

COMMERCIAL AND INVESTMENT COMMITTEE



Friday, 17 January 2020

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

CONSTITUTIONAL MATTERS

- 1. Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>
- 2. Minutes of the Committee meeting held 16th December 2019 and Action Log** **5 - 18**
- 3. Petitions and Public Questions**

OTHER DECISIONS

- 4. Deployment of Investment Funds** **19 - 28**
- 5. Finance Monitoring Report - November 2019** **29 - 48**

- 6. Committee Agenda Plan, Training Plan and appointments to Outside Bodies 49 - 54**
- 7. 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 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)

- 8. Option of Land forming part of Northstowe Phase 3b- Homes England**

- 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

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

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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: 16 December 2019

Time: 10:00am – 12:10pm

Venue: The Hall, The Club, Alconbury Weald

Present: Councillors J Schumann (Chairman), H Batchelor (substituting for Cllr Dupré), I Bates, P Downes (substituting for Cllr Jenkins), J Gowing, L Jones, T Rogers, M Shellens and M Smith (substituting for Cllr Hay)

Apologies: Councillors Bates, Dupré, Hay and Jenkins

300. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were presented on behalf of Councillors Dupré, Hay and Jenkins (Councillors Batchelor, Smith and Downes substituting respectively) and Councillor Bates.

Cllr Smith declared an interest in item 206 as Local Member for Papworth & Swavesey, and advised that her partner was a farmer who owned land in that Division, all of which was included in the Members' Register of Interests.

301. MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2019 AND ACTION LOG

The minutes of the meeting held on 22 November 2019 were agreed as a correct record.

The Action Log was noted and the following items were discussed:

Item no. 183/Ransom strip at St Ives – it was confirmed that the valuation was currently being prepared and should be available by January, and a report would be presented to Committee in March.

Item no. 274/legal advice – it was confirmed that this had not yet been received.

302. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

303. COMMERCIAL AND INVESTMENT COMMITTEE REVIEW OF DRAFT REVENUE AND CAPITAL BUSINESS PLANNING PROPOSALS FOR 2020-21 TO 2024-25

The Committee considered a report on the draft Business Plan revenue and capital items that were within the remit of the Commercial and Investment Committee.

Members were reminded that many of the detailed proposals were covered at the Committee meeting held on 18th October 2019. The report provided a summary of the various material (£100K+) changes since that meeting. These included the anticipated increased return from additional property investments in 2020-21, the increased level of ESPO dividend, and the higher than expected income from the Soham Solar Farm. In addition, the business cases for the Energy Investment projects at Babraham Park & Ride and Stanground Closed Landfill site had been updated to reflect the preferred build options in light of current market conditions, i.e. those energy schemes currently under construction or yet to commence.

Appended to the report were two business cases, one for County Farms commercial uses, and one for the CCLA pooled property fund. With regard to the latter, Members were reminded that the Committee took the decision in February 2019 to invest up to £16.5M in the CCLA Fund. £11m had been invested to date, which gave a return of £330K per annum. The intention was to invest an additional £3M in that Fund, which would achieve a return of £90K per annum. It was confirmed that this would be covered by the original decision, i.e. it did not require further approval by the Committee. With regard to County Farms commercial uses, sites were being reviewed, and a consultant had been appointed to undertake a desktop analysis. It was anticipated that this project would return £500K over three years, including £75K in the first year.

In terms of the Capital programme, there had been three key changes since the draft Business Plan had been considered in October, relating to additional Commercial Investments, Energy schemes and Housing scheme loans.

Arising from the report:

- A Member asked how confident officers were in the anticipated returns from both the CCLA Pooled Property Fund investment, and the County Farms commercial uses, noting that in the past, some income streams had taken longer to be realised than originally anticipated. She highlighted the reference in the County Farms Business Case relating to the risk of planning constraints. Whilst such estimates were always subject to change, officers indicated that they were reasonably confident in the County Farms Business Case, and even more confident with the CCLA Pooled Property Fund, as this did not carry the risks of individual property acquisitions. The Member was also reassured that income from this County Farms income streams were not double-counted. In terms of deliverability, this additional challenge needed to be considered in the context of revenue streams for County Farms, and did not represent a significant stretch target;
- A Member commented that on previous occasions, the Committee had indicated that it was keen to see that any Council owned agricultural land that was sold or redeployed be replaced in the Council's property portfolio. He asked if this was happening and whether it was possible to have a list. The Chairman suggested

that it was best to identify this through the County Farms Working Group.

Action required.

- A Member raised a query relating to the Education Health and Care Plans, referenced in the Overview section of the report. As this was outside the Committee's remit, it was agreed that officers would deal with this query outside the meeting. **Action required (officers to contact Cllr Shellens).**
- A Member observed that negative RSG had been a concern in previous years' Business Plans. Officers advised that the risk of negative RSG had effectively been removed in the November 2019 Comprehensive Spending Review, for the 2020/21 financial year, but future years remained uncertain.
- One Member commented that it was an extremely brave assumption that local authorities would be permitted to increase Council Tax by 2%, given that central government was facing declining revenue from taxation.
- A Member queried the level of operating costs for the Commercial Team for 2022-23 to 2024-25. It was confirmed that the data was presented with only the marginal changes shown year on year therefore the team is expected to cost £258k each and every year.
- Noting the level of indebtedness, a Member queried the Council's exposure to risk in terms of sensitivity to interest rate changes. Officers advised that the debt referred to was historic debt, and this was at the higher end compared to peers, i.e. other County Councils. Because it was historic debt, it was built in to the base numbers, but it was confirmed that the Council was exposed to the variations in interest rates on future borrowing. Further increases in interest rates were predicted for 2020.

Officers advised that the detailed grant settlement from central government was usually received shortly before Christmas. However, with the General Election, this was now expected mid January.

It was resolved, by a majority, to:

- a) Note the overview and context provided for the 2020/21 to 2024/25 Business Plan revenue proposals for the Service, updated since the last report to Committee in October;
- b) Comment on the draft budget and savings proposals that are within the remit of the Commercial & Investment Committee for 2020/21 to 2024/25, and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan;
- c) Comment on the changes to the capital programme that are within the remit of the Commercial & Investment Committee and endorse them to the General Purposes Committee as part of consideration for the Council's overall Business Plan.

304. PERFORMANCE REPORT – JULY TO SEPTEMBER 2019

The Committee received a report which provided Key Performance Indicators associated with the delivery of the Commercial Strategy 2019-2021. Officers drew Members' attention to a number of key issues in the report presented, which included:

- below target income for the Brunswick House acquisition, due to a new competitor's aggressive pricing strategy;
- the number of contract waivers – this related to occasions where the usual process for procurement was varied, usually due to time constraints. This had a potential impact on the Council's ability to negotiate more favourable terms for these contracts;
- the targeted launch of Commercial E-learning training and how the impact of this training would be assessed;
- income for Traded Services, specifically Cambridgeshire Music and Cambridgeshire Outdoors. A £229K overspend for the latter related to a one-off cost relating to backdated pay for staff at Grafham Water Centre.

Members commented favourably on the report, but suggested a number of changes were required, including presentational changes and reviewing some of the Indicators. Officers welcomed Members' feedback and stressed that the Performance reporting was still evolving. It was agreed that the provisional Committee training session on 24th January 2020 would be used to further explore Performance reporting. **Action required.**

Noting Members' comments that some indicators did not have targets, officers explained that including a target on some indicators could be inappropriate as they would drive the wrong behaviour.

In response to a Member question, it was confirmed that the Council could borrow at preferential rates and then lend monies to third parties for a higher rate. In cases such as Indicator 168, the focus of this activity was social benefit rather than commercial return. It was confirmed that such loans were secured against assets, but there was always a slight risk that the value of the asset would not cover the cost of the loan. All such loans were considered by Committee and the policy is set out in the Council's Treasury Management Strategy.

Noting the RAG ratings, a Member observed that there was a gap between Green (current performance on target or up to 4% over target) and Blue (current performance is over target by 5% or more). **Action required.**

A Member commented that the graph for Indicator 164 (Annual forecast of the amount of commercial property income as a percentage of initial investment) was confusing. It was noted that in the first Performance Report, presented in September 2019, this had been shown in two separate graphs, but had been changed following feedback.

It was resolved unanimously to:

Note and comment on performance information and take remedial action as necessary.

305. FINANCE MONITORING REPORT – OCTOBER 2019

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

An underachievement of income of £877K was forecast at the end of October 2019, which was an increase of £335K from the previous forecast. This was due to the Property Services' team forecast overspend of £322K (an increase of £98K from the previous forecast) mainly due to additional reactive maintenance required to corporate buildings, and an underachievement of Property Investment income of £180K, mainly due to Brunswick House and delays in completing on an acquisition in South Cambridgeshire. The Deputy Chief Executive Officer briefly outlined the issues relating to this property, and advised that he had committed to preparing a detailed briefing note on the Brunswick House issue, which he would circulate to Committee Members before Christmas, and this would include the percentage return on income for that acquisition. **Action required.**

In response to a question on Cambridgeshire Outdoors, it was noted that the overspend related to a one-off structural pressure, and not an underachievement of income. However, the overachievement of the ESPO dividend has been achieved each of the last few years, therefore this is why it is being brought into the base budget going forward as part of the Business Plan.

It was resolved unanimously to:

- a) Review, note and comment upon the report.

306. PROPOSED LAND SWAP AT SWAVESEY

The Committee considered a report proposing a land swap for agricultural land currently owned by the County Council in Swavesey, and a piece of land with development potential near the A14 junction in that village. It was confirmed that there had been individual valuations on both pieces of land. The Council's land would become available in 2020 when the current tenant retired. The main attraction of the proposed land swap for the Council was that it gave the Council access to Buckingham Business Park, which was an increasingly attractive site. Whilst it was unlikely that the Council's agricultural land would have any development opportunity in the short term, a 40% overage was proposed should that rural land be developed in future. In response

to a Member question, it was confirmed that Mr Shepperson, who owned the land near the junction, was looking to focus on farming rather than commercial interests.

In response to a Member question, it was confirmed that the main risks in the proposal related to Title risks, access rights, and planning issues. The completion of the A14 improvements made this location more important in terms of distribution and logistics uses. It was confirmed that the Land Title issue would be resolved before the proposed swap.

It was confirmed that whilst the Business Park was slowly expanding, approximately 10% of the units were currently vacant. However, there was a constant turnover, and the A14 works, which had recently completed, would not have helped that situation.

The Local Member confirmed that there was an operational diner adjacent to the site, and confirmed that there were no plans for residential development in the immediate vicinity.

A Member suggested that it would be helpful to seek a second valuation on both pieces of land, and it was agreed to incorporate this in the recommendations.

It was resolved, by a majority, to:

- 1) agree to the Land Swap, as per the Heads of Terms attached as a Confidential Appendix to the report;
- 2) request that a second valuation be undertaken of both pieces of land, and if this valuation proves that the difference in value is within 10% of the previous valuation, approve that the decision be delegated to Deputy Chief Executive Officer in consultation with the Chairman, and advise the Local Member.

Councillor Smith, as Local Member, abstained from the vote.

307. MILESTONE 4 AND 5 REPORT FOR THE ALCONBURY WEALD CIVIC HUB – CAMBS 2020 PROGRAMME

As this report had not been available at the time of the original agenda despatch, the Chairman had agreed to take it as a late item, using the powers afforded by Local Government Act 1972 discretionary powers:

Reasons for Lateness – the delay was due to the availability of final contract pricing information and programme.

Reasons for Urgency – to make Members aware of the revised programme and issues experienced with taking ownership of the site from Urban & Civic.

Members considered an update on the design development of the Council's proposed Civic Hub at Alconbury Weald, including an update on the latest estimated programme

for completion of the building. Officers outlined the timescales in terms of construction and the challenges faced, including a delay due to land contamination. It was stressed that there were no additional costs involved in this delay to the Council. It was now envisaged that the building would be complete in Spring 2021 completion.

A number of proposed changes to the design were noted. The original intention was that the building would maximise renewable energy and would not be connected to the gas mains, however, it now appeared that this would be a requirement for hot water for efficient heating of the showers. The energy generation features, travel planning and parking facilities on site were discussed.

Issues raised by Committee Members included:

- A Member noted the assertion that operating costs, in terms of facilities management for the new site, would be 60% less than for Shire Hall. However, this did not factor in increased use of other Council owned sites (i.e. Spokes) across the county. Officers advised that any increases in building operational costs for those other sites would be difficult to quantify accurately, but would be minimal;
- A Member queried how essential it was to have a mains gas connection for the showers, which he felt defeated the object of sustainable transport. Officers agreed to review this issue, and stressed that the intention was to utilise renewable energy sources wherever possible;
- Local Member Councillor Rogers expressed concern about the local road leading from Huntingdon through the Stukeleys to Alconbury Weald. The priorities for the road had recently been changed, so that vehicles coming from Huntingdon had to give way at several junctions, some on blind corners. This work had been carried out despite objections from the Parish Councils and Local Member. Officers confirmed that this work had been paid for by Section 106 monies from a nearby development. However, this road could be avoided altogether by vehicles travelling to Huntingdon and the communities to the north and east if drivers used the A1307 (detrunked A14) instead to the Spittals roundabout;
- Concerns were raised by a number of Members regarding the number of car spaces for staff use (230) compared to the number of staff that would be based at the Civic Hub (600), which suggested that a significant number of staff would use public transport or other means. Officers advised that there was a 2 to 1 desk ratio, so the expectation was that not everyone would be in at the same time, with 350 desks available. The Spokes model meant that staff would be based where the greatest business need was. In addition, an App was being developed to address car park management, car sharing and public transport options. Parking and transport were two of the main concerns expressed by staff. It was clear from the geographic spread of staff, that more staff lived in

Huntingdonshire than Cambridge, and there was a 12% per annum turnover of staff. A Member commented that travel planning needed to be reviewed constantly, and not just at the outset;

- Concern was also expressed regarding parking spaces for Members on days when Members' attendance was high e.g. full Council meetings. Officers advised that there was a management plan that took into account fluctuations of Members' attendance with a priority booking scheme in place. Public transport options would improve as the town became more established;
- A Member queried the reference to "*monitoring for unexploded devices during groundwork*". It was confirmed that half the site had been de-contaminated, but the other half had not been investigated. There would be no ongoing risk once the site was cleared;
- A Member commented it would be helpful for the Committee to receive an overall financial position listing all the costs of the move to the Hub and Spokes model. It was noted that some of this information was available in the report was considered by Committee in October 2019, but it was agreed that the totality of the Business Case, including some information that was commercially confidential, should be brought back to a future meeting, so that Members could establish the overall financial position. **Action required;**
- A Member asked what scope there was to adapt the design as it was built, especially as better and/or more sustainable technologies came forward. She also queried whether officers were reviewing whether anything could be done better e.g. in terms of double height spaces. Officers advised that it would be difficult to make any significant changes once the design had been agreed. However, the building was being built to BREEAM Excellent standards. With the exception of the reception and café, there would be no double height spaces;
- A Member asked about timescales for the railway station. It was noted that this required four-tracking of the main line which would be expensive, but this was a priority for the Cambridgeshire & Peterborough Combined Authority (CPCA);
- There was a discussion around the number of buses increasing, and also on the impact of the development on the local highway network, including the A141 and Harrison Way in St Ives. It was noted that CPCA would be funding a transport study of A141 and wider area to improve capacity to junctions in particular;
- It was noted that the report proposed enhanced internal fittings to the civic areas. The Chairman commented that from the outset, the aim had been for the Hub to be cost effective and on budget, and for those reasons he did not feel it was appropriate to support enhanced internal fittings at this stage.

It was resolved, by a majority, to:

- a) Note the detailed design development and latest cost estimate that remains within budget;
- b) Approved the revised estimated programme for completion of the building in Spring 2021.

308. COMMITTEE AGENDA PLAN, TRAINING PLAN AND APPOINTMENTS TO OUTSIDE BODIES

Members considered the Agenda Plan and the Training Plan.

The Cambs Music item for February 2020 had been removed – a report would be considered at Chairs and Lead Members' meeting in February, with the final report going to Committee in June 2020.

It was resolved to note the Agenda Plan and Training Plan

309. EXCLUSION OF PRESS AND PUBLIC

It was resolved unanimously:

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)

310. REVISED PROPOSED BUSINESS CASE TO FUND THE ROOF WORKS AT THE MARWICK CENTRE

The Committee considered a report on the strategy to fund the repair to the roof at the Marwick Centre in March. Members were reminded that the Committee had agreed to fund the roof works in October 2018. Members noted the comments of one of the Local Members, Councillor Count, supporting the proposal, and also from the Chief Executive Officer of the Fenland Area Community Trust (FACET), a Registered Charity and the tenant of the Marwick Centre.

Further to the approval of the works in October 2018, the costs had escalated. The tenant was unable to contribute further and matchfund these additional costs, but would still be able to matchfund 50% of their quote £126,599 over the remainder of their lease. The Assets team's advice received was that the additional expenditure, and replacing the whole roof, would better maintain the Council's asset, and ensure ongoing valuable services provided by FACET, who delivered training and day care for adults with learning disabilities in Fenland.

It was resolved unanimously to:

- a) endorse an increase in budget over the £113,350 already included in the capital programme for the roof repairs, with approval for the final amount delegated to the Chief Finance Officer once the final figure is confirmed. This will be funded through prudential borrowing;
- b) approve that in consideration for CCC paying for the roof works plus VAT (Final figure TBC), Fenland Area Community Trust (FACET) will pay a contribution to these costs amounting to £63,299.50 over 7 years (50% of the original quote) under a cost recovery arrangement, which includes interest payments.

Chairman

COMMERCIAL & INVESTMENT COMMITTEE

Minutes-Action Log



Agenda Item no. 3

Cambridgeshire
County Council

Introduction:

This is the updated action log as at **9th January 2020** 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 14th December 2018

183.	Disposal of ransom strip at St Ives	John Macmillan/ Brian Howard/ Hazel Belchamber	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 are 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 which would include the Council's land. The initial education proposal was considered by the Capital Programme Board in July 2019 and will be reported to C&I and GPC in the spring of 2020. Valuation work commissioned by the Assets team will be completed by the end of January 2020. The valuation and report will be presented to Committee in March.	21 March 2020
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Minutes of 24th September 2019

274 (2)	Resolutions for This Land AGM	Cllr Schumann	Take legal advice on the representation on the This Land Board.	Legal advice to be circulated once received.	
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Minutes of 18th October 2019

278.	Approval for Grid connection down payments for Energy Investment Projects	Cherie Gregoire	Historic Environment report for North Angle Farm would be copied to Councillors Jones and Schumann.	The archaeology work has not yet begun. The scope of the works has been settled and the procurement has been done for the contractor. However the works and writing the report will not be ready until early 2020. The appointment of the contractor was made December 2019 and the reports resulting from the archaeological evaluation are expected February 2020.	Early 2020
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Minutes of 22nd November 2019

292.	Third Quarterly Monitoring Report, Mobilising Local Energy Investment	Sheryl French	Working Group to be presented with more up to date information.	This has not yet been completed.	
293.(1)	Update on Property Services	Alex Gee	Interim Head of Property to bring a Service Improvement Plan to a future meeting.	Scheduled for June 2020.	June 2020.
293.(1)	Update on Property Services	Alex Gee	Interim Head of Property to check whether assets listed on 'mapping my public realm'.		
294.	Finance Monitoring Report	This Land	Receive a report regarding This Land's revised financial model and delivery programme at the next shareholder meeting.	A This Land meeting is taking place on 9 December to discuss the model and strategy.	Ongoing

Minutes of 16th December 2019

303.(1)	Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning proposals for 2020-21 to 2024-25	John Macmillan	The Committee had previously indicated that if any Council owned agricultural land that was sold or redeployed it should be replaced in the Council's property portfolio. It was agreed this was best identified through the County Farms Working Group.	The County Farms working group meets on the 17th January and this will be raised then.	In progress.
303.(2)	Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning proposals for 2020-21 to 2024-25	Ellie Tod	Councillor Shellens raised a query relating to the Education Health and Care Plans, referenced in the Overview section of the report. Officers to contact Cllr Shellens.	Officers have contacted Cllr Shellens.	Completed 09/01/20.
304.(1)	Performance Report	Amanda Askham/ Dan Sage	Agreed provisional Committee training session on 24/01/20 be used to further explore Performance reporting.		In progress.
304.(2)	Performance Report	Amanda Askham/ Dan Sage	Address the gap between Green (current performance on target or up to 4% over target) and Blue (current performance is over target by 5% or more).		
305.	Finance Monitoring report	Chris Malyon	Chris Malyon was preparing a detailed briefing note on the Brunswick House issue, which he would circulate to Committee		

			Members before Christmas, and this would include the percentage return on income for that acquisition.		
307.	Milestone 4 and 5 Report for the Alconbury Weald Civic Hub – Cambs 2020 Programme	Andy Preston/ Kim Davies	It was agreed that the totality of the Business Case, including some information that was commercially confidential, should be brought back to a future meeting, so that Members could establish the overall financial position.		

DEPLOYMENT OF INVESTMENT FUNDS

To: Commercial and Investment Committee

Meeting Date: 17th January 2020

From: Director, Business Improvement & Development

Electoral division(s): All

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

Purpose: The Committee is asked to consider the proposed request to invest £20m into a Multi-Class Credit portfolio

Recommendation: The Committee is requested to:

1. Recommend to the General Purposes Committee that £20m of capital receipts funding is re-assigned from financing commercial property to the asset classes outlined within the paper; thereby supporting the investment activities outlined within the Commercial Strategy 2019-21 and our Investment Strategy and requiring a corresponding increase in borrowing of £20m to replace the capital receipts funding for commercial property.
2. Delegate responsibility to the Director of Business Improvement and Development, in consultation with the Chair of Commercial & Investment Committee, to appoint the required Investment Manager.
3. To note the principles around the future direction of travel for the investment portfolio predicated on a more detailed paper setting out the future direction coming to C&I Committee.

Officer contact:		Member contact:	
Name:	Christopher Sutton	Cllr Joshua Schumann	
Post:	Commercial Senior Transformation Advisor	Committee Chairman	
Email:	Christopher.Sutton@Cambridgeshire.gov.uk	Joshua.Schumann@cambridgeshire.gov.uk	
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1. BACKGROUND / OVERVIEW

- 1.1 The Commercial & Investment Committee, through its Commercial Board and Investment Group oversees the activity relating to our commercial investments. This has historically focused on UK commercial property through the acquisition of buildings in the local vicinity and investment in a UK property fund. The current size of the investment portfolio is c. £160m all centred on property, though diversified by type and geography.
- 1.2 Acknowledging the Committee's desire to scale our portfolio, our strategic investment advisers (Redington Ltd) have been working to develop a clear investment strategy to help us to generate a long term income from our investment activities for the purposes of maintaining and improving local services whilst minimising (where possible) the associated risk.
- 1.3 Together, we have identified the need to progress our investment goals through:
- A broader range of income sources – to reduce the reliance on a single source e.g. a small number of tenants.
 - Greater diversification across asset classes, regions and sectors – to increase the risk adjusted return and reduce the overall portfolio risk.
 - Use of an asset manager – to ensure the portfolio is being monitored and managed professionally and evolved as required when market events occur to generate the best possible investment return.
 - Improve liquidity by investing in assets that do not take the same time to sell or dispose of as commercial property allowing for more flexibility and to be able to respond to alternative investment opportunities within appropriate timescales.
- 1.4 This paper sets out the proposal to deploy the first wave of capital as part of the new portfolio development aimed at achieving our investment goals and enhancing diversification, income generation and liquidity of the overall portfolio, which today is almost entirely focused on property.
- 1.5 For clarity, the following definitions are being used within the report;
- **Asset Backed Securities (ABS)** – are financial securities backed by assets such as residential mortgage loans, commercial loans or consumer loans.
 - **Asset manager** – as it relates to property. The individual is responsible for management and implementing the strategy of individual property assets or a group of buildings. They report and are directed by the Investment / Fund Manager.
 - **Corporate Bonds** – debt securities issued by corporations and sold to investors. Backing for corporate bonds is typically the payment ability of the corporation in question, although physical assets may also be used as collateral.
 - **Current Yield** – The annual income return that the Investment Manager is achieving today
 - **Expected Return** – Redington long-term (10 year) forecast of the expected total return per annum.
 - **Expected volatility** - A statistical measure of the dispersion of returns for a given security / index. It represents how large an asset's price swing around the mean price.
 - **Investment grade (debt)** – Corporate bonds, ABS or other fixed income securities which are rated at 'BBB-' or higher by the credit rating agencies (Standard & Poor's,

Moody's or Fitch). A company with an investment grade credit rating is expected to have a lower risk of default than a sub-investment grade company.

- **Investment manager** – is responsible for investment decision making to ensure the portfolio is managed in accordance with the investment objectives, policies and regulations.
- **Liquidity** – how quickly an asset can be converted back to cash.
- **Manager Fees** – the fees charged by the investment management company to actively manage the portfolio.
- **Multi-Class Credit** – a type of investment fund that can invest in a wide variety of fixed income assets with a focus on sub-investment grade credit (high yield and leveraged loans), to provide diversified exposure to the credit market. These are typically not constrained to a specific benchmark index.
- **Ongoing Charge Fund** – Total cost of investing in the fund, including the managers buying and selling costs and all the administrative costs.
- **Value at Risk (VaR)** – the minimum value that an investment would expect to lose (at risk) in a downside scenario that has a given probability of occurring and over a specific time horizon.

2. FUND DEPLOYMENT

2.1 The current strategy of direct property investment has enabled the Council to expect annual revenue returns of approximately £7.8m gross (5.3% return). The Council are in a good position to manage any capital value decrease (over the long term) and can control when assets are disposed to reduce capital losses. There is a further opportunity through diversifying our portfolio to also reduce the risk to the revenue income from the portfolio. Given the authority's appetite for risk, where possible it is advisable to reduce the possible fluctuation in portfolio value and protect revenue returns through reducing the Value at Risk.

2.2 Based upon the Council's requirements and funding capacity, the proposed next step is to deploy £20m of capital receipts within a Multi-Class Credit fund.

2.2.2 Key features of this asset class are shown in the table below;

Feature	
Expected Return	3.6%
Current Yield	c.5.5%
Expected Volatility	6.9%
Manager Fees	0.9% p.a.
Liquidity	Quarterly

Data as at 30th September 2019

2.2.3 It is expected that in year 1 the revenue return for the £20m investment will be £1.1m (net of fees).

2.3 The advantages of Multi-Class Credit are;

- Diversified exposure (see Appendix 1 below)
- Contractual income generation reducing fluctuation risk to our revenue income

- Improved liquidity allowing us to release cash and provide more flexibility to the way we invest
- Active management provides additional return and downside protection
- Not constrained to a benchmark

2.3.1 The disadvantages of this approach are;

- Allocation of capital within the fund may be more defensive than high yield indices
- As the investment is spread over varying assets, it is difficult to monitor the performance against similar investments
- The returns from the fund can fluctuate depending on the performance of the assets invested

2.3.2 These disadvantages will be mitigated through the implementation of effective governance arrangements and active monitoring through the combination of the Commercial Team, Investment Group and Redington.

2.4 The impact of this investment decision on our wider portfolio will be;

- Reduction in the average Value at Risk across the portfolio
- Estimated income per annum – increase from £7.8m to £8.9m
- % of investment in Property – 88% down from 100%
- % in Non-property – 12% up from 0%

4.0 DECISION MAKING AND APPRAISAL

4.1 Members of the C&I Investment Group, Head of Finance and S151 Officer have received presentations by Redington on the proposals which have included detailed discussion of;

- What the investment needs to achieve
- Unconstrained investment approach vs property investments
- The asset class universe
- The trade-offs between our investment objectives
- Portfolio options modelled on these trade-offs
- Appropriate governance arrangements

4.1.1 The recommendation of the C&I Investment Group is to proceed with the identified next step of diversifying and growing the investment portfolio through the proposed investment.

4.2 Members of the C&I Investment Group are kept informed as part of the procurement of the Investment Manager (see below).

4.3 The deployment of these funds is in line with the authority's overall investment strategy.

5.0 IMPLEMENTATION

5.1 It is expected that funds will be deployed in April 2020. The level of complexity and monitoring and choosing where to invest our funds requires more skill and knowledge than our previous investments. Therefore we will need to procure an Investment Manager to

manage this particular element of the portfolio. Redington Ltd will be able to provide support to us in this area through the current contract incurring no additional cost, by;

- Developing the correct specification and mandate
- Effectively assessing the Investment Managers
- Ensuring the process is not just a 'beauty parade' and the Council is able to understand and justify the award

- 5.2 It is anticipated that this may allow future capital receipts to be deployed as phase II of the portfolio development which would allow investment across other asset classes such as Global Sustainable Equity and Securitised Opportunities in order to maintain and strengthen the portfolio and ensure further diversification and risk reduction.
- 5.3 There has, rightly, been increasing scrutiny on the investment practices of local authorities with concerns raised over the sustainability of investments and whether appropriate governance arrangements were in place to make investment decisions. It is proposed that C&I Committee will retain their high impact strategic decision-making function, whilst delegating day to day oversight responsibility and administrative tasks to the Head of Commercial / Commercial Team who can intermediate with our Investment Manager to ensure the fund is effectively monitored as well as continuing to feed into the Investment Group.
- 5.4 Although these investments will be financed as part of the capital programme, they are governed by the Financial Investment Strategy (which is part of the treasury management strategy). As it stands this constrains the County Council from investing in counterparties and financial products below a relatively "safe" rating (for investments which are rated). In order to achieve the level of financial return that would justify an investment of this nature, it appears that the funds held will be spread across a range of ratings or security levels. The Council will consider this matter further, subject to further advice, and the member working group's appraisal of risk appetite. In the event that an amendment or exemption to the treasury management policy is required, this will need confirmation by the Full Council.

6. Funding

- 6.1 The proposed investment will be funded through £20m of capital receipts. These receipts will be made available by requesting or swapping a further £20m of borrowing to fund our commercial property investments from General Purposes Committee through the integrated finance management report. This will release £20m of capital receipts currently being badged against our commercial property acquisitions for investment in a Multi-Class Credit pooled fund. An alternative is to identify £20m of new capital receipts in the 20/21 financial year, however at this stage it does not seem likely that the Council will receive this level of capital receipts in 2020-21
- 6.2 General Purposes Committee has recently agreed £73m of borrowing to fund commercial property acquisitions this year, and this recommendation will increase that figure to £93m. The recommended extension has been in prospect during the Autumn and was initially considered alongside the benefit analysis for the financing of commercial property. On a recurrent basis, after applying additional borrowing costs and an MRP to commercial property as a result of the £20m borrowing extension, the Council has

additional financing costs of £0.8m, however this is more than offset by the net return from the proposed £20m investment in multi-class credit, where the return is £1.02m. Therefore the expected net impact to the Council from these twin changes is additional investment income of £220k per annum.

7. Risk

- 7.1 As with any investment, the value can go down as well as up. Appointing a best in-class fund manager should help mitigate any potential loss in value from our investment.
- 7.2 The later we deploy our capital, the less income that will be generated in the next financial year impacting commercial returns. This deployment risk will depend on the length of the procurement process required. This income will be needed to offset the additional borrowing costs incurring from re-assigning capital receipts (6.2).

8. Future Direction

- 8.1 It is proposed that the authority's current approach to investing is reviewed by the Commercial Team in order to reflect the following principles:
 - 8.1.1 Identification of a five year plan to run alongside the MTFS to identify annual maintenance and enhancement to our current investment portfolio as well as new investments each year. This plan could align to the Business Planning cycle to enable decisions of prioritisation of capital receipts and other funds deployment.
 - 8.1.2 A percentage return from the portfolio will be allocated for maintaining our assets in line with portfolio development and returns maximisation
 - 8.1.3 While the property portfolio is diversified across the county and by sector, continued diversification will be key to reducing the risk across the portfolio and ensuring long term returns for the authority, as such the Commercial Team and the authority's investment advisors will continue to explore appropriate and new diversification opportunities within the constraints outlined in our long term investment strategy.
 - 8.1.4 It is anticipated that a new governance model will be required to effectively manage the growing investment portfolio. In order to ensure robust and timely portfolio management, and monitoring of fund managers on a regular basis certain restructuring may be needed but C&I Committee will maintain its strategic oversight.
- 8.2 A more detailed paper, specifying what these principles will mean for day-to-day management of the portfolio will be brought to C&I before the end of financial year. At this stage, we are only seeking C&I to note and endorse the general principles outlined above and not to see them enacted.

9. ALIGNMENT WITH CORPORATE PRIORITIES

- 9.1 **Developing the local economy for the benefit of all**
- 9.2 **Helping people live healthy and independent lives**

9.3 Supporting and protecting vulnerable people

The Council's Corporate Strategy, with these priorities at its core, identifies a number of key objectives that are directly linked to commercial activity, with this proposal supporting the implementation of that strategy.

10. SIGNIFICANT IMPLICATIONS

10.1 Resource Implications

The resource implications are set out in within the main body of the report which compare favourably in both the level of return and risk compared to our current portfolio.

10.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Procurement guidelines will be followed in procuring an Asset Manager

10.3 Statutory, Legal and Risk implications

Our ability to achieve our investment goals will depend on a number of factors including how well we use our legal powers and delegations and the political appetite to accept new risk. We do have the legal power to undertake this proposal but there will be a level of risk associated with the deployment of capital in this way. There is the possibility that the value of the investment could increase or decrease over a particular time horizon. Active monitoring / governance and appointment of best-in-class managers will mitigate this.

10.4 Equality and Diversity Implications

There are no significant implications in this area.

10.5 Engagement and Consultation Implications

There are no significant implications in this area.

10.6 Localism and Local Member Involvement

Environmental, social and governance (ESG) factors will be used in measuring the sustainability and ethical impact of an investment proposals.

Members will be supported in understanding the opportunities, risks and benefits of different investment opportunities.

10.7 Public Health Implications

There are no significant implications in this area.

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 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 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?	n/a
Have any Public Health implications been cleared by Public Health	n/a

Source Documents	Location
Commercial Strategy	https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/775/Committee/31/Default.aspx

Appendix 1

3.0 BENEFITS OF DIVERSIFICATION

- 3.1 Over any single period a particular asset class or sector can perform well or badly, and it is challenging to predict which asset class will be the outperformer. For example, over the last five years there has been a big dispersion of the performance within property sectors (see chart 1 below). Therefore investing across different sectors protects against the impact of one sector underperforming.

Property - Performance of Sector Specific Funds over 5 Years

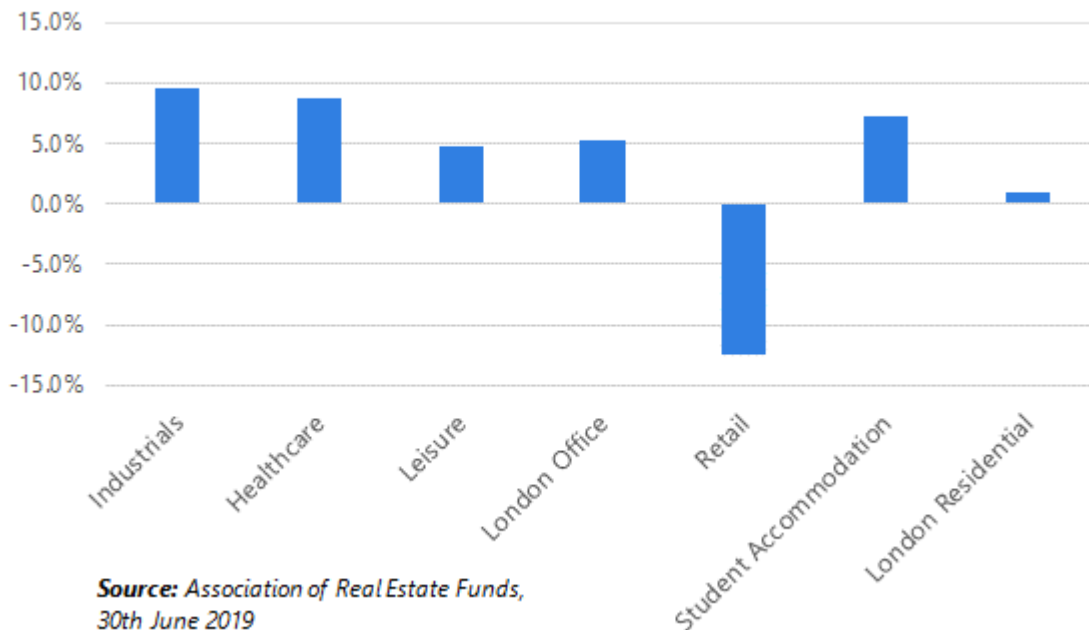


Chart 1

- 3.2 In addition, there is limited consistency of the best performing asset classes each year (see chart 2 below), therefore investing across different asset classes also protects against the impact of one asset class underperforming.

Annual Performance of Different Asset Classes

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Govt bonds 15.9%	EME 73.5%	REITS 36.4%	EMD 12.1%	REITS 18.3%	DM Equities 21.9%	REITS 44.8%	REITS 13.9%	HY bonds 17.7%	EME 21.0%	Govt bonds 4.6%
Cash 5.7%	HY bonds 54.4%	EME 27.5%	REITS 10.9%	HY bonds 17.8%	Portfolio 3.3%	EMD 20.2%	EMD 12.8%	Cmdty 15.1%	DM Equities 8.1%	IG bonds 1.3%
IG bonds -3.9%	DM Equities 26.7%	Cmdty 24.9%	Govt bonds 9.9%	EME 16.8%	HY bonds 2.7%	DM Equities 20.1%	DM Equities 11.0%	EME 14.9%	Portfolio 1.7%	HY bonds 0.8%
EMD -6.3%	Portfolio 25.4%	HY bonds 22.8%	IG bonds 7.8%	EMD 16.7%	Hedge Funds 2.1%	IG bonds 17.5%	HY bonds 8.4%	EMD 13.5%	Cash -0.3%	REITS 0.7%
Hedge Funds -19.3%	EMD 24.2%	DM Equities 20.1%	HY bonds 6.6%	DM Equities 14.7%	Cash 0.2%	Portfolio 16.2%	Govt bonds 7.7%	REITS 12.6%	HY bonds -3.0%	EMD 0.2%
Portfolio -20.9%	REITS 23.5%	EMD 19.8%	Cash 1.7%	Portfolio 10.7%	REITS -1.3%	HY bonds 13.9%	IG bonds 7.4%	DM Equities 11.4%	EMD -4.0%	Cash -0.3%
HY bonds -23.1%	IG bonds 15.5%	Portfolio 18.9%	Portfolio 1.2%	IG bonds 9.5%	IG bonds -4.0%	Hedge Funds 13.2%	Hedge Funds 7.3%	Portfolio 10.3%	REITS -4.0%	Portfolio -1.6%
Cmdty -32.3%	Cmdty 15.2%	Govt bonds 13.3%	DM Equities -1.8%	Hedge Funds 1.9%	EME -6.5%	Govt bonds 13.0%	Portfolio 6.4%	IG bonds 7.4%	IG bonds -4.2%	Hedge Funds -2.0%
REITS -34.1%	Hedge Funds 9.9%	IG bonds 13.2%	Hedge Funds -5.8%	Cash 1.2%	Govt bonds -8.4%	EME 11.8%	Cash 0.1%	Hedge Funds 5.6%	Govt bonds -5.8%	DM Equities -3.6%
DM Equities -37.2%	Cash 2.3%	Hedge Funds 12.5%	Cmdty -10.4%	Govt bonds 0.3%	EMD -10.6%	Cash 0.3%	EME -4.9%	Govt bonds 4.7%	Hedge Funds -6.9%	Cmdty -6.8%
EME -50.8%	Govt bonds 0.6%	Cash 1.1%	EME -15.4%	Cmdty -2.6%	Cmdty -13.4%	Cmdty -5.5%	Cmdty -16.1%	Cash -0.1%	Cmdty -10.7%	EME -9.9%

Source: JPMorgan Asset Management

REIT: Real Estate Investment Trust

Chart 2

FINANCE MONITORING REPORT – NOVEMBER 2019

To: Commercial and Investment Committee

Meeting Date: 17th January 2020

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 November 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 November 2019.

Recommendation: The Committee is asked to:

- review, note and comment upon the report

Officer contact:		Member contact:	
Name:	Eleanor Tod	Cllr Joshua Schumann	
Post:	Strategic Finance Manager	Committee Chairman	
Email:	Eleanor.Tod@cambridgeshire.gov.uk	Joshua.schumann@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 November 2019 Finance and Performance report.
- 2.2 **Revenue:** At the end of November, Commercial and Investment Committee is forecasting an overspend of £852k on revenue budgets. There are no new significant forecast outturn variances by value (over £100k) to report since the last report that Committee received for October 2019.
- 2.4 **Capital:** At the end of November, Commercial and Investment Committee is forecasting an underspend of £5,522k on the capital programme budget. There is one new significant forecast outturn variance by value (over £250k) to report.

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

There are no significant implications within this category.

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 (November 19)	1 st Floor, Octagon, Shire Hall, Cambridge

Service	Commercial & Investment
Subject	Finance Monitoring Report – November 2019
Date	17 th January 2020

KEY INDICATORS

Previous Status	Category	Target	Current Status	Section Ref.
Amber	Revenue position by Directorate	Balanced year end position	Amber	1.2
Green	Capital Programme	Remain within overall resources	Green	2

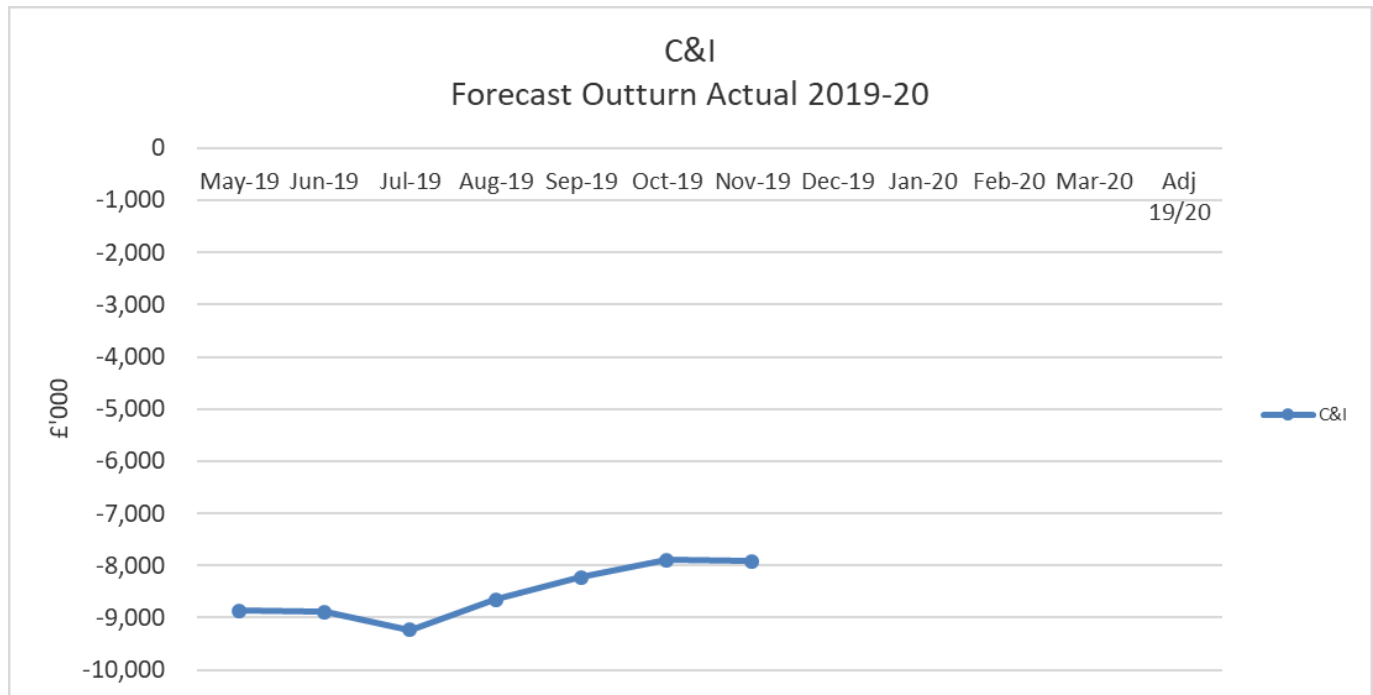
CONTENTS

Section	Item	Description	Page
1	Revenue Executive Summary	High level summary of information by Directorate Narrative on key issues in revenue financial position	2
2	Capital Executive Summary	Summary of the position of the Capital programme within Commercial & Investment	3
3	Savings Tracker Summary	Summary of the latest position on delivery of savings	4
4	Technical Note	Explanation of technical items that are included in some reports	4
Annex 1	Service Level Financial Information	Detailed financial tables for Commercial & Investment's main budget headings	5
Annex 2	Service Commentaries	Detailed notes on financial position of services that are predicting not to achieve their budget	6
Annex 3	Capital Position	This will contain more detailed information about Commercial & Investment's Capital programme, including funding sources and variances from planned spend.	8
<i>The following appendices are not included each month as the information does not change as regularly</i>			
Annex 4	Savings Tracker	Each quarter, the Council's savings tracker is produced to give an update of the position of savings agreed in the business plan.	13
Annex 5	Technical Appendix	Twice yearly, this will contain technical financial information for Commercial & Investment showing: <ul style="list-style-type: none"> • Grant income received • Budget virements into or out of Commercial & Investment • Service reserves 	15

1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £852k at the end of November, which is a decrease of £25k from the previous forecast. C&I has a negative budget as it has an income target for 2019/20 of -£8,768k. As such, the forecast outturn variance of £852k means that C&I is expecting to achieve a net income position of -£7,916k by year-end as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Outturn Variance (Previous) £000	Directorate	Budget 2019/20 £000	Actual £000	Outturn Variance (Nov) £000	Outturn Variance %
335	Commercial Activity	-11,354	-3,541	331	2.9%
322	Property Services	6,229	5,038	292	4.7%
-64	Strategic Assets	-3,301	-2,155	-96	2.9%
283	Traded Services	-343	-406	325	94.7%
877	Total	-8,768	-1,065	852	9.7%

A service level budgetary control report for Commercial and Investment Committee can be found in Annex 1.

1.3 Significant Issues

At the end of November 2019, the overall position for C&I is an underachievement of £852k.

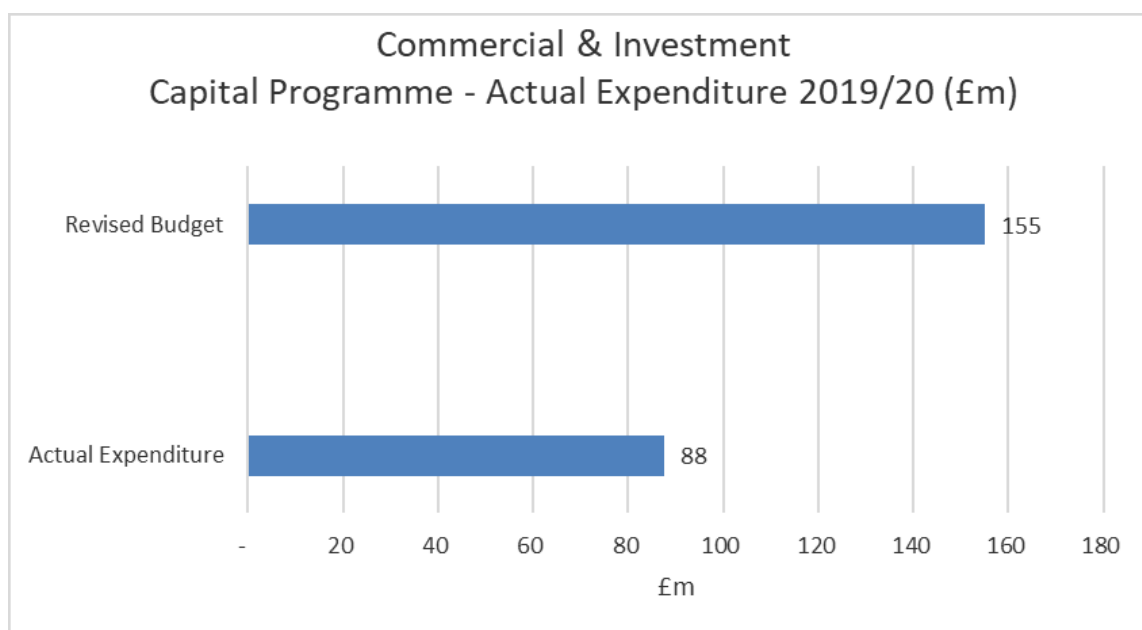
There are no new significant issues to report this month.

A detailed explanation of the revenue position for Commercial and Investment Committee can be found in Annex 2.

2. Capital Executive Summary

2.1 Expenditure

Commercial and Investment Committee has expenditure of £87.7m to date on the Capital Programme, against a revised budget of £155.1m:



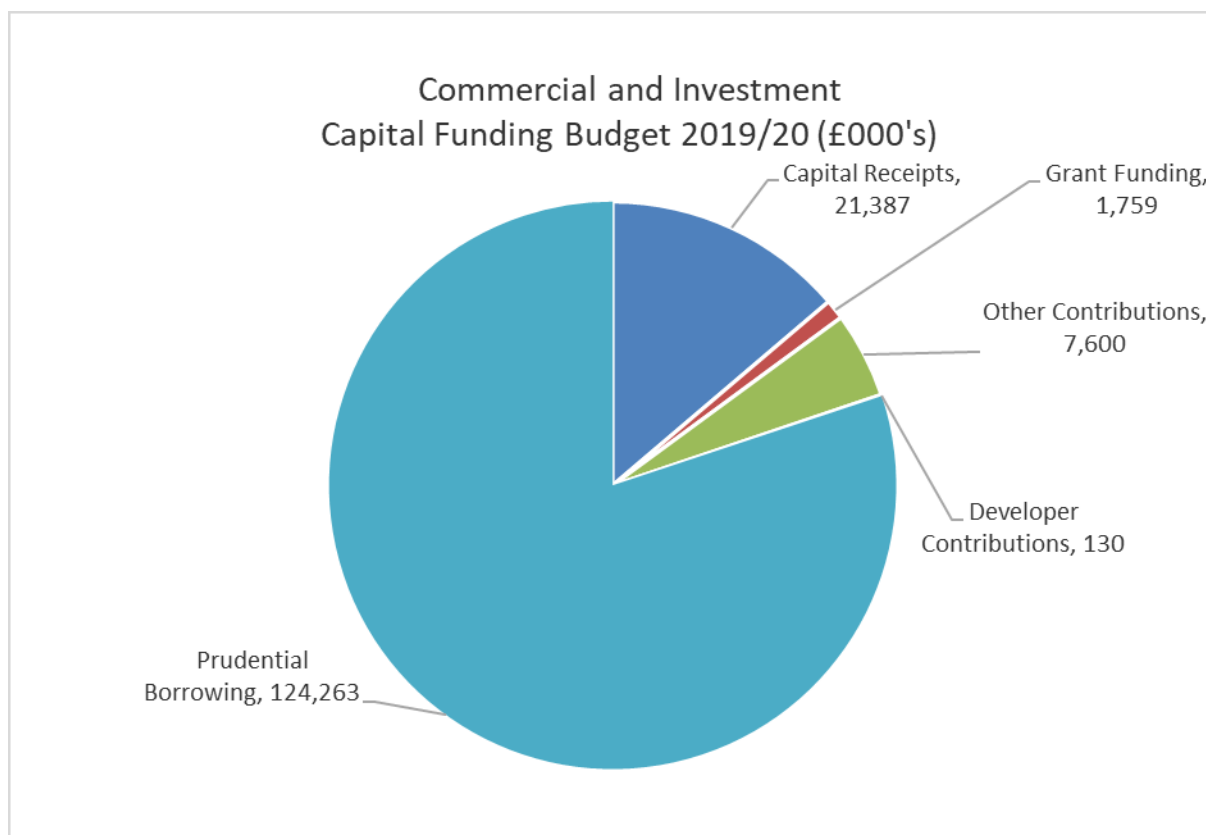
In-year, an underspend of £5,522k is forecast. The total scheme forecast is on budget.

Commercial Activity

The Woodston Closed Landfill Energy Project scheme is forecast to underspend by £256k. The Committee approved an officer request to suspend activity on this project in October due to prohibitive grid connection costs and current uncertainty in the battery service market.

2.2 Funding

Commercial and Investment Committee has a capital budget of £155.1m in 2019/20, which is funded by the following capital resources:



Strategic Assets

In October 2019 Commercial & Investment Committee Approved additional capital budget of £2,484k in 2019/20 for Investment in the CCC Asset Portfolio relating to the Cambs 2020 Spokes programme. This is to be funded from Prudential Borrowing.

A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in Annex 3.

3. Savings Tracker Summary

The savings tracker is produced three times a year. The quarter 2 report is included in Annex 4; the next update will be in the January FMR.

4. Technical note

A technical financial appendix is included as Annex 5, which covers:

- Grants that have been received by the service, and where these have been more or less than expected
- Budget movements (virements) into or out of Commercial & Investment from other services (but not within Commercial & Investment), to show why the budget might be different from that agreed by Full Council
- Service reserves – funds held for specific purposes that may be drawn down in-year or carried-forward – including use of funds and forecast draw-down

ANNEX 1 – Service Level Financial Information

Forecast Outturn Variance (Oct)		Budget 2019/20	Actual November 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
180	Property Investments	-4,700	-3,036	180	4%
-250	Shareholder Company Dividends	-206	530	-250	-121%
401	Housing Investment (This Land Company)	-5,728	74	401	7%
350	Contract Efficiencies & Other Income	-449	0	350	78%
-335	CCLA Managed Investment	0	-214	-335	0%
-11	Renewable Energy Investments	-271	-895	-15	-5%
335	Commercial Activity Total	-11,354	-3,541	331	3%
Property Services					
341	Facilities Management	5,369	4,437	341	6%
0	Property Services	655	511	-26	-4%
-19	Property Compliance	205	90	-23	-11%
322	Property Services Total	6,229	5,038	292	5%
Strategic Assets					
-64	County Farms	-4,114	-2,143	-96	-2%
0	Strategic Assets	813	-12	0	0%
-64	Strategic Assets Total	-3,301	-2,155	-96	3%
Traded Services					
0	Traded Services - Central	0	11	0	0%
-18	ICT Service (Education)	-200	-899	-29	-14%
0	Professional Development Centres	-71	-62	0	0%
-0	Cambridgeshire Music	5	349	0	0%
301	Outdoor Education (includes Grafham Water)	-77	196	353	458%
283	Traded Services Total	-343	-406	325	95%
877	Total	-8,768	-1,065	852	10%
Grant Funding					
0	Non Baselined Grants	0	0	0	0%
0	Grant Funding Total	0	0	0	0%
877	Overall Total	-8,768	-1,065	852	10%

ANNEX 2 – Service Commentaries on the Revenue Forecast Outturn Position

Narrative is given below where there is an adverse/positive variance greater than 2% of annual budget or £100,000 whichever is greater for a service area.

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Property Investments	-4,700	-4,520	180	4
<p>The Property Investments budget is forecast to underachieve by £180k, which is an increase of £180k from the previous forecast. This will mean that over £4.5m in net income has been generated from Commercial Property investments this financial year. There are two potential likely adverse pressures facing this area. The occupancy of Brunswick House (student accommodation) is below target for the current academic year. There is a brand new competing property in the vicinity of Brunswick House, however, the Council is confident the offer and location of Brunswick House overall will remain very appealing to students for the years ahead, and active/varied marketing activity is continuing via the operator of the accommodation. Additionally, a further commercial property investment anticipated in South Cambridgeshire has not yet completed, due to delays in receiving information as part of the purchase process.</p>				
Shareholder Company Dividends	-206	-456	-250	-121
<p>The Shareholder Company Dividends budget is forecast to overachieve by £250k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.</p>				
Housing Investment (This Land Company)	-5,728	-5,327	401	7
<p>An underachievement of income of £401k 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.</p>				
Contract Efficiencies & Other Income	-449	-99	350	78
<p>The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20. This is due to the targets for savings and additional income not being expected to be met in the year. However, work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once the team is in place. In addition, it has been concluded that whilst there may be some financial benefit for charities of creating a CCC lottery, this could be outweighed by the possibility of losing support through direct contributions and anxieties about control and financial burden. Resources will therefore be refocused to support other commercial initiatives.</p>				
CCLA Managed Investment	-	-335	-335	-
<p>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 £335k in 2019/20.</p>				
Facilities Management	5,369	5,710	341	6
<p>The Facilities Management budget is forecast to overspend by £341k in 2019/20. This is due to additional works following service in operational buildings, which are required for those buildings to meet required standards.</p>				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Outdoor Education	-77	276	353	458%
<p>A structural pressure of £113k has been identified at Grafham Water Centre during budget preparation and has been reported from the beginning of 2019/20. This has been partially offset by underspends elsewhere in the service. A Business Development Plan is underway to address the financial sustainability of the service.</p> <p>In addition to this, there is a one-off cost in this year which is estimated at £140k, which relates to backdated pay for staff at Grafham Water Centre as a result of National Minimum Wage requirements.</p> <p>Some underachievement of income is expected at Grafham Water and Stibbington due to staff turnover in year which has caused numbers of bookings outside peak times to fall.</p>				

ANNEX 3 – Capital Position

3.1 Capital Expenditure

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
144,068	51,907	<u>Commercial Activity</u>				
		Commercial Investments	104,605	73,614	104,605	-
153,009	43,067	Housing Schemes	56,847	10,048	30,372	(26,475)
3,645	3,280	St Ives Smart Energy Grid	3,378	17	81	(3,297)
11,399	383	Babraham Smart Energy Grid	452	11	70	(382)
6,969	292	Trumpington Smart Energy Grid	314	1	1	(313)
9,745	397	Stanground Closed Landfill Energy Project	454	8	235	(219)
2,526	246	Woodston Closed Landfill Energy Project	285	2	29	(256)
23,219	672	North Angle Solar Farm	695	23	908	213
40	-	Light Blue Fibre	20	20	20	-
354,620	100,244		167,050	83,744	136,321	(30,729)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	1,402	1,338	-
6,150	-	Shire Hall Campus	81	7	81	-
345	-	Office Portfolio Rationalisation	47	28	47	-
3,034	550	Investment in the CCC asset portfolio	3,034	6	3,034	-
15,529	1,150		4,500	1,443	4,500	-
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	103	216	(84)
-	4,616	MAC Joint Highways Project	-	-	-	-
1,950	910	Community Hubs - East Barnwell	1,041	-	200	(841)
18,326	5,633	Shire Hall Relocation	7,971	2,400	7,971	-
113	-	Marwick Centre Roof Repairs	113	-	113	-
295	-	Meads Farm House Replacement	295	5	115	(180)
24,684	11,559		9,820	2,523	8,715	(1,105)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	-	26,312
353,998	90,443	TOTAL	155,139	87,710	149,617	(5,522)

3.3 Capital Variation

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.

2019/20					
Service	Capital Programme Variations Budget £000	Forecast Outturn Variance (Nov 2019) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Nov 2019) £000
C&I	-26,312	-31,834	-26,312	100%	-5,522

3.4 Capital Funding

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	21,387	23,409	2,022
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	124,263	118,608	(5,655)
90,443	TOTAL	155,139	149,617	(5,522)

3.2 Service Commentaries on the Capital Position

The schemes with significant variances (>£250k) either due to changes in phasing or changes in overall scheme costs can be found in the following table, along with schemes with significant changes to budget (>£250k):

Revised Budget for 2019/20	Forecast Spend - Outturn (Nov)	Forecast Variance (Nov)	Variance Last Month (Oct)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Investments						
104,605	104,605	-	-	-	-	-

Commercial & Investment Committee recommended to GPC in November the approval of an additional £52m budget for Commercial Investments, but an additional £73m of Prudential Borrowing. The Council has spent, or has committed to spend, £105m on commercial property investments in 2019/20. This also requires an amendment to the capital funding for Commercial Investments. This will reduce funding from Capital Receipts by £21m and increase the Prudential

Revised Budget for 2019/20	Forecast Spend - Outturn (Nov)	Forecast Variance (Nov)	Variance Last Month (Oct)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing requirement by £73m.						
The reduction in available capital receipts is due to rephasing of the timing of expected overage payments from This Land.						
Housing Schemes						
56,847	30,372	-26,475	-26,475	-	-	-26,475
The Housing Schemes budget is forecast to underspend by £26m in 2019/20. This follows reprofiling of expected loans in relation to both overage and construction.						
This will reduce the prudential borrowing requirement in year by £26m.						
St Ives Smart Energy Grid						
3,378	81	-3,297	-3,176	-121	-	-3,297
The St Ives Smart Energy Grid scheme is expected to underspend by £3.3m 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.						
This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,538k.						
Babraham Smart Energy Grid						
452	70	-382	-102	-280	-	-382
The Babraham Smart Energy Grid scheme is expected to underspend by £382k 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.						
This will reduce the prudential borrowing requirement in year by £382k.						
Trumpington Smart Energy Grid						
314	1	-313	-314	1	-	-313
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.						
This will reduce the prudential borrowing requirement in year by £313k.						
Woodston Closed Landfill Energy Project						

Revised Budget for 2019/20	Forecast Spend - Outturn (Nov)	Forecast Variance (Nov)	Variance Last Month (Oct)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
285	29	-256	-	-256	-	-256
The Woodston Closed Landfill Energy Project scheme is forecast to underspend by £256k. The Committee approved an officer request to suspend activity on this project in October due to prohibitive grid connection costs and current uncertainty in the battery service market.						
Investment in the CCC Asset Portfolio						
3,034	3,034	-	-	-	-	-
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. In October 2019 Commercial & Investment Committee Approved additional capital budget of £2,484k in 2019/20 for Investment in the CCC Asset Portfolio relating to the Cambs 2020 Spokes programme. This is to be funded from Prudential Borrowing.						
MAC Joint Highways Depot Project						
-	-	-	-	-	-	-
The One Public Estate Joint Highways Project budget has been taken out of the capital programme. This project is being re-scoped, and a revised budget will be allocated based on the new requirements via the capital budget process. The intention is that this project will still be delivered, however further scoping of the service/build requirements is needed with Highways England, the main partner, and it is considered sensible to remove this from the current year plans as there is no realistic prospect of requiring prudential borrowing this year. Collaboration with blue light services will also be further explored as the scheme is re-scoped.						
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. This will reduce the developer contributions applied this year by £130k and the prudential borrowing requirement in year by £711k.						
Meads Farm House Replacement						
295	115	-180	-180	-	-	-180
Commercial and Investment Committee recommended 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						

Revised Budget for 2019/20	Forecast Spend - Outturn (Nov)	Forecast Variance (Nov)	Variance Last Month (Oct)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>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> <p>This will increase the prudential borrowing requirement in year by £295k.</p>						

ANNEX 4 – Savings Tracker

Quarter 2 report

Reference	Title	Committee	Original Saving 19-20	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.6.001	BP 19/20 Contract Efficiency	C&I	-200	0	0	0	0	0	200	100.00	Black	Any savings made in 2019/20 will go towards the savings target carried forward from 2018/19 which was not met in that year.
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	C&I	-19	0	0	0	-19	-19	0	0.00	Green	
F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	C&I	16	0	0	0	0	16	0	0.00	Green	
F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	C&I	-16	0	0	0	0	-16	0	0.00	Green	
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	C&I	-8	0	0	0	0	-8	0	0.00	Green	
F/R.7.106	Utilisation/commercialisation of physical assets	C&I	-21	0	0	0	0	-21	0	0.00	Green	

Reference	Title	Committee	Original Saving 19-20	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.7.113	Invest to Save Housing Schemes - Income Generation	C&I	-1,483	0	0	0	0	-1,183	300	20.23	Red	Dependent on land values and This Land's readiness for construction loans.
F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	C&I	-5	0	0	0	0	-5	0	0.00	Green	

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
Transfer budget from Debt Charges and Interest for the debt charges relating to the Triangle solar farm	603	August 2019
Revised Budget	-8,768	

3. Reserve Schedule

Fund Description	Balance at 01 April 2019	Movements in 2018/19	Balance at 30 November 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	13,549	33,964	0	3
subtotal	20,415	13,549	33,964	0	
TOTAL	21,070	13,549	34,619	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.

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 2nd January 2020
Updated on 9th January 2020



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	Report title	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
17/01/20	+ Homes England Option of CCC Land at Northstowe	Sara Anderson		08/01/20	09/01/20
	Deployment of Investment Funds	Chris Sutton			
21/02/20	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French		12/02/20	13/02/20
	This Land – Strategic Financing: Construction and Acquisitions	Tom Kelly			
	Northstowe Heritage Facility – partnership with Highways England & Homes England	Quinton Carroll			

Committee Date	Report title	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
	East Cambridgeshire Adult Social Care Service Development	Amanda Roach	2020/025		
	High Level Assessment for Longstanton Park and Ride energy project	Cherie Gregoire			
20/03/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham		11/03/20	12/03/20
	Purchase of St Ives Football Club Ground	John Macmillan			
	Hinchingbrooke Country Park	Alex Gee			
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			
21/06/20	Cambridgeshire Music OFR	Cllr Hudson/ Matthew Gunn/ Sarah Rust			
	Update on Property Services	Alex Gee			
	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
12/07/20					
16/08/20					
13/09/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
18/10/20					
22/11/20					
13/12/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			

Committee Date	Report title	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
17/01/21					
21/02/21					
20/03/21	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
24/04/21					
22/05/21					

To be programmed: St Ives Football club – ransom strip benefit for CCC (John Macmillan) ICT Future Delivery Options (John Chapman); Trumpington Park & Ride Smart Energy Grid (Sheryl French); Proposed lease of Land adjacent to The Oasis Community Centre, Tinkers Drove, Wisbech PE12 3NR (A Gee/I Trafford/M Freer)

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		24th January 2020 (10am-1pm)	Performance Reporting	C&I
3.	Presentation on Shire Hall site plans		22 nd November 2019	Chris Malyon	C&I
4.	Committee Training: MLEI/Energy projects		18 th October (12-3pm)	Sheryl French	C&I
5.	Nearly Zero Energy Buildings members/officers workshop		24 th May 2019(1-2.30pm)	Sarah Wilkinson/Sheryl French	C&I and GPC
6.	Commercialisation training (all Members)		26 th April 2019 (1-4pm)	Amanda Askham	All Members
7.	Finance/KPIs		3 rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
8.	Commercial Strategy		9 th November 2018 (12.30pm)	Amanda Askham	C&I
9.	Members' duties and obligations in considering Promotion Agreements.		2 nd November 2018 (12.30pm)	Chris Malyon	C&I
10.	Future Smart Energy Systems Demonstrator Project		18 th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
11.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
12.	This Land Performance Workshop		12 th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
13.	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

14.	Business Planning Session		15 th September 2017	Chris Malyon/ James Wilson	C&I
15.	CHIC Workshop		27 th June 2017	Chris Malyon/ David Gelling/ David Bethell/ John Macmillan	C&I
16.	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	26 th May 2017	Chris Malyon/ John Macmillan	C&I

Updated 09/01/20