

# COMMERCIAL AND INVESTMENT COMMITTEE



**Date: Friday, 28 July 2017**

**Democratic and Members' Services**

Quentin Baker

LGSS Director: Law and Governance

**10:00hr**

Shire Hall

Castle Hill

Cambridge

CB3 0AP

**Room 128**

**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 and Action Log of the Assets and Investment Committee** **5 - 16**  
held 30th June 2017

### KEY DECISIONS

3. **Energy Efficiency, Invest to Save Fund for Council non-school buildings** **17 - 24**

### OTHER DECISIONS

4. **Wisbech Castle - To consider a disposal (by way of the grant of a Long Lease) to Wisbech Town Council at less than best** **25 - 44**

## **consideration**

- |            |  |                  |
|------------|--|------------------|
| <b>5.</b>  | <b>Commercial Acquisitions Strategy</b>  | <b>45 - 68</b>   |
| <b>6.</b>  | <b>Resolution on the Articles of Association for Cambridgeshire Housing and Investment Company Limited</b>   | <b>69 - 98</b>   |
| <b>7.</b>  | <b>Disposal Policy - Leasehold and Freehold</b>  | <b>99 - 102</b>  |
| <b>8.</b>  | <b>CREATE Project Update</b><br><i>- report to follow</i>  |                  |
| <b>9.</b>  | <b>Finance and Performance report - June 2017</b>  | <b>103 - 116</b> |
| <b>10.</b> | <b>Commercial and Investment Committee agenda plan</b>   | <b>117 - 120</b> |
| <b>11.</b> | <b>Exclusion of Press and Public</b><br><br><i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> |                  |
| <b>12.</b> | <b>Programme Highlight Report</b> <ul style="list-style-type: none"><li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li></ul>   |                  |

The Commercial and Investment Committee comprises the following members:

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

Councillor Ian Bates Councillor David Jenkins Councillor Linda Jones Councillor Lucy Nethsingha Councillor Paul Raynes 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

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/cccfilm-record>.

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/CCCprocedure>.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccccar-park> or public transport



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

Date: Friday 30<sup>th</sup> June 2017

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 11.20am

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

### **12. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **13. MINUTES AND ACTION LOG OF THE ASSETS AND INVESTMENT COMMITTEE HELD 26<sup>TH</sup> MAY 2017**

The Committee resolved to approve the minutes of the Committee meeting held on 26<sup>th</sup> May 2017, and note the Action Log.

Members discussed the following items on the Action Log:

Item 86: Finance & Performance report – the Deputy Chief Executive advised that officers would be working with Members to try and develop the information they need to support their decision making.

Item 56: the first meeting of the County Farms Estate Strategic Review Working Group had met recently – the Group's members were Councillors Hay, Rogers and Schumann. Councillor Nethsingha agreed to join this Group. **ACTION: John Macmillan to send relevant papers/invitations to Cllr Nethsingha.**

### **14. OUTLINE DISPOSAL PROCESS FOR PROPERTY ASSETS**

A report was presented highlighting some of the key issues surrounding the proposed disposal methods of property assets to CHIC.

Local authorities have power under the Local Government Act 1972 to dispose of land, but any disposal must be at "best consideration", which was usually the best price following open market or a formal 'Red Book' valuation

(valuation by a Chartered Surveyor). All transactions must be carried out in an accountable and transparent way. There were exceptions to the best consideration rule, and authorities could sell for 'less than best consideration' e.g. to a community group, if it can be demonstrated that the disposals meet certain economic, social or environmental objectives, up to the value of £2M.

The County's policy had been that all sites would be offered at market value to District and Parish Councils, in advance of marketing for a disposal, except where General Purposes Committee makes alternative provisions when granting an authority to dispose. The intention was to offer sites to CHIC prior to offering them to District and Parish Councils, and then on the open market. There were three methods of sale available, and private treaty sale with outline or full planning permission was the preferred option – valuation was more straightforward if planning permission was already factored in. It was confirmed that a large number of sales were in the pipeline at the moment.

Committee approval would be required for sites over £500K. Disposals of less than £500K were delegated to the Director of Finance.

It was confirmed that disposals on the open market would follow the normal process, and the Chairman requested that officers bring back a draft policy for Member discussion at either a Committee meeting or workshop. Other Members commented that the position would depend very much on the site, and an agreed policy position would not be very helpful – there needed to be flexibility.

A Member observed that there was currently no policy position on whether disposals should seek capital or revenue returns. In terms of the impact on the impact of the Council's total financial position, on whether disposals should be regarded as a capital receipt or revenue gain, officers responded that revenue was more important to the Council, although capital receipts could be used to reduce debt. By way of example, it was noted that Castle Court was being rented for around £1M revenue per year, which was valuable income for the Council.

It was confirmed that the County Council policy was that all surplus property should be disposed of: this was defined as properties not required for operational purposes. To date, the disposal policy had basically been reactive, the intention was to make it more proactive. Officers advised that they were compiling a comprehensive schedule of all assets held, including electoral Division. Whilst this information was already available, the schedule would include the more detailed information, such as the reasons for holding the assets. This would be shared with all Members, so all were aware what was in their division. The intention was to refresh the Asset Strategy, with

Members considering the principles of that Strategy in a workshop. Officers were being proactive in looking for development opportunities, e.g. through scanning local plans, e.g. Huntingdonshire had a call for sites at the moment.

It was confirmed that the intention was that “best consideration” as referenced in the report recommendations would take into consideration the wider needs of the Council e.g. supporting services and delivering goals.

In response to a Member question, it was confirmed that the basis on which CHIC was engaged would be the same as any other private developer i.e. a commercial discussion. The Member commented that it was important that this arm’s length company should be treated in the same way as any other company, and not given any preferential treatment. Officers stressed that this was being driven from a commercial perspective.

A Member observed that section 4 of the report (Significant Implications) indicated that some teams had not cleared the report. Officers commented that most had subsequently, but this was an overarching policy so it was difficult to identify specific impacts – this would become more relevant when the Committee considered individual cases.

It was noted that all freehold disposals had to take account of the Community Right to Bid process (last sentence of 2.1.3).

It was confirmed that best consideration was the best price, but with discretion for Members to exercise discretion to make exceptions in individual cases.

Councillor Jenkins proposed an amendment to recommendation (a) (additional text italicised):

- (a) Agree to declare surplus land and property on a case by case basis to achieve best consideration *with due regard being given to the County Council’s corporate priorities*

This amendment was seconded by Cllr Nethsingha.

On being put to the vote, the amendment was lost.

In terms of the District and Parish Councils hearing about development sites which the Committee was considering, it was noted that the relevant Local Member would be notified prior to the Committee meeting.

Councillor Jenkins proposed that recommendation (b) be withdrawn, and this was seconded by Councillor Nethsingha. On being put to the vote, the amendment was lost.

It was resolved, by a majority, to:

- a) Agree to declare surplus land and property on a case by case basis to achieve best consideration;
- b) Not to offer land and property to District and Parish Councils in advance of offering to CHIC.

## **15. AMENDMENTS TO TERMS OF REFERENCE**

The Committee received a report on the Terms of Reference for the Committee.

The Deputy Chief Executive advised that following the Council decision to change the title of the Committee, it was also agreed that it was appropriate to review the Committee's Terms of Reference, as the name 'Commercial' gave the Committee a slightly different nuance, and the proposed changes were set out in the report. It was noted that most of the areas of activity were already included in the Committee's remit, but there were some slight changes in relation to commercial activities. The top six of the items in the "Delegated Authority" table were new, the rest were existing activities. The Council was currently embarking on a Council-wide review of how services were delivered, and this Committee was considered the most appropriate home for that work.

A Member commented that it was difficult to balance the increased commercialisation of the Council along with the Council's corporate priorities, and expressed about how commercialisation sat in relation to the objectives of different Service Committees. Using the example of CCS, which provided the catering and cleaning services for the County's schools, the Deputy Chief Executive advised that that traded service was operating at a loss i.e. effectively subsidising schools. That service clearly needed to be on a more commercial footing. It would then be a decision for the CYP Committee if it believed it was appropriate to subsidise that service in certain areas.

The Member commented that the Terms of Reference failed to acknowledge that conflict or tension inherent in the Committee's work, in the context of other Committees.

Councillor Jones proposed a change to the third item listed in the Delegated Authority timetable (*italicised text indicates suggested changes*): "To plan,



develop and implement a commercial strategy and other initiatives in order to maximise, *consistent with the Council's environmental and social objectives*, the potential of..." The Chairman commented that this would effectively be double accounting, as the Council's corporate priorities were always borne in mind in decision making priorities, and this addition would overcomplicate. It was noted that officers had already alluded to the flexibility the Committee had when making decisions.

Councillor Jones' amendment was seconded by Councillor Nethsingha, and on being to the vote, the amendment was lost.

It was resolved, by a majority, to:

- a) consider and agree the amended Terms of Reference;
- b) ask Council to agree the amended Terms of Reference.

## 16. FINANCE AND PERFORMANCE REPORT

The Committee considered a report on the financial and performance information relating to the areas within the Commercial & Investment Committee's remit. It was noted that there were no variations from budget at this early stage of the year. It was likely that a small underspend would be predicted, largely due to the revaluation of Shire Hall.

The Committee was asked to specifically approval the following Capital Funding carry forward from from 2016/17 into 2017/18 for the following schemes: County Farms viability (£121K), Soham Solar Farm (£775K), Office rationalisation (£200K) and other committee projects (£20K).

A Member queried the significant budget movement from £22K to £106K for property compliance in the Budgetary Control Report. The Deputy Chief Executive advised that this was probably likely to reallocation between cost headings, but agreed to check and report back to Committee. **Action required.**

The Deputy Chief Executive confirmed that the Apprenticeship Levy was now within his remit, and he agreed to discuss this further with Councillor Nethsingha outside the meeting.

It was resolved unanimously to:

- 1. review, note and comment upon the report;
- 2. agree the carry forward of capital funding as set out in the report.

## 17. COMMITTEE AGENDA PLAN

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

The following changes were noted:

- addition of a report on Wisbech Castle to the July agenda;
- addition of a report on the CREATE project to the July agenda;
- Smart Energy Grid Project, DCLG contract for ERDF funding was being moved to the September meeting;
- Report on the Establishment of an Antiquities Conservation Unit to support development in Cambridgeshire withdrawn (**ACTION: Sass Pledger to email Committee on why this was being withdrawn**)

The Committee agreed to move the item on Future options for Property & Estates Service to the September meeting, currently scheduled for August, and cancel the August meeting.

Councillor Jenkins commented that the Assets & Investment Committee Members had found it very useful to visit Wisbech Castle, and the Committee agreed to consider a visit, and indeed to consider more widely if visits would be helpful.

A Member commented about the blanket exclusion of the Press and Public from the Programme Highlight report, and suggested a different approach to confidentiality needed to be adopted going forward, as often many of the items under that report were *not* confidential, but the confidential status stopped Members sharing information e.g. with their Parish Councils. Officers acknowledged this point but commented that it was difficult to manage in practice. It was suggested that the best approach would be for the Deputy Chief Executive to discuss how this could be managed with Legal advisors, and possibly brought back to a workshop and a future meeting. The Deputy Chief Executive agreed to look at the exclusion information and how this would be presented in future. **Action required.** One suggestion was to add a field to the Highlight report, indicating whether or not a development was currently commercially sensitive.

Officers gave an update on the CREATE (St Luke's Barn, Cambridge) project. The business case for that scheme had been predicated on Arts Council funding being granted, along with Council sponsorship and private funding. Whilst the scheme was agreed in principle by the Assets & Investment Committee in March. However, there had subsequently been issues about that business case. Confirmation had been received on 23<sup>rd</sup> June that the

Arts Council had agreed to fund the scheme, and there were 30 days to accept the grant, but there were still a lot of issues to be sorted out. A report would be presented to the July meeting. An approach had been made by a local landowner, whose land abuts the site. Of particular concern were the highways issues in relation to this site, and it was hoped a rapid response could be secured from highways colleagues.

It was resolved unanimously to note the agenda plan.

**18. EXCLUSION OF PRESS AND PUBLIC**

It was resolved, by a majority, that the press and public be excluded from the meeting during the consideration of the following reports on the grounds that it is likely to involve the disclosure of exempt information under paragraph 3 of Schedule 12A of the Local Government Act 1972 as it refers to information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

**19. PROGRAMME HIGHLIGHT REPORT**

Members considered a schedule of the development programme, plus a report on income collection for the County Farms estate.

It was resolved to note the report.

Chairman



**COMMERCIAL &  
INVESTMENT  
COMMITTEE**

**Minutes-Action Log**



Cambridgeshire  
County Council

**Introduction:**

This is the updated action log as at **20<sup>th</sup> July 2017** and captures the actions arising from the most recent Assets & Investment Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

**Minutes of 11<sup>th</sup> November 2016**

Item No.	Item	Action to be taken by	Action	Comments	Completed
56.	Programme Highlight Report	John Macmillan	County Farms Estate Strategic Review Working Group  <b>(Updated 30/06/17): invites/ documents to be forwarded to Cllr Nethsingha.</b>	Dates to be agreed for December/January.  New membership appointed in May 2017.  Invitations sent to Cllr Nethsingha.	Ongoing

**Minutes of 31<sup>st</sup> March 2017**

86.	Finance and Performance report	Chris Malyon	Requested work be carried out to improve the presentation of the figures and improve the relationship between the narrative of the report and the figures provided.	Officers will be working with Members to try and develop the information they need to support their decision making.	
89.	Programme Highlight Report	Chris Malyon/ John Macmillan	Requested a report for a future meeting regarding the financial implications of	The Combined Authority has commissioned a piece of work on the same	Ongoing

			the Community Land Trust model and provision of affordable housing.	subject so it is suggested that this report is deferred until the CA report has been prepared.	
<b>Minutes of 30<sup>th</sup> June 2017</b>					
<b>16.</b>	<b>Finance &amp; Performance Report</b>	Chris Malyon /David Parcell	A Member queried the significant budget movement from £22K to £106K for property compliance in the Budgetary Control Report. Chris Malyon advised that this was probably likely to reallocation between cost headings, but agreed to check and report back.	The £84k movement is the Property Compliance team budget, which was in the main property services budget at the start of the year but has now been moved to the appropriate heading.	Completed.
<b>17.</b>	<b>Committee Agenda Plan</b>	Sass Pledger	Report on the Establishment of an Antiquities Conservation Unit to support development in Cambridgeshire withdrawn from agenda plan: Sass to email Committee and explain why.		
<b>17.</b>	<b>Committee Agenda Plan</b>	Chris Malyon	Chris to look at how confidential items are dealt with, particularly with regard to the Programme Highlight Report.		
<b>19.</b>	<b>Programme Highlight Report</b>	Chris Malyon	Delays in payments from Rural Payments Agency – Chris to look to ask a question in parliament, given the problems that this had caused both farmers and the Council.		
<b>19.</b>	<b>Programme Highlight Report</b>	John Macmillan	Review Programme Highlight Report, particularly use of RAG ratings, more info on timetabling, and some way of highlighting that there had been a change with a project since the last report.	Report updated. The RAG rating is now defined based on the date of sale to CHIC – amber status means a risk of delay to	Completed.

				the sale date, red status means a definite delay.	
--	--	--	--	--	--





**ENERGY EFFICIENCY, INVEST TO SAVE FUND FOR COUNCIL NON-SCHOOL BUILDINGS**

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

*Meeting Date:* **28<sup>th</sup> July 2017**

*From:* **Executive Director - Economy Transport and the Environment**

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

*Forward Plan ref:* **2017/039** *Key Decision:* **Yes**

*Purpose:* **To agree the scope and governance of the £1million Invest to Save Energy Efficiency Fund for the Council's non-schools buildings portfolio.**

*Recommendation:* **Committee is asked to agree:**

- a) The Investment principles for the Energy Efficiency, Invest to Save Fund, set out in section 2.1.**
- b) That a portion of the savings made from the fund are used to purchase expertise to identify the project pipeline.**
- c) Approval of individual business cases is delegated to the Chief Finance Officer, in consultation with the Chair of Commercial and Investment Committee.**

<b><i>Officer contact:</i></b>	
Name:	Claire Julian-Smith
Post:	Energy Manager
Email:	<a href="mailto:Claire.Julian-Smith@cambridgeshire.gov.uk">Claire.Julian-Smith@cambridgeshire.gov.uk</a>
Tel:	01223 715349

## **1. BACKGROUND**

- 1.1 A £1 million (£250,000 a year over four years) invest to save fund for non-school Council buildings started in 2016/17. It was approved as part of the overall Council budget (Full Council 18/02/2016), for investment in energy saving measures such as improvements in heating, lighting and building controls.
- 1.2 The Energy Efficiency Invest to Save Fund was managed via LGSS until October 2016. It subsequently moved into the Energy Investment Unit in Growth and Economy, in January 2017. The key priority was to establish the governance arrangements for the fund.
- 1.3 The type of projects delivered during 2016/17 included LED lighting upgrades in Signet Court and the underground car park at Shire Hall; the replacement of emergency lighting at Shire Hall and an overhaul of the heating systems at St Ives library. These measures have reduced energy consumption, and are forecast to reduce bills by almost £250k over their 10 year lifetime. Additional benefits would also include reduced maintenance costs, and improved comfort for building users.
- 1.4 The work resulting from the Invest to Save Fund utilises existing procurement routes in place in the Council. For example, the Council has a framework contract in place for minor works or there is the potential for some projects to be carried out through the Council's existing maintenance contract.

## **2. MAIN ISSUES**

### **2.1 Investment Principles.**

Based on the experience of operating the fund to date it is proposed that the following are principles are formally adopted:

- The scope of the fund will cover County Council retained buildings (non-school portfolio). This includes all directly owned and operated premises. For example, offices, libraries, care homes, community centres, and highways depots;
- The overall fund will deliver an average payback in ten years or less, including borrowing costs. This allows some flexibility at a project level to balance projects that deliver a quick payback with others that pay back over a slightly longer period. See **appendix A** for the proposed business case template; and
- Maintenance savings will be included as part of the business case; and
- Energy saving schemes with strong CO2 reductions will be prioritised.

### **2.2 Developing a pipeline of projects for investment.**

Developing a pipeline of projects is a challenge. The key reasons include (i) a lack of in-house technical buildings expertise (ii) the absence of a medium to long term asset strategy and (iii) the absence of an up to date information system containing details of energy measures already in place. A pipeline of projects has been started through analysing existing documentation and relevant information on County Council buildings, including stock condition surveys (update in progress), building audit reports and outline business cases from energy performance contracting. There may, however, be a need to bring in some additional expertise to scope key projects for investment that would benefit the authority. It is proposed that a portion of the savings made from the fund investments, (a maximum of £30,000), are used to undertake this work.

2.3 Governance of the fund and streamlining the decision making process.

The projects that will be funded are likely to be in the region of £20-£80K with a maximum project cost of £250k. It is proposed that approval of individual business cases be delegated to the Chief Finance Officer in consultation with the Chair of Commercial and Investment Committee. In addition, it is proposed that Strategic Property Assets Board oversee the Invest to Save Fund and the risks associated with the investments. (See **Appendix B: Invest to save Fund, Risk Register**).

2.4 Annual progress updates will be reported to Commercial and Investment Committee.

### 3. ALIGNMENT WITH CORPORATE PRIORITIES

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

The implementation of retrofit energy improvement measures will help to make our buildings more efficient and deliver CO<sub>2</sub> reductions, whilst minimising operational costs and providing greater resilience to future price volatility.

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

The Energy Efficiency Fund has no significant impact on this objective except as a broader contribution to air quality improvements and climate change.

3.3 **Supporting and protecting vulnerable people**

No significant impact.

### 4. SIGNIFICANT IMPLICATIONS

4.1 **Resource Implications**

The resource implications are contained within the main body of the report.

4.2 **Statutory, Risk and Legal Implications**

There is a risk that investments don't make the predicted savings, but if investment decisions are made on robust business cases this can be managed.

#### 4.3 Equality and Diversity Implications

There are no significant implications within this category.

#### 4.4 Engagement and Consultation

Relevant Council services will be consulted on the potential measures and construction impacts.

#### 4.5 Localism and Local Member Involvement

There are no significant implications within this category.

#### 4.6 Public Health

There are no significant implications within this category.

Source Documents	Location
Cambridgeshire County Council Business Plan 2016 to 2021	<a href="https://ccc-live.storage.googleapis.com/upload/www.cambridgeshire.gov.uk/council/finance-and-budget/Section_3C_CST_Finance_Tables.pdf?inline=true">https://ccc-live.storage.googleapis.com/upload/www.cambridgeshire.gov.uk/council/finance-and-budget/Section_3C_CST_Finance_Tables.pdf?inline=true</a>

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Are there any Equality and Diversity implications?	No Name of Officer: Tamar Oviatt-Ham
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Sarah Silk and Eleanor Bell
Are there any Localism and Local Member involvement issues?	No Name of Officer: Tamar Oviatt-Ham
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green

Append

## Appendix A: Business Case Template

<b>Project</b>	
<b>Project Reference</b>	
<b>Project owner</b>	
<b>Team</b>	
<b>Description</b>	<i>A short description of the project</i>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Energy savings: kWh</li> <li>• Financial savings: £</li> <li>• Payback period: [x] years</li> </ul> <p>(The above should be derived from supporting, more detailed information provided).</p> <ul style="list-style-type: none"> <li>• Additional benefits e.g. maintenance savings, increased occupancy comfort etc.</li> </ul>
<b>Measuring Success</b>	<ul style="list-style-type: none"> <li>• <i>Metrics for displaying performance or achievement</i></li> <li>• <i>When success will be measured / evaluated</i></li> </ul>
<b>Notes</b>	



Energy Efficiency Fund			<a href="#">Probability</a> 1 - Very Low 2 - Low 3 - Moderate 4 - High 5 - Very High  <a href="#">Click here or go to the Risk Ratings Descriptions worksheet for full</a>	<a href="#">Impact</a> 1 - Negligible 2 - Marginal 3 - Significant 4 - Critical 5 - Catastrophic  <a href="#">Click here or go to the Risk Ratings Descriptions worksheet for full</a>	Shows RED if over 15; shows AMBER between 8 and 14; lower score not coloured		<b>Status</b> Open Closed			
Ref	Description (Trigger & Impact)	Date Logged	Probability	Impact	Risk Score	Risk Score Increasing or decreasing?	Status	Risk Owner	Action to be taken (to minimise/reduce risk)	Date due
R01	<b>Project Pipeline</b> <b>Trigger:</b> Insufficient energy projects are included in the Investment Programme <b>Impact:</b> Insufficient revenue to fund the cost of borrowing.	12-May-17	3 - Significant	4 - Critical	12	↑	Open	Claire Julian-Smith	Scope and develop the pipeline of energy projects.	Ongoing
									Set up a process to assess projects for inclusion as timescales are limiting for project development	Ongoing
									Establish clear links between Facilities Management and Estates to assist with the identification of project opportunities.	Ongoing
R02	<b>Resources (personnel)</b> <b>Trigger:</b> Insufficient (technical) staff resources at CCC to identify, scope and deliver the project pipeline. <b>Impact:</b> Reputational risk due to poor delivery, financial loss due to reduced revenue generated, risk of staff turnover due to overwork	12-May-17	3 - Significant	4 - Critical	12	↑	Open	Capital Programme Board?	Ensure all relevant information is available to help with the project development and implementation processes.	Ongoing
									Buy in additional consultant assistance to deliver projects.	Ongoing
R03	<b>Project Team</b> <b>Trigger:</b> Lack of an Asset Strategy <b>Impact:</b> Investment made in property that is divested resulting in financial loss as revenue savings not realised.	12-May-17	3 - Moderate	4 - Critical	12	↔	Open	Capital Programme Board? / Transformation team?	Put in place policies and procedures to ensure that knowledge is properly shared and recorded (via K2).	Ongoing
R04	<b>Government policy changes for energy projects</b> <b>Trigger:</b> Unexpected changes (and gradual reductions) in Government support for RE threatens feasibility of installations. <b>Impact:</b> Impact on business case viability and likelihood of project delivery	12-May-17	4 - High	2 - Marginal	8	↔	Open	Claire Julian-Smith	Influence Government policy	Ongoing
									Focus on retrofit measures such as lighting and heating controls etc. which are not reliant on Government incentives.	Ongoing

R05	<b>Lack of coordination of energy investment projects across the authority</b> <b>Trigger:</b> A number of parties are working on energy investments across the authority on our assets resulting in duplication, missed opportunities and wasted resources. <b>Impact:</b> Wasted resources and / or reduced revenue savings.	12-May-17	4 - High	3 - Moderate	12	↑	Open	Capital Programme Board? / Transformation team?	Use of K2 database as a depository for up to date information system providing details of energy measures in place / opportunities identified.	Ongoing
R06	<b>Fuel prices</b> <b>Trigger:</b> current relatively low utility prices cause difficulties in establishing attractive business cases. <b>Impact:</b> Worthwhile projects dismissed.	12-May-17	2 - Marginal	3 - Moderate	6	↔	Open	Claire Julian-Smith	Tariff rates and pricing forecasts to be periodically reviewed and checked.	Ongoing
R07	<b>Lack of priority given to smaller projects</b> <b>Trigger:</b> smaller projects given less priority because of smaller revenue returns and associated inefficiencies in administration, project management etc. <b>Impact:</b> Worthwhile projects dismissed.	12-May-17	2 - Marginal	2 - Marginal	4	↔	Open	Claire Julian-Smith / Capital Programme Board	Ensure robust business cases that demonstrate savings.	Ongoing



**WISBECH CASTLE: TO CONSIDER A DISPOSAL (BY WAY OF THE GRANT OF A LONG LEASE) TO WISBECH TOWN COUNCIL AT LESS THAN BEST CONSIDERATION**

*To:* **Commercial & Investments Committee**

*Meeting Date:* **28 July 2017**

*From:* **Deputy Chief Executive & Chief Finance Officer**

*Electoral division(s):* **Wisbech East; Wisbech West; Roman Bank & Peckover**

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

*Purpose:* **To consider Wisbech Town Council's business case for taking a minimum of a 30 year lease of Wisbech Castle on a peppercorn rent and their request for a 25 year loan of £150,000 to carry out necessary repairs and improvements.**

*Recommendation:* **It is recommended that the Committee:-**

- a) Agrees whether to lease Wisbech Castle to Wisbech Town Council at less than best consideration or not and;**
- b) Subject to the decision at a) determines the tenure length of that lease and;**
- c) Delegates the agreement of the final Heads of Term to the Deputy Chief Executive in consultation with the Chairman of the Committee.**

<b><i>Officer contact:</i></b>	
<b>Name:</b>	<b>Chris Malyon</b>
<b>Post:</b>	<b>Deputy Chief Executive &amp; Chief Finance Officer</b>
<b>Email:</b>	<b><a href="mailto:Chris.malyon@cambridgeshire.gov.uk">Chris.malyon@cambridgeshire.gov.uk</a></b>
<b>Tel:</b>	<b>01223 699796</b>

## 1. BACKGROUND

- 1.1 Wisbech Castle is a historically very important building and site and today comprises a Regency House and garden of 0.25ha situated in The Crescent in Wisbech. It is Grade II\* listed and is thus in the top 7% of historic buildings in the country. It is a key part of the Wisbech Conservation Area and is in close proximity to Wisbech Library and Wisbech Museum. The area is now being promoted as a new cultural quarter.
- 1.2 In 2016 the use of Wisbech Castle as a Professional Development Centre ceased and the building was relinquished by CFA. No further use for the building was identified at that time and therefore the building was declared surplus to requirements.
- 1.3 In October 2016, the Castle was designated as an Asset of Community Value by Fenland District Council. This does not prevent the Council from selling the building but the community must be offered an opportunity to bid for it.
- 1.4 Expressions of interest were sought from the community and three were received. After consideration by Assets and Investment Committee Wisbech Town Council were given a four month timeframe to develop a business case for the Committee to consider.

## 2. MAIN ISSUES

- 2.1 Wisbech Castle is being managed in the interim by Property Guardians CIC “Dot Dot Dot” thus relieving the County of day to day running costs but not repairs.
- 2.2 Day to day running costs such as utilities, insurance, security and basic maintenance were costing the Council approximately £14,000pa. In addition, a recent condition survey carried out by the County Council identified necessary repairs and upgrading to the value of between £150k-£250k.
- 2.3 Officers have undertaken a review to ascertain whether there are any significant viable business activities for which the Castle could be used by the County Council. The conclusion was that any activities would need to be heavily subsidised as they would not generate enough income to be sustainable and meet running costs. The findings are attached as **Appendix 2**.
- 2.4 Wisbech Town Council’s proposed Business Plan is attached as **Appendix 1** and is based on the County Council leasing the Castle to the Town Council at a peppercorn rent and loaning funds for the repair costs, to be repaid at a fixed rate of interest as determined by PWLB rates at the time of drawing down the loan.
- 2.5 The benefits of this proposal to the County Council are:
  - Revenue savings as the running costs of the building would be borne by the Town Council;
  - Not having to invest in necessary capital works to undertake repairs and improvements to ensure the long term preservation and use of this listed building.
  - The preservation of a Grade II\* listed building that had been gifted to the County Council for educational and community use for the benefit of the town and the local community.
  - Retention of the ownership of the building, which could be sold at a later time for a

capital receipt.

- 2.6 The potential disadvantages of this proposal to the County Council are:
- If the Town Council is unable to realise its projected income streams it might want to terminate the lease. Such financial difficulties could also lead to further deterioration of the fabric of this important historic building or the Town Council's defaulting on the loan. The Town Council would not be permitted to sell the lease to another party unless this is specified as allowable in the terms and conditions.
  - Unforeseen repairs or costs that go beyond the Town Council's affordability threshold, again with potential consequences for the condition of the building or requiring financial input from the County as landlord.
  - No capital receipt at this point.
- 2.7 The alternative to accepting the Town Council's proposal will be a freehold disposal on the open market. It is not certain whether the Town Council would be willing or able to purchase the freehold.

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

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

If the Town Council's proposal is accepted this would support local businesses and generate local income.

#### **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**

The report above sets out details of significant implications in sections 2.4 and 2.5.

#### **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 is a reputational risk to the County if the Town Council's proposal is declined and the building is sold as a private dwelling. This arises from the fact that the building was gifted to the Council by a former Chief Education Officer's widow and it could be perceived that the Council is going against the wishes of the benefactor.

#### **4.4 Equality and Diversity Implications**

There are no significant implications within this category although it is possible that improvements to accessibility might be considered when making alterations.

#### **4.5 Engagement and Communications Implications**

This report and associated business case have been produced after communications with the local community.

#### 4.6 Localism and Local Member Involvement

The development of the business case to be considered has been led by the local County Councillor, in conjunction with the local Town Council. If accepted, the local community would have a greater say and involvement in the use and upgrading of the building.

#### 4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes or No Name of Legal Officer:
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Chris Malyon
Have any engagement and communication implications been cleared by Communications?	Yes or No Name of Officer:
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Chris Malyon
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

#### SOURCE DOCUMENTS

Source Documents	Location
Previous reports were confidential.	

# Business Plan for Wisbech Castle

By Samantha Hoy on behalf of Wisbech Town Council

# Section One

## Executive summary

---

### 1.1 Where we are to date:

Wisbech Town Council (WTC) received a letter from the County Council seeking community interest in acquisition of the building and WTC held a special meeting 5 September 2016, at which it was decided that Wisbech Town Council would express an interest in acquiring Wisbech Castle. This was not to say that the Town Council would definitely be taking on the building but it wanted to ensure that the building was not just sold without the council's knowledge or attempts to make something work, which had happened to the council previously (Wisbech Courthouse).

Wisbech Town Council's expression of interest was considered at 21 October 2016 meeting of the County Council's Assets and Investments Committee; as a result of that consideration, Wisbech Town Council was selected by the committee as the County Council's preferred bidder and, consequently, provided with a period of four months to produce and submit a business case. On 10 October 2016 a number of interested parties – including Wisbech Society, the Ferry Project, Wisbech in Bloom, WisARD and Wisbech Projects – attended a meeting with the members of Wisbech Town Council to brainstorm ideas for the castle and to hear what these parties may have to offer.

Councillor Samantha Hoy, Councillor David Oliver (the then Leader of WTC) and the Town Clerk subsequently examined jointly the outcomes from the brainstorming meeting, to remove the ideas which they did not think could work and then decided to progress any that could have potential; the resultant list of ideas/projects were then subject to consultation with partners.

Also, in the background, meetings have taken place with partners, to achieve their input; also Councillor Miss Hoy met with the MP, Fenland District Council's Cabinet member for Tourism and representatives of the Wisbech and Fenland Museum to see how they could work together. At this meeting the MP said that he supports the on-going work being done by WTC with regard to the Castle and indicated that he may be able to access funding from the Treasury for this project. The representatives of the Wisbech and Fenland Museum were not keen to work with WTC to create any sort of large trust to manage both buildings as they did not feel that they have the capacity.

Councillor Miss Hoy and the Town Clerk also met with Dawn Bainbridge and Kate Brown from the Heritage Lottery Fund (HLF), who listened to some early proposals for activity at Wisbech Castle and they suggested a number of funding "pots" to which applications could be made in relation to this project. Dawn Bainbridge and Kate Brown explained that the HLF is currently concentrating on the Wisbech area, as they understand that there are issues with heritage buildings in the town, with many being left for so long that they get past the point of viability. They said that funding is potentially available in relation to Wisbech Castle but a very robust case would need to be made given the level of competition for HLF monies; in respect of any application for significant funding in relation to Wisbech Castle, the HLF Board would need to see evidence of need/demand, viability and sustainability.

An interim business case was presented to the Assets Committee at CCC on the 24<sup>th</sup> February and the committee agreed that they should continue to look at exploring some sort of transfer to Wisbech Town Council and gave WTC a further 4 months to bring forward a final business case and offered officer support with this. These officers felt they were unable to suggest any new ideas as had they have thought of any, they would have suggested them already.

After the CCC elections, Councillor Hoy met with Chris Malyon and Councillor Roger Hickford (the then Committee Chair) to see where we were to date and if things were still progressing well. Cllr Hoy said that as she had thought for a while and the business case was starting to prove, the Castle would be able to wash its face but no more than that. Because of this she felt it impossible for WTC to give CCC a capital receipt for the building. Cllr Hickford suggested a potential way forward which was the idea of leasing the property at a peppercorn rent to WTC and loaning them the repair costs which they could pay back over 25 years so it would not be prohibitive to the project.

This is obviously subject to the new committee and committee chair and the plan was to present the full case to the new committee but in the meantime ensure WTC were happy with these terms. A meeting of Wisbech Town Council on 22<sup>nd</sup> May 2017 Cllr Hoy presented the idea of the loan and the lease to gauge support to see if it was worth continuing on those terms. There was unanimous support by the Town Councillors at the meeting.

## **1.2 Vision:**

Wisbech Town Council, the council which is the “closest” to the people of Wisbech, is committed to providing and maintaining Wisbech Castle, a Grade II\* Listed Building in the Wisbech Conservation Area, located in close proximity to other buildings of historic significance to Wisbech (and beyond), as a community and historic asset/resource for the people of Wisbech.

Wisbech Castle should provide a welcoming, enjoyable environment in which the community are able to benefit from both the heritage of the building and as a place of learning and leisure. It should be recognised as an integral part of the town’s proud historic past and the distinctive and diverse present.

## **1.3 Mission Statement:**

The mission of Wisbech Town Council is deliver the operation of Wisbech Castle as an important building for use by the community; to restore this important Grade II\* Listed Building to play its part in the nationally-renowned historic fabric of Wisbech; to be enjoyed operationally and culturally by both the current and future generations of residents of Wisbech, as well as by visitors to the town.

The Town Council sees Wisbech Castle as being able to cater for a variety of community needs: education and learning; culture and heritage; civic and ceremonial (including weddings); space for community meetings; possibly some commercial elements. It is the council’s ambition that operation and development of Wisbech Castle would not place an unnecessary burden upon local taxpayers.

The council will work hard, in collaboration with key stakeholders, to provide a community facility which is both viable and sustainable and plays a part in the Town Council’s ambition to continue to make Wisbech a better place to live, work and visit. To that end, the Town Council will adopt and operate a sustainable and resilient business model which enables Wisbech Castle to become and remain a key part of the network of community buildings in Wisbech and an integral part of the “cultural quarter” of Wisbech.

# Section Two

## Financial summary

---

### 2.1 Financial summary:

In building up the business plan we believe that we will break even each year in a worst case scenario and potentially turn a small profit in future years. As we plan to increase our precept to cover loan repayments, If we were to make a profit we could potentially use that to pay back the loan to enable us to then reduce council tax liability.

WTC realise that the first year will be particularly hard in getting the project off the ground and understand that this is a risk to us but we do have reserves as a last resort that we could use if needed and we may potential look at savings in other areas to help with the project.

Partners, Councillors and the public are on board with the idea of WTC taking on this asset to run it for the benefit of the community.

### 2.2 Financial summary of how it benefits CCC:

By transferring the Castle to Wisbech Town Council this provides an immediate revenue saving to CCC and removes the liability of the building. Of course this would still be the case if CCC were to sell the Castle to a private individual, however, although the building could be sold, it can only be sold really for use as a house due to its listed status. It is unlikely to obtain a large value due to this and the considerable repair works needed. It would also be viewed very dimly by Wisbech residents if CCC were to sell an asset they were gifted for the benefit of Wisbech for a capital receipt to prop up more prosperous areas of the county.

By leasing the building to Wisbech Town Council CCC are being speculative as if Wisbech Town Council doesn't make it work CCC could still sell the asset with justifiable reason to the public and the building would have increased in value as the town council would have done all the works and maintained it at their cost so CCC would achieve a higher capital receipt. If after the end of the lease it was found to be successful CCC may want to renegotiate with WTC for a higher rent.

### 2.3 Breakdown of predicted finances

#### Income

Income from precept rise	10000.00
Grant already provided for Information Centre	5000.00
Profit from Civic Ceremonies	7200.00
Profit from Festivals and Events	2500.00
Donations from Visitors	3000.00
Room Hire	5000.00
Income from Tea Room	5000.00
Income from exhibition space	1000.00



Income from holiday lets	2000.00
Profit from banquets	1500.00
Profit from Photographic Collections	500.00
Money from filming location	500.00
Gift Shop	3000.00
Income from Tours of Dungeons *	TBC
<b>Total</b>	<b>46200.00</b>

\*no income in year 1, see notes in section 7

### Expenditure

Grounds Maintenance *	1000.00
Building Maintenance - Non Structural Maintenance	159.42
Security equipment	350.95
Alarm / CCTV system	155.43
Electricity	406.49
Mains Gas	1,232.90
Water charges	212.52
Refuse collection charge	999.10
Business rates	3,297.00
Fire equipment	41.15
Insurance - buildings and contents	676.84
Cleaning Materials	52.42
Telephone costs	1,448.07
External Telephone - calls	0.00
Other insurances	53.12
Other Hired Contract Services	2,082.72
Cleaning **	2000.00
Staff Cost ***	20000.00
Advertising/Promotion	2000.00
PS&FM add servicing at £957.75 annually	957.75
Repayment of loan	7975.00
<b>TOTAL</b>	<b>45,100.88</b>
<p>*In Bloom have offered to do the garden at cost</p> <p>** Cleaning based on current costs for similar building</p> <p>*** This is including on costs, this could be even cheaper if we used volunteers and worked with existing WTC Staff</p>	

# Section Three

## Terms of Transfer

---

### 3.1 Cost of Building

Whilst the building has a capital value it would not be possible for Wisbech Town Council to pay this. This is because, firstly, Wisbech taxpayers would take a dim view of paying to buy an asset that they believe is already theirs. Furthermore, as you can see from the financial summary, the building will just break even or turn a very small profit so WTC could not afford to get an additional loan (loan required already for repairs) to buy the building as it would not be able to afford the repayments.

### 3.2 Money for Repairs

Originally we were given costs for repair works to the building of £150,000, However CCC had an additional survey report that identified costs of £250,000. We have also spoken with the Conservation Officer at Fenland District Council who estimates the costs at £175,000. We believe the variation in costs is due in part to over estimating labour costs and we believe we can get work done cheaper, particularly as some local partners are offering voluntary labour. We also feel that some works are more urgent than others and require urgent actions whilst others we could do in a few years once we started to get the business established and generate an income.

To finance the repairs we would have to go for grant funding or borrow the money. Grant funding is likely to take a number of months if not years and we cannot guarantee success. We could borrow cheaply from the Public Works Loan Board but CCC gets even more preferential rates and we have been working with the Chief Finance Officer to look at borrowing £150,000 from CCC at the rate of 3% interest. WTC would then ring fence the money for repairs and begin to carry them out and we would pay CCC back over 25 years.

### 3.3 Length of lease

WTC are flexible but would ask for a minimum of 30 years because a lot of funding such as HLF is reliant on a long term lease with 30 years as a minimum term. Ideally, we feel that 99 years is a good length of time to allow stability and show that both parties are serious. Potentially there could be a break clause included so both parties could review how things were progressing.

### 3.4 Summary

Wisbech Town Council are asking CCC to lease Wisbech Castle to them for 99 years at a peppercorn rent. Additionally, we would like CCC to loan WTC £150,000 to cover the cost of repairs, to be repaid over 25 years.

# Section Four

## Activities in the Castle

---

### 1. Educational visits/lessons

#### Description

Use of heritage location for living history, role play, curriculum-based sessions, as well as the history of Wisbech.

#### How it benefits the community

Opportunities to engage with all ages (school and home education) in an inspiring, interesting and informative, safe, learning environment.

Opportunities for adult education, local history (WEA, U3A)

Partnership working with Wisbech & Fenland Museum, Wisbech Library, Peckover House, and Octavia Hill Birthplace House (who already run a school scheme and have used Wisbech Castle).

#### Income

Charges according to facilities needed (hire of tutors, re-enactors, props etc)

Similar school resources:

Victorian School (Farnham) £90/30 children

Southwell Workhouse £4.10/child

Gressenhall Workhouse £8.55/child

Wisbech Castle (CEES) £310/class for CCC or £330 other authority (includes one teacher)

On speaking to Wisbech Museum it appears that the Museum, Castle and Library worked together on this project and got grants from HLF as well as Arts Council. This is something which we can't cost now as we don't know what sums are likely to be achieved but we do know that money is out there and that there is the appetite from other partners to continue this again. We would have a meeting with Head Teachers across Wisbech to get a more detailed idea of what they would like to see so we can tailor the offer as well as finding out what they would be expecting to pay.

### 2. Civic ceremonies

#### Description

The Castle has previously been used for a wedding venue, it has suitable rooms and garden space and the necessary licencing is already in place.

#### How it benefits the community

This provides another location in the town for people to get married. Loss of Registry Office service leaves few civil places for ceremonies, especially with private, outside space for photographs and reception.

#### Income

Variable scale from standard to enhanced facilities such as catering, marquee (approx. £750 - £1000).

Factoring in cost of staffing aim to clear £600 per event with an average of one wedding per month Total: 7,200.00

We have priced at £600 as is a realistic average £500-£750 due to limitations on numbers, current Venue options, facilities available and when we can start taking bookings. Once building has been improved, updated and better facilities available we see prices would increase to reflect the uniqueness of building and the better wedding experience. This could take between 3-5 years to be realised.

### 3. Public access to the Castle and Gardens as a tourist attraction

#### Description

Regency house with attractive garden.

#### How it benefits the community

As an attraction in the architectural core of the town centre. Opportunities for partnership with local groups.

### **Income**

If building in use could offer free access for general visit with donations. Opportunities for income through retail. We estimate we can achieve £3k from donations, this is calculated on visitors donating on average £1. The number of visitors is worked out on what other tourist attractions in Wisbech achieve which varies from 20k per annum to 9. We estimated that we would achieve similar numbers to Wisbech and Fenland Museum due to the proximity and they achieve 12k per year. We estimate that some of these would be return visitors and many may not donate anything at all.

## **4. Information Centre**

### **Description**

Move Information Centre from Post Office Lane to the Castle.

### **How it benefits the community**

Central location near Museum and Library. Opportunity of more space in historic surroundings from current position. Adds to the Cultural Quarter by signposting visitors to tourist attractions, most of which will be nearby.

### **Income**

Wisbech Town Council grant (£5000) supports rent and utilities for current location. Staffed by volunteers. Opportunities for income from retail. By moving this to the Castle it allows for the existing location to be used for a more commercial purpose and brings the Castle a constant income stream. Additional income has identified from using the Information Centre as a booking agent for tours, coaches and accommodation.

## **5. Exhibition space**

### **Description**

Offer to local groups and commercial artists for exhibitions/sales, including craft fairs.

### **How it benefits the community**

Intimate gallery space in heritage building.

Increase the community's access to craft and cultural activities and products

### **Income**

Commercial charges and/or commission.

Greyfriars King's Lynn:

Two weeks: £150

One Month: £200

Commission on all sales: 20 per cent

Charge or support non-commercial groups (donations). Seek funding bids for non-sales, community activities. Craft fair fees about £30 per table, or hire location to commercial organiser (approx. £150). Approximately £1000 a year could be achieved

## **6. Photographic Collections**

### **Description**

Collection of Wisbech and Fenland photographs

### **How it benefits the community**

Offer permanent storage and display space for collection.

Permanent housing more appropriate for funding bids.

### **Income**

Opportunities for retail/concessions, specialist exhibitions with entrance fees. Could achieve £500 in entrance fees per year

## **7. General hire of rooms**

### **Description**

Discrete room hire for learning, counselling, advice sessions.

### **How it benefits the community**

Informal, attractive setting.

#### **Income**

Hire charges (standard fees within Wisbech approx. £12/hour)  
Seek funding bids for non-sales, community activities.

We estimate from speaking to The Ferry Project that 5k can be achieved from room hire.

### **8. Traditional Tea Room**

#### **Description**

Develop kitchen to offer tea room facilities. Garden space.

#### **How it benefits the community**

Central location. Opportunities for partnership working with Museum. Enhanced catering facilities on site for other community events.

#### **Income**

Commercial let £5000 - £10000

### **9. Themed banquets**

#### **Description**

Use of heritage setting for themed events

#### **How it benefits the community**

Commercial income and enhanced facilities for other community events.  
Opportunities for local caterers/hotels to work in partnership or on a commercial basis.

#### **Income**

Example (Coombe Abbey)

Friday £34.95 per person (excludes whole of December)

Saturday £44.95 per person (excludes whole of December)

Opportunities to enhance banquet dining experience by hiring of mediaeval costume

In the first year we would aim to have one event like this with further in future years. We estimate with ticket sales (aim to sell 100 at £35) and then catering costs and marquee hire taken out we could earn £1,500

### **10. Film location**

#### **Description**

Build upon previous contacts for film use.

#### **How it benefits the community**

Commercial income, cultural attraction.

#### **Income**

2013 Daily Telegraph report: The right kind of property in London can "earn" from £500 a day for a magazine photo shoot to £2,500 a day for a big-budget film. However we have to be mindful of the location. We would aim to get at least 1 day of filming at £500 from the venue

### **10. Heritage Centre**

#### **Description**

Continued use, and development, as a Heritage Centre, as well as inclusion within heritage tours/walks of the town. To be developed on a Partnership basis.

#### **How it benefits the community**

Increase the public's awareness of the important architectural heritage in Wisbech. Keeps people in the town longer which will bring money into the towns shops and services.

#### **Income**

Donations, opportunities for retail sales/commission, charges for special events/exhibitions. The income from this

has been included in other incomes such as Lilian Ream, income from donations etc

## **11. Garden**

### **Description**

Use of garden for events (plays, concerts, fairs, private hire)

### **How it benefits the community**

Increase the community's access to cultural activities such as music and open air theatre. Adds an additional green/open space in the centre of town.

### **Income**

Charge admission fee to cover any costs of event.

Elgood's Jazz £10

Peckover charge £12-£15/ticket for their concerts

Commercial hire of garden could be similar fees to civic ceremonies

We have included the income from the garden in the figures for events and donations

## **12. Gift Shop**

### **Description**

Heritage gift shop

### **How it benefits the community**

Local history and heritage and commercial income. Outlet for local products and crafts

### **Income**

We estimate 3k based on other locations

## **13. Tours of the dungeons**

### **Description**

Set out each area of the dungeon as what it has been used for throughout history such as a wine cellar, place for prisoners of the gunpowder plot, a place of religious pilgrimage etc to create a tourist attraction.

### **How it benefits the community**

History and heritage. Another tourist activity, attraction within Wisbech.

### **Income**

Entrance fee would need to cover costs to staff it.

One of our councillors has been researching and found a number of pots she believes we can tap into to fund the building of this. This is likely to take time to build and develop and so we would not see any income in year 1

## **14. Festivals (e.g. beer festival)**

### **Description**

Themed event.

### **How it benefits the community**

Another tourist activity, attraction within Wisbech.

### **Income**

Approximate we can easily generate £2500 in entrance fees and sponsorship based on evidence from successful festivals that we already run.

## **15. Holiday accommodation**

### **Description**

Unique selling point of Wisbech Castle as a holiday let (such as those properties offered by landmark Trust)

Short-term lets allowing for use by the community during the year for other uses.

Building originally residential

### **How it benefits the community**

Another tourist activity, attraction within Wisbech.

Opportunities to work in partnership with Museum, OHBH, Angles Theatre for themed/activity holidays.

Possibility of working in partnership with established heritage property letting (Landmark Trust).

### **Income**

Landmark Trust fees 4 nights approx. £230 - £300

Peckover Coach House 4 nights approx. £300 - £600

However would take time to get off the ground and advertise as well as needing to buy furniture to kit it out.

Because of this likely to only achieve £2000 in the first year

**This list is not exhaustive but is worked up ideas that we have had from the beginning. The committee in charge of running the castle would need to adapt or vary these to ensure the successful running of the building**

# Section Five

## **Management of the Building**

---

### **Management options**

WTC looked at a number of Management options in the interim business case and discounted a number for the following reasons:

- A. WTC works with Cambridgeshire Cultural Services (CCS) to see what options CCC has internally, with the potential of CCS taking over the management of the castle and working in partnership with WTC to deliver other activities:**

There seemed no real appetite for this option from CCC and it did not deal with any of the issues regarding repairs

- B. WTC leases the castle from CCC, takes on the repair liability and manages all activities within:**

This seemed the best option as it gives WTC control over an asset that they have taken responsibility of. This option does need to be slightly varied as it is a big ask for WTC to take over liability with no help and this is where the suggestion of a loan from CCC comes in

- C. WTC assists in the formation of a trust to take over the freehold of the castle and the repair liability and manage all activities within:**

This option was discounted as it lacks accountability and transparency and is a big risk for WTC

- D. WTC leases the Castle, take on the repair liability and leases the premises to a consortium of businesses and community groups which run the activities on a for profit basis on the provision that they pay rent to WTC and pay for the employment of a member of staff to manage the building:**

Whilst this represents probably the most risk adverse option for all parties it is far harder to set up and organise.

- E. **WTC takes over the freehold of the castle and the repair liability and tender for a community organisation to take over the management of the building, employment of staff, supervision of repair, fundraising and organisation of activities. If a profit was made WTC could have a share:**

As WTC are taking all the risk and would be expected to step in if the group failed there is no incentive for the group to do well. This represents too great a financial risk to WTC and CCC do not appear to want to give transfer the freehold at nil cost and so this option was discounted

It is best to go with Option B and we would be looking to have a separate committee of the Town Council whose sole job is to manage the Castle. This would be made up of Councillors as well as other interested parties.

# Section Six

## Potential Risks, Issues and back-up plan

---

### Issues/ Risks

**Disability Access** – The castle currently has no disability access. We would have to look at how we can address this and this is likely to incur a large cost

**Business rates** – If we become too commercial the business rates may change and a significant rise could prove problematic

### Back Up Plan

#### Short-term plan:

Do have some reserves to cushion us whilst setting up and can also precept to meet any unexpected costs. WTC also have the ability to put its precept up to meet costs if necessary as Parish/Town councils are currently uncapped

#### Long-term plan:

In long term if there was a break clause CCC could have asset back to sell if didn't work, however we hope that this won't happen and that the project will be a success.



**Wisbech Castle – Investigating Options**

Activity	Comments
School visits/lessons	<p>Schools have limited / no budget activities that are not linked clearly with curriculum or part of planned cultural / learning outside of the classroom experiences. There is great competition for this small school budget with residentials, outdoor learning, museums, large scale parks and other national events.</p> <p>Previous numbers of use by schools via the CEES were low making it difficult to forecast a viable income stream from this. The activity was heavily subsidised by CCC in the past.</p>
Educational visits/lessons	As above.
Music Hub	<p>Cambridgeshire Music is not interested in being a tenant.</p> <p>CCC cannot financially support retaining the building for Cambridgeshire Music.</p>
<p>Weddings</p> <p>The castle has previously been used for weddings and is a lovely venue</p>	<p>This appears to be the option with the most potential to be commercially viable, although a lot of work would need to be done. WTC would have to carry out a more detailed analysis of this option and forecast its financial viability. Due to the very low number of weddings carried out in the past, it would not be financially viable on those figures (10 in the last year).</p> <p>It is worth noting at this stage that the previous usage of the Castle was not marketed for weddings and only delivered some wedding events when approached. More active marketing and setup of the building to host such events may see better usage. We have been unable to ascertain figures from the Registration Service regarding where people from Wisbech are going to get married that would allow us to make a demand projection. This is because the system they use is a national database that does not allow for this data to be extracted. Further market analysis and surveying of citizens, especially those giving notification of marriage, could be undertaken.</p> <p>We have looked into the possibility of using a semi-permanent marquee to expand capacity. To date, we are yet to receive any responses from the marquee companies but will forward necessary details upon receipt. FDC has been unable to provide any information about planning permission; stating that they would only be able to respond to a planning application and not give any speculative information.</p> <p>Given the state of the kitchens. Outside catering should be explored as an option if taking this forward. The venue would need to be updated and heavily marketed.</p> <p>If this option was to be investigated further by WTC, consideration should also be given to its use for other functions e.g. parties, wakes, events, garden visits etc.</p>

Public access to the Castle and Gardens as a tourist attraction	Unable to forecast this as a financially viable standalone option due to limited data on footfall and tourist numbers in the area. Query limited passing trade. Would tourists pay enough per visit or via a membership to cover operational and maintenance costs (circa £12k-15k using data from 2015/16 and 2016/17 NB this does not include staffing and material costs)
Tourist Information Centre	As above, felt unlikely due to location and footfall/traffic. WTC would need to investigate this option further.
Exhibition space Arts/photography/crafts	Unable to forecast this as a financially viable standalone option. Query limited passing trade and impact / relationship required with the nearby museum.
Lilian Ream	Unable to forecast this as a financially viable standalone option. Query limited passing trade.
General hire of rooms/space for learning/counselling/advice sessions	There is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding venue. Note that general hire of rooms was the mainstay of the previous model alongside two other centres in Cambridgeshire. The Castle was subsidised heavily by the other two centres in Trumpington and Huntingdon due to lack of use/interest.
Hire of specific rooms for organisations to be based in.	See above.
Traditional Victorian Tea Room	Unable to forecast this as a financially viable standalone option. Query limited passing trade. More data is needed to understand whether this is a reliable option. The business would need to fund current operational and maintenance costs in addition to staff and material costs, relevant certification, food safety, etc. It is felt at this time that due to location, the lack of footfall traffic and immediate parking may result in low trade. Note that other cafes or public space in other buildings, eg, Boathouse, are not reaching the desired level of custom.
Themed banquets/dinners	There is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding venue.
Location for filming	This option was discounted in our initial meeting with Cllr Hoy and Terry Jordan.
Continued use, and development, as a Heritage Centre, as well as inclusion within	There is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding or destination /events venue.

heritage tours/walks of the town	
Craft events and fairs	There is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding venue. Consideration needs to be given as to the frequency of events and fairs to pay for the 365 days a year costs.
Events in the garden	There is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding venue.
Gift shop	Unlikely. WTC would need to investigate this option further. However, there is a possibility that this could be an additional use for parts of the castle if its main use was as a wedding venue.
Residential accommodation	This option was discounted in our initial meeting with Cllr Hoy and Terry Jordan.
Tours of dungeons	This option was discounted in our initial meeting with Cllr Hoy and Terry Jordan and not relevant to phase one.
Holiday Accommodation	This option was discounted in our initial meeting with Cllr Hoy and Terry Jordan.



**COMMERCIAL ACQUISITIONS STRATEGY**

*To:* **Commercial and Investments Committee**

*Meeting Date:* **28<sup>th</sup> July 2017**

*From:* **Deputy Chief Executive and Chief Financial Officer**

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

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

*Purpose:* **This report seeks to establish the Committee's appetite for acquiring commercial assets as a mechanism for delivering financial returns. Such returns would be used to mitigate the financial challenges facing the Council and thereby reduce the impact on services provided to Cambridgeshire residents.**

*Recommendation:* **It is recommended that:**

- a) The Committee endorses the Strategy as set out in the Appendix;**
- b) General Purposes Committee be requested to agree the proposed governance arrangements.**

<b><i>Officer contact:</i></b>	
Name:	Chris Malyon
Post:	Deputy Chief Executive and Chief Financial Officer
Email:	<a href="mailto:Chris.malyon@cambridgeshire.gov.uk">Chris.malyon@cambridgeshire.gov.uk</a>
Tel:	01223 699796

## 1. BACKGROUND

- 1.1 The financial challenges facing the Council are well known. In order to mitigate the implications on the services that the Council provides to its communities the Council is attempting to transform the way it delivers those services. It has also agreed that it should create a more commercial culture in the way that it does business. At its meeting in May 2017 the Council agreed to add more focus to the role of the Assets and Investment Committee by extending the focus of the Committee and by giving it a new name to reflect this.
- 1.2 The newly named Commercial and Investment Committee now has additional responsibilities to drive all commercial opportunities, not just those related to property transactions, but all aspects of a wide and diverse portfolio. The Council established the Cambridgeshire Housing and Investment Company primarily to deliver a housing investment programme in order to create a significant revenue stream for the Council.
- 1.3 The Committee has reviewed a couple of ad-hoc investment opportunities but although these opportunities consumed a significant amount of Officer and Member time in their consideration, they did not result in an acquisition. Part of the reason for this was caused by the fact that the Committee had no structure, or framework, within which to consider the proposals. If there is an appetite to consider acquisitions in order to create a broad and diverse portfolio then there must be a commercial framework and governance arrangements within which the Committee and Officers can operate.

## 2. MAIN ISSUES

- 2.1 The **Appendix** to this report proposes a strategy with which the Committee can incrementally develop a portfolio of investments. The strategy establishes a rationale for why the Council should seek to make such investments, the risks associated with this approach, and proposes a governance framework that will facilitate fast decision making, which can often be an essential requirement of a potential acquisition.
- 2.2 The draft strategy covers a number of potential issues for the consideration of the Committee including:-
  - Risk appetite
  - Risk mitigations
  - Funding acquisitions
  - Delivery vehicles
  - Acquisition resources
  - Delegated decision making/governance arrangements
- 2.3 What is clear is that the Council cannot develop a broad portfolio without some professional support. This support will be required whether the Council develops an investment portfolio within its own balance sheet or whether it does so through the Council's Housing and Investment Company, as it will be the financing vehicle for the latter.

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

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

Whilst this corporate priority is not a key driver for the development of an acquisitions strategy it is likely that a by-product of developing a commercial portfolio will be the continued success of the local economy.

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

No significant implications

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

No significant implications

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

There are no direct resource implications arising from this report. However if the Committee agrees to the Commercial Acquisitions Strategy it will lead to the development of individual investment proposals. Each proposal will contain significant resource implications and financial risks but each proposal will be individually evaluated.

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

No significant implications

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

The legal and risk implications of developing a commercial acquisitions strategy are set out within the Strategy.

#### **4.4 Equality and Diversity Implications**

No significant implications

#### **4.5 Engagement and Communications Implications**

No significant implications

#### **4.6 Localism and Local Member Involvement**

No significant implications

#### **4.7 Public Health Implications**

No significant implications

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Chris Malyon
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	Yes Name of Financial Officer: Chris Malyon
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	Yes or No Name of Legal Officer:
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	Yes Name of Officer: Chris Malyon
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes or No Name of Officer:
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Yes Name of Officer: Chris Malyon
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Name of Officer: Tess Campbell

## **SOURCE DOCUMENTS**

<b>Source Documents</b>	<b>Location</b>
<b>Minutes of May 2017 Full Council</b>	<a href="#"><u>Link to Council minutes</u></a>



# Commercial Acquisitions Strategy

## 1. Introduction

- 1.1. The financial challenges faced by the Council have been well documented. Reducing central funding coupled with growing demand for services has resulted in the Council having to look innovatively at everything it does. The Council established the Assets and Investments Committee during 2016 to drive a more commercial approach within the organisation and to deliver better financial returns from its property and asset holdings. Following the elections in May of this year the Council agreed to extend the remit of the Committee.
- 1.2. The remit of the Committee now includes driving all aspects of the Council's commercial agenda. As a consequence the Committee have agreed that as part of this programme it will develop a strategic approach to commercial acquisitions. Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds the rationale for engaging in such activity should be clear. The Council is not intending to invest in commercial activity for the sake of it but to mitigate against the implications of increasing budgetary pressures. The Council will not meet the financial challenges it faces through transforming services alone. The approach will require a mix of transformation, additional revenue sources, and a reduction in service levels. By focussing resources on the first two, the need to utilise the latter option will be minimised.
- 1.3. This report sets out a framework and a set of processes within which commercial acquisition decisions can be made. Whilst some may question whether this is appropriate, we are clearly not the pioneers in this field. A recent survey undertaken by Localis showed that entrepreneurial activities currently make up 6% of council budgets. However respondents indicated that by 2020 this figure will rise to 18% - a sum potentially worth upwards of £27bn. It was estimated that this would generate up to £2bn of additional income each year; a sum equivalent to £100 off each 2019/20 council tax bill.
- 1.4. Furthermore locally we know that at least Cambridge and Peterborough City Councils, and Huntingdonshire District Council have been undertaking such acquisitions for some time. This does of course mean that local authorities could well end up competing against each other for the same opportunities thereby potentially pushing up the purchase price.

- 1.5. The following is an extract from the July LocalGov publication which further re-enforces the quantum of commercial investments being undertaken by local authorities as means of negating the financial challenges faced by the sector:

**Councils spent £1bn on property assets last year to boost income**



**Local authorities spent more than £1bn acquiring property in 2016 as a way of generating new revenue, according to a new report published today.**

The report, published by APSE and the Chartered Institute of Public Finance and Accountancy (CIPFA), shows that more councils are purchasing property for investment purposes. It shows how some councils are using this revenue to support public services, with a small number arguing it will allow them to become fully independent of national grant funding.

- 1.7 Whilst we are not at the forefront of using commercial investments as a means of mitigating the financial challenges we face, it is important that the approach is aligned to the Council's corporate objectives. The following paragraphs summarise references within the Council's key strategic documents that provide the assurance that it is.

## 2. Strategic Framework

- 2.1 The Council's overarching strategic approach is set out in the Council's Strategic Framework. The Council's overarching vision is to create the right environment where every resident is proud to refer to the county as a great place to call home.

**Our vision is: Making Cambridgeshire a great place to call home**



**Our Strategic Priorities:**

- Developing the local economy for the benefit of all
- Helping people live healthy and independent lives
- Supporting and protecting vulnerable people.

- 2.2 Developing the economy for all is one of the three strategic priorities within the Strategic Framework. Whilst this strategy may support this priority, it is not the key rationale for it. Recognising that with a growing, and ageing, population the demand for Council services is only going to increase at a time when central government resources are reducing, the Council needs to seek alternative revenue streams in order to support its strategic outcomes.

### 3. Medium Term Financial Strategy

- 3.1 In the face of these challenges the Council launched a transformation programme in 2016. This was supported with £20m of pump priming resources in order to secure the investment and capacity required to deliver it. The overarching programme was to deliver over £100m of revenue savings over the life of the medium term financial strategy.

CROSS CUTTING PROGRAMMES (6-11)	VERTICAL PROGRAMMES (1-5)				
	1. Adult services	2. Children's services	3. Environment, transport & economy	4. LGSS & CCC Phase 1 – IT & digital	5. Public health
6. Finance & budget review	✓	✓	✓	✓	✓
7. Customers & communities	✓	✓	✓	✓	✓
8. Assets, estates & facilities management	✓	✓	✓	✓	✓
9. Commissioning	✓	✓	✓	✓	✓
10. Contracts, commercial & procurement	✓	✓	✓	✓	✓
11. Workforce planning & development	✓	✓	✓	✓	✓

The programme contained a number of themes to assist focus and prioritisation. One of these themes included creating a more commercial culture within the organisation and using the council's ability to influence markets to reduce the overall operating cost base of the Council.

- 3.2 As a consequence commercialism has been introduced as a key enabler for the delivery of the programme, alongside income generation and asset utilisation. Commercialism can mean slightly different things to different people. This will range from how the Council generates income to alternative delivery vehicles to the acquisition of business opportunities.
- 3.3 There are a number of reasons why the Council should agree a commercial acquisitions strategy:-
- This is not an activity the Council has previously engaged in
  - The Council does not have the internal expertise/experience in this area
  - It has become a very competitive market place
  - The Council would need to borrow to finance the acquisition costs
  - Business failure will be a Council reputational risk
  - The on-going economic success of tenants is beyond the direct control of the Council

- To provide a clear framework within which investment decisions can be made

3.4 In addition to setting out a strategic framework this document also proposes a set of governance arrangements. These are intended to mitigate the potential risks associated with developing a portfolio of this nature whilst ensuring that agile decisions can be made.

#### **4. Objectives**

- 4.1 The objectives of the investment portfolio can be set out quite succinctly:-
- Acquire properties that provide long term investment to support the delivery of the Council's corporate objectives
  - Delivery of a portfolio which balances risk and rewards aligned to the Council's risk appetite
  - Prioritise properties that yield optimal rental growth and stable income
  - Protect capital invested in acquired properties

#### **5. Legal Powers**

- 5.1 The legal powers available to a local authority to create an income stream through investment in commercial property can be analysed in three ways:-
- the power to invest
  - the power to borrow
  - the power to undertake an activity for a commercial purpose

##### **5.2 Power to invest**

- 5.2.1 Pursuant to the powers set out in s.12 Local Government Act 2003, the Council may invest either for:  
*"any purpose relevant to the Council's functions under any enactment", (s. 12(a))*

or

*"the purposes of the prudent management of its financial affairs" (s. 12(b))*

- 5.2.2 The power to invest given in s.12 should in principle include the power to invest in commercial property. However, the power to invest in commercial property must be used either for a purpose relevant to a function of the Council, for example the regeneration of an area, for economic development outcomes, or for the prudent management of the authority's financial affairs. Investing purely to create a return is not viewed as a function of an authority.

- 5.2.3 It is therefore important that the primary objective of the strategy is to support the strategic objectives of the Council. It is also important to ensure that public funds are not exposed to unnecessary or unquantified risk. Clearly any investment can decrease, as well as increase, in value and therefore it is imperative that the Committee establishes a robust framework against which individual opportunities can be assessed.
- 5.2.4 In exercising the power to invest under s.12(b) a local authority should have regard to the CLG Guidance on Local Government Investments. The Guidance advocates the preparation of an investment strategy which the Council will be expected to follow in its decision making process unless a sensible and cogent reason is articulated for departing from it.

### **5.3 Power to borrow**

- 5.3.1 Section 1 of the Local Government Act 2003 gives each local authority a power to borrow money for:
- (a) any purpose relevant to its functions under any enactment
  - (b) the purposes of prudent management of its financial affairs provided it does not exceed its affordable borrowing limit under s.3 Local Government Act 2003 (s.2(1) and 2(4))
- 5.3.2 These powers mirror those in s.12 Local Government Act 2003 referenced above.
- 5.3.3 The powers within the LGA 2003 are unlikely to be considered wide enough to permit local authorities to borrow to invest purely in order to benefit from a financial return. However, the Localism Act 2011 was drafted to encourage councils to develop new and innovative business models. This legislation gives councils the General Power of Competence, which means a local authority has powers to do anything that “for the benefit of the authority, its area or persons resident or present in its area”. The power does not enable an authority to carry out activities that were not permitted by legislation in force before the Localism Act 2011.

### **5.4 Commercial activity**

- 5.4.1 The General Power of Competence may allow an authority to invest in property for a return but this activity is likely to be characterised as an activity for a commercial purpose and cannot therefore be undertaken directly by the authority (s.4 Localism Act 2011). It may be pursued through a company formed for that purpose and being within the meaning of S.1(1) Companies

Act 2006. There will be attendant corporation and income tax liabilities which will need to be addressed in a business case. The formation of a company requires the preparation of a thorough and detailed business case and these and other considerations such as the financing of the company and any state aid issues would need to be addressed in that document.

## **6. Funding**

Commercial acquisitions are treated as capital expenditure. There are a number of ways in which items of capital expenditure can be funded:-

### **6.1 Revenue Contributions to Capital Outlay**

- 6.1.1 This requires a direct charge to revenue. Given the Council's overall financial position this would require further savings to be identified within the revenue budget to the same value as the charge and therefore this funding route is not a realistic option for the Council.

### **6.2 Reserves**

- 6.2.1 This would involve the use of non-earmarked reserves. The General Reserve is operating at the minimum level agreed within the Medium Term Financial Strategy and therefore cannot be utilised for this purpose. The Council could use the Transformation Fund but this would remove the ability to use this resource to fund pump priming operational transformation. If the entire Transformation Fund was used the additional revenue generated would only create a revenue stream of around £1.25m, albeit the Council would retain ownership of an asset with a value of £20m.

### **6.3 Capital Receipts**

- 6.3.1 Until relatively recently the Council used to sell assets that became surplus to operational need. This created a pipeline of useable capital receipts that were used towards funding of the capital programme thereby reducing the need to borrow. For the last two financial years the Council has retained ownership of surplus assets rather than dispose of them and has sought to create revenue streams from their use instead – Castle Court being the highest profile of such examples. Occasionally the asset is not appropriate for redevelopment, or leasing, and in such cases these assets are sold.
- 6.3.2 On this basis it would appear that there is little opportunity for funding new acquisitions through the use of capital receipts. However the Council will shortly start to sell assets to Cambridgeshire Housing and Investment Company (CHIC). This will generate useable capital receipts for the Council

albeit these will not be cash backed sales. The assumptions within the Business Plan are that these receipts will be used to support the existing capital programme and thereby reduce the level of additional borrowing, rather than prudential borrowing, to fund the capital programme. However they could instead be used to finance the cost of commercial acquisitions. The net impact on the revenue budget will be the same as new borrowing to fund the cost of the capital programme, as would otherwise have been the case.

- 6.3.3 There is however some logic to using capital receipts for the funding of new commercial acquisitions from the sale of assets to CHIC as the Council would be acquiring new assets on its books to replace those sold.

## **6.4 Borrowing**

- 6.4.1 The other source of funding is borrowing which is predominantly undertaken through the Public Works Loan Board. It is likely that any debt associated with that investment would need to be defrayed to revenue over the economic life of the asset. Any residual profit or loss on disposal would then be taken to revenue at that point. This point is currently being evaluated in more detail as it would be in the Council's interests not to have to charge minimum revenue provision (MRP) on any debt taken to support commercial acquisitions.

## **6.5 Use of a separate vehicle**

- 6.5.1 CHIC was incorporated as a company to enable it to trade in commercial investments as well as housing. The Council could therefore use this as the delivery vehicle. As with the housing development programme the Council would finance the acquisition through the form of a loan and would gain a margin on the level of interest charged.
- 6.5.2 Each acquisition would be subject to a loan application that the Committee would need to approve and would include similar due diligence/governance requirements as if it were the Council acquiring the asset. CHIC would need to establish a separate company and thereby create a Group structure as the tax implications will be different than that for housing development. Any profits generated by the Company would of course be subject to corporation tax, however given the debt gearing of the vehicle this could be minimised.
- 6.5.3 The Council could of course set up a completely different vehicle and this matter is set out in more detail below.

## **7. Delivery Options**

- 7.1 There are a number of differing vehicles that the Council could use to deliver the commercial objectives of its acquisition programme. A summary of these are summarised below:-

### **7.2 Investment Funds**

- 7.2.1 The Council could invest in a property fund which could either be listed, or unlisted. This would involve a cash investment in a fund managed by a third party. The Council would establish an acceptable risk profile and would then select a fund that matched the outcome requirements for the investment. Having made this selection and agreed the cash investment the Council thereafter would have no direct engagement in the investment process. The fund manager would report and pay distributions to the Council on a regular basis.
- 7.2.2 The benefits of this approach are that risks are spread across a wide range of investments thereby minimising concentration risks. It requires less direct Council management intervention and accumulates revenue from the point of the investment.
- 7.2.3 Disadvantages of this approach are that generally the funds are relatively illiquid particularly in market downturns (less so for listed funds). The fund manager takes a management fee which reduces the overall return on the fund. The Council could not use the fund to support any other corporate objectives. Listed funds generally have a lower net yield compared to directly managed portfolios.

### **7.3 Acquisitions**

- 7.3.1 In this situation the Council would acquire and manage freehold or long term leasehold properties. The Council would engage the services of a commercial property expert in order to identify market opportunities. An agile governance for considering proposals would be implemented and individual proposals would be processed through those arrangements. The Council could use advisors to undertake robust due diligence and complete sale documentation. On-going management arrangements would be put in place and these could either be internal or outsourced arrangements.



- 7.3.2 The benefits of this approach is that the returns are likely to be in excess of fund arrangements. Revenue would be generated from the point of acquisition and with proper due diligence risks are mitigated. There is a reasonable level of liquidity and management costs are relatively low.
- 7.3.4 The disadvantages are that the Cambridgeshire market generates relatively low returns due to competition and security of tenure which will mean looking further afield to generate higher returns. At least initially, there will be a concentration risk until a diverse portfolio is developed.

## **7.4 Development**

- 7.4.1 In this scenario the Council would either carry out development itself or enter into an agreement with a developer to fund all or part of a development. This could be enacted as a direct commercial arrangement with a developer or could be delivered via a joint venture arrangement. Working in conjunction with a developer an opportunity would be identified. Risk and reward arrangements would be established and agreed with the developer. In a JV scenario the level of risk would mirror the level of reward that each partner will derive. This would normally be 50:50 however other scenarios could be developed. If the Council were to develop the investment itself and simply seek a provider to construct to a defined specification, it would of course not share any of the benefits – but neither would it share any of the risks.
- 7.4.2 The benefits of this type of commercial arrangement are that the developer could bring skills to the arrangement that the Council does not hold internally. The investment should deliver a premium over and above straight investment however it therefore carries with it proportionately greater risk. Selecting the right development partner is essential for success. Self-development would bring greater financial rewards and would ensure that the Council remains in control of the development. However the Council would need to invest to ensure that it had the right skills and capacity to manage such an investment programme as these do not currently exist within the Council.
- 7.4.3 The disadvantages are that revenues are only accrued once the development has been completed. Land acquisition and other costs will be incurred long before any revenue stream commences. There is very low liquidity during construction and diversification of portfolio would be low. The self-development route would expose the Council to procurement and construction risks which would need to be mitigated by the 'buying in' of the appropriate and necessary skills.

## **8. Budget Provision**

- 8.1 If the investment is made direct by the Council (as opposed to through a different vehicle) the acquisition must be treated as a capital cost and should therefore form part of the capital programme. Members will be aware that where capital expenditure is funded through borrowing that debt has to be defrayed through the revenue account by a charge known as minimum revenue provision. The Council has an agreed policy on the period that loans are discharged based on different asset classes which it reviews on a periodic basis. As these assets would be acquired as investment, rather than for operational purposes, it was considered whether the same rules applied. Although we do not yet have a conclusive position on this issue it would appear that the same rules do apply – albeit the period of the defrayment could be over an extended period given the nature of the asset class.
- 8.2 As the Council is ‘selling’ land to CHIC in order to develop the housing portfolio it will be receiving significant capital receipts from the Company over the coming years. Although these are not cash backed receipts they do convey with them capital spending power. This would enable the Council to use these funds to support the commercial acquisitions thereby avoiding the need to charge MRP in relation to acquisitions funded in this way. Whilst this would enable the full return on capital to be recognised in relation to these specific investments, the Council’s Business Plan forecasts have already assumed that the receipts generated through sales to CHIC will be used to reduce the amount of notional debt incurred in delivering the overall capital programme.
- 8.3 The net effect is that the actual net revenue Business Plan benefit will have to take into account debt repayments, which make the returns very low.
- 8.4 The other mechanism for acquiring assets would be to undertake the acquisitions through a different vehicle. This could either be through CHIC or through the establishment of a separate vehicle. This would enable the Council to provide loans to the Company to acquire the assets and would enable the Council to gain a margin on loans incurred and loans charged. This will however restrict the net benefit to the revenue account to the margin on the loan – which effectively will be around 3%. The Company will not need to defray the debt to revenue in the same way, as the Council does and can deal with any debt and changes in value of the asset on disposal. The Company would of course be subject to corporation tax but would be able to benefit from tax allowances associated with major investments in the fabric of the building during its ownership of the assets.

- 8.5 The impact on the Council's net revenue budget is very similar whichever route is taken. Therefore to make any significant impact on the Council's overall financial position the Council will need to invest heavily. Based on a margin of 3% the Council would need to invest £0.5bn to generate an annual revenue benefit of £15m.
- 8.6 There is currently no provision within the current capital programme for such acquisitions. As the level of acquisitions could not be predicted with any accuracy in advance it would be impossible to include an accurate assessment of the potential investments within the capital programme. Therefore some form of blanket cover would be required without any specific revenue cost/income associated with the acquisition. This is probably more effectively managed through retrospective Business Plan adjustments but will need to be supported by appropriate governance approvals which are dealt with below.

## **9. Governance Processes**

- 9.1 The decision to invest public funds in commercial acquisitions is one that should not be taken lightly. Any investment carries with it a degree of risk and the level of returns are directly proportionate to the risk of the investment made. Balancing risk and reward is dealt with elsewhere in this Strategy. Whilst it is important to ensure that due and proportionate governance is followed, the market for commercial investments is such that agile decision making is also important. This is particularly the case where the Council wish to acquire commercial opportunities before they hit the market and thereby avoid bidder competition which tends to escalate the sales price.
- 9.2 There is a fine balance in ensuring appropriate due process has been undertaken and not having governance requirements that result in opportunities being missed. As a consequence it is unlikely that any acquisition proposals could be considered within the democratic cycle of meetings.
- 9.3 If the Committee agree to the principle of investing in commercial opportunities it will need to agree how any such proposals can be considered, evaluated and pursued within an agile, yet transparent and accountable, framework.
- 9.4 It is clear that the Council will need to work with a partner organisation in developing the portfolio. Officers have neither the skills nor capacity to access market opportunities. There are many professional advisors in the market and if this strategy is agreed, a working group of the Committee will be established to appoint a provider of services.

- 9.5 Having considered the issues set out in this strategy it is proposed to establish a tiered decision making process as follows:-

<b>Investment/Loan Value - £m</b>	<b>Decision Making Arrangements</b>
Less than £10m	Deputy Chief Executive/CFO in consultation with Chairman of Commercial and Investments Committee
Greater than £10m but less than £25m	Commercial & Investment Committee Investment Working Group
Greater than £25m but less than £50m	Commercial and Investment Committee
Greater than £50m	General Purposes Committee

- 9.6 The Commercial and Investment Committee Investment Working Group would be proportionately representative and therefore it is suggested that it be a membership of five Members (3 Conservatives, 1 Liberal Democrat, and 1 Labour Member). The meetings of the Group could be undertaken virtually if circumstances deemed it necessary.

## **10. Managing Portfolio Risks**

- 10.1 The structure of a property portfolio has a significant bearing on the portfolio's inherent risk and return profile. A key objective of the portfolio strategy is to create diversification within the portfolio in order to manage exposure to the risks of concentrating too much activity in any particular sector. Risks in the portfolio can be categorised in a number of ways. The following highlight the key risks of a portfolio of this nature.

### **10.2 Income Risk**

- 10.2.1 The main risk in a commercial portfolio is tenant vacancies and the resultant loss of income. The costs of holding a vacant property include non-domestic rates, insurance, utilities, security, inspections and management. In addition, there would be the cost of marketing the property, the agent's disposal fees and legal fees for completing the lease documentation for re-letting the premises.

### **10.3 Yield Risk**

- 10.3.1 The aim of the majority of investments is to provide a secure return on income. The Council will manage its commercial property as a single portfolio, ensuring that the collective returns achieved on the investments

meet the overall financial target that is set. It is therefore important that any purchasing decisions also contribute positively to the performance of the portfolio, both financially and in minimising the overall risks.

#### **10.4 Concentration Risk**

Concentration risk can be categorised into a number of constituent risks:

- 10.4.1 **Sector Concentration:** The main property sectors are retail, office, industrial and leisure/healthcare. The portfolio will aim to spread its investment across the sectors to limit exposure to any volatility in a particular area. Like geographic diversification, industry diversification must be sensitive to the diversification requirements of the overall portfolio. The value of industrial real estate holdings is sometimes adversely affected by changes in environmental legislation, and such holdings should probably be limited in overall investment portfolios.
- 10.4.2 **Geographical Concentration:** As this strategy is being driven by investment return, the need for the acquisition to be in Cambridgeshire is not an issue. The strength of the investment opportunity will dictate the wider locations which may be considered, as opposed to the location being the driving force. It is important for the Council to understand the future economic viability of localities which will be influenced by a number of local and national economic factors. For example future major transport infrastructure investment could significantly influence the economic viability of an area and therefore the future value of investments in that locality. Engaging the services of an expert will therefore be an essential prerequisite of the strategy.
- 10.4.3 **Property Concentration:** Diversifying a real estate portfolio by property type is similar to diversifying a securities portfolio by industry. Different property types cater to different sectors of the economy. For example, office property generally responds to the needs of the financial and services-producing sectors; industrial property to the goods-producing sectors; retail property to the retail sector; and hotels to the travel and tourism sectors, employment growth, and the business cycle. Understanding the return and risk factors attendant to different property types requires understanding the factors affecting each property type's user groups.
- 10.4.4 **Tenure Concentration:** The portfolio can be managed to ensure that it contains a broad spread of tenants. This analysis can be driven by credit ratings, nature of business, lease length, and the value of the leaseholds. It is important to evaluate tenant credit ratings according to the senior corporate debt of the lessees. Leases can be compared with regard to their

length (including renewal options), which may vary considerably, typically from ten to twenty years.

## **10.5 Due Diligence**

10.5.1 The risks associated with a specific investment are mitigated by carrying out robust due diligence of the individual acquisition. This process includes the following activities:

- Valuation
- Market conditions
- Covenant strength
- Terms of leases
- Structural surveys
- Future costs
- Other issues

## **11. Property Management**

11.1 Management of Property: Properties with fully repairing and insuring leases shall be sought as a preference for investment, in order to minimise the cost of management and maintenance. Exceptions could be made for properties that are purchased for specific development or planning reasons. In order to minimise management overheads, use of an external property management firm would be considered to handle the day to day operational issues with the portfolio, particularly for properties which are outside the county.

11.2 Tenure: Assets acquired with tenants in place may be subject to sub-leases granted within the security of tenure provisions of the Landlord and Tenant Act 1954. This may be less attractive if assets are purchased for future development possibilities as ending the tenancies will require the Council to satisfy one of the grounds under the Act to take back possession. Conditions of tenure will therefore be a further important consideration in any investment decision.

11.3 “Exit Strategy”: There will be a need in the future to dispose of property investments. This may happen because of the need to return the investment to cash for other purposes, or it could be due to poor financial performance of a particular property, etc. So, while it is likely that the majority of investments will be held for a medium to long term in order to achieve the required return and to justify the cost of the acquisition, it is important to understand the opportunities to dispose of any investment at the outset. Therefore, as part of the investment decision, consideration must be given to the potential ways in which the Council could “exit” from the investment,

such as sale to another investor, sale for redevelopment, etc. An investment would only proceed where there is a clear exit strategy, should it be required

## 12. Market Conditions

**UK PROPERTY INVESTMENT YIELDS | JUNE 2017**

- The UK general election campaign did not unduly affect markets, and the longer term consequences of the election result and Brexit negotiations are still to be resolved. The markets will be watching closely to see how the new Government settles down over the coming weeks.
- There are still more buyers than sellers for good quality properties, with the industrial sector remaining the star performer due to robust rental growth prospects. The secondary retail sector remains under pressure.

	June-16	Sept-16	Dec-16	Mar-16	June-17	Trend
<b>HIGH STREET SHOPS</b>						
Prime	4.00	4.25	4.00	4.00	4.00	Stable
Good Secondary	6.50	6.75	6.75	6.75	6.75	Stable
Secondary	9.00	9.00	9.00	9.00	9.00	Weaker
<b>SUPERMARKETS</b>						
Prime (25 yrs, 3.5% pa cap RPI)	4.25	4.50	4.50	4.50	4.50	Stable
<b>SHOPPING CENTRES</b>						
Prime	4.50	4.65	4.65	4.65	4.65	Stable
Best Secondary	6.25	6.75	6.75	6.75	6.75	Stable
Secondary	7.25	7.75	7.75	8.00	8.25(8.00)	Weaker
<b>RETAIL WAREHOUSES</b>						
Park - Open A1 (inc fashion)	4.35	4.75	4.75	4.75	4.75	Stable
Park - Prime - Bulky User	5.35	5.50	5.50	5.50	5.50	Stable
Solus - Prime - Bulky User	5.75	5.75	5.75	5.75	5.75	Stable
Park - Secondary	6.75	7.25	7.25	7.25	7.25	Weaker
<b>LEISURE PARKS</b>						
Prime	5.00	5.00	5.00	5.00	4.85(5.00)	Stronger
<b>OFFICES</b>						
West End	3.50	3.75	3.75	3.75	3.75	Stable
City	4.00	4.25	4.25	4.00	4.00	Stable
M25/South East	5.25	5.25	5.25	5.25	5.25	Stable
Regional Cities	5.25	5.25	5.25	5.25	5.25	Stable
Good Secondary	6.50	6.50	6.50	6.50	6.50	Stable
Secondary	9.00	9.00	9.00	9.00	9.00	Weaker
<b>INDUSTRIAL</b>						
Prime Distribution	5.00	5.00	5.00	5.00	4.85(5.00)	Stronger
Prime Estate (GL ex HTW)	5.00	5.00	5.00	4.75	4.50(4.65)	Stronger
Prime Estate (Ex Greater London)	5.25	5.25	5.25	5.00	4.75(4.85)	Stronger
Good Secondary	6.25	6.25	6.25	6.00	5.75	Stronger
Secondary Estate	8.25	8.25	8.25	8.00	7.25(7.50)	Stronger
<b>FINANCIAL INDICATORS</b>						
Base Rate	0.50	0.25	0.25	0.25	0.25	↔
5 Year Swaps	1.10	0.53	0.95	0.89	0.81	↔
10 Year Gilt	1.28	0.65	1.38	1.22	1.03(1.11)	↓
RPI	1.30	1.90	2.00	2.50	3.50(3.10)	↑
CPI	0.30	0.60	0.90	1.80	2.70(2.30)	↑

**VALUED INSIGHT**  
Join our upcoming monthly index call as we provide a review of the key trends and performance of commercial property, considering potential challenges and opportunities for the real estate market. To find out more and register your interest [click here](#).

NB Prime yields refer to the equivalent yield for a prime (well specified, well located and well-tenanted) property let to financially strong but not Govt, on a lease with 15 years unexpired and open market rent reviews. Last month's figure in brackets if changed.

**CBRE**

The Council will need to develop a balanced portfolio of investments whichever delivery vehicle is used for the acquisition. This will include both geographical and market segmentation spread. The attached table sets out the relative performance of the various sectors over the last 12 months. The returns generated will vary geographically and will be influenced by the stability of the markets in those localities. We know for instance that Cambridgeshire is seen as a solid investment locality. Therefore proposals with good occupation and tenancy lengths are attractive to funds who are looking for long term security of investment – such as pension funds. This drives the purchase price up and the level of returns down.

- 12.1 This strategy focuses on buying new assets, some of which will be located in the county, and therefore will support local employment. However the local commercial market whilst generally offering low risk investments also offers low levels of returns which making those investments less attractive.

## 12.2 An example of this was highlighted in a recent article on retail centres:

Cambridge has been named the UK's best place to shop after rising through the ranks of Harper Dennis Hobbs' top 1,000 retail centres in the UK.

The retail specialist's Vitality Index measures the "retail health" of locations across the UK based on factors such as the vacancy rate, proportion of upmarket and value-led shops, the proportion of undesirable shops such as pawnbrokers and bookmakers.

These variables are also compared to the demographic composition of the centre's catchment area, with a greater score is given to areas whose retail mix is adapted to the local community.

In this year's report, which has been expanded to 1,000 from 500 centres last year, Cambridge jump six places to be awarded the UK's healthiest retail centre. The university town also came top of Lambert Smith Hampton's index released earlier this year of towns best placed to support economic expansion, further supporting these findings.

Vitality Rank	Centre	Prime Zone A Rental Rank (1 = Highest)	Market Size (Weighted Retail Expenditure)	Change Since 2014
1	Cambridge	20	£1,513,066,237	▲ +6
2	Westfield London	6	£2,192,438,446	▼ -1
3	Knightsbridge	3	£633,482,131	▼ -0
4	Chelsea	4	£764,265,134	▼ -2
5	Bluewater	9	£1,946,420,654	▲ +3
6	Wimbledon Village	164	£88,843,941	New Addition
7	Richmond	28	£404,623,870	▼ -0
8	Canary Wharf	10	£368,953,691	▼ -3
9	Marlborough	229	£113,319,198	New Addition
10	Bath	42	£1,328,625,901	▼ -2
11	Sloane Street	1	£206,106,322	New Addition
12	Westfield Stratford	5	£1,765,198,912	▲ +5
13	Reigate	200	£131,328,606	New Addition
14	London West End	2	£9,141,226,044	▼ -2
15	St Albans	73	£507,678,384	▲ +7
16	Berkhamsted	252	£113,697,055	New Addition
17	Edinburgh	38	£2,346,843,910	▲ +5
18	Kingston upon Thames	13	£2,107,118,547	▼ -0
19	Cobham	200	£101,534,196	New Addition
20	Cribbs Causeway	11	£1,126,748,715	▼ -1
21	Chiswick	99	£253,761,350	▲ +11
22	Brighton	34	£1,902,344,776	▲ +6
23	Hamgate	56	£826,855,386	▲ +3
24	Guildford	11	£1,385,378,484	▼ -7
25	Hemel Hempstead	150	£206,782,026	New Addition
26	Bristol - Clifton	229	£117,811,673	New Addition
27	Sherborne	228	£114,903,538	New Addition
28	Meadowhall	15	£1,741,402,629	▲ +4
29	Ilkley	190	£174,778,586	New Addition
30	Sevenoaks	289	£193,322,362	▲ +8
31	Chichester	62	£717,782,616	▼ -0
32	Islington - Upper Street	99	£501,574,370	▼ -6
33	Kensington	31	£685,114,699	▼ -14
34	Birmingham	19	£3,758,666,154	▲ +31
35	Leeds	28	£3,180,292,167	▲ +4
36	Muswell Hill	99	£142,886,468	New Addition
37	Tenterden	229	£103,728,550	New Addition
38	Glasgow	69	£4,260,877,222	▲ +30
39	Marlow	83	£174,047,714	▲ +7
40	Fulham Road	43	£213,427,596	New Addition
41	Willeslow	229	£197,659,173	▼ +2
42	St Ives (Cornwall)	371	£97,121,316	New Addition
43	Chester	34	£1,678,364,102	▼ -4
44	Hampstead	43	£89,398,650	▼ +1
45	Trafford Centre	8	£1,851,676,699	▼ -12
46	York	54	£1,396,332,968	▲ +4
47	Liverpool	26	£3,102,829,857	▼ -0
48	Oxford	38	£1,478,546,453	▼ -10
49	Lakeside	15	£1,683,327,360	▼ -3
50	Holborn	74	£171,628,390	New Addition

12.3 The investment strategy will provide continual evaluation of the investment portfolio to meet the Council's priority to ensure that the investment portfolio is fit for purpose. A larger and more balanced portfolio will help achieve the Council's aim of increasing income to support the delivery of services throughout the county.

## 13. Developing the Portfolio

13.1 If it is agreed to create a commercial portfolio it will need to be developed over time to avoid the concentration risks set out earlier in this report. This will result in a balanced portfolio of investments across sectors and across geographical locations. In the first instance, of course, the first acquisition will result in 100% concentration in all risks.

13.2 The acquisition strategy will create a balanced commercial property portfolio that provides long term rental returns and growth. A core portfolio of property assets will be sought with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk.



### **13.3 Core Acquisitions:**

- 13.3.1 As a new investor in this area of activity it is proposed to take a relatively low risk approach to acquisitions at this point in order to develop a sound real estate investment portfolio. This will reduce the level of return that can be generated and therefore the Committee may wish to review this approach. It is proposed to target investments with yields of around 6% to 7%.
- 13.3.2 Investments in this area would include best property for the sector in an ideal location with long term income to high quality tenants, yields will be equal to or slightly above prime for the sector. Rental yield (financial return on the capital investment as a percentage) will be lower than the general market but capital and rental growth should be steady and medium/long term risk of void periods and tenant default reduced.
- 13.3.3 This segment can also include properties that contain similar properties to those above but in slightly less favourable locations, with shorter leases and lesser tenant covenants returns will be appropriate for the sector and risk. Rental yields in this area will be higher reflecting the increase in risk.

**It is suggested that this category should ultimately form 75% of the overall portfolio.**

### **13.4 Specialist Sector & Residential Opportunities:**

- 13.4.1 Specialist sector investments such as hotels, public houses, student accommodation, and health care facilities may be considered on merit but do not form part of the core search criteria.
- 13.4.2 Given the depreciating specialist infrastructure and changes in trends, such assets may require substantial future capital expenditure in order to maintain the value of the interest; the risk from this should be fully explored and understood before purchase.
- 13.4.3 Residential provides a good income diversifier given its limited correlation to commercial property. Returns have been stable over the long term although the level of tenant and property management needs to be carefully considered and allowed for in all appraisals.
- 13.4.4 The returns on this element of the portfolio will be varied but should in principle be at the upper level or above those of the core element of the portfolio.

**It is suggested that ultimately this category should form 25% of the overall portfolio.**

### **13.5 Specialist Acquisition:**

13.5.1 Vacant or short leases, re-development opportunities or distressed property requiring extensive capital expenditure can reap high capital and yield returns. However they also carry with them higher risks. Whilst not a specific investment segment it is proposed that opportunities should be considered as they arise but the due diligence associated with any such proposal be extensive.

13.6 Investment Portfolio Principles & Decision Making Criteria: The following principles will be followed when considering acquisition opportunities;

- All investments considered must initially provide income (yield) equal to or above the councils required rate of return (RRR)
- Individual properties will be fully financially and physically appraised using industry standard techniques to ensure the return is acceptable for the level of overall risk.
- Preference will be for single occupancy investments although multi-let properties or multi-unit schemes will be considered.
- Location will be dictated by opportunity to acquire investments that meet the strategy.
- Only investments with full repairing and insuring (FRI) terms, or FRI by way of service charge, will be considered.
- Lease length will be determined by market sector forces but these will be maximised.
- Market rent (MR) should be equal to or above passing rent.
- Market sectors and locations with rental growth and good letting prospects will be actively sought.
- Buildings should have sound structure and designed for use, with good transport links and accessibility.
- A decision to sell stock during the holding period may be triggered by a variety of factors and is not limited to lease events, market forces, portfolio mix, or changes in strategy. The portfolio will be open to continued appraisal and active management with a view to minimising risk and increasing returns.
- The strength of tenant covenant will be concurrent with the overall balance of risk for any given property and in line with the key objectives.
- Minimum acceptable financial strength for any given tenant will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring.

- 12.7 In order to facilitate the decision making process it is proposed to establish a ready reckoner for a key criteria. A statement setting out the anticipated costs and benefits over time, including the expected effects of inflation, will be produced. The period covered should equal the expected life of the investment and should include any residual value of the assets at the end of the investment period. The initial criteria proposed are as follows:-

Criteria	Definition	Notes on use
Payback Period	Number of years required to repay the original investment in nominal (cash) terms	This can be helpful in more straight forward investments. It does not take account of the time value of money and will be less useful for more complex proposals
Return on Investment	Percentage gain in nominal terms on top of the recovery of the initial investment	Straight forward and assists a ready reckoner initial assessment
Total Return	Total nominal gain over the course of the investment	Absolute value would be used to distinguish between projects with similar relative returns
Internal Rate of Return	The discount rate applied in a Net Present Value calculation that gives an NPV of 0	The measure takes account of the time value of money and will thus be appropriate for long term major investments
Net Present Value	Discount rate to calculate the present value of future cash flows	Should be considered together with the IRR



**RESOLUTION ON THE ARTICLES OF ASSOCIATION FOR CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY LIMITED**

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

*Meeting Date:* **28<sup>th</sup> July 2017**

*From:* **Quentin Baker, Director of Law and Governance,  
Cambridgeshire County Council**

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

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

*Purpose:* **Resolution to adopt revised Articles of Association for  
Cambridgeshire Housing and Investment Company**

*Recommendation:* **Commercial & Investment Committee, as the  
Shareholder's representative, is asked to agree the  
Resolution to adopt the attached Articles of Association of  
the Company in substitution for and to the exclusion of  
the current Articles of Association.**

<b><i>Officer contact:</i></b>	
Name:	Quentin Baker
Post:	Director of Law & Governance
Email:	<a href="mailto:Quentin.Baker@LGSSLaw.co.uk">Quentin.Baker@LGSSLaw.co.uk</a>
Tel:	07827 957844

## **1. BACKGROUND**

- 1.1 Cambridgeshire Housing and Investment Company Limited (the Company) was incorporated on the 17<sup>th</sup> June 2016. As part of this incorporation standard Articles of Association provided by Companies House were used.
- 1.2 Articles of Association are required for a company formed in the UK under the Companies Act 2006 and previous Companies Acts. The Articles of Association set out how the company is run, governed and owned.

## **2. MAIN ISSUES**

- 2.1 With the Company becoming operational from the 1st April 2017, Articles of Association that better reflect how the Company is run, governed and owned have been produced.
- 2.2 The revised Articles of Association were circulated to C&I Committee on the 27th June 2017 for information ahead of a Member Workshop on the Company.
- 2.3 The Board of Directors for Cambridgeshire Housing and Investment Company Limited resolved in writing to approve these revised Articles of Association on the 16th July 2017.
- 2.4 The Resolution in Writing for C&I Committee, as the Shareholders Representative (Cambridgeshire County Council), is attached in Appendix 1.
- 2.5 The revised Articles of Association for the Resolution in Writing is attached in **Appendix 2**.

## **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**  
There are no significant implications within this category.
- 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

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?	No Name of Financial Officer:
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	No Name of Financial Officer:
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	No Name of Legal Officer:
Have the equality and diversity implications been cleared by your Service Contact?	No Name of Officer:

Have any engagement and communication implications been cleared by Communications?	No Name of Officer:
Have any localism and Local Member involvement issues been cleared by your Service Contact?	No Name of Officer:
Have any Public Health implications been cleared by Public Health	No Name of Officer:

Source Documents	Location
None	

**THE COMPANIES ACT 2006  
CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY LIMITED  
PRIVATE LIMITED COMPANY**

**(COMPANY NUMBER 10237292)**

**RESOLUTION IN WRITING**

Circulated on 20<sup>th</sup> July 2017 (the **Circulation Date**)

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the resolution below is passed as a special resolution (the **Resolution**).

**SPECIAL RESOLUTION**

**THAT** the Articles of Association attached to this Resolution be adopted as the Articles of Association of the Company in substitution for and to the exclusion of the current Articles of Association.

**AGREEMENT**

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, being the persons entitled to vote on the Resolution on the Circulation Date, hereby irrevocably agree to the Resolution (and the date of the Resolution is the date on which the last to sign and date the Resolution does so):

.....  
Signed for and on behalf of

**CAMBRIDGESHIRE COUNTY COUNCIL**

.....  
Date

**NOTES**

1. To signify your agreement to the Resolution, please sign and date these where indicated and return the document to the Company at the registered office by one of the following methods:

**By hand:** delivering the signed document to the company at the registered office.

**Post:** returning the signed document addressed to the company at the registered office.

2. Once you have indicated your agreement to the Resolution, you may not revoke your agreement.
3. The Resolution will lapse unless it is passed by the end of the period of 28 days beginning with the Circulation Date.
4. If you are signing this document on behalf of a person under a power of attorney or other authority please send a copy of the relevant power of attorney or authority when returning this document.



**COMPANY NUMBER 10237292**

**THE COMPANIES ACT 2006  
PRIVATE COMPANY LIMITED BY SHARES**

---

**ARTICLES OF ASSOCIATION  
OF  
CAMBRIDGESHIRE HOUSING AND INVESTMENT  
COMPANY LIMITED**

---

## Contents

Item	Page
<b>PART 1 – INTERPRETATION .....</b>	<b>1</b>
1 <b>DEFINED TERMS .....</b>	<b>1</b>
<b>PART 2 - DIRECTORS.....</b>	<b>5</b>
<b>DIRECTORS' POWERS AND RESPONSIBILITIES .....</b>	<b>5</b>
2 <b>DIRECTORS' GENERAL AUTHORITY.....</b>	<b>5</b>
3 <b>SHAREHOLDERS' RESERVE POWER .....</b>	<b>5</b>
4 <b>DIRECTORS MAY DELEGATE.....</b>	<b>5</b>
5 <b>COMMITTEES.....</b>	<b>6</b>
<b>DECISION-MAKING BY DIRECTORS .....</b>	<b>6</b>
6 <b>DIRECTORS TO TAKE DECISIONS COLLECTIVELY .....</b>	<b>6</b>
7 <b>UNANIMOUS DECISIONS .....</b>	<b>6</b>
8 <b>CALLING A DIRECTORS' MEETING .....</b>	<b>6</b>
9 <b>PARTICIPATION IN DIRECTORS' MEETINGS.....</b>	<b>7</b>
10 <b>QUORUM FOR DIRECTORS' MEETINGS .....</b>	<b>7</b>
11 <b>APPOINTMENT OF INDEPENDENT CHAIRMAN &amp; CHAIRING OF DIRECTORS' MEETINGS .....</b>	<b>7</b>
12 <b>CONFLICTS OF INTEREST – TRANSACTIONS OR ARRANGEMENTS WITH THE COMPANY .....</b>	<b>8</b>
13 <b>CONFLICTS OF INTEREST REQUIRING BOARD AUTHORISATION .....</b>	<b>9</b>
14 <b>EFFECT OF DIRECTORS' INTERESTS ON QUORUM AND VOTING .....</b>	<b>10</b>
15 <b>RECORDS OF DECISIONS TO BE KEPT .....</b>	<b>10</b>
16 <b>DIRECTORS' DISCRETION TO MAKE FURTHER RULES.....</b>	<b>10</b>
<b>APPOINTMENT OF DIRECTORS .....</b>	<b>10</b>
17 <b>METHODS OF APPOINTING DIRECTORS.....</b>	<b>10</b>
18 <b>TERMINATION OF A DIRECTOR'S APPOINTMENT .....</b>	<b>10</b>
19 <b>DIRECTORS' REMUNERATION AND EXPENSES.....</b>	<b>11</b>
<b>PART 3 - SHARES AND DISTRIBUTIONS.....</b>	<b>11</b>
<b>SHARES.....</b>	<b>11</b>
20 <b>APPOINTMENT OF SHAREHOLDERS.....</b>	<b>11</b>
21 <b>LIABILITY OF SHAREHOLDERS.....</b>	<b>11</b>
22 <b>ALL SHARES TO BE FULLY PAID UP .....</b>	<b>11</b>
23 <b>POWERS TO ISSUE DIFFERENT CLASSES OF SHARE.....</b>	<b>11</b>
24 <b>COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS .....</b>	<b>12</b>
25 <b>SHARE CERTIFICATES.....</b>	<b>12</b>
26 <b>REPLACEMENT SHARE CERTIFICATES .....</b>	<b>12</b>
27 <b>SHARE TRANSFERS.....</b>	<b>12</b>
28 <b>TRANSMISSION OF SHARES.....</b>	<b>13</b>
29 <b>EXERCISE OF TRANSMITEES' RIGHTS.....</b>	<b>13</b>
30 <b>TRANSMITEES BOUND BY PRIOR NOTICES.....</b>	<b>13</b>
<b>DIVIDENDS AND OTHER DISTRIBUTIONS.....</b>	<b>13</b>
31 <b>PROCEDURE FOR DECLARING DIVIDENDS.....</b>	<b>13</b>

32	PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS.....	14
33	NO INTEREST ON DISTRIBUTIONS.....	14
34	UNCLAIMED DISTRIBUTIONS.....	14
35	NON-CASH DISTRIBUTIONS.....	15
36	WAIVER OF DISTRIBUTIONS.....	15
	CAPITALISATION OF PROFITS.....	15
37	AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS .....	15
	PART 4 - DECISION-MAKING BY SHAREHOLDERS .....	16
	ORGANISATION OF GENERAL MEETINGS .....	16
38	GENERAL MEETINGS .....	16
39	ATTENDANCE AND SPEAKING AT GENERAL MEETINGS .....	17
40	QUORUM FOR GENERAL MEETINGS.....	17
41	CHAIRING GENERAL MEETINGS .....	17
42	ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS .....	17
43	ADJOURNMENT.....	18
	VOTING AT GENERAL MEETINGS.....	18
44	VOTING: GENERAL.....	18
45	ERRORS AND DISPUTES .....	18
46	POLL VOTES.....	18
47	CONTENT OF PROXY NOTICES .....	19
48	DELIVERY OF PROXY NOTICES.....	19
49	AMENDMENTS TO RESOLUTIONS.....	20
	PART 5 - ADMINISTRATIVE ARRANGEMENTS .....	20
50	MEANS OF COMMUNICATION TO BE USED.....	20
51	COMPANY SEALS .....	20
52	RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS.....	21
53	APPOINTMENT OF COMPANY SECRETARY .....	ERROR! BOOKMARK NOT DEFINED.
54	PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS .....	21
	DIRECTORS' INDEMNITY AND INSURANCE .....	21
55	INDEMNITY.....	21
56	INSURANCE .....	21

---

**THE COMPANIES ACT 2006**  
**PRIVATE COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
**OF**  
**CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY LIMITED**

**PART 1 – INTERPRETATION AND OBJECTS**

**1 DEFINED TERMS**

1.1 In these Articles, unless the context requires otherwise:

**Articles** means the Company's articles of association as amended from time to time

**bankruptcy** includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy

**Board** means the board of directors of the Company constituted from time to time or such of them as are present at a duly called meeting of the Directors at which a quorum is present

**Chair** is the person appointed and terminated by the Directors in accordance with the provisions and the meaning given in Article 11

**Chair of the Meeting** has the meaning given in Article 41

**Companies Acts** means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company

**Company** means the company governed by these Articles

**Conflict** has the meaning given in Article 13

**Shareholder Representative** means the person nominated by the Shareholder from time to time to act as or as the authorised representative of the Shareholder which shall be determined by the Shareholder from time to time and notified to the Company

**Director** means a director of the Company, and includes any person occupying the position of director, by whatever name called

**Distribution Recipient** has the meaning given in Article 32.2

**Document** includes, unless otherwise specified, any Document sent or supplied in Electronic Form

**Electronic Form** has the meaning given in section 1168 of the Companies Act 2006

**Eligible Director** means a Director who would have been entitled to vote on the matter had it been proposed as a resolution at a meeting of the Directors

**fully paid** in relation to a Share, means that the nominal value and any premium to be paid to the Company in respect of that Share have been paid to the Company

**Group Company** means, in relation to a company:

- (a) any subsidiary of the Company;
- (b) any parent undertaking or undertakings of the Company; and
- (c) any subsidiary of any such parent undertakings

**Hard Copy Form** has the meaning given in section 1168 of the Companies Act 2006

**Holder** in relation to Shares means the person whose name is entered in the register of members as the holder of the Shares

Independent Chairman **means** A Shareholder appointment but who shall act independently of the shareholder and the influence of any other Director or Non-Executive Director of the Company and any external influences but who shall report to the Shareholder

**Instrument** means a Document in Hard Copy Form

**Non-Executive Director** is a director who is not engaged in the day to day running of the Company

**ordinary resolution** has the meaning given in section 282 of the Companies Act 2006

**paid** means paid or credited as paid

**participate**, in relation to a Directors' meeting, has the meaning given in Article 9

**Proxy Notice** has the meaning given in Article 47

**Shareholder** means a person who is the Holder of a Share.

**Shares** means shares in the Company

**special resolution** has the meaning given in section 283 of the Companies Act 2006

**Transmittee** means a person entitled to a Share by reason of the death or bankruptcy of a Shareholder or otherwise by operation of law

**writing** means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in Electronic Form or otherwise

- 1.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.
- 1.3 A reference to a **person** shall include a reference to an individual, firm, company, corporation, partnership, unincorporated body of persons, government, state or agency of a state or any association, trust, joint venture or consortium (whether or not having separate legal personality) and that person's personal representatives, successors, permitted assigns and permitted transferees.
- 1.4 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 1.5 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.6 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

- 1.7 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.
- 1.8 A reference to a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation.
- 1.9 A reference to **writing** or **written** includes email but not fax.
- 1.10 A reference to any agreement or document (or any provision of it) referred to in these Articles is a reference to that agreement or document (or the relevant provision of it) as varied, amended or supplemented (in each case, other than in breach of the provisions of that agreement or document) from time to time.
- 1.11 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.
- 1.12 A reference to an **amendment** includes a novation, re-enactment, supplement or variation (and amended shall be construed accordingly).
- 1.13 A reference to **determines** or **determined** means, unless the contrary is indicated, a determination made at the absolute discretion of the person making it.
- 1.14 references to a **month** shall be construed as a reference to a period starting on one day in a calendar month and ending on the day immediately preceding the numerically corresponding day in the next calendar month or, if there is no numerically corresponding day in the next calendar month, the last day in the next calendar month; and
- 1.15 The expressions **body corporate**, **holding company**, **subsidiary**, **parent undertaking**, **subsidiary undertaking** and **parent company** shall have the respective meanings given in the Companies Act 2006, and, for the purposes of sections 1159(1) and 1162(2)(b) and (d) of that Act, a company or undertaking (the **first person**) shall be treated as a member of another company or undertaking if:
- 1.15.1 any of the first person's subsidiaries or subsidiary undertakings is a member of that other company or undertaking; or
  - 1.15.2 any shares or capital interests in that other company or undertaking are held by a person acting on behalf of the first person or any of its subsidiaries or subsidiary undertakings; or
  - 1.15.3 any shares or capital interests in that other company or undertaking are registered in the name of a person (or its nominee) by way of security or in connection with the granting of security over those shares or capital interests by the first person.

In the case of a limited liability partnership which is (or might constitute) a subsidiary or subsidiary undertaking of a company or another limited liability partnership, sections 1159 and 1162 of the Companies Act 2006 shall be amended so that:

- (a) references in sections 1159(1)(a) and (c) and 1162(2)(a) and (d) to "voting rights" are to the members' rights to vote on all or substantially all matters which are decided by a vote of the members of the limited liability partnership; and
- (b) references in sections 1159(1)(b) and 1162(2)(b) to the "right to appoint or remove a majority of its board of directors" is to the right: (i) to appoint or remove a majority of the directors (or equivalent) of that limited liability partnership; or (ii) if no such directors (or equivalent) exist by virtue of the constitution of that limited liability partnership, members holding a majority of the voting rights,

and unless the context otherwise requires, the application of the definitions of body corporate, holding company, subsidiary, parent undertaking, subsidiary undertaking and parent company shall apply as to the relevant company or undertaking as it is at that time.

#### 1.16 COMPANY'S OBJECTS

1.16.1 The Company's objects (the "Objects") are to promote and procure the completion of developments of property for the benefit of the Shareholder, to promote and further the interests of the Shareholder in developments of property including but not limited to instructing lawyers and other professional advisers, preserving and maintaining such developments for the benefit of the Shareholder, engaging contractors, sub-contractors and agents, the purchase of goods, services and facilities as the Company shall deem fit, taking part in any legal proceedings, commencing or defending any legal proceedings to procure the completion of any developments, to further the interests of the Shareholder in any such developments and the Company's objects.

1.16.2 In furtherance of the Objects but not otherwise the Company may exercise the following powers:-

(a) to draw, make, accept, endorse, discount, execute and issue promissory notes, bills, cheques and other instruments, and to operate bank accounts in the name of the Company;

(b) to acquire, alter, improve, and (subject to such consents as may be required by law) to charge, dispose or otherwise turn to account all or any part of the property and rights of the Company;

(c) to subscribe or guarantee money for any national, local, charitable, benevolent, public, general or useful object or for any exhibition or other purpose which may be considered likely, directly or indirectly, to further the Objects of the Company;

(d) to pay out of funds of the Company the costs, charges and expenses of and incidental to the formation and registration of the Company;

(e) to borrow and raise money (subject to such consents as may be required by law) for the furtherance of the Objects in such manner and on such security as the Company may think fit;

(f) to invest the moneys of the Company not immediately required for the furtherance of its Objects in such investments as may be thought proper, and to hold, sell or otherwise deal with such investments;

(g) to amalgamate or enter into any partnership or any joint purse or profit sharing arrangement, or co-operate in any way with any person, firm, or company carrying on or proposing to carry on any business or operation within the objects of the Company, and to assist any such person, firm or company;

(h) to apply for, any licence, permission or authority to enable the Company to carry out any of its Objects, or for effecting any modification of the Company's constitution, or for any other purpose which may seem expedient; to oppose any proceedings or applications which may seem calculated, directly or indirectly to prejudice the Company's interests, and to enter into any arrangements with any governments or authorities, supreme, municipal, local or otherwise, or any corporations, companies or persons, that may seem conducive to the attainment of the Company's objects or any of them;

(i) to act as agents or brokers and as trustees for any person, firm or company, to undertake and perform sub-contracts, and to act in any of the businesses of the Company through or by means of agents, brokers, subcontractors or others;

(j) to promote any company for the purpose of acquiring all or any of the property or undertaking any of the liabilities of the Company, the promotion of which shall be considered to be calculated to advance directly or indirectly the objects of the Company;

(k) to insure any of the property or assets of the Company against any insurable risk or risks and to effect, purchase or take assurances on the lives of any debtors to the Company, or on the lives of any other persons in whom the Company may have an insurable interest;

(l) to sell and in any other manner deal with or otherwise dispose of the whole or any part of the business or property of the Company for such consideration as the Company may think fit, and in particular for shares, debentures, debenture stock, or securities of any other organisation;

(m) to provide indemnity insurance to cover the liability of directors which by virtue of any rule of law would attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Company. Provided that any such insurance shall not extend to any claim arising from any act or omission which the directors knew to be breach of trust or breach of duty or which was committed by the directors in reckless disregard of whether it was a breach of trust or a breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the directors in their capacity as directors; and

(n) to do all such other lawful things as are necessary for or incidental to or conducive to the achievement of the Objects.

## **PART 2 - DIRECTORS**

### **DIRECTORS' POWERS AND RESPONSIBILITIES**

#### **2 DIRECTORS' GENERAL AUTHORITY**

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

#### **3 SHAREHOLDERS' RESERVE POWER**

3.1 The Shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specified action.

3.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

#### **4 DIRECTORS MAY DELEGATE**

4.1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles as follows:

4.1.1 to such person or committee;



4.1.2 by such means (including by power of attorney);

4.1.3 to such an extent;

4.1.4 in relation to such matters or territories; and

4.1.5 on such terms and conditions,

as they think fit.

4.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

4.3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

## **5 COMMITTEES**

5.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

5.2 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

## **DECISION-MAKING BY DIRECTORS**

### **6 DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

6.1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 7.

6.2 If only one Director is eligible to vote on any authorisation required under Article 13, the general rule does not apply and the Eligible Director may take decisions in relation to the relevant matter without regard to any of the provisions in these Articles relating to Directors' decision-making.

6.3 Each Director shall be entitled to cast one vote on any resolution put to the Directors.

6.4 If the numbers of votes for and against a proposal are equal, the Chair shall not have a casting vote.

### **7 UNANIMOUS DECISIONS**

7.1 A decision of the Directors is taken in accordance with this Article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.

7.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each Eligible Director or to which each Eligible Director has otherwise indicated agreement in writing.

7.3 A decision may not be taken in accordance with this Article if the Eligible Directors would not have formed a quorum at such a meeting.

### **8 CALLING A DIRECTORS' MEETING**

8.1 Two Directors may (and the company secretary, if any, must at the request of two Directors) call a Directors' meeting.

8.2 A Directors' meeting must be called by at least seven clear days' notice unless either:

8.2.1 all the Directors agree; or

8.2.2 urgent circumstances require shorter notice.

8.3 Notice of Directors' meetings must be given to each Director.

8.4 Every notice calling a Directors' meeting must specify:

8.4.1 the place, day and time of the meeting; and

8.4.2 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

8.5 Notice of Directors' meetings need not be in writing.

## **9 PARTICIPATION IN DIRECTORS' MEETINGS**

9.1 Subject to the Articles, Directors **participate** in a Directors' meeting, or part of a Directors' meeting, when:

9.1.1 the meeting has been called and takes place in accordance with the Articles; and

9.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

9.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

9.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

9.4 The Shareholder shall have the right to attend (but not vote at) any meetings of the Directors.

## **10 QUORUM FOR DIRECTORS' MEETINGS**

10.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

10.2 Subject to Article 6.2, the quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

10.3 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:

10.3.1 to appoint further Directors; or

10.3.2 to call a general meeting so as to enable the Shareholders to appoint further Directors.

10.4 If a quorum is not present with half an hour from the time appointed for the meeting, or during a meeting a quorum ceases to be present, the meeting shall be adjourned to such time and place as the Directors may determine in accordance with these Articles.

## **11 APPOINTMENT OF AN INDEPENDENT CHAIRMAN & CHAIRING OF DIRECTORS' MEETINGS**

11.1 The Shareholder shall from time to time appoint an Independent Chairman of the Company.

11.2 The Independent Chairman shall be appointed as a Director of the Company in order to fulfil its functions.

11.3 The Independent Chairman shall be responsible for the leadership of the Board of Directors and ensuring its effectiveness.

- 11.4 The Independent Chairman shall be expected to exercise objective, independent judgment after fair consideration of all relevant information and view and without undue influence from executive or management or from inappropriate external parties or interests.
- 11.5 The Independent Chairman shall be responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues.
- 11.6 The Independent Chairman shall attend Company meetings and any general meetings where required or emergency Board meetings which may be called from time to time and to carry out any other duties that the Company may require in its role as Independent Chairman from time to time.
- 11.7 The Shareholder shall be responsible for agreeing any fees, expenses and other terms of appointment with the Independent Chairman including the duration of such appointment.
- 11.8 In the absence of the Independent Chairman a Director may be appointed by the Directors as a chairman of the Directors provided that such chairman so appointed shall be a Non-Executive Director. In the absence of such a chairman being appointed or otherwise present at a meeting of the Directors within 15 minutes of the time set for the meeting, the participating Directors may appoint a Director present to chair that meeting. The person appointed for the time being shall be known as the **Chair**.
- 11.9 The Directors may terminate the Chair's appointment at any time during the meeting at which he is appointed.

## **12 CONFLICTS OF INTEREST – TRANSACTIONS OR ARRANGEMENTS WITH THE COMPANY**

- 12.1 The relevant provisions of the Companies Act 2006 (including, without limitation, sections 177 and 182) shall apply in relation to declarations of interest in proposed and existing transactions or arrangements with the Company.
- 12.2 Provided that he has disclosed to the Directors the nature and extent of any interest of his in accordance with and to the extent required by the Companies Act 2006, a Director notwithstanding his office:
  - 12.2.1 may be a party to, or otherwise interested in, any contract with the Company or a Group Company of the Company or in which either or both of them is/are otherwise interested;
  - 12.2.2 may be a director or other officer of, employed by, a party to any contract with, or otherwise interested in, the Shareholder, any Group Company of the Company or in any body corporate promoted by the Company, the Shareholder, or a Group Company of the Company, or in which any of them is/are interested; and
  - 12.2.3 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor).
- 12.3 For the purposes of this Article 12.3:
  - 12.3.1 a Director shall be deemed to have disclosed the nature and extent of an interest which consists of him being a director, officer or employee of the Shareholder or any Group Company of the Company; and
  - 12.3.2 a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any contract in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such contract of the nature and extent so specified.
- 12.4 Where a Director is a director officer, or employee of the Shareholder or a Group Company of the Company; he:

- 12.4.1 may in exercising his independent judgment take into account the success of the Shareholder or Group Company as well as the success of the Company; and
- 12.4.2 shall in the exercise of his duties have a duty of confidentiality to the Shareholder or Group Company in relation to confidential information of that Shareholder or Group Company, but he shall not be restricted by any duty of confidentiality to the Company from providing information to the Shareholder or Group Company except as may be imposed under Article 13.5.

### 13 CONFLICTS OF INTEREST REQUIRING BOARD AUTHORISATION

- 13.1 The Directors may authorise any matter which would otherwise involve a Director (a **Relevant Director**) breaching his duty under section 175 of the Companies Act 2006 to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a **Conflict**).
- 13.2 Any Director (including the Relevant Director) may propose that the Relevant Director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the Directors shall be effected in the same way that any other matter may be proposed to and decided upon by the Directors under these Articles save that the Relevant Director (and any Director) shall not count towards the quorum nor vote on any resolution giving such authority.
- 13.3 Where the Directors give authority in relation to a Conflict:
  - 13.3.1 the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
  - 13.3.2 the Directors may revoke or vary such authority at any time but this will not affect anything done by the Relevant Director prior to such revocation in accordance with the terms of such authority.
- 13.4 A Conflict in relation to a Director arising solely as a result of him being a director, officer or employee of the Shareholder or any Group Company of the Company shall be deemed to have been authorised for the purposes of this Article 13 and section 175 of the Companies Act 2006.
- 13.5 Where Article 13.4 above applies or the Directors otherwise gives authority in relation to a Conflict, or where any of the situations referred to in Article 12 (a **Permitted Situation**) applies:
  - 13.5.1 the Directors may (whether at the relevant time or subsequently) (i) require that the Relevant Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at Directors meetings or otherwise) related to the Conflict or Permitted Situation; and (ii) impose upon the Relevant Director such other terms for the purpose of dealing with the Conflict as they may determine;
  - 13.5.2 the Relevant Director will be obliged to conduct himself in accordance with any terms imposed by the Directors in relation to the Conflict or Permitted Situation; and
  - 13.5.3 the Directors may provide that where the Relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence.
- 13.6 A Director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the Company or the Shareholders for any remuneration, profit or other benefit realised by reason of his having any type of interest in a Conflict authorised under this Article or in any Permitted Situation and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

## **14 EFFECT OF DIRECTORS' INTERESTS ON QUORUM AND VOTING**

- 14.1 Subject where applicable to disclosure in accordance with these Articles and subject to any terms imposed by the Directors in relation to any Conflict or Permitted Situation, a Director shall be entitled to vote in respect of any matter in which he is interested directly or indirectly (where that interest arises by virtue of a Conflict which has been authorised or a Permitted Situation) and if he shall do so his vote shall be counted and, whether or not he does, his presence at the meeting shall be taken into account in ascertaining whether a quorum is present.
- 14.2 However, a Director shall not be entitled to vote in respect of any other matter in which he is interested directly or indirectly and his presence at the meeting shall not be taken into account in ascertaining whether a quorum is present.
- 14.3 Subject to Article 14.4 below, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the Chair whose ruling in relation to any Director other than the Chair is to be final and conclusive.
- 14.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the Chair, the question is to be decided by a decision of the Directors at that meeting, for which purpose the Chair is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

## **15 RECORDS OF DECISIONS TO BE KEPT**

The Directors must ensure that the Company keeps a record, in writing, for at least ten years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors.

## **16 DIRECTORS' DISCRETION TO MAKE FURTHER RULES**

Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

## **APPOINTMENT OF DIRECTORS**

### **17 METHODS OF APPOINTING DIRECTORS**

- 17.1 The board of Directors shall comprise of a minimum of two Directors.
- 17.2 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director –
- (a) By ordinary resolution, or
  - (b) By a decision of the Directors,
- 17.3 Unless otherwise determined by ordinary resolution, the number of Directors shall not be subject to any maximum but shall not be less than two as provided for in Article 17.1 provided that at least 40% of the Directors of the Company at any one time must be Non-executive Directors.

### **18 TERMINATION OF A DIRECTOR'S APPOINTMENT**

- 18.1 A person ceases to be a Director as soon as:
- 18.1.1 save for any director appointed pursuant to article 17.2, the board resolves that he shall be removed as a director;

- 18.1.2 that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a Director by law;
- 18.1.3 a bankruptcy order is made against that person;
- 18.1.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 18.1.5 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months; or
- 18.1.6 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms.

## **19 DIRECTORS' REMUNERATION AND EXPENSES**

- 19.1 Any remuneration of the Directors shall require the prior approval of the majority of the Non-Executive Directors..
- 19.2 Any policy regarding expenses of Directors (and alternate Directors) shall be determined by the Shareholder

## **PART 3 - SHARES AND DISTRIBUTIONS**

### **SHARES**

#### **20 APPOINTMENT OF SHAREHOLDERS**

- 20.1 The subscribers to the Memorandum are the first Shareholders.
- 20.2 No person shall be admitted as a Shareholder unless they are approved unanimously by the Shareholders.
- 20.3 The Directors must keep a register of names and addresses of the Shareholders.

#### **21 LIABILITY OF SHAREHOLDERS**

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

#### **22 ALL SHARES TO BE FULLY PAID UP**

- 22.1 No Share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.
- 22.2 This does not apply to Shares taken on the formation of the Company by the subscribers to the Company's Memorandum.

#### **23 POWERS TO ISSUE DIFFERENT CLASSES OF SHARE**

- 23.1 Subject to the Articles, but without prejudice to the rights attached to any existing Share, the Company may issue Shares with such rights or restrictions as may be determined by ordinary resolution.
- 23.2 The Company may issue Shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the Holder, and the Directors may determine the terms, conditions and manner of redemption of any such Shares.

## **24 COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS**

Except as required by law, no person is to be recognised by the Company as holding any Share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a Share other than the Holder's absolute ownership of it and all the rights attaching to it.

## **25 SHARE CERTIFICATES**

25.1 The Company must issue each Shareholder, free of charge, with one or more certificates in respect of the Shares which that Shareholder holds.

25.2 Every certificate must specify:

25.2.1 in respect of how many Shares, of what class, it is issued;

25.2.2 the nominal value of those Shares;

25.2.3 that the Shares are fully paid; and

25.2.4 any distinguishing numbers assigned to them.

25.3 No certificate may be issued in respect of Shares of more than one class.

25.4 If more than one person holds a Share, only one certificate may be issued in respect of it.

25.5 Certificates must be executed in accordance with the Companies Act 2006.

## **26 REPLACEMENT SHARE CERTIFICATES**

26.1 If a certificate issued in respect of a Shareholder's Shares is:

26.1.1 damaged or defaced; or

26.1.2 said to be lost, stolen or destroyed,

that Shareholder is entitled to be issued with a replacement certificate in respect of the same Shares.

26.2 A Shareholder exercising the right to be issued with such a replacement certificate:

26.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

26.2.2 must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

26.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

## **27 SHARE TRANSFERS**

27.1 Shares may be transferred by means of an Instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor.

27.2 No fee may be charged for registering any Instrument of transfer or other Document relating to or affecting the title to any Share.

27.3 The Company may retain any Instrument of transfer which is registered.

27.4 The transferor remains the Holder of a Share until the transferee's name is entered in the register of members as Holder of it.

27.5 The Directors may refuse to register the transfer of a Share, and if they do so, the Instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

## **28 TRANSMISSION OF SHARES**

28.1 If title to a Share passes to a Transmitttee, the Company may only recognise the Transmitttee as having any title to that Share.

28.2 A Transmitttee who produces such evidence of entitlement to Shares as the Directors may properly require:

28.2.1 may, subject to the Articles, choose either to become the Holder of those Shares or to have them transferred to another person; and

28.2.2 subject to the Articles, and pending any transfer of the Shares to another person, has the same rights as the Holder had.

28.3 However, Transmitttees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of Shares to which they are entitled, by reason of the Holder's death or bankruptcy or otherwise, unless they become the holders of those Shares.

## **29 EXERCISE OF TRANSMITEES' RIGHTS**

29.1 Transmitttees who wish to become the holders of Shares to which they have become entitled must notify the Company in writing of that wish.

29.2 If the Transmitttee wishes to have a Share transferred to another person, the Transmitttee must execute an Instrument of transfer in respect of it.

29.3 Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the Transmitttee has derived rights in respect of the Share, and as if the event which gave rise to the transmission had not occurred.

## **30 TRANSMITEES BOUND BY PRIOR NOTICES**

If a notice is given to a Shareholder in respect of Shares and a Transmitttee is entitled to those Shares, the Transmitttee is bound by the notice if it was given to the Shareholder before the Transmitttee's name has been entered in the register of members.

## **DIVIDENDS AND OTHER DISTRIBUTIONS**

### **31 PROCEDURE FOR DECLARING DIVIDENDS**

31.1 The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends.

31.2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

31.3 No dividend may be declared or paid unless it is in accordance with Shareholders' respective rights.

31.4 Unless the Shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which Shares are issued, specify otherwise, it must be paid by reference to each Shareholder's holding of Shares on the date of the resolution or decision to declare or pay it.



- 31.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 31.6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 31.7 If the Directors act in good faith, they do not incur any liability to the holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

## **32 PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS**

- 32.1 Where a dividend or other sum which is a distribution is payable in respect of a Share, it must be paid by one or more of the following means:
- 32.1.1 transfer to a bank or building society account specified by the Distribution Recipient either in writing or as the Directors may otherwise decide;
  - 32.1.2 sending a cheque made payable to the Distribution Recipient by post to the Distribution Recipient at the Distribution Recipient's registered address (if the Distribution Recipient is a Holder of the Share), or (in any other case) to an address specified by the Distribution Recipient either in writing or as the Directors may otherwise decide;
  - 32.1.3 sending a cheque made payable to such person by post to such person at such address as the Distribution Recipient has specified either in writing or as the Directors may otherwise decide; or
  - 32.1.4 any other means of payment as the Directors agree with the Distribution Recipient either in writing or by such other means as the Directors decide.
- 32.2 In the Articles, the **Distribution Recipient** means, in respect of a Share in respect of which a dividend or other sum is payable:
- 32.2.1 the Holder of the Share; or
  - 32.2.2 if the Share has two or more joint holders, whichever of them is named first in the register of members; or
  - 32.2.3 if the Holder is no longer entitled to the Share by reason of death or bankruptcy; or
  - 32.2.4 otherwise by operation of law, the Transmittree.

## **33 NO INTEREST ON DISTRIBUTIONS**

- 33.1 The Company may not pay interest on any dividend or other sum payable in respect of a Share unless otherwise provided by:
- 33.1.1 the terms on which the Share was issued; or
  - 33.1.2 the provisions of another agreement between the Holder of that Share and the Company.

## **34 UNCLAIMED DISTRIBUTIONS**

- 34.1 All dividends or other sums which are:
- 34.1.1 payable in respect of Shares; and
  - 34.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

34.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

34.3 If:

34.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

34.3.2 the Distribution Recipient has not claimed it,

the Distribution Recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

### **35 NON-CASH DISTRIBUTIONS**

35.1 Subject to the terms of issue of the Share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a Share by transferring non-cash assets of equivalent value (including, without limitation, Shares or other securities in any Company).

35.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

35.2.1 fixing the value of any assets;

35.2.2 paying cash to any Distribution Recipient on the basis of that value in order to adjust the rights of recipients; and

35.2.3 vesting any assets in trustees.

### **36 WAIVER OF DISTRIBUTIONS**

36.1 Distribution Recipients may waive their entitlement to a dividend or other distribution payable in respect of a Share by giving the Company notice in writing to that effect, but if:

36.1.1 the Share has more than one Holder; or

36.1.2 more than one person is entitled to the Share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the Share.

## **CAPITALISATION OF PROFITS**

### **37 AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS**

37.1 Subject to these Articles, the Directors may, if they are so authorised by an ordinary resolution:

37.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

37.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.

- 37.2 Capitalised sums must be applied:
- 37.2.1 on behalf of the persons entitled; and
  - 37.2.2 in the same proportions as a dividend would have been distributed to them.
- 37.3 Any capitalised sum may be applied in paying up new Shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 37.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 37.5 Subject to these Articles, the Directors may:
- 37.5.1 apply capitalised sums in accordance with Articles 37.3 and 37.4 partly in one way and partly in another;
  - 37.5.2 make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and
  - 37.5.3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of Shares and debentures to them under this Article.

## **PART 4 - DECISION-MAKING BY SHAREHOLDERS**

### **ORGANISATION OF GENERAL MEETINGS**

#### **38 GENERAL MEETINGS**

- 38.1 A Shareholder shall appoint and may remove or replace, a representative by notice in writing to the Company, in accordance with section 323 of the Companies Act 2006, to act as its representative in accordance with these Articles.
- 38.2 Notice of a general meeting shall be given in Hard Copy Form, in Electronic Form or by means of a website, provided that the Company complies with any requirements relating to the giving of notice under the Companies Act 2006.
- 38.3 Notice of a general meeting shall be sent to the Shareholder (or their representative if applicable), every Director and any other person required by law to be sent such notice.
- 38.4 Notice of a general meeting shall:
- 38.4.1 state the time, date and place of the meeting;
  - 38.4.2 specify the general nature of the business to be dealt with at the meeting and set out the text of any special resolution to be voted upon at the meeting; and
  - 38.4.3 be accompanied by a proxy form;
- notice of a general meeting need not be in writing.
- 38.5 The accidental omission to give notice of a general meeting to, or the non-receipt of notice by, any person entitled to receive the notice; or a technical defect in the timing or manner of giving such notice of which the Directors are unaware shall not invalidate the proceedings of that meeting.

## **39 ATTENDANCE AND SPEAKING AT GENERAL MEETINGS**

- 39.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 39.2 A person is able to exercise the right to vote at a general meeting when:
- 39.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
  - 39.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 39.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 39.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 39.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

## **40 QUORUM FOR GENERAL MEETINGS**

No business other than the appointment of the Chair of the Meeting is to be transacted at a general meeting unless an authorised representative of each Shareholder is present.

## **41 CHAIRING GENERAL MEETINGS**

- 41.1 The Chair shall chair general meetings if present and willing to do so.
- 41.2 If the Chair is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 41.2.1 the Directors present; or
  - 41.2.2 (if no Directors are present) the meeting,
- must appoint a Director or Shareholder to chair the meeting, and the appointment of the Chair of the meeting must be the first business of the meeting.
- 41.3 The person chairing a meeting in accordance with this Article is referred to as the **Chair of the Meeting**.

## **42 ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS**

- 42.1 Directors may attend and speak at general meetings, whether or not they are Shareholders.
- 42.2 The Chairman of the meeting may permit other persons who are not:
- 42.2.1 Shareholders; or
  - 42.2.2 otherwise entitled to exercise the rights of Shareholders in relation to general meetings, to attend and speak at a general meeting.

## **43 ADJOURNMENT**

- 43.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chairman of the meeting must adjourn it.
- 43.2 The Chair of the meeting may adjourn a general meeting at which a quorum is present if:
- 43.2.1 the meeting consents to an adjournment; or
  - 43.2.2 it appears to the Chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- 43.3 The Chair of the meeting must adjourn a general meeting if directed to do so by the meeting.
- 43.4 When adjourning a general meeting, the Chair of the meeting must:
- 43.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and
  - 43.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 43.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- 43.5.1 to the same persons to whom notice of the Company's general meetings is required to be given; and
  - 43.5.2 containing the same information which such notice is required to contain.
- 43.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

## **VOTING AT GENERAL MEETINGS**

### **44 VOTING: GENERAL**

- 44.1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these Articles.

### **45 ERRORS AND DISPUTES**

- 45.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 45.2 Any such objection must be referred to the Chairman of the meeting, whose decision is final.

### **46 POLL VOTES**

- 46.1 A poll on a resolution may be demanded:
- 46.1.1 in advance of the general meeting where it is to be put to the vote, or
  - 46.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

- 46.2 A poll may be demanded by:
- 46.2.1 the Chairman of the meeting;
  - 46.2.2 the Directors;
  - 46.2.3 two or more persons having the right to vote on the resolution; or
  - 46.2.4 a person or persons representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote on the resolution.
- 46.3 A demand for a poll may be withdrawn if:
- 46.3.1 the poll has not yet been taken; and
  - 46.3.2 the Chairman of the meeting consents to the withdrawal.
- 46.4 Polls must be taken immediately and in such manner as the Chairman of the meeting directs.

#### **47 CONTENT OF PROXY NOTICES**

- 47.1 Proxies may only validly be appointed by a notice in writing (a **Proxy Notice**) which:
- 47.1.1 states the name and address of the Shareholder appointing the proxy;
  - 47.1.2 identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;
  - 47.1.3 is signed by or on behalf of the Shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and
  - 47.1.4 is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.
- 47.2 The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.
- 47.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 47.4 Unless a Proxy Notice indicates otherwise, it must be treated as:
- 47.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and
  - 47.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

#### **48 DELIVERY OF PROXY NOTICES**

- 48.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.
- 48.2 An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.
- 48.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

- 48.4 If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

## **49 AMENDMENTS TO RESOLUTIONS**

- 49.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 49.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chairman of the meeting may determine); and
  - 49.1.2 the proposed amendment does not, in the reasonable opinion of the Chairman of the meeting, materially alter the scope of the resolution.
- 49.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 49.2.1 the Chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
  - 49.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 49.3 If the Chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chairman's error does not invalidate the vote on that resolution.

## **PART 5 - ADMINISTRATIVE ARRANGEMENTS**

### **50 MEANS OF COMMUNICATION TO BE USED**

- 50.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for Documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.
- 50.2 Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.
- 50.3 A Director may agree with the Company that notices or Documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

### **51 COMPANY SEALS**

- 51.1 Any common seal may only be used by the authority of the Directors.
- 51.2 The Directors may decide by what means and in what form any common seal is to be used.
- 51.3 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a Document, the Document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 51.4 For the purposes of this Article, an authorised person is:
- 51.4.1 any Director;
  - 51.4.2 the company secretary (if any); or

- 51.4.3 any person authorised by the Directors for the purpose of signing Documents to which the common seal is applied.

## **52 RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS**

- 52.1 The Shareholder shall have the right on giving to the Company reasonable advance notice, during normal business hours to inspect the books and records of the Company.

## **53 PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS**

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

## **DIRECTORS' INDEMNITY AND INSURANCE**

### **54 INDEMNITY**

- 54.1 Subject to Article 54.2, a relevant Director of the Company or an associated Company may be indemnified out of the Company's assets against:

- 54.1.1 any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated Company;
- 54.1.2 any liability incurred by that Director in connection with the activities of the Company or an associated Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006); and
- 54.1.3 any other liability incurred by that Director as an officer of the Company or an associated Company.

- 54.2 This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

- 54.3 In this Article:

- 54.3.1 companies are **associated** if one is a Subsidiary of the other or both are subsidiaries of the same body corporate; and
- 54.3.2 a **relevant Director** means any Director or former Director of the Company or an associated Company.

### **55 INSURANCE**

- 55.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant Director in respect of any relevant loss.

- 55.2 In this Article:

- 55.2.1 a **relevant Director** means any Director or former Director of the Company or an associated Company;
- 55.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant Director in connection with that Director's duties or powers in relation to the Company, any associated Company or any pension fund or employees' share scheme of the Company or associated Company; and



55.2.3 companies are **associated** if one is a Subsidiary of the other or both are subsidiaries of the same body corporate.



**DISPOSAL POLICY: LEASEHOLD AND FREEHOLD**

*To:* **Commercial & Investment Committee**

*Meeting Date:* **28 July 2017**

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

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

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

*Purpose:* **To adopt a policy for determining when a leasehold or freehold disposals is appropriate.**

*Recommendation:* **To agree that the most appropriate method of disposal for property assets should continue to be determined on a case by case basis.**

<b><i>Officer contact:</i></b>	
Name:	John Macmillan
Post:	Groups Asset Manager
Email:	<a href="mailto:John.macmillan@cambridgeshire.gov.uk">John.macmillan@cambridgeshire.gov.uk</a>
Tel:	01223 699092

**1. BACKGROUND**

- 1.1 On the 30<sup>th</sup> June 2017 Commercial and Investments Committee considered a paper on the disposals process for property assets with reference to disposals to Cambridgeshire Housing and Investment Company.
- 1.2 It was noted that there was no formal policy position on whether disposals should be freehold or leasehold or be seeking to secure capital or revenue returns.

**2. MAIN ISSUES**

- 2.1 Most disposals by the County Council are of freeholds. Leasehold disposals have been used when the Council wanted to retain some control over the asset and share in any future uplift in value if circumstances changed. Leases have been either at a premium (effectively all the rent for the term being paid up front) and thereafter at a peppercorn rent or at an annual market or discounted rent. The asset remains within the Council's portfolio in the long term but it can transfer most if not all of the liabilities for the duration of the lease.
- 2.2 The market preference for land for development is always for an unencumbered freehold sale and this is generally reflected in higher values.
- 2.3 For example, at Estover Road, March a County owned playing field was let for 99 years to a Community Interest Company at a peppercorn rent, a less than best consideration disposal. The land is important as a playing field to the local community but could have some development value. The lease allows the Council to have influence should the CIC wish to develop all or part of the land for say housing and would potentially enable the County to benefit from an uplift in value.
- 2.4 Leases to fledgling community bodies could enable a building to revert to the Council if the group failed. Certain properties such as the Cromwell Museum are of historic importance and this approach will help preserve their long term community use and for this reason a long lease was used. A lease at a peppercorn rent allowed the Council to transfer the building with its associated liabilities/costs but if the Trust failed it would revert to the Council.
- 2.5 At the Beechwoods to the south of Cambridge a large wood was let for 99 years to the Cambridge Wildlife Trust for a peppercorn rent. This relieves the County of the management and costs but retains some influence in relation to an important site.
- 2.6 On the Shire Hall site the Castle Court building was let to Study Inns for 125 years at a substantial rent. There was more interest in the market for freehold sales but the Council wanted to establish a long term rental stream. In addition the curtilage of the building and car park are shared with the County Council and again a leasehold offers important controls.
- 2.7 When properties are marketed offers are generally invited for a freehold disposal unless officers have felt a leasehold to be more appropriate or as an income generating opportunity. Where both freehold and leasehold offers have been received they can be appraised before a recommendation is made.

**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**

The report above sets out details of significant implications.

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

There are no significant implications within this category.

**4.3 Statutory, Legal and Risk Implications**

The report above sets out details of significant implications.

**4.4 Equality and Diversity Implications**

There are no significant implications within this category.

**4.5 Engagement and Communications 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.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	None at this stage.
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	None
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	None at this stage
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	None
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes or No Name of Officer:
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Yes or No Name of Officer:
<b>Have any Public Health implications been cleared by Public Health</b>	Yes or No Name of Officer:

**FINANCE AND PERFORMANCE REPORT – JUNE 2017**

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

*Meeting Date:* **28<sup>th</sup> July 2017**

*From:* **Head of Strategy and Assets  
Chief Finance Officer**

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

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

*Purpose:* **To present to Commercial and Investment Committee (C&IC) the June 2017 Finance and Performance Report for Commercial and Investment Committee.**

**The report is presented to provide C&IC with an opportunity to comment on the projected financial and performance outturn position, as at the end of June 2017.**

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

- review, note and comment upon the report**

<b><i>Officer contact:</i></b>	
Name:	Chris Malyon
Post:	Chief Finance Officer
Email:	<a href="mailto:Chris.malyon@cambridgeshire.gov.uk">Chris.malyon@cambridgeshire.gov.uk</a>
Tel:	01223 699796

## 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 June 2017 Finance and Performance report.

- 2.2 **Revenue:** At the end of June, Commercial and Investment Committee is forecasting a balanced position on revenue budgets. There are no new significant forecast outturn variances by value (over £100,000) to report.

- 2.3 **Capital:** At the end of June, Commercial and Investment Committee is forecasting that the capital programme budget will be in balance at year-end.

There are no exceptions to report for June.

- 2.4 Commercial and Investment Committee has one **performance indicator** which is currently at green status.

## 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.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	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 & Performance Report (June 17)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge



**Commercial and Investment****Finance and Performance Report – June 2017****1. SUMMARY****1.1 Finance**

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

**1.2 Performance Indicators – Current status (see section 4):**

Monthly Indicators	Red	Amber	Green	Total
June (Number of indicators)				1

**2. INCOME AND EXPENDITURE****2.1 Overall Position**

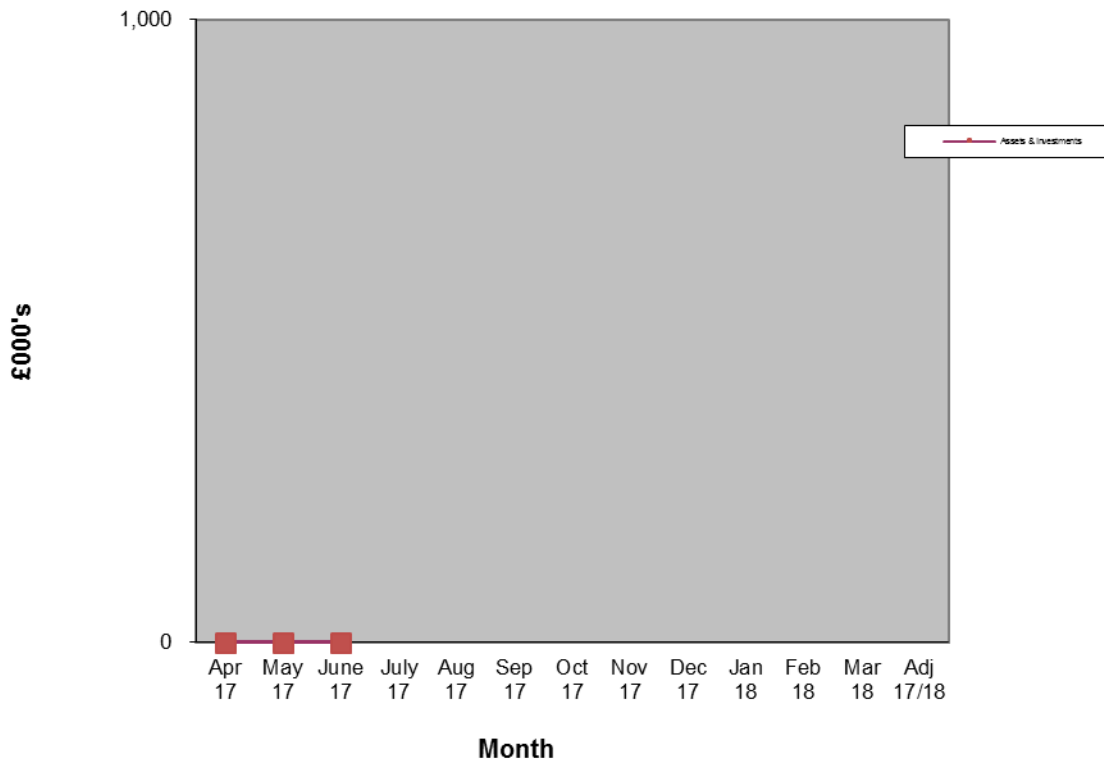
Original Budget as per BP <sup>1</sup>	Directorate	Current Budget	Forecast Variance - Outturn (May)	Forecast Variance - Outturn (June)	Forecast Variance - Outturn (June)	Current Status	DoT
£000		£000	£000	£000	%		
2,702	Commercial & Investment	2,705	0	0	0	Green	↔
<b>2,702</b>	<b>Total</b>	<b>2,705</b>	<b>0</b>	<b>0</b>	<b>0</b>		

<sup>1</sup> The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan.

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

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

## Commercial & Investment - Outturn 2017/18



### 2.2 Significant Issues – Commercial and Investment

- Commercial and Investment Committee is currently predicting a break-even position at year-end.
- There are no exceptions to report for June month-end.

### 2.3 Additional Income and Grant Budgeted this Period (De minimis reporting limit = £30,000)

There are no additional grant or income items to report for June.

**2.4 Virements and Transfers to / from Reserves (including Operational Savings Reserve)**  
**(De minimis reporting limit = £30,000)**

The following virements have been made this month to reflect changes in responsibilities.

	£	Notes
Transfer from C&I to CFA	11,000	Transfer of Property Commissioning budgets to CFA
Non material virements (+/- £30k)	0	

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**

A schedule of the Commercial and Investment reserves can be found in [C&I appendix 5](#).

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

##### Expenditure

- Commercial and Investment Committee has a capital budget of £115m in 2017/18 and there is £0.9m spend to date. It is currently expected that the programme will be in balance at year-end, and there will be £0 total scheme variances over the lifetime of the schemes.
- There are no exceptions to report for June.

##### Funding

- Commercial and Investment Committee has capital funding of £115m in 2017/18. As reported above, the budget is expected to be in balance at year-end, with the expectation that this funding will continue to be required in line with the original budget proposals.

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

## 4. PERFORMANCE

### 4.1 The table below outlines key performance indicators for Commercial and Investments.

Note - following the recent CCR restructure a new indicator set is under development that will better reflect the work undertaken by the new corporate directorate. It is envisaged that this work will be completed for the next reporting period.

Measure	Reporting frequency	What is good	Unit	Data last entered	Time period covered	Target	Actual	RAG Status	Direction of travel	Comments
Strategy and Estates – farm estates income demanded and collected on time	Half-yearly	High	%	28/07/16	1 January - 31 March 2016 (Q4)	95% (£3.9m gross)	99.0%	G	↑	Awaiting data

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

The variances to the end of June 2017 for Commercial and Investment are as follows:

Original Budget as per BP £000	Service	Current Budget for 2017/18 £000	Forecast Variance - Outturn (May) £000	Forecast Variance - Outturn (June) £000	Forecast Variance - Outturn (June) %
<u>Commercial &amp; Investment</u>					
1,111	Building Maintenance	1,111	0	0	0
-4,404	County Farms	-4,404	0	0	0
4,500	County Offices	4,568	0	0	0
718	Property Services	521	0	0	0
22	Property Compliance	106	0	0	0
-11	Capital Team	0	0	0	0
766	Strategic Assets	802	0	0	0
0	Grant Income	0	0	0	0
<b>2,702</b>		<b>2,705</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2,702</b>	<b>COMMERCIAL &amp; INVESTMENT TOTAL</b>	<b>2,705</b>	<b>0</b>	<b>0</b>	<b>0</b>
 <b>MEMORANDUM - Grant Income</b>					
0	Commercial & Investment Grants	0	0	0	0
<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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	%
There are no variances to report.			

## 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
<b>Grants as per Business Plan</b>		0
No additional grant income reported		
<b>Total Grants 2017/18</b>		

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

	£000	Notes
<b>Budget as per Business Plan</b>	<b>2,702</b>	
Business Plan adjustments	44	
Transfer of Apprenticeship Levy from CS to C&I	6	
Transfer of Energy Team from C&I to ETE	-58	
Non-material virements (+/- £30k)	11	
<b>Current Budget 2017/18</b>	<b>2,705</b>	

## C&I APPENDIX 5 – Reserve Schedule

### 1. Commercial and Investments Reserves

Fund Description	Balance at 31 March 2017	Movements in 2017/18	Balance as at 30 June 2017	Balance at 30 June 2017	Notes
	£'000	£'000	£'000	£'000	
<b><u>Other Earmarked Funds</u></b>					
Manor school site demolition costs	362	0	362	362	1
subtotal	362	0	362	362	
<b><u>Short Term Provisions</u></b>					
SPV provision	24	0	24	24	
subtotal	24	0	24	24	
<b>SUBTOTAL</b>	<b>386</b>	<b>0</b>	<b>386</b>	<b>386</b>	
<b><u>Capital Reserves</u></b>					
General Capital Receipts	0	6	6	0	2
subtotal	0	6	6	0	
<b>TOTAL</b>	<b>386</b>	<b>6</b>	<b>392</b>	<b>386</b>	

#### Notes

- 1 Rental income from Bellerbys buildings on Manor School site is being held to offset demolition costs when the lease expires in 2021.
- 2 Capital Receipts will be used to fund the capital programme at year-end.

## C&I APPENDIX 6 – Capital Expenditure and Funding

### Capital Expenditure

Commercial & Investment Capital Programme 2017/18						TOTAL SCHEME	
Original 2017/18 Budget as per BP £000	Scheme	Revised Budget for 2017/18 £000	Actual Spend 2017/18 £000	Forecast Spend - Outturn £000	Outturn Variance £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
550	Shire Hall Campus	550	192	550	-	5,502	-
350	Local Plans Representations	350	81	350	-	3,902	-
500	County Farms Viability	621	133	621	-	3,353	-
600	A&I - Building Maintenance	600	144	600	-	5,579	-
-	- Other Committed Projects	20	-	20	-	225	-
-	- Renewable Energy Soham	775	1	775	-	9,994	-
113,476	Housing Schemes	112,209	308	112,209	-	183,226	-
482	MAC Joint Highways Project	482	(0)	482	-	5,198	-
-	- Office Portfolio Rationalisation	200	5	200	-	345	-
250	Energy Efficiency Fund	250	38	250	-	1,000	-
(550)	Capital Programme Variations	(683)	-	(683)	-	(133)	-
<b>115,658</b>	<b>TOTAL</b>	<b>115,374</b>	<b>903</b>	<b>115,374</b>	-	<b>218,191</b>	-

### Previously Reported Exceptions

As previously reported the capital programme figures include a revised Capital Programme Variations target, which effectively reduces the programme budget. This budget is forecast to be fully achieved at this stage, but as forecast underspends start to be reported, these will be netted off against the forecast outturn for the variation budget, resulting in a forecast balanced budget up until the point when slippage exceeds the variation budget.

### Capital Funding

Commercial and Investment Capital Programme 2017/18				
Original 2017/18 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2017/18 £000	Forecast Outturn Spend (May) £000	Forecast Outturn Funding Variance (May) £000
81,583	Capital Receipts	81,583	81,583	-
34,075	Prudential Borrowing	33,791	33,791	-
<b>115,658</b>	<b>TOTAL</b>	<b>115,374</b>	<b>115,374</b>	-

## Previously Reported Exceptions

As previously reported, the capital programme budget incorporates the following funding adjustments:

- £1.1m funding for schemes carried-forward from 2016/17.
- A reduction of £1.3m in respect of Housing Scheme funding which was brought forward from 2017/18 to fund expenditure in 2016/17.
- £133k increase in the Capital Variation budget.

Commercial and Investment Committee was asked to approve the carry forward of funding from 2016/17 into 2017/18 for the following schemes:

<b>Scheme</b>	<b>£000</b>	<b>Notes</b>
County Farms Viability	121	Carry forward £121k re Bettys Nose & Whitehall farm shop.
OtherCommitted Projects - K2	20	Roll forward balance of K2 funding (£20k) to fund continuing work on CCC implementation
Soham Solar Farm	775	Final network and consruction costs of £315k and a retention payment of £460k are due in 17/18. A scheme underspend of £340k is forecast.
Office Rationalisation	200	Ongoing work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Buttsgrrove, Scott House/Stanton House and Meadows closure.
	1,116	

The Capital Programme Variations target included in the Business Plan was updated based on 2016/17 slippage and to allow for other funding sources in addition to borrowing. The Capital Programme variation target reduces the overall capital budget, resulting in a reduced funding requirement.

The Housing Scheme budgets reflect the proposals included in the Business Plan 2017/18. The CHIC financial model is currently under review and any changes will be reported when further information becomes available.

# COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 3rd July 2017  
Updated 20<sup>th</sup> July 2017



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. Additional information about confidential items is given at the foot of this document.

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.

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
<b>28/07/17</b>	+ Programme Status Report - Milton Road development	Chris Malyon/John Macmillan	Not applicable	18/07/17	20/07/17
	Commercial Acquisitions Strategy	Chris Malyon	Not applicable		
	CREATE Project Update	John Macmillan	Not applicable		
	Disposal Policy: Leasehold and Freehold	John Macmillan	Not applicable		
	Energy Efficiency Invest to Save Fund	Claire Julian-Smith	2017/039		
	Wisbech Castle: Disposal at less than best consideration	Stephen Conrad	Not applicable		
	Resolution on the Articles of Association for Cambridgeshire Housing and Investment Company Limited	Quentin Baker	Not applicable		

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Finance and Performance Report	Chris Malyon	Not applicable		
	Agenda Plan	Dawn Cave	Not applicable		
<b>15/09/17</b>	+ Programme Status Report	Chris Malyon/John Macmillan	Not applicable	05/09/17	07/09/17
	Smart Energy Grid Project, Department for Community & Local Government Contract for European Regional Development Fund Funding	Sheryl French	2017/021		
	Smart Energy Grid, Power Purchase Agreement	Sheryl French	2017/030		
	Cleaning and Grounds Maintenance Contract Re-procurement	Chris Malyon/ Paul Welbourn	2017/043		
	Future options for Property and Estates Service	Chris Malyon	2017/028		
	Finance and Performance Report	Chris Malyon	Not applicable		
	Agenda Plan	Dawn Cave	Not applicable		
<b>20/10/17</b>	+ Programme Status Report	Chris Malyon/John Macmillan	Not applicable		
	Finance and Performance Report	Chris Malyon	Not applicable		
	Future Options for Community Greenspaces	Elaine Matthews	Not applicable		
	Agenda Plan	Dawn Cave	Not applicable		

Future dates: 24/11/17, 15/12/17, 26/01/18, 23/02/18, 23/03/18, 27/04/18, 25/05/18

To be programmed: Relocation of Ely Registration Office to Cambridgeshire Archives (Louise Clover), Acquisitions and Investment Policy Delegations, Green Spaces (Elaine Matthews), Oasis Centre, Wisbech (Hazel Belchamber)

**Notice made under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 in compliance with Regulation 5(7)**

1. At least 28 clear days before a private meeting of a decision-making body, public notice must be given which must include a statement of reasons for the meeting to be held in private.
2. At least 5 clear days before a private meeting of a decision-making body, further public notice must be given which must include a statement of reasons for the meeting to be held in private, details of any representations received by the decision-making body about why the meeting should be open to the public and a statement of the Council's response to such representations.

Forward plan reference	Intended date of decision	Matter in respect of which the decision is to be made	Decision maker	List of documents to be submitted to the decision maker	Reason for the meeting to be held in private

**Decisions to be made in private as a matter of urgency in compliance with Regulation 5(6)**

3. Where the date by which a meeting must be held makes compliance with the above requirements impracticable, the meeting may only be held in private where the decision-making body has obtained agreement from the Chairman of the Council.
4. Compliance with the requirements for the giving of public notice has been impracticable in relation to the business detailed below.
5. The Chairman of the Council has agreed that the Committee may hold a private meeting to consider the business referred to in paragraph 4 above because the meeting is urgent and cannot reasonably be deferred for the reasons stated below.

Date of Chairman's agreement	Matter in respect of which the decision is to be made	Reasons why meeting urgent and cannot reasonably be deferred

For further information, please contact Quentin Baker on 01223 727961 or [Quentin.Baker@cambridgeshire.gov.uk](mailto:Quentin.Baker@cambridgeshire.gov.uk)

