

# COMMERCIAL AND INVESTMENT COMMITTEE



**Date: Friday, 20 July 2018**

**Democratic and Members' Services**

Fiona McMillan

Deputy Monitoring Officer

**10:00hr**

Shire Hall

Castle Hill

Cambridge

CB3 0AP

**Room 128**

**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/cc-conduct-code>

**2. Minutes and Action Log of the Commercial and Investment**

**5 - 16**

**Committee held 22nd June 2018**

**3. Petitions and Public Questions**

### KEY DECISION

**4. Smart Energy Systems - Innovate UK Funding Bid Support**

**17 - 24**

### OTHER DECISIONS

**5. This Land Financing arrangements, portfolio sales and construction funding**

**25 - 30**

6. **Finance and Performance Report - May 2018** 31 - 48
7. **Commercial and Investment Committee agenda plan, training plan and appointments to outside bodies** 49 - 52
8. **Exclusion of Press and Public**

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)*

9. **Cambridgeshire Catering and Cleaning Services**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
10. **Update on Recruitment of Independent Positions on This Land's Board of Directors**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
11. **This Land Quarterly report**  
- to follow  
**KEY DECISION**

12. **Commercial Acquisition Proposal**

- 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 David Jenkins Councillor Linda Jones Councillor Lucy Nethsingha Councillor Paul Raynes Councillor Terence Rogers 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

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Clerk Email: dawn.cave@cambridgeshire.gov.uk

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## **COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES**

Date: Friday 22<sup>nd</sup> June 2018

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00 – 11.15am

Present: Councillors L Dupré, J Gowing (substituting for Cllr Bates), A Hay (Vice Chairman), L Jones, L Nethsingha, P Raynes, T Rogers, J Schumann (Chairman) and M Shellens (substituting for Cllr Jenkins)

Apologies: Councillors Bates (Cllr Gowing substituting) and Jenkins (Cllr Shellens substituting) and Wotherspoon.

### **122. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **123. MINUTES AND ACTION LOG OF THE COMMERCIAL AND INVESTMENT COMMITTEE HELD 25<sup>TH</sup> MAY 2018**

The Committee resolved to approve the minutes of the Committee meeting held on 25<sup>th</sup> May 2018, with the following correction:

Attendance list: Councillor Dupré should be listed as present; Councillor Jenkins was not present.

Members noted the following updates to the Action Log:

Item 83/Second valuation: A second valuation had been obtained, and although there was variance, officers were satisfied with the reasoning and that the Council was securing best value with the first valuation. The Committee agreed that it would be helpful to have a report back to a future meeting. **Action required.**

Items 119(1) and (2)/Changes to the Programme Highlight report, had been completed.

Item 118 - it was agreed that the updated flowchart would be circulated to Members. **Action required.**

Referring to the debate on the inspections of Council properties that were leased and maintained by other organisations, it was noted that of the 13

Listed buildings in the Council's ownership, two were leased out: one was the former Mill Road library, discussed at length at the last meeting, and the other was Wisbech Castle. Members agreed that it would be helpful to have a report to future meetings on a strategy for inspections, given the pressure on officer resources. **Action required.**

Item 120 – officers to check whether a response had been sent to Cllr Nethsingha regarding her query on the Property Services budget. **Action required.**

It was resolved to note the Action Log.

## **124. THIS LAND BOARD REPRESENTATION**

A report was presented setting out options for the shareholders' representatives on the Board of This Land.

Members were reminded that at a recent meeting, the issue of the appointment of Non-Executive Directors had been raised, where their appointment to the Board was as a direct consequence of their employment with the Council. It had been agreed at that meeting that there needed to be an automatic process to deal with this eventuality. Subsequently, Quentin Baker, one of the Non-Executive Directors had left the employment of the Council, and had also been removed as a Director of This Land. Therefore there was a vacancy for a Non-Executive Director on the Board of This Land, which needed filling.

The This Land Board was in the process of recruiting a Chairman, and broadening the Board membership to include independent Non-Executive Directors. The only other Non-Executive Director at the moment was the Shareholder's representative, the Deputy Chief Executive, Chris Malyon. Whilst the report sets out options on how the vacancy created by Mr Baker's departure, it also explored how future recruitment to the Board could be carried out.

It was confirmed that the appendix to the report was an extract from the original Bevan Brittan LLP guidance, which was commissioned when the company was first set up two years ago. One of the key issues raised in that advice was that there should be very clear delineation between the Council and the company. There had been a number of options considered at that time, and the preferred option was a company limited by shares. The advice was that whilst an elected Member could be on the Board of directors, there were risks and potential conflicts, which had to be mitigated against.

A Member commented that the risks of having an elected Member on the Board were the same as for an officer – it just had to be acknowledged and mitigated against. The Deputy Chief Executive commented that the key difference was that he did not make decisions within the Committee process, but merely advised Council, and it was the elected Members that made decisions. The Member suggested that it was the Commercial & Investment Committee that made decisions, not individual Members, and the risk could be further mitigated if the representative selected was not a Member of the Committee.

It was noted that the Bevan Brittan LLP advice recommended that the majority of the Board should be independent directors. This was still the intention, but the Committee observed that although the governance structure had been discussed and agreed two years ago, the independent directors were still not in place. The Deputy Chief Executive explained that the company had been dormant initially, and since the appointment of the Managing Director, the priority had been to get the company up and running. The Managing Director had been clear that he did not want to start the process of recruiting to the Board until the first business plan was in place, which had taken some time. However, the Managing Director had a number of candidates in mind for the independent non-executive director post.

It was likely that a Special General Meeting of This Land would be held in July, considering a number of issues, including a set of redrafted Articles of Association following comments made by the Shareholder at the This Land Annual General Meeting in April.

It was confirmed that the Deputy Chief Executive had been exerting pressure on the This Land Board to hasten the process of appointing the Chairman and Director. In response to a Member suggestion that clear timescales should be put in place to appoint to key Board roles, another Member suggested that arbitrary timescales should not be imposed, as the focus should be on identifying the right individuals for the Board.

There was a discussion about the options put forward in the report. It was noted that the recommendations were predicated on the legal advice previously given by Bevan Brittan LLP, and that the options for the vacancy for Non-Executive Director created by the departure of Mr Baker were to appoint either (a) an officer, (b) a Member or (c) an independent person. It was confirmed that whilst there were two shareholder non-executive directors, there was an option to have another shareholder representative on the Board.

In discussion, Members:

- commented that the list of skills and attributes listed in the report was quite extensive;
- noted that it was the shareholders that appoint the Non-Executive Directors and Chairman;
- noted with concern the emphasis of current Directors identifying suitable individuals for vacant posts, suggesting that this approach was unlikely to satisfy equalities legislation, and it would be more appropriate to go out to a wide advertisement and shortlist from there. The Deputy Chief Executive advised that the Managing Director was using a Non-Executive Director consultancy network, and had shortlisted around six individuals who have the requisite skills, as part of the market testing process;
- noted that the focus of the report was about the replacement of one role i.e. that vacancy created by the departure of Mr Baker: a process for appointing Non-Executive Directors had previously been agreed, and whilst that could be challenged or revisited, it was not the decision before Members for consideration. However, if the Committee opted to appoint an independent person to the vacancy, how that appointment was made would be relevant;
- commented that some of the language in the report e.g. reference to *Chairman* should be revisited, and suggested that the term “political representative” should be replaced by “elected member”;
- one Member commented that given the variability of calibre of senior officers, he would definitely opt for an independent representative to fill that role;
- a number of Members suggested that every effort should be made to increase the diversity of the Board;
- one Member commented that any potential risks in appointing representatives to the Board were mitigated by the shareholder not having a majority on the Board or Committees, so any one individual could not exert undue influence on the Board;
- a Member cautioned against making decisions about the approach to future governance and recruitment “on the hoof”. He also supported the concept of an independent majority of the Board, and suggested



that in terms of sequencing, the Chairman should be appointed first, then the other independent Directors.

Councillor Nethsingha proposed that option (c) be pursued, amended as below:

*“A short list of potential independent representatives be identified for the Committee to consider for the filling of this role, and that this was advertised within two weeks”*

This was seconded by Councillor Dupré. On being put to the vote, proposal was lost.

The Chairman proposed that option (b) be progressed, amended as below:

*“The Committee delegates to the Deputy Chief Executive, in consultation with the Chairman, the appointment of an elected member of this authority (not a Commercial & Investment Committee Member), to the vacant role.”*

This was seconded by Councillor Hay. On being put to the vote, proposal was carried.

A Members suggested extending “*elected member*” to include recent past members. However, it was noted that those individuals could put themselves forward as independent candidates.

It was further noted that it was a principle of company law that directors’ should always act for the good of company, and this had precedence over political or any other motivations i.e. to act in political interest rather than for the good of the company was unlawful.

It was resolved, by a majority, to:

- (a) consider the contents of this report;
- (b) note the removal of Mr Quentin Baker as a Director of This Land;
- (c) delegate to the Deputy Chief Executive, in consultation with the Chairman, the appointment of an elected member of this authority (not a Commercial & Investment Committee Member) to the vacant role.

## **125. PROGRAMME HIGHLIGHT REPORT – PROGRESS OF SALES TO THIS LAND**

The Committee considered the progress of sales to This Land. Members' attention was drawn to a table showing a detailed breakdown for each site. It was noted that an additional column had been included in the table, indicated whether planning consent was being pursued by This Land or the County Council. It was confirmed that a total of 13 sales had been completed on 13<sup>th</sup> April 2018.

For the Guilden Morden site, representations had to be made by 29/06/18, after which date the decision would take around six weeks. There were a number of sites that officers were working hard to complete, the next sales to This Land likely to be completed were Shepreth and Burwell.

There had been a successful appeal at Cottenham, and to date there had been no legal challenge: any application for judicial review would need to be made by 2<sup>nd</sup> July. There had been helpful meetings with the Parish Council Chairman and This Land about this site, and also with education colleagues, as there was potential for a new school in Cottenham to be located on this site.

It was confirmed that the Soham Eastern Gateway site was likely to be for less than 600 units, and that was what was reflected in the latest Masterplan.

A Member asked for 'total' rows to be included on all tables. It was also suggested that the table could indicate actual progress at sites e.g. whether construction was underway. It was suggested that the quarterly performance report from This Land should include a progress report on the respective developments. It was noted that the existing building at Milton Road had been demolished and construction was due to start imminently. It was agreed that it would be interesting for the Committee to visit a site in the future. **Action required.**

There was a discussion about the East Barnwell site. It was noted that because of the arms-length nature of This Land, the Legal team had expressed concerns, as any leaseback of the library by the Council would appear to be a contracting arrangement. It was noted that this was already the case for Milton Road library, and having reflected on that, it was felt that the Council was leaving itself open to potential challenge on procurement regulations. In future, any leaseback would need to go through an open tender process. For the East Barnwell site, it was difficult for the scheme to provide the necessary profit margins for This Land without significant subsidy from the Council. It was noted that the Council when originally approved by the Council included a significant subsidy.

The options were outlined for development on the East Barnwell site, but it was confirmed that nothing was settled yet. The site had been allocated for housing and replacement of facilities in the City Council Local Plan. Officers were asked to ensure that the Local Member was kept informed. It was noted that if the community facilities were not required, there would be not be a procurement issue.

In response to a Member question, it was confirmed that the County Council could develop housing directly through a construction company, and sell properties to This Land or another body but the Council would not hold those properties.

In a discussion around Worts Causeway, a Member commented that Cambridge needed a decent level of affordable housing in any development. The Deputy Chief Executive advised that along with the This Land Managing Director, he had met with City Council colleagues, including a specific meeting regarding Worts Causeway. The City Council was seeking to maximise affordable housing. This Land had indicated that they would always be policy compliant, subject to viability.

Councillor Rogers advised that as Chairman of the Pensions Committee, he had been invited to attend a meeting of the Adults Committee Accommodation Strategy Member Reference Group. Members of that Group had been very interested in the potential conflict between the Council's interests and This Land. They were looking at the potential for care home development, not just on NHS land, but also Council land, and had asked Councillor Rogers if he would be prepared to act as the link between the Commercial & Investment Committee and that Group. Members agreed that this would be helpful.

In terms of progress on sites, it was noted that there would be a progress report from This Land considered quarterly, with the first report being presented to the July Committee. Members were also free to contact the company directly if they had any queries regarding progress on sites owned by This Land.

It was resolved unanimously to:

- a) note the content of the Programme Highlight Report.

**126. COMMITTEE AGENDA PLAN, TRAINING PLAN AND APPOINTMENTS TO OUTSIDE BODIES**

Members considered the forward agenda plan and training plan for Commercial & Investment Committee.

The following additional reports were agreed for future meetings:

- This Land quarterly progress report (July meeting);
- the inspection process for leased properties, especially Listed buildings;
- second valuations;
- issues arising from potential promotion agreements.

It was likely that the scheduled August meeting would be cancelled, providing no urgent business arose nearer the date.

It was resolved to:

- (i) note the Agenda Plan, including the updates provided orally at the meeting;
- (ii) note the training Plan;
- (iii) agree the appointment of Councillor Rogers to the Adults Committee Accommodation Strategy Member Reference Group.

Chairman

**COMMERCIAL &  
INVESTMENT  
COMMITTEE**

**Minutes-Action Log**



**Agenda Item no. 2**  
**Cambridgeshire  
County Council**

**Introduction:**

This is the updated action log as at **12<sup>th</sup> July 2018** 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 23<sup>rd</sup> February**

<b>83.</b>	<b>Sale of Portfolio of properties to Cambridgeshire Housing &amp; Investment Company</b>	Tom Kelly/ John Macmillan	Review how valuations were assessed for future sites (i.e. second valuation proposal)	A second valuation had been obtained. Although there is a variance Officers are satisfied with the reasoning and that the Council is securing best value with the higher first valuation. <b>It was agreed at Committee on 22/06/18 that a report would be presented to a future mtg.</b>	In progress
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**Minutes of 23<sup>rd</sup> March**

<b>91.</b>	<b>Minutes and Action Log</b>	Sass Pledger	Committee to receive a report back on CCS, reviewing the process so far, and actions going forward e.g. how schools were being supported in procurement.	Confidential report on July agenda	Completed
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<b>96.</b>	<b>Tri-LEP Local Energy Investment and Delivery Strategy, and other strategic initiatives</b>	Sheryl French	Set up a workshop with County Council, South Cambridgeshire and Cambridge City councillors to share the concept for a network of smart energy grids.	Workshop date is now booked for 13/09/18, 5-7pm at the Storey's Field Centre. The draft agenda has been agreed and includes presentations from UKPN, Origami Energy, Bouygues Energies and Services and Local Authorities. An invite and agenda will be sent shortly.	In progress
<b>Minutes of 27<sup>th</sup> April</b>					
<b>109.</b>	<b>Finance and Performance Report</b>	Tom Kelly/ Ellie Tod	Agreed that the Committee needed to have a session to agree Performance Indicators.	Agreed at Committee on 25/05/18 to include this in a training session on 20/07/18.	In progress
<b>112.</b>	<b>Resolutions for This Land AGM</b>	Chris Malyon/ Fiona Macmillan	Receive a report on the issues around appointing a Councillor to the This Land Board) at the June C&I meeting.	Scheduled for June meeting.	Completed
<b>Minutes of 25<sup>th</sup> May</b>					
<b>116.</b>	<b>Outline Business Case for Smart Energy Grids for Trumpington and Babraham Park &amp; Ride sites</b>	Sheryl French/ Cherie Gregoire	An update on progress at the St Ives P&R site (Smart Energy Grid) to be circulated to the Committee.	Report on July agenda.	Completed.
<b>118(1).</b>	<b>Disposals Policy</b>	Chris Malyon	Include Local Member involvement as part of the Disposal Policy flowchart.	The flowchart has been updated and circulated to	.

118(2).	<b>Disposals Policy</b>	Chris Malyon	Change term “ <i>surplus to requirements</i> ” in policy to “ <i>surplus to operational requirements</i> ”.	Officers as the final agreed process. <b>At Committee on 22/06/18, it was agreed that the flowchart would be circulated to Committee members.</b>	
120.	<b>Finance and Performance Report – Outturn Report 2017/18</b>	Ellie Tod	Cllr Nethsingha asked for more detail on the reasons for the year-end overspend of £154K on the Property Services budget (Building Maintenance). It was agreed that this would be clarified and reported back	Email response sent to Cllr Nethsingha 12/07/18	Completed.
<b>Minutes of 22<sup>nd</sup> June</b>					
123.	<b>Minutes/Action Log</b>	John Macmillan	Members agreed that it would be helpful to have a report to future meetings on a strategy for inspections, given the pressure on officer resources.	Scheduled for September meeting	In progress
125.	<b>Programme Highlight report – progress of sales to This Land</b>	tbc	It was agreed that it would be interesting for the Committee to visit a site in the future.	tbc	





**SMART ENERGY SYSTEMS - INNOVATE UK FUNDING BID SUPPORT**

**To:** Commercial and Investment Committee

**Meeting Date:** 20<sup>th</sup> July 2018

**From:** Graham Hughes, Executive Director - Place and Economy

**Electoral division(s):** All

**Forward Plan ref:** 2018/055      **Key decision:** Yes

**Purpose:** Support for preparation of a 'Smart Energy Systems Demonstrator Project' bid for submission to Innovate UK by 25<sup>th</sup> July 2018.

**Recommendation:** Members are asked to support:

1. Cambridgeshire County Council coordinating and leading a Smart Energy Systems Demonstrator Bid and its submission to Innovate UK;
2. The inclusion of Babraham, Trumpington and St Ives Smart Energy Grid development projects within the bid;
3. Investment is committed to Babraham, Trumpington and St Ives Smart Energy Grids following the agreement of the business cases, and that match funding is made available for the Smart Energy Systems Demonstrator project, if the bid is successful.

<b><i>Officer contact:</i></b>	<b><i>Member contact:</i></b>
Name: Sheryl French Post: Project Director, Energy Investment Unit Email: <a href="mailto:sheryl.french@cambridgeshire.gov.uk">sheryl.french@cambridgeshire.gov.uk</a> Tel: 01223 728552	Name: Councillor Joshua Schumann Post: Chairman, Commercial and Investment Committee Email: <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> Tel: 01353 723 925

## 1. BACKGROUND

- 1.1. Economic growth in and around Greater Cambridge over the last 15 years has outpaced UK growth by 13%. To catch up with the scale and pace of growth, significant investment in housing and transport infrastructure is planned through the Cambridgeshire and Peterborough Combined Authority and the Cambridge City Deal.
- 1.2. The take up of electrical capacity and costs of grid reinforcements have led to constraints on the local energy distribution network in Cambridgeshire but most acutely in and around the Greater Cambridge area. The costs and timescales for designing, and delivering grid reinforcements is delaying development.
- 1.3. The Council has taken a leadership role in seeking to address this issue by supporting the development of new business models for smart energy grids. For example, the St. Ives Smart Energy grid at the Park and Ride site when delivered will demonstrate integrated energy generation, supply and demand solutions for local consumers and electric vehicles. The Babraham and Trumpington Smart Energy Grids will build on this model by including significant energy storage capacities to help balance supply and demand across the National Grid. Committee supported the development of these projects in May 2018, and requested that opportunities for grant funding be identified to improve the business cases and bring forward delivery.
- 1.4. There is now wider recognition across Government that energy infrastructure in the UK needs to change and modernise. The UK's Industrial Strategy, published in 2017, highlights the Government's support of clean energy development. For the UK to become a world leader, it identifies the need for rapid transformation within the energy sector. To achieve this, the Industrial Strategy launched a programme called 'Prospering from the energy revolution' to develop world-leading local smart energy systems. These systems deliver cheaper and cleaner energy across power, heating and transport, whilst creating high value jobs and export capabilities. UK Research and Innovation (UKRI) has been allocated funding to aid the development of innovative approaches to deliver cheaper and cleaner energy services. UKRI has now identified £40 million from the fund for investment (as grants) in up to three practical smart-energy systems demonstrator projects. Bids need to be submitted to UKRI by 25<sup>th</sup> July 2018, and the projects need to be delivered between 2019 -2022.
- 1.5. Accessing UKRI grants is a competitive process. Projects need to demonstrate the integration of electricity, transport and heat into smart energy systems and bring forward robust partnership and project arrangements. **Appendix A** shows project criteria and eligibility.

## **2. MAIN ISSUES**

### **2.1 Developing a Smart Energy Systems Demonstrator Project for the Greater Cambridge area**

- 2.2 Cambridgeshire County Council has been working with a range of partners (including Cambridge University, UKPN, Cambridge City Council, Origami Energy and energy consultants) to scope a smart local energy system that links electricity, transport and heat assets across the Greater Cambridge area.
- 2.3 The Smart Energy Systems Project will look to address the challenges of limited network capacity and high grid reinforcement costs experienced across Cambridge. These challenges impact on the delivery of our major growth areas (e.g. Southern Fringe Biomedical Campus); raise the costs for decarbonisation and air quality improvements and curtail new low carbon energy supplies onto the local network.
- 2.4 The project will focus on energy and development projects that are already built or in the development pipeline. These will include the County Council's St. Ives, Babraham and Trumpington Smart Energy Grids and battery storage projects and a selection of Cambridge University's existing buildings and infrastructure schemes at North West Cambridge (including the Combined Heat and Power (CHP) energy centre), several buildings on West Cambridge and the New Museums site.
- 2.5 In addition to addressing the physical constraints on the network, there is a need for a platform that enables peer-to-peer trading to link existing and planned energy supplies with major energy demands (including heat, cooling, transportation, and electricity) across the city. Such a platform would help smart local energy grids to deliver lower energy costs and emissions in the future.
- 2.6 By bringing together the Councils and Universities generating assets with residential and commercial energy loads, the project will attempt to address the above challenges by:
- Managing energy generation assets and demand flexibly across the distribution network using a software platform to monitor and control electricity flows. This will provide in turn: a better understanding of network capacity limits; additional connections available for projects; reduce the need for some grid reinforcement; save money and speed development.
  - Testing models for peer-to-peer trading of energy and along with this identifying the regulatory regime and finance mechanisms required to support the development of such trading.
- 2.7 The potential of this kind of project is significant as it can:
- Demonstrate how a range of distributed energy resources (including solar, electric vehicles, storage and CHP) can be deployed successfully within constrained networks;

- Promote advanced common protocols for communication between a range of different energy resources;
- Identify how the future local network operator role can supervise, control and monitor complex, distributed energy resources;
- Improve forecasting of local energy demand and supply profiles to bring improvements to local energy network resilience; and
- Release electrical capacity to bring forward the electrification of transport across Greater Cambridge accelerating the improvement of air quality with the associated health and economic benefits.

2.8 A committed group of organisations and businesses are collaborating on the bid development. UK Power Networks (UKPN) has agreed to be a project partner and work with local stakeholders to identify new flexible models for the Greater Cambridge area to facilitate additional connections. Local energy stakeholders including the County Council, University of Cambridge, Addenbrooke's Hospital Trust and Cambridge City Council are reviewing their work to identify a pipeline of projects that will support the demonstrator and future opportunities to replicate the demonstrators. Industrial facilitators Origami Energy and Bouygues Energy Solutions will help deliver technical solutions. Technical specialists Delta Energy and Environment, and Element Energy are helping to structure and shape the project identifying research and analysis requirements and wider opportunities for replication that will be of interest to Innovate UK.

## 2.9 **Benefits to the Council coordinating the Smart Energy Systems Demonstrator Project**

- 2.10 If successful, the project could unlock mechanisms that facilitate energy trading at a local level between local generators and consumers. This would be helpful for the Council's smart energy grid projects. For example, the Trumpington Smart Energy Grid includes plans to sell energy to surrounding consumers such as Addenbrooke's Hospital.
- 2.11 Currently the business cases for Babraham and Trumpington Smart Energy Grids do not rely on grant funding. If the bid is successful, grant monies from the UKRI smart-energy systems demonstrator project would shorten pay back periods and hence improve the business cases for these projects.
- 2.12 This UKRI bid competition will provide the County Council with a further opportunity to lead and build on strong collaborations with local energy stakeholders and cement its place at the forefront of the UK's changing energy sector. This in turn would place the County Council in a good position to capitalise on commercial energy opportunities that emerge over the next few years.

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

In many parts of Cambridgeshire, energy generation sites cannot connect to the local grid as the grid has reached capacity and fault levels on existing networks are in danger of being breached.

The development of mechanisms to overcome this grid constraint will benefit the local economy through: building a local energy economy; enabling existing and planned developments across the city to connect viably to the energy network; unlocking clean growth; and developing skills and high quality jobs locally.

#### **3.2 Helping people live healthy and independent lives**

All the energy initiatives are looking to reduce greenhouse gas emissions and improve air quality leading to improve health for all.

#### **3.3 Supporting and protecting vulnerable people**

Without a strong focus on upgrading our energy infrastructure and developing local energy markets, the cost of energy will become unaffordable putting more homes and people into fuel poverty.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

Should the bid be successful, and the investment grade proposals approved for Babraham and Trumpington, the Council's investment will act as match funding to draw down grant monies.

If successful, a project manager would need to be employed to manage the grant funding and delivery partners.

The project will be continually assessed for compliance with the Innovate UK grant conditions in order to continue to receive funding, putting a small amount of risk on the match funding investment should the project move out of scope.

#### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

*There are no significant implications within this category.*

#### **4.3 Statutory, Legal and Risk 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 Communications Implications

Engagement with Cambridge City Council, Greater Cambridge Partnership and Combined Authority have been positive and supportive. Large organisations and developments across the City have been identified for engagement into the project and letters of support will be collected from major stakeholders to submit with the bid.

As the plans for the Park and Ride Smart Energy Grid projects get underway, further community engagement is planned.

The bid involves a consortium of private businesses and the University of Cambridge. This will facilitate closer ties between the Council and industry partners.

#### 4.6 Localism and Local Member Involvement

*There are no significant implications within this category.*

#### 4.7 Public Health Implications

Unlocking current constraints on the national grid will allow the further development of clean energy initiatives which will help mitigate climate change and bring air quality benefits for our communities.

Source Documents	Location
<b>Funding competition Smart local energy systems: demonstrators</b>  UK organisations can apply for a share of up to £40 million to develop world-class smart local energy system demonstrators.	<a href="https://www.gov.uk/government/news/design-and-trial-smart-energy-systems-apply-for-funding">https://www.gov.uk/government/news/design-and-trial-smart-energy-systems-apply-for-funding</a>

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	<b>Yes</b> Name of Financial Officer: Sarah Heywood
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	<b>Yes</b> Name of Officer: Paul White
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	<b>Yes</b> Name of Legal Officer: Debbie Carter-Hughes
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	<b>Yes</b> Name of Officer: Tamar Oviatt-Ham
<b>Have any engagement and communication implications been cleared by Communications?</b>	<b>Yes</b> Name of Officer: <i>Joanna Shilton</i>
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	<b>Yes</b> Name of Officer: <i>Tamar Oviatt-Ham</i>
<b>Have any Public Health implications been cleared by Public Health</b>	<b>Yes</b> Name of Officer: <i>Tess Campbell</i>

## **Appendix A: Smart local energy systems: demonstrators**

### **1.0 Background**

The Government's Industrial Strategy announced the creation of the Prospering from the Energy Revolution (PFER) Industrial Strategy Fund (ISCF). This fund is designed to aid the development of innovative approaches to deliver cheaper and cleaner energy services.

### **2.0 Eligibility**

**To be eligible, demonstrators must:**

- be a UK-based organisation
- carry out at least 90% of your project work in the UK
- exploit the results from or in the UK
- work in collaboration with other businesses, research organisations, public sector or third-sector organisations
- include at least one micro, small or medium-sized enterprise (SME)
- include at least one university, higher education institution, RTO (including Catapults) or public sector organisation
- include a local authority or equivalent organisation

If a local authority leads, there must be at least two business within the consortium and applications must clearly explain why it is not appropriate for it to be business-led.

There is a requirement to share important information with Prospering from the Energy Revolution stakeholders.

### **3.0 Funding**

Total project costs must be between £26 million and £160 million, with grants of up to £13 million available.

### **4.0 Project Criteria**

Smart local energy models are being developed in the UK – this competition is to demonstrate and realise the functionality of these models by 2022.

The project must:

- be based over a specific large UK location such as a medium-sized town
- seek to optimise energy across a diverse range of energy supplies, varieties of infrastructure and types of demand
- deliver significantly lower costs and emissions while creating economic benefits for the local area and the UK as a whole
- encourage private investment to replicate your model nationally through the 2020s
- use innovations that intelligently link energy supply and demand across power, heat and transport
- deliver benefits to a range of stakeholders by 2022
- develop processes and skills in the UK for designing, financing, building and operating smart local energy systems, joining up supply chains where appropriate



**THIS LAND FINANCING ARRANGEMENTS, PORTFOLIO SALE & CONSTRUCTION FUNDING**

**To:** Commercial and Investment Committee

**Meeting Date:** 20 July 2018

**From:** Deputy Section 151 Officer

**Electoral division(s):** All

**Forward Plan ref:** N/a

**Key decision:** No

**Purpose:** This report updates the Committee on matters related to the This Land companies, and the County Council's connected financial interests.

The Committee are invited to consider, and give approval where necessary, to the approaches outlined to:

- Re-valuation of a site for transfer following decision by the Planning Authority
- Valuation methodology (best consideration)
- Construction Financing
- Potential future developments

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

- a) Approve revision of the disposal value and make available to This Land the corresponding increase in loan financing related to the property detailed in Appendix C (to follow)
- b) Approve provision of a "construction loan" to This Land, for up to £8m and in accordance with Appendix B
- c) Approve provision of a "bridging loan" to This Land, for up to £7.6m and in accordance with Appendix B.

Delegating the agreement of the final terms of these arrangements to the deputy section 151 officer in consultation with the Chairman of the Committee

	<b><i>Officer contact:</i></b>	<b><i>Member contacts:</i></b>
Name:	Tom Kelly	Cllrs Schumann and Hay
Post:	Head of Finance	Chairman and Vice-Chairwoman
Email:	<a href="mailto:Tom.Kelly@cambridgeshire.gov.uk">Tom.Kelly@cambridgeshire.gov.uk</a> <a href="mailto:John.Macmillan@cambridgeshire.gov.uk">John.Macmillan@cambridgeshire.gov.uk</a>	<a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> <a href="mailto:Anne.hay@cambridgeshire.gov.uk">Anne.hay@cambridgeshire.gov.uk</a>
Tel:	01223 703599 01223 699092	01223 706398

## 1. BACKGROUND AND GENERAL ISSUES

- 1.1 Progress continues with the portfolio sale of property from the Council to This Land as agreed and detailed to the Committee since the Spring. At the time of writing there are four sites remaining within the portfolio pending completion. The conveyancers on both sides are finalising the outstanding site specific issues with these transfers at:
- Shepreth
  - Malta Road
  - Burwell
  - Soham Eastern
- 1.2 Twenty sites have so far completed as part of the portfolio sale. To date, this brings the level of sales to This Land to £28.535m. There is one further site, in addition to the portfolio, which the Committee have previously agreed for transfer at Papworth – this is also nearing completion. Transfer of one site in Whittlesford, with a relatively low assessed value, is currently paused pending further consideration by both parties.
- 1.3 In summary, this brings the total loan financing advanced by the Council to the company, so far, to be as follows:

Loan item	Amount	Refinancing Date
Overheads & Operating	£2.800m	December 2018
Third party acquisition in CB5	£2.040m	August 2021
Portfolio sale	£28.535m	January 2028
<b>Subtotal of loans to date</b>	<b>£33.375m</b>	

Additionally there is an existing delegation from the Committee permitting further loan for the sites nearing completion listed in 1.1 and 1.2.

Loan item	Amount
Remainder of portfolio + Papworth	£8.761m

This means in total, the Committee has agreed activation of £42.14m of loan financing with “in principle” support for up to a further £77.86m for land acquisition, construction and associated costs, as per a resolution in December.

## 2. AMENDMENT TO DISPOSAL AND LOAN VALUE FOR A SPECIFIC SITE

- 2.1 Within the portfolio, one site detailed in confidential **Appendix C** (to follow) has progressed sufficiently through the planning system to warrant a full revaluation. Planning progression and a corresponding change in value is anticipated for many of the sites transferred to This Land. Where this occurs after the transfer date from the Council to This Land, this will be dealt with through overage agreements. These are already in place for sites where planning is pending that have been transferred to date and enable the Council to benefit from the uplift in value according to an agreed methodology.
- 2.2 In relation to the site to be detailed in appendix C, the transfer to This Land has not yet occurred, the change in value is anticipated to be significant, and will be in the Council’s interests to transfer at the re-valued amount rather than await overage.

- 2.3 In line with the approach towards best consideration that the Committee has previously agreed, an external valuer was appointed to value the site, a summary of the relevant conclusions will be provided once received from the valuer.
- 2.4 Accordingly, subject to the valuer providing their confirmed opinion ahead of 20 July, the Committee is invited to authorise additional loan financing to enable This Land to acquire the site at the revised increased valuation post planning.

### **3. SAMPLE SECOND VALUATION RESULT AND CONSIDERATION**

- 3.1 A second valuation has been received for one of the properties transferred as part of the portfolio sale, following an action to review how valuations were assessed under minute 83 of this Committee. Further commentary is included in **appendix A**.
- 3.2 Attention is drawn to the contents of item number 3, at the Committee's meeting on 30 June 2017 which sets out the approach that was subsequently adhered to for disposal of property assets to This Land.

### **4. CONSTRUCTION AND DEVELOPMENT FINANCING**

- 4.1 To date the medium and longer term loan financing advanced to This Land has related to property acquisition. With land ownership now passed over to the company, focus will also be rapidly shifting onto the next stages of the development process. The company has assessed its cashflow needs in relation to construction and development costs and has approached the Council with loan requests as follows:

<b>Item</b>	<b>Repayment Term</b>	<b>Amount</b>
"Construction Loan"	Longer term – up to 10 years	£8.0m
"Bridging Loan"	Medium term – up to 2 years	£7.6m

- 4.2 Loans of this order and purpose have already been agreed in principle by the Committee as set out in section 1.3, with the total amount of activated loan well within the initial planning level (and within the budget agreed by Full Council in February). In actuality, This Land has also deployed some of its "operating and overheads" loan towards the cashflow of early stage development costs incurred to date.
- 4.3 The Council is the sole shareholder in the This Land companies, and it is essential to the group's commercial success that site development progresses in accordance with timescales set out in their business plan and financial modelling, ultimately achieving house sales and cash inflows.
- 4.4 Whilst acknowledging this objective for the shareholder, individual loans must also be considered from the Council's perspective as the lender. Before advancing any loan amount consideration is to be given to risk mitigation and assurance available from the borrower, protecting the Council from the future potential for disrupted repayment and/or default and informing the appropriate level of interest chargeable associated with the risk for each party.
- 4.5 Whereas for the portfolio loan for land acquisition there was a relatively straightforward relationship between the value of the assets at transfer and the

security those assets provide in case of default, the consideration for this stage is more complex with investment required before full future value is realised. On the other hand, the relatively infancy of This Land is perhaps less novel at this point: it is common for entities seeking construction loans to be special purpose vehicles, with limited credit history predating the project they have been formed to implement.

- 4.6 Further considerations are set out in the **Appendix B** including more details of the financial plans submitted by This Land as well as the intended forms of assurance underpinning the loan. Taken together, it is recommended that approval is given for a construction and bridging loan enabling the negotiation of final terms to progress in the coming weeks.

## **5. FUTURE SITES**

- 5.1 East Cambridgeshire Local Plan (Proposed Submission) was submitted to the Secretary of State on Friday 16th February 2018 for examination. The examination is formed of a series of hearings which are currently underway. The comments of the Planning Inspector within an appeal decision may provide a window of opportunity for landowners to promote sites for development until a deliverable five- year supply of housing sites is proven.
- 5.2 Cambridgeshire County Council has various land holdings/sites within East Cambridgeshire District Council area. A number of these holdings were identified for long-term development under the 2006 Farm Management Review Plans, as approved by CCC Members at that time, or have been declared surplus to operational requirements by Service Areas and held for long-term development. Several additional sites have been subsequently identified as having potential for development. Subject to steer from the Committee, the County will commission a planning consultant to evaluate each site in light of current national and local planning policy and prioritise the sites in terms of deliverability. It is envisaged that the County will pursue planning permission for development on the highest priority sites in order to maximise their value.

## **6. ALIGNMENT WITH CORPORATE PRIORITIES AND SIGNIFICANT IMPLICATIONS**

### **6.1 Developing the local economy for the benefit of all**

The financing arrangements enable local economic development

### **6.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

### **6.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **6.4 Resource Implications**

Resource implications connected to lending funds to This Land are set out in the appendix.

### **6.5 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

## 6.6 Statutory, Risk and Legal Implications

Legal and risk implications connected to the issues of this report are set out in the appendix.

## 6.7 Equality and Diversity Implications

There are no significant implications within this category.

## 6.8 Engagement and Consultation Implications

There are no significant implications within this category.

## 6.9 Localism and Local Member Involvement

There are no significant implications within this category.

## 6.10 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	N/A
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	M McMurtry – further advise will be taken as part of agreement of final terms
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
This Land Strategic Finance Model	Corp Finance – Octagon 1



**FINANCE AND PERFORMANCE REPORT – MAY 2018**

*To:* **Commercial and Investment Committee**

*Meeting Date:* **20<sup>th</sup> July 2018**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a**

*Key decision:* **No**

*Purpose:* **To present to Commercial and Investment (C&I) Committee the May 2018 Finance and Performance Report for Commercial and Investment 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 May 2018.**

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

- **review, note and comment upon the report**
- **consider and approve the capital budget changes.**

<b><i>Officer contact:</i></b>	<b><i>Member contact:</i></b>
Name: Eleanor Tod Post: Group Accountant Email: <a href="mailto:eleanor.tod@cambridgeshire.gov.uk">eleanor.tod@cambridgeshire.gov.uk</a> Tel: 01223 715333	Name: Cllr Joshua Schumann Post: Chair, Commercial & Investment Committee Email: <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> Tel: 01223 706398

## 1. BACKGROUND

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance and Performance Report at all of its meetings, 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 and performance indicators for which the Committee has responsibility remain on target.

## 2. MAIN ISSUES

- 2.1 Attached as **Appendix A**, is the May 2018 Finance and Performance report.
- 2.2 **Revenue:** At the end of May, Commercial and Investment Committee is forecasting an overspend of £949k on revenue budgets. There are two significant forecast outturn variances by value (over £100,000) to report.
- 2.3 **Capital:** At the end of May, Commercial and Investment Committee is forecasting that the capital programme budget will be in balance at year-end.

**Commercial and Investment schemes have carried forward £84m of funding from 2017/18, as reported in 3.2 of the report, which Commercial and Investment Committee is asked to consider and approve.**

**Commercial and Investment Committee is also asked to approve the virement of £711k from Shire Hall Maintenance budget to the County wide Building Maintenance budget.**

There are no exceptions to report for May.

- 2.4 There are no Commercial and Investment Committee **performance indicators** reported for May 2018.

## 3. ALIGNMENT WITH 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 report sets out details of the overall financial position for Commercial and Investment for this Committee.

#### **4.2.1 Statutory, Risk and Legal Implications**

There are no significant implications within this category.

#### **4.3 Equality and Diversity Implications**

There are no significant implications within this category.

#### **4.4 Engagement and Consultation Implications**

There are no significant implications within this category.

#### **4.5 Localism and Local Member Involvement**

There are no significant implications within this category.

#### **4.6 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	N/A
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	N/A
<b>Are there any Equality and Diversity implications?</b>	N/A
<b>Have any engagement and communication implications been cleared by Communications?</b>	N/A
<b>Are there any Localism and Local Member involvement issues?</b>	N/A
<b>Have any Public Health implications been cleared by Public Health</b>	N/A

<b>Source Documents</b>	<b>Location</b>
C&I Finance & Performance Report (May 18)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge



## Commercial and Investment

### Finance and Performance Report – May 2018

## 1. SUMMARY

### 1.1 Finance

Previous Status	Category	Target	Current Status	Section Ref.
N/A	Income and Expenditure	Balanced year end position	Amber	2.1 – 2.3
N/A	Capital Programme	Remain within overall resources	Green	3.2

## 2. INCOME AND EXPENDITURE

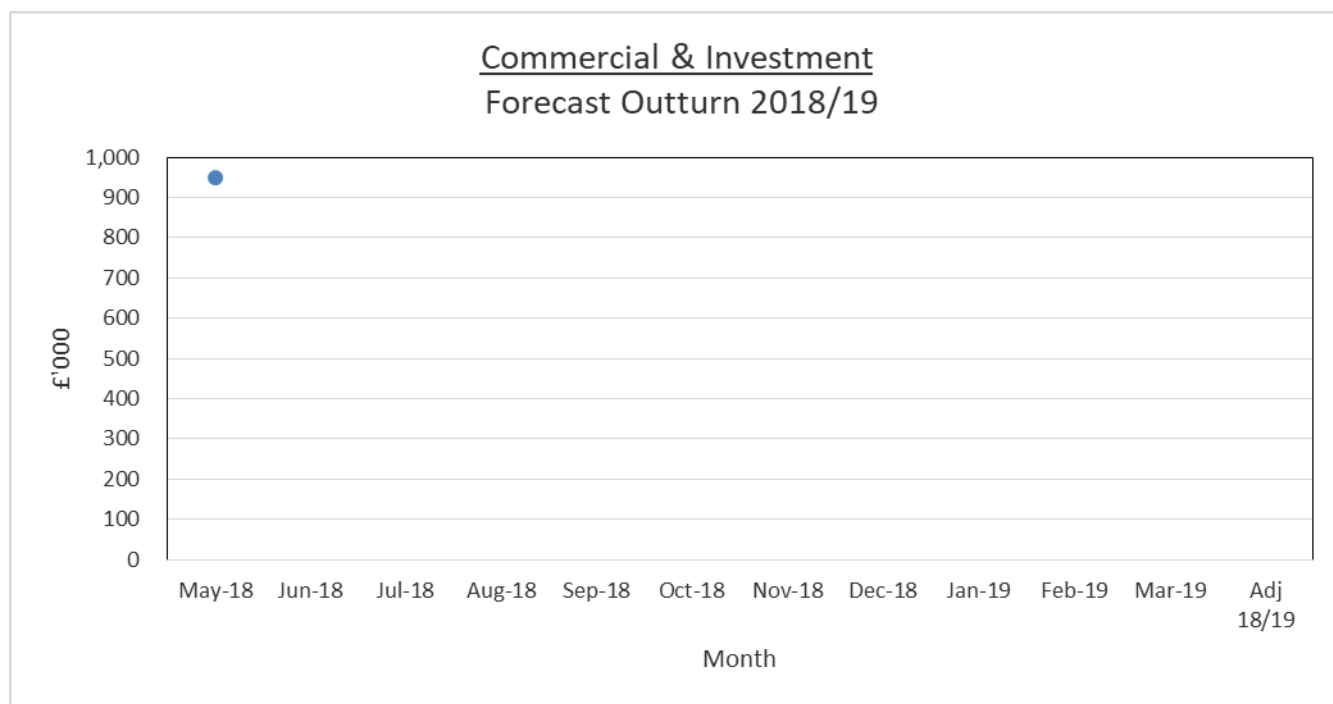
### 2.1 Overall Position

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 F&PR. The same format is also applied to the Integrated Resources and Performance Report (IR&PR) 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.

Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
Commercial Activity	-9,446	425	500	5.3%
Property Services	6,122	945	0	0.0%
Strategic Assets	-3,583	-176	0	0.0%
Traded Services to Schools and Parents	-417	2,431	449	107.6%
<b>Total Expenditure including Grant Funded Spend</b>	<b>-7,324</b>	<b>3,626</b>	<b>949</b>	<b>13.0%</b>
Grant Funding	-1,298	-515	0	0.0%
<b>Above the Line Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11.0%</b>
<b>Overall Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11.0%</b>

The service level budgetary control report for Commercial and Investment for May 2018 can be found in [C&I appendix 1](#).

Further analysis of the results can be found in [C&I appendix 2](#).



## 2.2 Significant Issues – Commercial and Investment

At the end of May 2018, Commercial and Investment is forecast to overspend by £949k in 2018/19, primarily due to predicted overspends in the following two areas:

Commercial Activity budgets are expected to overspend by £500k in 2018/19. The Council has considered and bid on a number of real estate / property acquisition opportunities, but to date has not been successful at a price deemed to deliver a satisfactory commercial return. Consideration is being given to wider opportunities and procurement of external investment advice is being progressed. A £500k pressure against target is considered to be the minimum non-delivery in 2018/19, with the potential for this to rise, although the longer term plan to generate commercial investment income in this way remains sound.

Traded Services to Schools and Parents are predicted to overspend by £449k due to the closure of Cambridgeshire Cleaning and Catering Services, following a Committee decision. The service has had a £449k recurring surplus budget expectation. As the service winds down approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure is the non-delivery of the recurring surplus, but it is likely to rise as the one-off costs of closure are quantified and confirmed further.

- 2.3 A list of additional grant income for Commercial and Investment can be found in [C&I appendix 3](#) and a full list of virements made in the year to date for Commercial and Investments can be found in [C&I appendix 4](#).

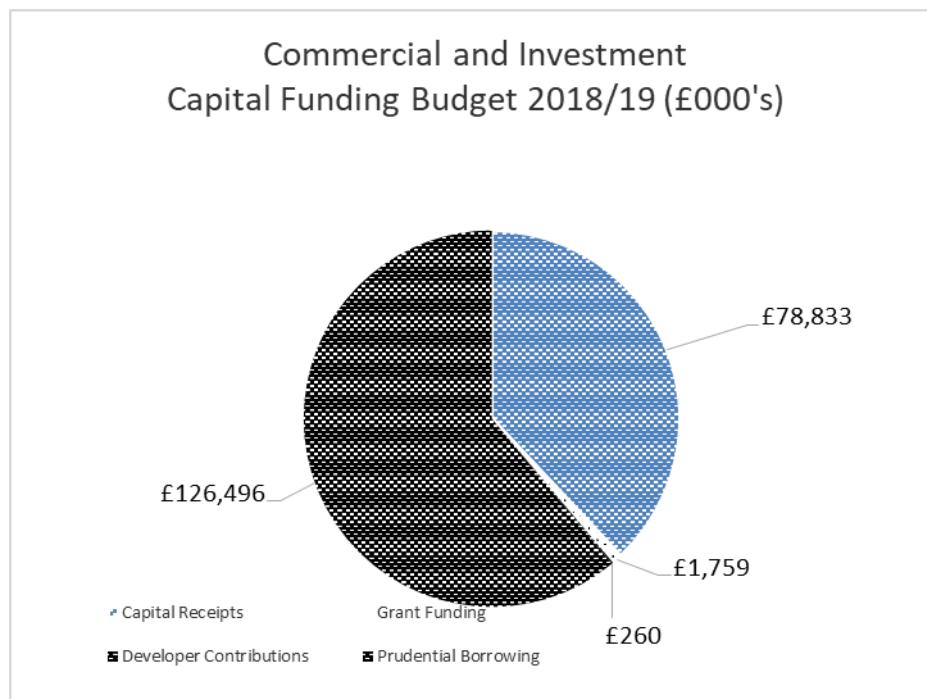
### 3. **BALANCE SHEET**

#### 3.1 **Reserves**

The Commercial and Investment reserves contain various earmarked reserves and funds held for specific purposes, and capital reserves. The schedule of these reserves can be found in [C&I appendix 5](#).

#### 3.2 **Capital Expenditure and Funding**

Commercial and Investment Committee has a capital budget of £207m in 2018/19, which is funded by the following capital resources:



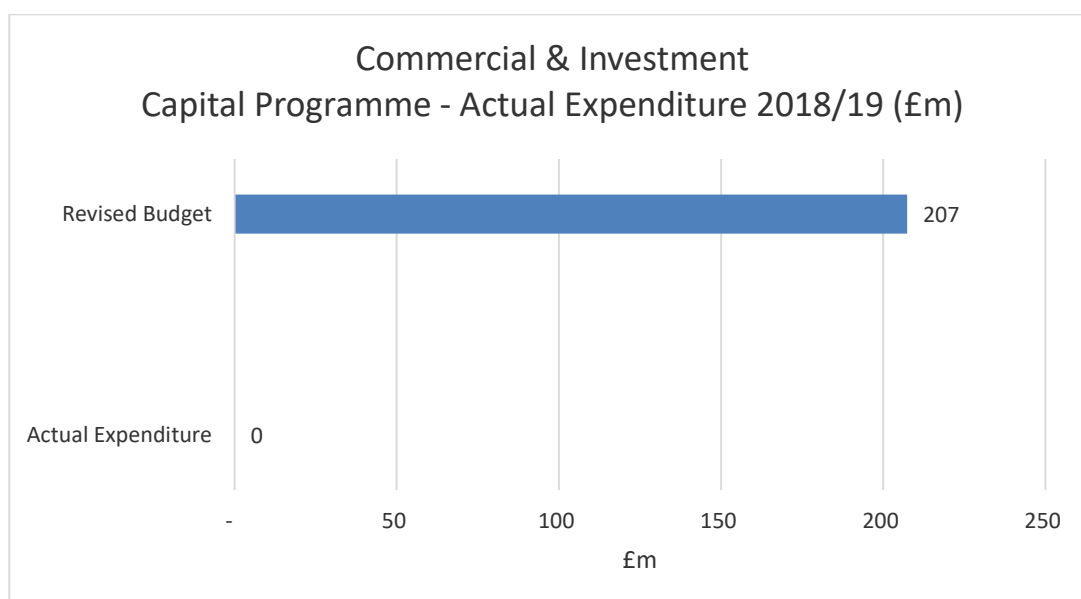
### Variations Budget

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 (May) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Feb) £000
C&I – Non-Housing	-2,764	0	0	0%	0

### Expenditure

Commercial and Investment Committee has expenditure of £0m to date on the Capital Programme, against forecast expenditure of £207m:



In-year variances of £0k are predicted and a balanced position at year-end is currently forecast for 2018/19. Total scheme variances of £147k underspent are expected over the lifetime of the schemes.

There are no material changes to report on expenditure budgets for May.

## Funding

Commercial and Investment Committee has capital funding of £207m in 2018/19, which incorporates the following funding adjustments:

- £84m funding for schemes carried forward from 2017/18 which have been reviewed by Capital Programme Board.
- £711k virement from Shire Hall Maintenance budget to the Countywide Building Maintenance budget.

Commercial and investment Committee is asked to consider and approve the carry forward of funding from 2017/18 into 2018/19 for the following schemes:

<b>Scheme</b>	<b>Carry Forward £000</b>	<b>Notes</b>
Housing	83,290	This reflects the roll forward of 2017/18 underspends into 2018/19. It is expected that further rephasing over the remainder of the scheme will be included within the June 18 report.
Shire Hall Maintenance	261	Funds required to support the general building maintenance programme (see virement request below).
Building Maintenance	160	Funds required to fund a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services.
County Farms Investment	62	Budget required to fund ongoing planned works.
Renewable Energy - Soham	117	Required to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.
Office Rationalisation	184	Ongoing work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Butts Grove, Scott House/Stanton House and Meadows closure.
	<b>84,074</b>	

In addition to the carry forward of funds above, Commercial and Investment Committee is requested to consider and approve the virement of £711k from Shire Hall Maintenance budget to the Countywide Building Maintenance budget (this includes the £261k roll forward above, plus a further 450k of the 2018/19 budget). This is required to maintain County Office premises to compliance standards that will not interrupt delivery of Council services. This contributes to all the Council's strategic outcomes, and will assist the Shire Hall 2020 'Hub and Spokes' project to provide compliant and fit-for purpose premises identified to remain as 'spokes' and reduce expenditure on premises identified for disposal.

As reported above, projected in-year variances are within the allowance made in the capital variation budget. The programme budget is therefore expected to be in balance at year-end, leading to an unchanged funding requirement.

There are no material funding changes to report for May.

A detailed explanation of the position for Commercial and Investment Committee can be found in [C&I appendix 6](#).

#### **4. PERFORMANCE**

- 4.1** Performance data for Commercial and Investment Committee is not currently available as performance indicators have not yet been set for the committee; work to review all indicators is still ongoing. As the committee starts to undertake commercial investment, relevant indicators will be developed in conjunction with the committee and subsequently exceptions will be reported against these.



## C&I APPENDIX 1 – Commercial and Investment Budgetary Control Report

The variances to the end of May 2018 for Commercial and Investment are as follows:

Previous Month's Outturn		Budget for 2018/19	Actual to the end of May 18	Outturn Forecast	
£000's		£000's	£000's	£000's	%
<b>Commercial Activity</b>					
0	Commercial Investments	-5,100	425	500	10%
0	Cambridge Housing and Investment Company	-4,346	0	0	0%
0	<b>Commercial Activity Total</b>	<b>-9,446</b>	<b>425</b>	<b>500</b>	<b>5%</b>
<b>Property Services</b>					
0	Building Maintenance	1,136	620	0	0%
0	County Offices	4,396	210	0	0%
0	Property Services	444	81	0	0%
0	Property Compliance	147	34	0	0%
0	<b>Property Services Total</b>	<b>6,122</b>	<b>945</b>	<b>0</b>	<b>0%</b>
<b>Strategic Assets</b>					
0	County Farms	-4,905	-130	0	0%
0	Strategic Assets	1,321	-46	0	0%
0	<b>Strategic Assets Total</b>	<b>-3,583</b>	<b>-176</b>	<b>0</b>	<b>0%</b>
<b>Traded Services to Schools and Parents</b>					
0	Traded Services to Schools and Parents	-408	17	0	0%
0	ICT Service (Education)	-200	77	0	0%
0	Professional Development Centres	-71	16	0	0%
0	Cambridgeshire Music	788	541	0	0%
0	Outdoor Education (includes Grafham Water)	-77	256	0	0%
0	Cambridgeshire Catering & Cleaning Services	-449	1,525	449	100%
0	<b>Traded Services Total</b>	<b>-417</b>	<b>2,431</b>	<b>449</b>	<b>108%</b>
0	<b>Total</b>	<b>-7,324</b>	<b>3,626</b>	<b>949</b>	<b>13%</b>
<b>Grant Funding</b>					
0	Non Baseline Grants	-1,298	-515	0	0%
0	<b>Grant Funding Total</b>	<b>-1,298</b>	<b>-515</b>	<b>0</b>	<b>0%</b>
0	<b>Overall Total</b>	<b>-8,622</b>	<b>3,111</b>	<b>949</b>	<b>11%</b>

## C&I APPENDIX 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 Variance - Outturn	
		£'000	%
<b>Commercial Investments</b>	<b>-5,100</b>	<b>500</b>	<b>10</b>
<p>Reported in F&amp;PR May 18:</p> <p>Commercial Investment budgets are expected to overspend by £500k in 2018/19. The Council has considered and bid on a number of real estate / property acquisition opportunities, but to date has not been successful at a price deemed to deliver a satisfactory commercial return. Consideration is being given to wider opportunities and procurement of external investment advice is being progressed. A £500k pressure against target is considered to be the minimum non-delivery in 2018/19, with the potential for this to rise, although the longer term plan to generate commercial investment income in this way remains sound.</p>			
<b>Cambridgeshire Catering &amp; Cleaning Services</b>	<b>-449</b>	<b>449</b>	<b>100</b>
<p>Reported in F&amp;PR May 18:</p> <p>Traded Services to Schools and Parents are predicted to overspend by £779k. As previously reported, Cambridgeshire Cleaning and Catering Services is to close during 2018/19, following a Committee decision. The predicted overspend to the end of 2018/19 has increased by £300k to £749k, reflecting the estimated cost of dilapidations for the cook freeze unit. The service has had a £449k recurring surplus budget expectation. As the service winds down approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure represents the non-delivery of the recurring surplus, but it is likely to rise as the one-off costs of closure are quantified and confirmed further.</p>			

## C&I APPENDIX 3 – Grant Income Analysis

The table below outlines the additional grant income, which was not built into base budgets.

Grant	Awarding Body	Expected Amount £000	Reported
<b>Grants as per Business Plan</b>		<b>783</b>	
One Public Estate	Cabinet Office	515	May 18
<b>Total Grants 2018/19</b>		<b>1,298</b>	

## C&I APPENDIX 4 – Virements and Budget Reconciliation

The following table reflects changes in responsibilities that were made after the 2018/19 base budget was set.

	£000	Reported
<b>Budget as per Business Plan</b>	<b>-8,188</b>	
Transfer of Traded Services salary and recharge budgets to C&I	-74	May 18
Transfer of P&C ICT SLA budget to Director of Education from Head of Traded Services	-134	May 18
Transfer of ESPO dividend budget from LGSS Managed to C&I	-200	May 18
Transfer balance of Cleaning Contract saving from C&I to Corporate Services.	-26	May 18
<b>Current Budget 2018/19</b>	<b>-8,622</b>	

## C&I APPENDIX 5 – Reserve Schedule

### 1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Forecast Balance at 31 May 2018	Notes
	£'000		£'000	
<b><u>Equipment Reserves</u></b>				
The ICT Service (Education)	680	0	680	1
subtotal	680	0	680	
<b><u>Other Earmarked Funds</u></b>				
North Cambridge Academy site demolition costs	468	105	573	2
Cambs Music Reserve	84	0	84	3
subtotal	552	105	658	
<b><u>Capital Reserves</u></b>				
General Capital Receipts	0	0	0	
subtotal	0	0	0	4
<b>TOTAL</b>	<b>1,232</b>	<b>105</b>	<b>1,338</b>	

#### Notes

- 1 The reserve is committed to the replacement of essential equipment.
- 2 Rental income from Bellerbys buildings on North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 Annual reserve agreed by GPC to develop and support the Cambridgeshire Music CREATE program which will look to create new purpose-built accommodation.
- 4 Capital Receipts received during 2018/19 will be used to fund the capital programme at year-end.

## C&I APPENDIX 6 – Capital Expenditure

### 1. Capital Expenditure Summary 2018/19

Commercial & Investment Capital Programme 2018/19						TOTAL SCHEME	
Original 2018/19 Budget as per BP £000	Scheme	Revised Budget for 2018/19 £000	Actual Spend 2018/19 £000	Forecast Spend - Outturn £000	Outturn Variance 2018/19 £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
76,000	<u>Commercial Activity</u>	76,000	-	76,000	-	100,000	-
43,086	Commercial Investments	126,376	58	126,376	-	184,493	-
119,086	Housing Schemes	202,376	58	202,376	-	284,493	-
	<u>Property Services</u>						
-	Office Portfolio Rationalisation	184	-	184	-	345	-
600	Building Maintenance	1,471	-	1,471	-	6,290	-
550	Shire Hall Campus	100	-	100	-	4,791	-
1,150	<u>Strategic Assets</u>	1,755	-	1,755	-	11,426	-
100	Local Plans Representations	100	-	100	-	618	-
300	County Farms Investment	362	-	362	-	4,820	-
-	Renewable Energy Soham	117	-	117	-	9,994	(87)
100	MAC Joint Highways Project	100	-	100	-	5,198	-
1,919	Community Hubs - East Barnwell	1,919	-	1,919	-	1,950	-
-	Shire Hall Relocation	-	-	-	-	16,606	-
3,330	St Ives Smart Energy Grid	3,330	-	3,330	-	3,645	(60)
-	Other Committed Projects	-	-	-	-	-	-
5,749		5,928	-	5,928	-	42,831	(147)
53	Capitalisation of Interest Budget	53	-	53	-	-	-
(2,764)	Capital Programme Variations Budget	(2,764)	-	(2,764)	-	(5,930)	-
<b>123,274</b>	<b>TOTAL</b>	<b>207,348</b>	<b>58</b>	<b>207,348</b>	<b>-</b>	<b>332,820</b>	<b>(147)</b>

## **2. Previously Reported Amendments – Capital Expenditure Budgets 2018/19**

<b>Capital Scheme</b>	<b>2018/19 Original Budget £000</b>	<b>2018/19 Revised Budget £000</b>
		-
N/A		

## **3. Previously Reported Amendments - Total Scheme Expenditure Budgets**

<b>Capital Scheme</b>	<b>Total Scheme Original Budget £000</b>	<b>Total Scheme Revised Budget £000</b>
N/A		

## **4. Previously Reported Exceptions – Capital Expenditure 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Variance - Outturn £000</b>
	112,209	-47,209
N/A		

## C&I APPENDIX 7 – Capital Funding

### 1. Capital Funding Summary 2018/19

Commercial and Investment Capital Programme 2018/19					
Original 2017/18 Funding Allocation as per BP £000	Source of Funding		Revised Funding for 2018/19 £000	Actual Spend £000	Actual Variance £000
78,833	Capital Receipts	C&I	78,833	78,833	-
1,759	Grant Funding	C&I	1,759	1,759	-
260	Developer Contributions	C&I	260	260	-
42,422	Prudential Borrowing	C&I	126,496	126,496	-
<b>123,274</b>	<b>TOTAL</b>		<b>207,348</b>	<b>207,348</b>	<b>-</b>

### 2. Previously Reported Amendments – Capital Funding Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
N/A		

### 3. Previously Reported Amendments - Total Scheme Funding Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
	-	-
N/A		

#### **4. Previously Reported Exceptions – Capital Funding 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Variance - Outturn £000</b>
None reported.		



# COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 2nd July 2018  
Updated 12<sup>th</sup> July 2018



Cambridgeshire  
County Council

**Agenda Item no. 7**

## **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 and Performance Report;
- Agenda Plan, Appointments to Outside Bodies and Training Plan;
- Programme Status Report.

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
<b>20/07/18</b>	Update on arrangements for schools currently using CCS for school meals	Sass Pledger	n/a	11/07/18	12/07/18
	Recruitment Process for Independent Non-Executive Directors	Tom Kelly	n/a		
	Innovate UK: Smart Energy Systems funding bid	Sheryl French/ Cherie Gregoire	2018/055		
	+Potential acquisition	Chris Malyon	2018/060		
	+This Land Quarterly Progress Report	Chris Malyon	n/a		

<b>Committee Date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Reference if key decision</b>	<b>Deadline for draft reports</b>	<b>Agenda despatch date</b>
	This Land Financing Arrangements, Portfolio Sale, and Construction Funding	Tom Kelly	n/a		
<b>17/08/18</b>				08/08/18	09/08/18
<b>14/09/18</b>	Closed Landfill Sites (x2) energy project feasibility	Cherie Gregoire	N/a	05/09/18	06/09/18
	Inspection Process for Leased Properties (inc Listed Buildings)	John Macmillan/ Paul Welbourn	n/a		
	Cambridge Eastern Gateway Consultancy Support	Chris Malyon	n/a		
	New Leases at Less Than Best Rent	John Macmillan	n/a		
	Music Reference Panel Report	Hazel Belchamber	n/a		
<b>19/10/18</b>	Smart Energy Grids for Trumpington and Babraham Park and Ride Sites	Sheryl French Cherie Gregoire		10/10/18	11/10/18
	Smart Energy Grid, Power Purchase Agreement	Sheryl French	2017/030		
<b>23/11/18</b>				14/11/18	15/11/18
<b>14/12/18</b>				05/12/18	06/12/18
<b>18/01/19</b>				09/01/19	10/01/19
<b>22/02/19</b>				13/02/19	14/02/19
<b>22/03/19</b>				13/03/19	14/03/19
<b>26/04/19</b>				15/04/19	16/04/19
<b>24/05/19</b>				15/05/19	16/05/19

To be programmed: Oasis Centre, Wisbech (Hazel Belchamber); Outline business case for battery storage project (Cherie Gregoire)

## COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	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
2.	CHIC Workshop		27 <sup>th</sup> June 2017	Chris Malyon/ David Gelling/ David Bethell/ John Macmillan	C&I
3.	Business Planning Session		15 <sup>th</sup> September 2017	Chris Malyon/ James Wilson	C&I
4.	Asset & Risk Workshop	<ul style="list-style-type: none"> <li>• Asset Strategy</li> <li>• CHIC</li> <li>• Risk approach and risk register</li> <li>• Site tenure mix and retention of rental housing</li> <li>• Affordable housing</li> <li>• Community Land Trusts</li> </ul>	20 <sup>th</sup> October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I
5.	This Land Performance Workshop		12 <sup>th</sup> March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
6.	Finance/Performance Indicators		20 <sup>th</sup> July 2018 (12:00)	Tom Kelly/Ellie Tod	C&I
7.	<i>To be confirmed – provisional training session</i>		18 <sup>th</sup> October 2018 (13.30)		C&I
8.	<i>To be confirmed – provisional training session</i>		17 <sup>th</sup> January 2019 (10:00)		C&I
9.	<i>To be confirmed – provisional training session</i>		26 <sup>th</sup> April 2019 (12:00)		C&I

