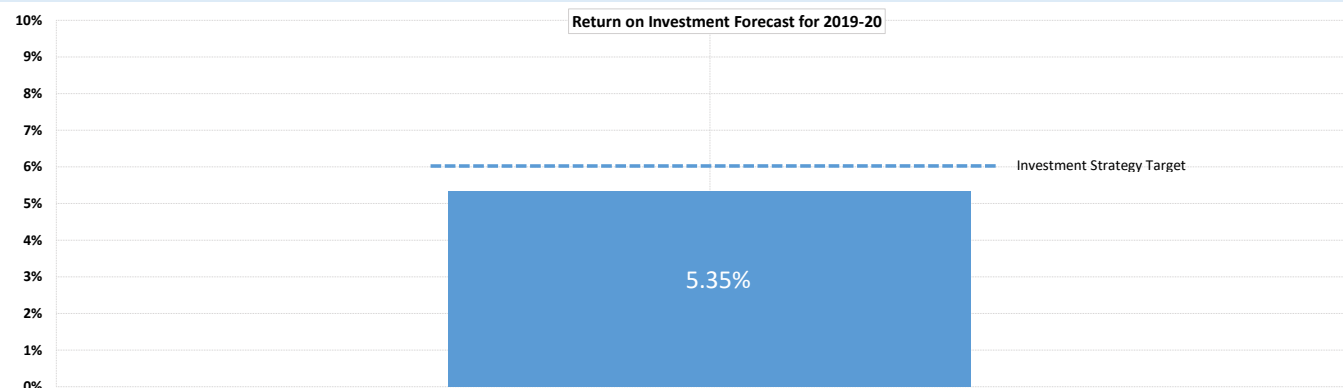
This indicator projects our expected net income from all commercial property income against the 6% target set within the non-financial Investment Strategy.

It is important to note that not all investments will achieve 6% from the outset, however over the medium to longer term it is expected that the portfolio will meet the target. Any specific variances 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 variances of actual income against budget - this is detailed within the Finance Report.

The return figure includes investment that has already been made, as well as investment that is expected to be made, up to the end of March 2020.

Useful Links



Commentary

The return on investment forecast for 2019-20 is 5.35%. This is based on the forecast return for the year had the properties been held by the Council for the entire year. The in year return is 3.7%. CCC have only just entered this market and it is critical that consideration is not only given to yield, but also to building a balanced portfolio and the spreading of risk. The intention is that the 6% target will be achieved in the long-term from a balanced portfolio. Returns can vary across properties, depending on the level of income being achieved and the risk profile of the investment.

Target	Current Forecast	Previous Month	Direction for Improvement	Change in Performance
N/A	5.5%	N/A	↑	No Change
Statistical Neighbours Mean	England Mean	RAG Rating		
N/A	N/A	N/A		

Indicator Description

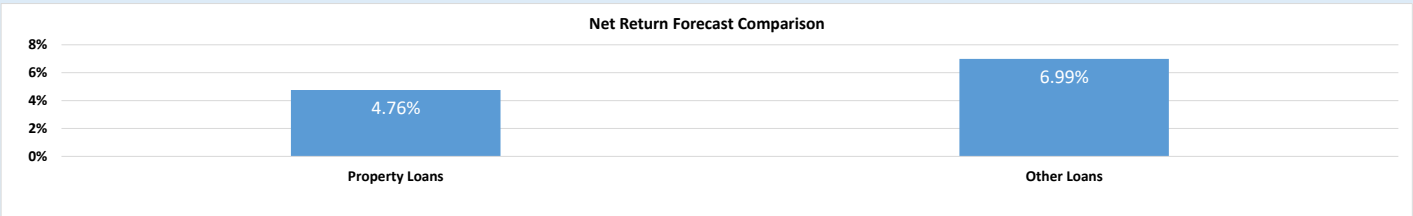
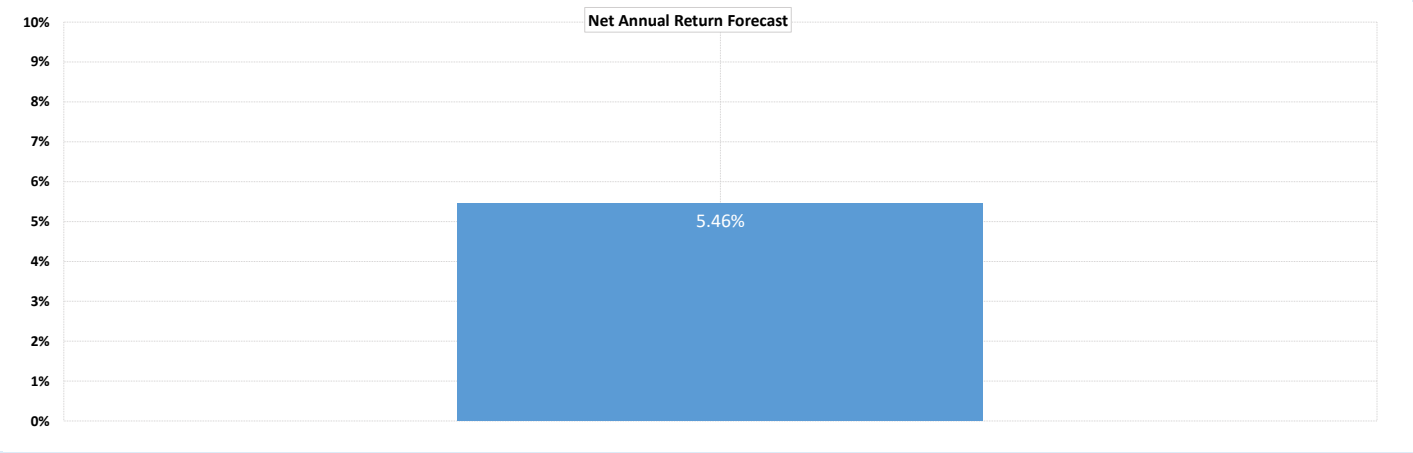
This Land' is the property company owned by Cambridgeshire County Council. Through this arrangement, CCC loans money to This Land which is borrowed at a rate set by CCC, based on risk exposure and the expected return to be achieved from the investment.

It should be recognised that the other loans (mostly for construction) are considered to be a higher risk than property loans, as they are not asset-backed. As such, our other loans to This Land often yield a higher rate of return compared with property loans.

This indicator does not include any other loans provided to organisations other than This Land. These other loans are detailed in Indicator 168 (Percentage return on other loans).

The net return figure includes loans that have already been made, as well as those expected to be made, up to the end of March 2020.

Useful Links



Commentary

Interests rate are set based on a variety of factors, including whether the loan is asset backed, issues around state aid and also the level of underlying interest rates that the Council is borrowing at. As such, it is not feasible or appropriate to set a target for this indicator.

Target	Current Forecast	Previous Month	Direction for Improvement	Change in Performance
N/A	1.13%	N/A	↑	N/A
Statistical Neighbours Mean	England Mean		RAG Rating	
N/A	N/A		N/A	

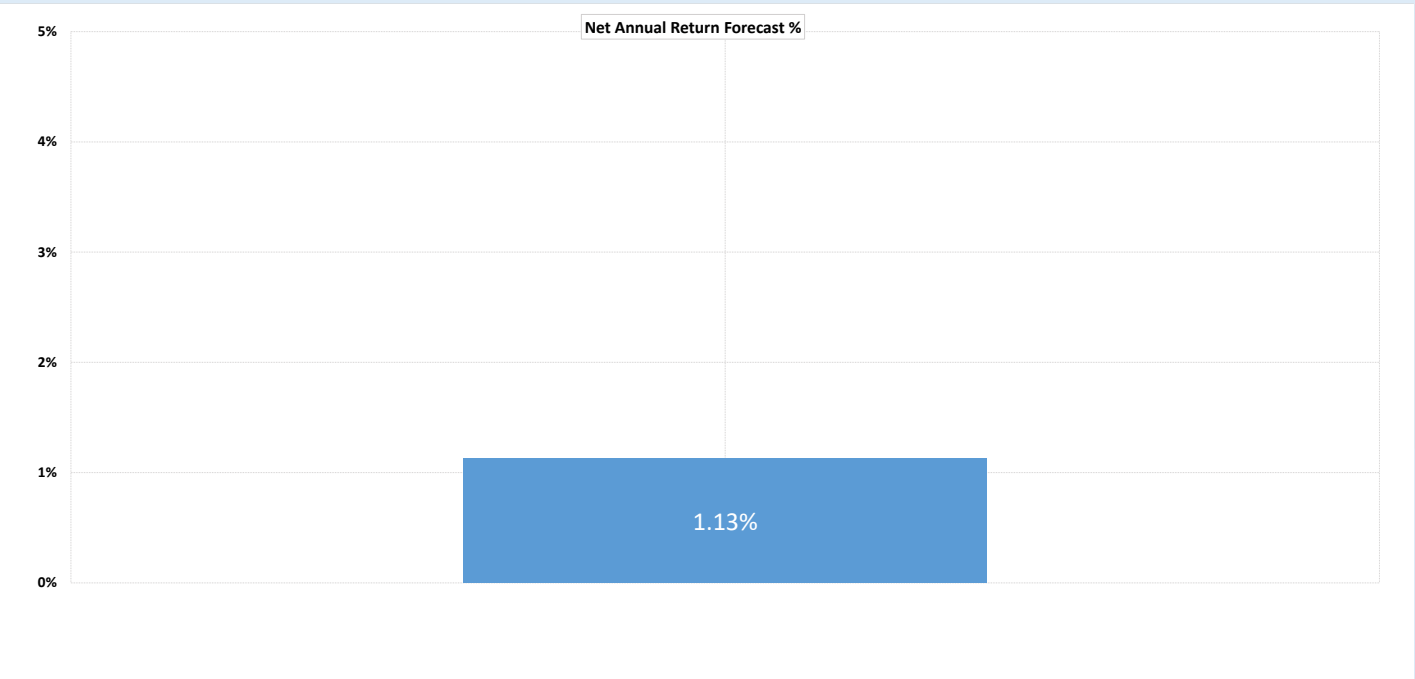
Indicator Description

As part of the Council's business, it may wish to loan money to third parties. This indicator demonstrates the return on investment from the loans issued to third parties.

When viewing this indicator it is important to recognise that returns to third parties are often provided for reasons other than just financial return, as the loan will be contributing to social benefits that directly support the delivery of our strategic outcomes.

Third party loans are made with the primary aim of supporting the operations of the counterparty, who will be a Not for Profit Organisation that is using the loan to fund infrastructure to support the delivery of services that are aligned to the Council's core objectives and priorities. Making money from these loans is not the key priority.

Useful Links



Commentary

The Council currently has loans of £4.5million to three organisations within Cambridgeshire, with a fourth loan due to be issued imminently. The total forecast return of 1.10% takes into account PWLB borrowing, although these loans are managed within the Council's overall cash flows. The gross rate is an average return of 3.48%.

Interests rate are set based on a variety of factors, including whether the loan is asset backed, issues around state aid and also the level of underlying interest rates that the Council is borrowing at. As such, it is not feasible or appropriate to set a target for this indicator (however, the minimum required is for the Council to break even).

Target	Current Quarter	Previous Year's Quarter	Direction for Improvement	Change in Performance
TBC	7		↓	No Change
Statistical Neighbours Mean	England Mean	RAG Rating		
N/A	N/A	N/A		

Indicator Description

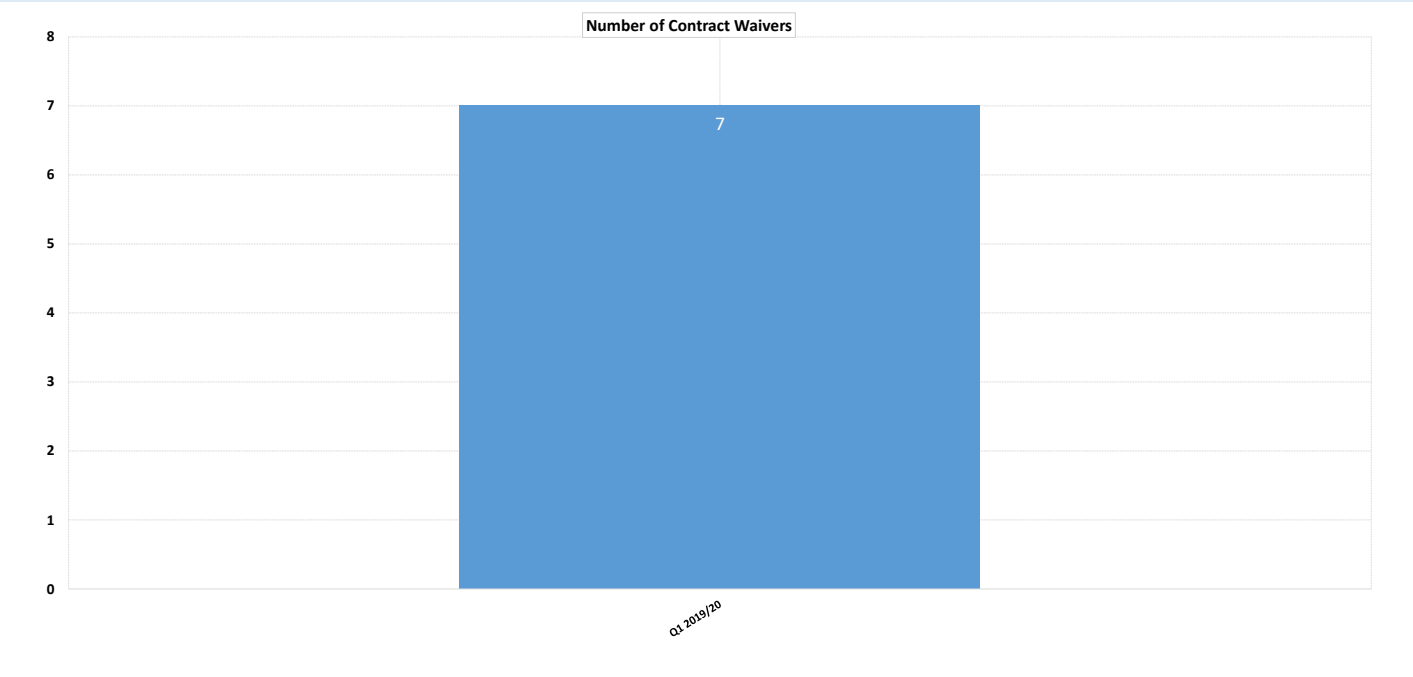
The Council's Contract Procedure Rules allow the Council to bypass the rules in certain instances (such as lack of suppliers in the market or that going to market does not offer any benefit). In such instances, a request is made to Procurement to seek agreement to 'waive' the rules. These approvals are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

Adequate time should be given to seek the waiver, so that alternative options can be considered. Where requests are presented to procurement that has not allowed time for a procurement exercise to be undertaken, this 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 tracking of this KPI 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 £500k will not be recorded on the contracts database as this is a committee decision.

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

Useful Links



Commentary

During this period there were 43 contracts where waivers were sought (excluding waivers for children's social care), with 7 of these which were submitted without adequate time for a procurement process to have been undertaken. The total value of the seven contracts that sought waivers was £2.7m. Discussions are taking place with the Services to understand why certain waivers were not submitted in time and whether, in doing so, it failed to allow improved terms to be negotiated.

Target	Current Quarter	Previous Quarter	Direction for Improvement	Change in Performance
33.0%			↑	No Change
Statistical Neighbours Mean	England Mean		RAG Rating	
N/A	N/A			

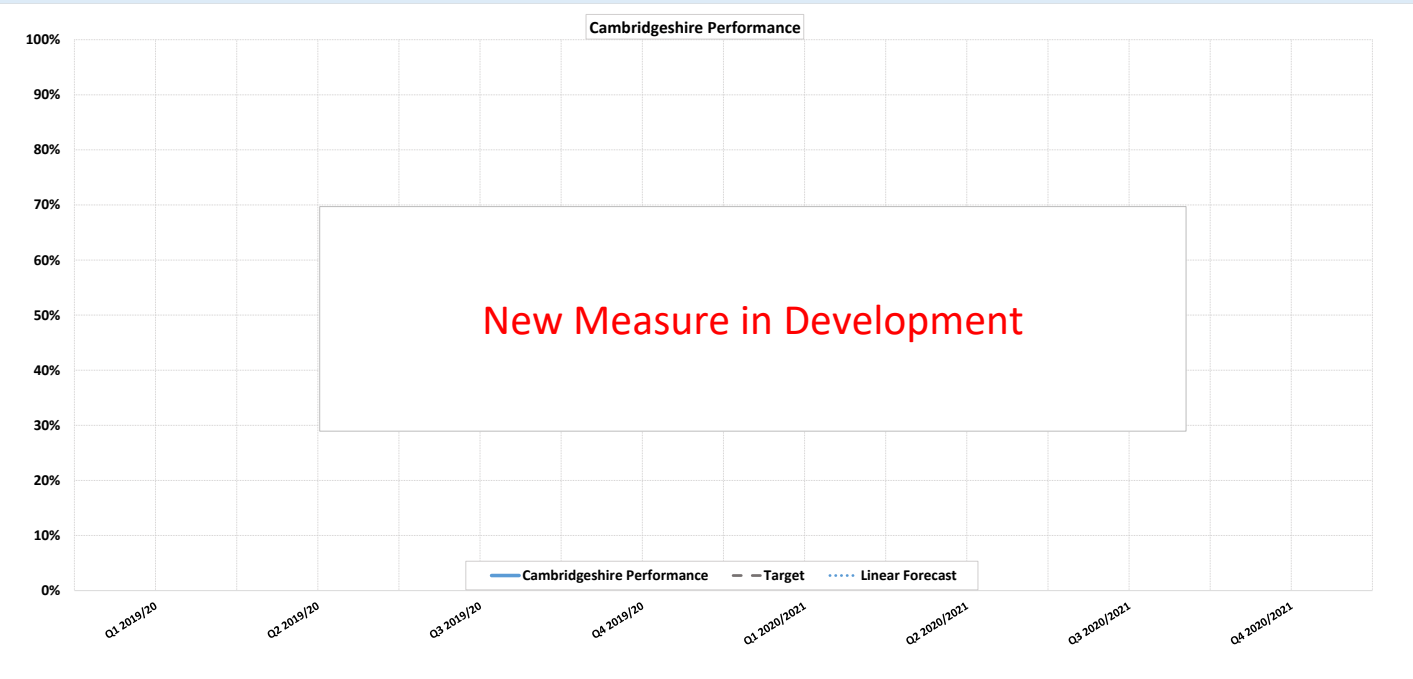
Indicator Description

A key part of the Council's Commercial Strategy is to upskill the workforce in commercial acumen. Officers have been developing a specific, modular e-learning programme that is designed to train staff in commercial skills (contract management, negotiation, business planning).

This indicator relates to percentage of the eligible workforce that has completed at least one module of the commercialisation e-learning programme.

Whilst this indicator demonstrates the percentage of the workforce that has completed the training, once the training has been embedded within the organisation, officer will be seeking to understand whether the training is resulting in more business cases, which can demonstrate the impact the training has.

Useful Links



Commentary

Due to a delay with finalising the programme, the training is yet to be launched across the organisation. It is anticipated this will happen by 30 September.

Whilst the training has been delayed, the reason for the delay is not significant and officers are confident that it can be resolved swiftly. As such, this indicator is showing as amber, however the ability to achieve this target will be dependent on the success of the communications for encouraging staff to complete the training.

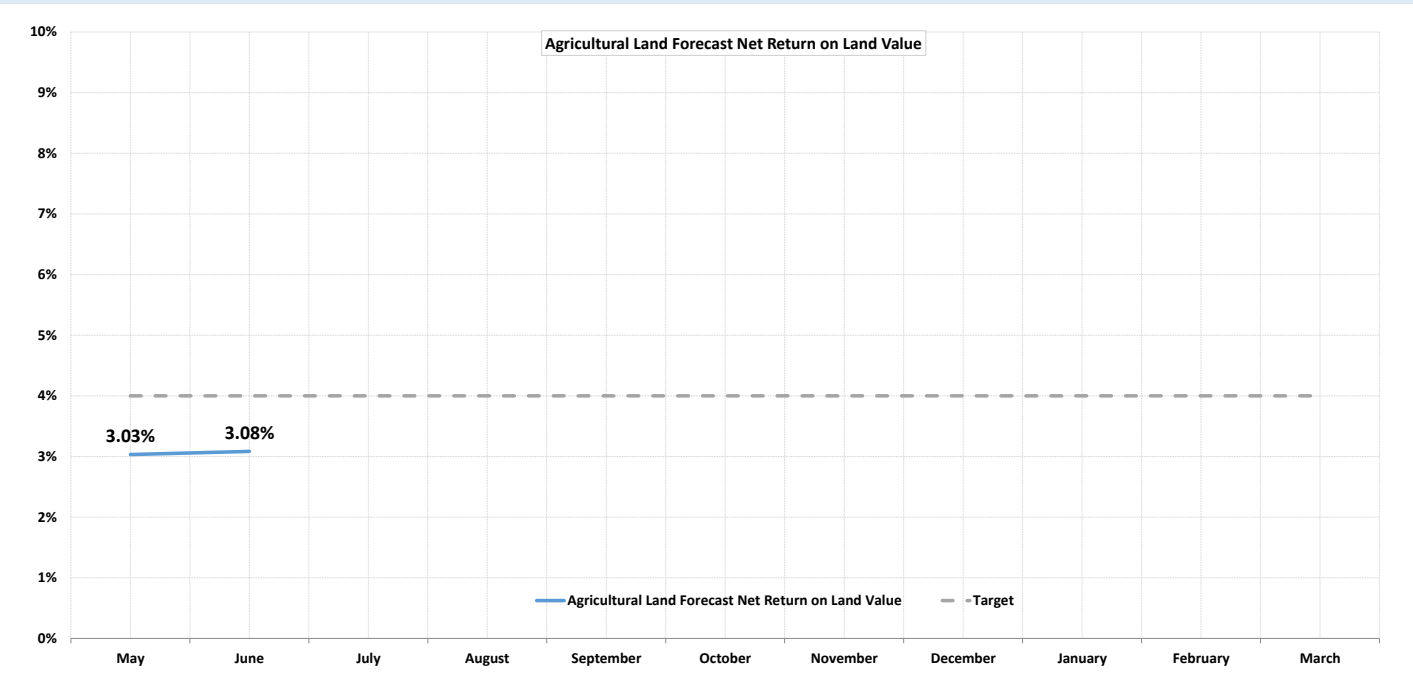
Target	Current Forecast	Previous Month Forecast	Direction for Improvement	Change in Performance
4.0%	3.1%	3.0%	↑	↑
Statistical Neighbours Mean	England Mean	RAG Rating		
N/A	N/A	R		

Indicator Description

The council owns £127.8m of agricultural farm land across Cambridgeshire. 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.

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

Useful Links



Commentary

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. Income generated by renewable energy investments will be reported separately in the future, once there is more than one scheme operational. Currently, the solar farm is forecast to generate a return of 6.19%, making the overall forecast return on the county farm's estate 3.39%. The 4% target return that was proposed previously included the solar farm, so the target may need to be revised.

This does not include debt charges relating to capital investment in the property and as such is not showing a true net return.

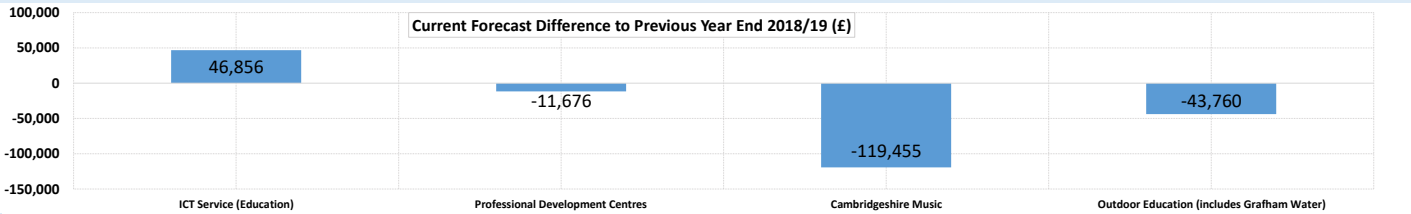
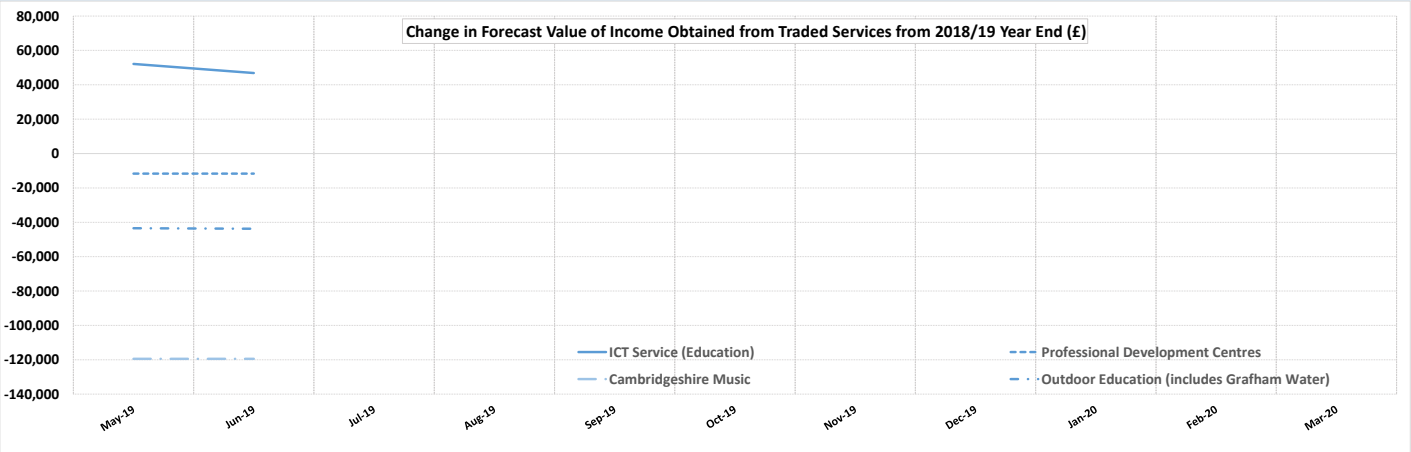
2018/19 Year End Income Value	Current Forecast For Year End	Direction for Improvement	Change in Performance
-£132,312	-£260,347	↓	↑
Statistical Neighbours Mean	England Mean	RAG Rating	
N/A	N/A	N/A	

Indicator Description

There are four services that we describe as Traded Services, which provide income through charging for their services. This indicator demonstrates any changes in the annual net income received from traded services, 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 demonstrated 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), instead this indicator shows the variance in profit being made against its forecast position last year. Put simply, it shows whether a traded service is expected to make more or less profit compared to last year allowing for a direction of travel to be established.

Useful Links



Commentary

It is important to recognise that with this indicator, where there are positive values, this means that the forecast profit is expected be less than the previous year. And conversely, a negative value indicates a forecast increase in profit. Therefore, all traded services, except for The ICT Centre, are expecting to generate more profit than the previous year. However, it should be recognised that The ICT Centre overachieved against its income target last year by a larger amount than it is forecasting to achieve this year, which explains why the direction of travel indicates lower profit.

As part of the Commercial Strategy, there is considerable activity taking place across the key traded services. The ICT Service, Cambridgeshire Music and the Outdoor Centres are developing more robust business plan. These business plans, amongst other things, are identifying risks to income and growth and putting in place measures (such as more targeted sales and marketing plans, improved products and better pricing strategies) to mitigate these challenges. In addition, where a traded services is providing social value, the business plan will outline the procedures that will be put in place to gather more robust evidence on the reach and impact of its services on areas of society that would benefit most.

MEADS FARMHOUSE, WARBOYS – REPLACEMENT DWELLING

To: **Commercial and Investment Committee**

Meeting Date: **13 September 2019**

From: **Chris Malyon, Deputy Chief Executive**

Electoral division(s): **Ramsey & Bury and Warboys & The Stukeleys**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **The Committee is asked to approve capital funds to replace a farmhouse on the County Farms Estate that is beyond economic repair.**

Recommendation: **To approve capital funds for the proposed replacement dwelling and grant a new 15 year Farm Business Tenancy to the current Tenant.**

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Hugo Mallaby	Names:	Cllr Joshua Schumann
Post:	Asset Manager (Rural)	Post:	Committee Chair
Email:	Hugo.mallaby@cambridgeshire.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk
Tel:	01223 728359	Tel:	01223 706398/07841524007

1. BACKGROUND

- 1.1 Meads Farmhouse, Puddock Road, Warboys is a 3 bedroom house extending to approximately 135 m² which was constructed in 1932, and has been suffering from subsidence related issues for many years. This movement is particularly common in the Fens and is apparent on Puddock Road, which adjoins Meads Farm.
- 1.2 The dwelling has been monitored on an ongoing basis, with only minor repairs in line with the budget had been undertaken to keep the house habitable during the previous tenant's occupation whilst keeping these costs as low as possible. It was recognised by officers that the dwelling would need significant structural repairs at the end of the tenancy in October 2017.
- 1.3 With this in mind, PRP Structural Engineers (PRP) were instructed to inspect the property in May 2016. The structural report confirmed that the dwelling's stability was compromised and it required re-levelling or temporary ties to maintain the stability in the short term.
- 1.4 A potential alternative to re-level the dwelling was assessed in 2017 by PRP, but the specialist contractor was unable to guarantee the work and so it was advised that a replacement dwelling would be the most economical solution. The proposed replacement dwelling totals 150m². Copies of the plans and elevations are shown in **Confidential Appendix 1** as part of the business case.
- 1.5 At the end of a long tenancy it is anticipated that a property will undergo a full refurbishment prior to a new Tenant moving in, including a new kitchen, bathroom, electrical and plumbing works and basic decoration. At Meads Farm, the current Tenant is the previous Tenant's son and was fully aware of the property's issues. He was happy to move into the property without any refurbishment, with the appropriate works to proceed in time. Following the PRP assessment, the Tenant was made aware that the property was beyond economic repair.
- 1.6 The current tenant, who is 29, was granted a 5 year farm business tenancy from 11th October 2017 and has proved to be successful in managing the 146 hectare (361 acres) holding. It is anticipated that he will, subject to agreeing terms, be suitable to farm the holding for the next 35 years.
- 1.7 Given the long term nature of structural movement even with run off from previous insurance, an insurance claim for a replacement dwelling would not have been accepted at this time.
- 1.8 External consultants were instructed to obtain planning permission for a replacement dwelling, which was granted on 8th March 2019 by Huntingdonshire District Council.
- 1.9 The Council's Capital Programme Board approved the business case at its meeting in June 2019; the project was referred to the Commercial and Investment Committee by the General Purposes Committee on 16th July 2019.
- 1.10 Subject to the Committee's instructions, tenders for the replacement dwelling are due by the end of September: these are anticipated to be less than the budgeted business case

shown at **Confidential Appendix 1**. A more detailed breakdown of the likely costs is shown at **Confidential Appendix 2**.

2. MAIN ISSUES

- 2.1** The farm was let as a fully equipped holding, with both a farmhouse and buildings integral to the property and is also the site of the tenant's own building.
- 2.2** There is a potential risk that the current subsidence issue will accelerate and become a Health and Safety risk to the current tenant. Also at the beginning of what he anticipates will be a career as a tenant farmer for the next 30 years he wants to live in a property that will be good to live in.
- 2.3** The average farm rent for the Council's neighbouring farms indicate a rental value for the holding of between £45,000 and £50,000. This is estimated to reduce by £7,500 per annum were the farm to lose the farmhouse. The financial detail showing how rent reduction and income attributed to the new dwelling is shown in **Confidential Appendix 3**.
- 2.4** The grant of a new 15 year tenancy helps to protect the investment, as the tenant is capable, has suitable capital to run a business in the current uncertain climate and the long term desire to build a successful rural enterprise.
- 2.5** Using a rental value of £7,500 per annum, each new 15 year tenancy would contribute **£112,500** revenue towards the new dwelling. It is anticipated that the current tenant will wish to remain on the holding (where he grew up) until retirement – anticipated at 2050 to 2055. Assuming he retires in 2050, the revenue contribution to the dwelling's cost would be **£225,000**.
- 2.6** A new farmhouse would be built to the National House Building Council standards and, as such, would benefit from 10 years' warranty from completion, meaning that there would be no repair costs to the Council for the first decade. It is anticipated that the new dwelling's "design life" will be 50 years.

3. ALIGNMENT WITH CORPORATE PRIORITIES

Report authors should evaluate the proposal(s) in light of their alignment with the following three Corporate Priorities.

3.1 Developing the local economy for the benefit of all.

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

This is a maximum cost of £295,000. It is anticipated that there will be significant savings arising from the ongoing tender process.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The proposed project uses the Council's standard procurement procedures.

4.3 Statutory, Legal and Risk Implications

A potential Health and Safety risk as set out in 2.2 above.

4.4 Equality and Diversity Implications

N/A

4.5 Engagement and Communications Implications

N/A

4.6 Localism and Local Member Involvement

Cllr Rogers is aware that the farmhouse needs to be rebuilt and has had direct discussions with the farm tenant.

4.7 Public Health Implications

N/A

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes by Capital Programme Board on 7 th June 2019.
Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	N/A: Using LGSS procurement to run the tender process.
Has the impact on statutory, legal and risk implications been cleared by LGSS	N/A

Law?	
Have the equality and diversity implications been cleared by your Service Contact?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Cllr Rogers is aware of the matter.
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
1. Report from PRP Structural Engineers: 16 10 13 Structural Inspection – Meads Farm 2. Planning permission 18/02728/FUL	2 nd Floor The Octagon, Shire Hall, Cambridge

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 2nd September 2019
Updated 5th September 2019



Cambridgeshire
County Council

Notes

Committee dates shown in bold are confirmed.

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.

* indicates items expected to be recommended for determination by full Council.

+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.

The agenda dispatch date is six clear working days before the meeting.

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log;
- Finance Report;
- Agenda Plan, Appointments to Outside Bodies and Training Plan;

Committee Date			Reference if key decision	Deadline for draft reports	Agenda despatch date
13/09/19	Procurement options for energy services provider	Cherie Gregoire/ Chris Parkin	2019/031	04/09/19	05/09/19
	Notice to Proceed for St Ives Smart Energy Grid	Cherie Gregoire			
	Sawtry Man Cave	Alex Gee/John Macmillan			
	Quarterly performance reporting against Commercial Strategy KPIs	Amanda Askham/ Daniel Sage			
	This Land: Periodic and financing update	Tom Kelly			

Committee Date			Reference if key decision	Deadline for draft reports	Agenda despatch date
	Meads Farmhouse, Warboys – replacement dwelling	Alex Gee			
	Finance Monitoring report and Costs of Capital borrowing	Tom Kelly	2019/064		
	Shire Hall Heads of Terms	Chris Malyon			
18/10/19	Approval for grid connection costs for Energy Investment Projects	Cherie Gregoire	2019/060	09/10/19	10/10/19
	Nearly zero energy buildings Policy: Implications for new Public Sector Buildings	Sheryl French/ Sarah Wilkinson	2019/039		
	Cambs 2020 – Spokes Financing	Ferrari Hernandez/ Claire Barrett	2019/055		
	This Land – Strategic Financing: Construction and Acquisitions	Tom Kelly	2019/065		
	Business Case for Commercial resources	Amanda Askham/ Chris Sutton			
	Service Committee Review of Draft Revenue Business Planning Proposals for 2010/21 to 2024/2025	Chris Malyon			
	Service Committee Review of Draft 2020/21 Capital Programme	Chris Malyon			
	Alconbury Civic Hub	Kim Davies			
	Closed landfill energy project – IGP Stage 1 Update on Woodston	Chris Parkin			
22/11/19	Cambridgeshire Music OFR	Cllr Hudson/ Matthew Gunn		13/11/19	14/11/19
	Business Planning (reserve item)	Chris Malyon			
	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French			
13/12/19	High Level Assessment for Longstanton Park and Ride energy project	Cherie Gregoire		04/12/19	05/12/19

Committee Date			Reference if key decision	Deadline for draft reports	Agenda despatch date
	Quarterly Performance Report	Tom Barden			
	Draft Revenue and Capital Business Planning Proposals for 2020-21 to 2024-2025	Chris Malyon			
	Quarterly performance reporting against Commercial Strategy KPIs	Amanda Askham			
17/01/20				08/01/20	09/01/20
21/02/20	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French		12/02/20	13/02/20
20/03/20	Quarterly performance reporting against Commercial Strategy KPIs	Amanda Askham		11/03/20	12/03/20
24/04/20	Loans to Voluntary Organisations	Tom Kelly		15/04/20	16/04/20
22/05/20	Confirmation of Chairman/Vice Chairman	Dawn Cave		13/05/20	14/05/20
	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French			

To be programmed: St Ives Football club – ransom strip benefit for CCC (John Macmillan) ICT Future Delivery Options (John Chapman); Land Swap at Swavesey (John Chapman); Oasis Centre, Wisbech (Hazel Belchamber); Property Services OFR (Paul Tadd); Trumpington Park & Ride Smart Energy Grid (Sheryl French)

COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	Provisional training slot		24 th April 2020 (12-3pm)	Tbc	C&I
2.	Provisional training slot		24 th January 2020 (10am-1pm)	Tbc	C&I
3.	Provisional training slot		18th October (12-3pm)	Tbc	C&I
4.	Nearly Zero Energy Buildings members/officers workshop		24 th May 2019(1-2.30pm)	Sarah Wilkinson/Sheryl French	C&I and GPC
5.	Commercialisation training (all Members)		26 th April 2019 (1-4pm)	Amanda Askham	All Members
6.	Finance/KPIs		3 rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
7.	Commercial Strategy		9 th November 2018 (12.30pm)	Amanda Askham	C&I
8.	Members' duties and obligations in considering Promotion Agreements.		2 nd November 2018 (12.30pm)	Chris Malyon	C&I
9.	Future Smart Energy Systems Demonstrator Project		18 th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
10.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
11.	This Land Performance Workshop		12 th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
12.	Asset & Risk Workshop	<ul style="list-style-type: none"> • Asset Strategy • CHIC • Risk approach and risk register • Site tenure mix and retention of rental housing • Affordable housing • Community Land Trusts 	20 th October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I

13.	Business Planning Session		15 th September 2017	Chris Malyon/ James Wilson	C&I
14.	CHIC Workshop		27 th June 2017	Chris Malyon/ David Gelling/ David Bethell/ John Macmillan	C&I
15.	Introductory Session for the Commercial & Investment Committee	The Committee's remit, focus on work areas e.g. CHIC, Strategic Estates, Facilities Management and Horizon Scanning	26th May 2017	Chris Malyon/ John Macmillan	C&I

Updated 05/09/19

THIS LAND: PERIODIC AND FINANCING UPDATES

To: **Commercial and Investment Committee**

Meeting Date: **13 September 2019**

From: **Deputy Section 151 Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a**

Key decision: **No**

Purpose: **To update the Committee on the work of This Land**

Recommendation: **The Committee is invited to note and comment on the report**

<i>Officer contact:</i>		<i>Member contact:</i>	
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1.0 FINANCING AND INTEREST RECEIVABLE

- 1.1 As at the date of reporting the financing from the Council to This Land is as follows:

Item	Amount	Repayable
Loans for land acquired from CCC	£78.872m	2028-2029
Loans for acquired from third parties	£2.040m	2021
Bridging loan	£8.500m	2020
Construction and development loans	£7.100m	2029
Loans subtotal	£96.512m	
Equity	£3.951m	
Total	£100.463m	

- 1.2 In addition, the initial overheads loan of £2.8m was re-paid by This Land in 2018. Net interest receivable from loans advanced to date is forecast as **£4.89m** in 2020-21.
- 1.3 This completes the loan financing that has been agreed in detail by the Committee. Section 4 outlines that there will be significant further loan financing requirement going forward to enable the company to meet its overage obligations to the Council, to enable development and construction of sites within its ownership and to service the interest arising on the total loan book advanced.

2.0 SHAREHOLDER AND COMPANY UPDATES

- 2.1 The second This Land shareholder update of 2019 was held on 2 August 2019 at the company's offices. Several members of this Committee attended, along with the CCC Head of Finance, and met with the company Chairman, Managing Director and Development Director.
- 2.2 The shareholder received updates on the company's directorships, financial position and progress with projects through the programme of planning to construction. The annual general meeting of the company is scheduled for 24 September 2019.
- 2.3 The company's external audit is nearing completion for the year ending December 2018. The shareholder will be invited to adopt the annual accounts as part of the September general meeting, and then to re-appoint the auditors for the subsequent year.

3.0 LAND ACQUISITION, TOWN PLANNING AND CONSTRUCTION

- 3.1 Acquisition of land from the Council has completed for the foreseeable future, with all of the identified and available property sold to the company as well as the phase 2 areas staged within the portfolio now all within This Land's ownership. The Council is anticipating it will receive further capital receipts from This Land later in 2019-20 as the result of overage obligations, agreed

by This Land, which share uplifts in property values subject to planning permission being granted.

- 3.2 There was extended discussion at the shareholder meeting regarding submission of planning applications and that the company was suffering from a backlog of work in the Local Planning Authorities. The company has re-programmed schemes in response. Discussions with the shareholder included what further steps the company could take to bring forward considerations by planners. This may include formal escalation under the statutory process, as well as continuing local political and officer-level influence.
- 3.3 There are significant delays arising from this apparent in the Summer 2019 programme compared to plans as at October 2018. This in turn has an impact on the company's financial projections (next section). An extract from the shareholder report outlining the status and progress on each site is shown in the appendix to this report.
- 3.4 The construction and development loans to the company obligate This Land to deploy funds from a "charged account" in accordance with conditions and for specified schemes.

4.0 UPDATED FINANCIAL PLANING AND FORECASTS

- 4.1 As a result of the delays in the planning process, and a wider review of projected build and development costs, coinciding with the changeover in financial leadership at the company and transition to the active construction stage, the Council is anticipating a significant revision of the company's detailed financial projections and profiles.
- 4.2 During early 2019, the company had reset its projections focusing the payback to the Council on interest servicing at set levels and away from future, distant and uncertain dividends arising from profits. Given prospects for dividends were always long-term, the Council had not, in any case, budgeted to receive these and this will remain a prudent assumption. There is however likely to be a significant increase required in business planning projections for loans to This Land and the associated borrowing required by the Council, and interest receivable by the Council. While this does not necessarily impact the overall return from This Land (rather it changes the form of payback from dividend to interest payable) it does increase the Council's exposure to risk, requiring an increase in the principal sums of loan required in order to ensure the company has sufficient cash flow in the medium term.
- 4.3 The latest version of the company's financial modelling and strategy therefore indicates increased costs from planning and construction as well as interest, caused both by the delays experienced to date in reaching the construction stage and an overall increase in the borrowing the company will require. Within this the largest sensitivity and uncertainty the company faces is

building costs, given the relative immaturity of the construction supply chain to This Land, the nature of inflation and price volatility in the sector and current economic uncertainty. The Council has requested a full financial review and refresh of projections and the Committee will be approached for further loan advances on that basis, and as part of capital planning for future years that will in turn increase the Council's borrowing requirement, later in 2019.

- 4.4 Although financial projections show the company in a cash positive position overall, and able to repay and service loans over the development timescales, there is an acceptance that not all individual sites within the portfolio will be profitable and that levels of risk are increasing as the "cushion" of dividends receivable towards the end of the development period decrease. Clearly in this context, the financial refresh, that the company has appointed external advisors to assist with, will be crucial.

5.0 COMPLETION OF MILTON ROAD / MONITORING SURVEYOR REVIEW

- 5.1 An external advisory firm, with property and banking expertise, has been appointed by the County Council to undertake a retrospective review of the development at Milton Road, undertaking the role of Monitoring Surveyor. They have been instructed to consider and report on:
1. Planning – Review of planning consent and discharge of associated conditions (particularly those of a pre-commencement/pre-occupation nature)
 2. Building Control – Ensure arrangements were satisfactory Building Regulations approval and commentary on the status.
 3. Warranty – Comment on construction warranty position for residential units
 4. Library –seeking to confirm compliance with approved drawings and in accordance with the lease and comment on any variance from the agreed documents.
 5. Programme – Review progress against the original construction programme and report on progress to date
 6. Project Costs – Summary of Scheme costs (construction and other) against anticipated receipts/income/value
 7. Procurement and Contracts – Commentary on procurement strategy and placing of work orders/award of contracts for works including professional appointments
 8. Quality of Construction – Review of methods of construction and quality of workmanship
 9. Health & Safety – Comment on arrangement in respect of Construction Design and Management regulations and wider site safety
- 5.2 The loan agreements in place for construction and development to date empower the County Council, as Lender, to require further information and monitoring of progress against agreed plans. It is likely that further external

monitoring surveyor will need to be procured to resource this scrutiny as the company moves firmly into the construction stage across a number of sites.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 A good quality of life for everyone

There are no significant implications for this priority.

6.2 Thriving places for people to live

This Land is committed to building sustainable new homes in Cambridgeshire and neighbourhoods where people want to live.

6.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

The report above sets out details of significant implications in section 4.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no new / significant procurement or contractual implications.

7.3 Statutory, Legal and Risk Implications

There are no new significant statutory implications. Section 4 sets out an anticipated increase in borrowing and onward lending levels to This Land, increasing the risk exposure.

7.4 Equality and Diversity Implications

There are no significant implications under this heading

7.5 Engagement and Communications Implications

There are no significant implications under this heading

7.6 Localism and Local Member Involvement

Local engagement was discussed with This Land at the August shareholder meeting: the directors reported on local engagement activity and efforts to enhance this.

7.7 Public Health Implications

There are no significant implications under this heading

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes E Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes No new contractual obligations
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Yes M Green
Have the equality and diversity implications been cleared by your Service Contact?	Yes
Have any engagement and communication implications been cleared by Communications?	Yes
Have any localism and Local Member involvement issues been cleared by your Service Contact?	n/a
Have any Public Health implications been cleared by Public Health	n/a

10. SOURCE DOCUMENTS

Source Documents	Location
Shareholder Monitoring Reports 2 August 2019	This Land Ltd Compass House Histon
Lending conditions, financial model, monitoring surveyor instructions	Resources Directorate Shire Hall