

COMMERCIAL AND INVESTMENT COMMITTEE



Friday, 20 March 2020

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

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

AGENDA

Open to Public and Press

CONSTITUTIONAL MATTERS

1. Apologies for absence and declarations of interest

*Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>*

2. Minutes

[21st February 2020](#)

3. Action Log

5 - 8

4. Petitions and Public Questions

OTHER DECISIONS

5. North Angle Solar Farm Progress Update

9 - 16

- | | | |
|-----------|--|----------------|
| 6. | Performance Report - October to December 2019 | 17 - 32 |
| 7. | Finance Monitoring Report - January 2020 | 33 - 54 |
| 8. | Commercial and Investment agenda plan, training plan and appointments to Outside Bodies | 55 - 60 |
| 9. | Exclusion of Press and Public | |

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

KEY DECISIONS

10. This Land - Multi-year Business Plan, Financing and other updates

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Commercial and Investment Committee comprises the following members:

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

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

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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

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/ccc-film-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/CommitteeProcedure>

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/ccc-carpark> or public transport.

COMMERCIAL & INVESTMENT COMMITTEE

Minutes-Action Log



Agenda Item no. 3
Cambridgeshire
County Council

Introduction:

This is the updated action log as at **11th March 2020** and captures the actions arising from the most recent Commercial & Investment Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 14th December 2018

183.	Disposal of ransom strip at St Ives	John Macmillan/ Brian Howard/ Hazel Belchamber	The ownership of different parts of the site to be fully detailed in the revised report, and the planning application for the residential development be included in that report.	St Ives Football club have obtained an outline planning consent for 30 houses on their site. CCC has both a ransom and restrictive covenant on the site. Until the football club has secured a place to move to they are unwilling to have further discussions. When this situation changes a paper will be taken to C&I.	
------	--	--	---	---	--

Minutes of 24th September 2019

274 (2)	Resolutions for This Land AGM	Cllr Schumann	Take legal advice on the representation on the This Land Board.	Legal advice to be circulated once received.	
---------	--------------------------------------	---------------	---	--	--

Minutes of 18th October 2019

278.	Approval for Grid connection down payments for Energy Investment Projects	Cherie Gregoire	Historic Environment report for North Angle Farm would be copied to Councillors Jones and Schumann.	The archaeology work has not yet begun. The scope of the works has been settled and the procurement has been done for the contractor.	20 March 2020
------	--	-----------------	---	---	---------------

				However the works and writing the report will not be ready until early 2020.	
Minutes of 22nd November 2019					
292.	Third Quarterly Monitoring Report, Mobilising Local Energy Investment	Sheryl French	Working Group to be presented with more up to date information.	This has not yet been completed.	
293.(1)	Update on Property Services	Alex Gee	Interim Head of Property to bring a Service Improvement Plan to a future meeting.	Scheduled for June 2020.	June 2020.
293.(1)	Update on Property Services	Alex Gee	Interim Head of Property to check whether assets listed on 'mapping my public realm'.	Emailed to Committee 21/02/21.	Completed.
Minutes of 16th December 2019					
303.(1)	Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning proposals for 2020-21 to 2024-25	John Macmillan	The Committee had previously indicated that if any Council owned agricultural land that was sold or redeployed it should be replaced in the Council's property portfolio. It was agreed this was best identified through the County Farms Working Group.	This will be considered at the County Farms Working Group in April.	Ongoing – April.
304.(2)	Performance Report	Amanda Askham/ Dan Sage	Address the gap between Green (current performance on target or up to 4% over target) and Blue (current performance is over target by 5% or more).	Completed - quarterly reporting of KPIs and risk agreed.	Completed.

307.	Milestone 4 and 5 Report for the Alconbury Weald Civic Hub – Cambs 2020 Programme	Andy Preston/ Kim Davies	It was agreed that the totality of the Business Case, including some information that was commercially confidential, should be brought back to a future meeting, so that Members could establish the overall financial position.	The full Cambs 2020 Business Case will be considered by C&I Committee in the summer.	Ongoing (Summer 2020)
Minutes of 21st February 2020					
322.	Construction of Northstowe Heritage Facility	Quinton Carroll	Request that Longstanton be included in the name of the Heritage Facility.	This request has been communicated to all parties and has been well received in Longstanton. It will be actioned in due course.	In progress.
323.(1)	MLEI Quarterly Monitoring Report	Sheryl French	Circulate data on Maintained School to Committee.		
323.(2)	MLEI Quarterly Monitoring Report	Sheryl French	Include data on Asbestos removal in future Quarterly Monitoring Reports.		
324.	Cambridgeshire Outdoors Property Capital Investment	Amanda Askham/ Tom Kelly	Circulate briefing note on the respective responsibilities for Cambs Outdoors (C&I/CYP) to Committee.		
328.	Finance Monitoring Report	Vic Stacey/ Tom Kelly	Briefing note to be circulated regarding query about the non-payment of the National Minimum Wage in Outdoor Education.	Circulated by email 24/02/20	Completed.

NORTH ANGLE SOLAR FARM PROGRESS UPDATE

To: Commercial and Investment Committee

Meeting Date: 20 March 2020

From: Steve Cox, Executive Director - Place and Economy

Electoral division(s): Soham South & Haddenham

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

Purpose: To report progress on the North Angle solar farm project.

Recommendation: Committee is asked to:

- a) Note progress with the project
- b) Note the expenditure of the additional development budget of £500,000 as set out in paragraph 2.1

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Claire Julian-Smith	Name:	Councillor J Schumann
Post:	Programme Manager – Energy	Post:	Chair
Email:	Claire.julian-smith@cambridgeshire.gov.uk	Email:	joshua.schumann@cambridgeshire.gov.uk
Tel:	01223 715349	Tel:	01223 706398

1. BACKGROUND

- 1.1 At the 18 January 2019 Commercial and Investment Committee meeting, a development budget of £600,000 for an Investment Grade Proposal (IGP) for an energy project at North Angle farm (previously referred to as Mere Farm) was approved.
- 1.2 In October 2019 Commercial and Investment Committee were made aware of the grid connection deposit payment of £500,000 required by UK Power Networks (UKPN). Approval was given to move the cost from the implementation phase to the project development phase and consequently increase the development budget to £1,100,000.
- 1.3 Work is continuing to compile a full planning application, ready for submission in May. This includes the completion of a number of land and biodiversity surveys, a proposed design layout and community engagement. Peterborough Environment City Trust (PECT) have been appointed to provide community engagement support for the project. They will seek the views of local residents, businesses and other stakeholders; providing an important feedback loop between the community and the project team.

2. MAIN ISSUES

- 2.1 **Project development costs** – the development budget of £1.1million was originally broken down into £600,000 to develop the Investment Grade Proposal (IGP) including all planning costs and £500,000 for the connection deposit to UKPN. The connection deposit payment has come through at a lower cost but the planning costs have increased substantially, as a result of the Environmental Impact Assessment (EIA). It is proposed that the savings on the grid connection deposit are redeployed to support the additional planning and crop compensation requirements set out in paragraphs 2.2, 2.3 and 2.4 below. This is all manageable within the current £1.1.million development budget.
- 2.2 **Planning** – Pre-application planning advice identified a requirement for an EIA. The additional planning requirements to meet the EIA, that were not anticipated when the business case was first produced, has resulted in additional costs of around £170,000. The most significant element of this is the archaeological evaluation at a cost of almost £100,000. The survey work involves the trenching of 3% of the proposed site (see **Appendix A**), which began at the end of February 2020. The Historic Environment Team have visited the site and have advised that the number of trenches needing to be excavated across the site can be reduced – due to lack of archaeological remains present. This has reduced the number of trenches required to 107, from 193 (each measuring 50m x 2m), which is anticipated to reduce the cost of the work.
- 2.3 Given the intrusive nature of this work and the impact on the land, the tenant farmer has agreed to an early surrender of the lease and negotiations are taking place between the Council's Rural Estates team and the tenant to agree a crop compensation payment. (Further details are included in the confidential **Appendix B**).
- 2.4 **Grid Connection** - In December 2019, a grid connection was secured with the payment of a £200,000 deposit to UKPN (in contrast to the anticipated £500,000 payment stated in paragraph 1.2). This reflects that a cheaper grid connection option is being pursued,

compared to the original offer, and that reported to C& I Committee in July 2019. For comparison, the costs are detailed below:

Table 1 – Changed grid connection costs

Date	Grid Connection Costs		
	Non-contestable Costs (£ excl. VAT)	Contestable Costs (£ excl. VAT)	Deposit required (£ excl. VAT)
July 2019	1,679,665.41	6,137,554.35	500,000 / 200,000
March 2020	1,430,347.05	3,361,552.84	200,000 - paid.

To enable the grid connection to be progressed and for the variation for the cheaper option to take place, acceptance was required of the original offer. To minimise risk, the deposit paid was based on the assumption that UKPN undertake the noncontestable works only. No further deposit will be required. It is intended that the £300k difference between the expected and the actual grid connection deposit payment will be used to cover the additional planning costs for work related to the EIA, additional planning costs for a PPA and a crop compensation payment.

- 2.5 **Business Case** - the additional development costs, along with the revised grid connection costs have been modelled as part of the business case and an updated Internal Rate of Return (IRR) is presented below.

Table 2 – Changes to expected returns:

Committee Report Date	Capital Cost	Assumed loan interest rate	Total interest cost	Payback Period (years)	IRR (Internal Rate of Return)
12/07/2019	£27,580,092	2.57%	£10,088,226	15.12	4.95%
20/03/2020	£25,163,736	1.28%*	£3,865,150	12.49	7.98%

* Reduced interest rate due to securing 1.4% Local Infrastructure Rate borrowing discount on loans from the Public Works Loan Board. To incentivise the construction of new infrastructure, at Autumn Budget 2017 the government announced that it would make available £1bn of lending at the Local Infrastructure Rate to English local authorities. In November 2019 HM Treasury approved the Council's bid to borrow a total of £60m for energy projects, including North Angle Solar Farm.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

3.4 Net zero carbon emissions for Cambridgeshire by 2050

The aim of the project is to generate low-carbon electricity, whilst generating an income stream for the Council and provide solutions to the grid capacity problems experienced across Cambridgeshire.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

If, following the development of the detailed business case, the Council decides not to invest, the costs of developing the detailed business case will have to be funded from revenue. A contingency allowance of £200k was approved by GPC in March 2019 as part of the Energy Investment Unit's Transformation Fund bid to mitigate the impact of decisions taken to abort any individual projects. The current proposition is to offset any additional sunk costs against the revenues generated from the wider programme of energy projects being developed on our assets (excluding the schools and corporate building energy projects). Utilisation of the £200k Transformation Fund contingency allowance would leave £900k of the total £1.1m development costs to be offset against energy programme revenues. Using current estimates of the expected net revenues, it is anticipated that these costs could be offset within 4.6 years.

There are no implications for Information and Communications Technologies or data ownership.

Impact on human resources: The costs for County Council staff involvement to deliver the project are included in the project development budget.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Bouygues Energies & Services was procured under a mini-competition run under the Refit 3 Framework. There are no significant implications from a procurement or contractual standpoint.

4.3 Statutory, Legal and Risk Implications

All projects have to demonstrate compliance with State Aid requirements, even where there is no grant funding. The main way of doing that for this project will be to demonstrate that the Authority is acting commercially when generating and selling electricity.

The Council is able to sell electricity to the grid, and already does so through its extensive programme of schemes across schools, service buildings and County Farms Estate – including Triangle Farm.

4.4 Equality and Diversity Implications

There are no significant implications.

4.5 Engagement and Communications Implications

Given the number of solar farm projects coming forward in close proximity to the North Angle site, and the sensitivity of the area from a historic environment perspective, community engagement is a priority as the project develops to ensure that the North Angle scheme becomes the preferred community option. External support from PECT, as described in paragraph 1.3 has been appointed to gather feedback from the local community, relay key messages and deliver a series of community engagement events.

4.6 Localism and Local Member Involvement

The East Cambridgeshire Local Plan supports solar renewable energy generation. Concerns at loss of productive agricultural land is mitigated by siting the development on Grade 3 agricultural land.

4.7 Public Health Implications

There are no significant implications.

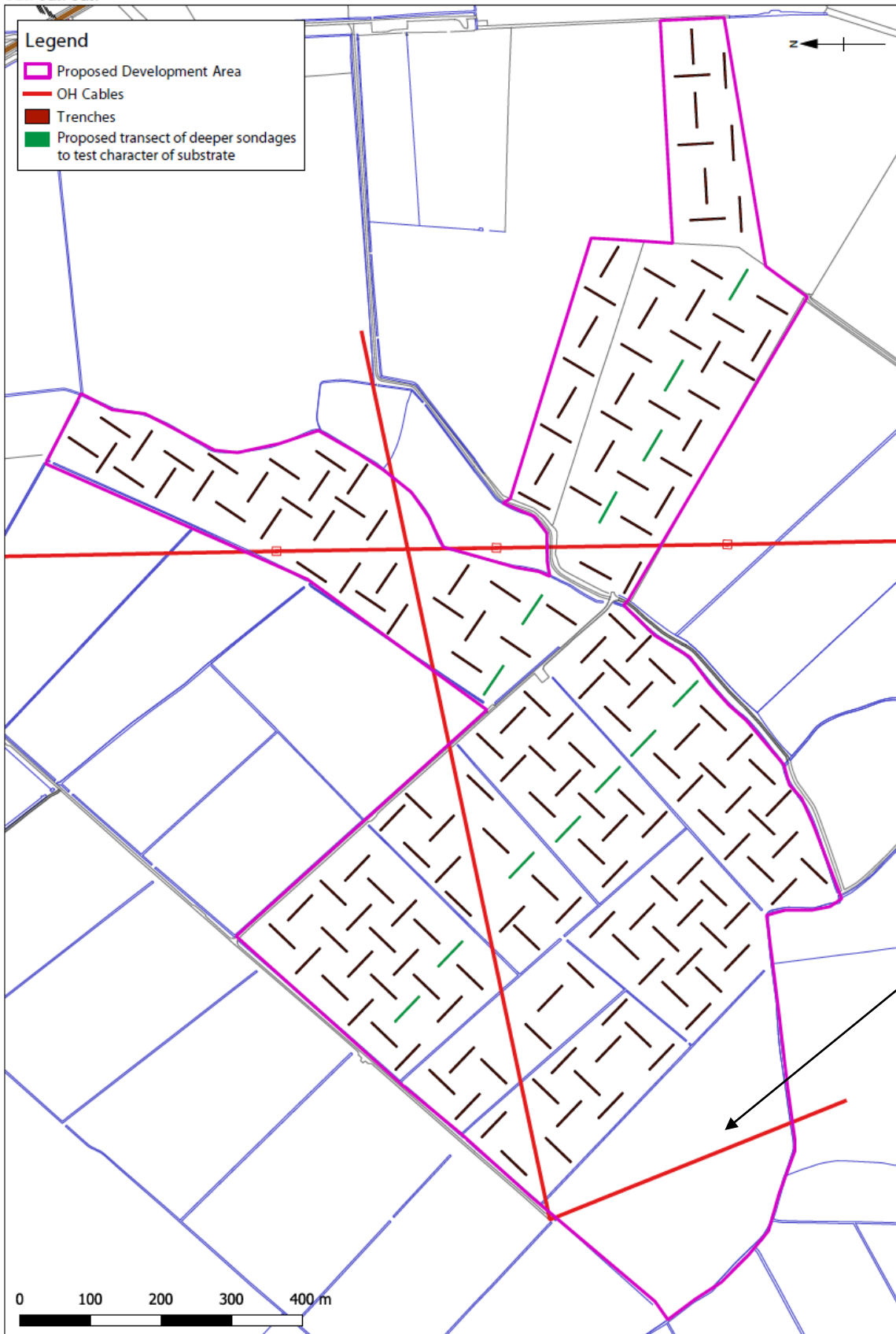
This renewable energy project will generate electricity from the sun, preventing the emission of around 91,440 tonnes of CO₂ over the lifetime of the project.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Ellie Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus de Silva
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Amanda Rose
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green

Source Documents	Location
Outline Business Case for Solar Farm on Rural Estate Land at Mere Farm– Jan 2019 C&I Committee	https://tinyurl.com/y64yk828
Investment Grade Proposal (IGP) Stage 1 update on the development of the North Angle Solar Farm, 12 July 2019 Commercial and Investment Committee meeting	https://tinyurl.com/y2ncl6k5

Approval for Grid Connection down payments for energy Investment Projects, 18 October 2019 Commercial and Investment Committee meeting	https://tinyurl.com/uo32y6c

Appendix A: Archaeological evaluation trenching plan:



Land at North Angle Farm, Soham - Trench Plan (January 2020)
© Oxford Archaeology East

PERFORMANCE REPORT – OCTOBER TO DECEMBER 2019

To: Commercial and Investments Committee

Meeting Date: 20th March 2020

From: Director of Business Improvement and Development

Electoral division(s): All

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

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

Recommendation: To note and comment on the performance information and risk register.

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Daniel Sage Post: Commercial Transformation Manager Email: Daniel.Sage@Cambridgeshire.gov.uk Tel: 01223 703565	Name: Cllr Joshua Schumann Post: Chair Email: Joshua.Schumann@Cambridgeshire.gov.uk Tel: 01223 706398

1. OVERVIEW

- 1.1. This paper provides the Key Performance Indicators (KPIs) for October to December 2019, which are linked to the activity and ambitions outlined in the Commercial Strategy.
- 1.2. In addition, in October 2019, this Committee agreed that a Risk Register would be produced highlighting the associated risks of delivering the Commercial Strategy.

2. KEY PERFORMANCE INDICATORS

- 2.1. The KPI dashboard has been updated to reflect the workshop undertaken with Members in January.
- 2.2. The dashboard (**Appendix 1**) being used to report these KPIs has been agreed by the General Purposes Committee (GPC) and is the template being used by all Committees across the organisation.
- 2.3. The following RAG statuses are being used:
 - Red – current performance is 10% or more from target
 - Amber – current performance is off target by less than 10%
 - Green – current performance is on target or better by up to 5%
 - Blue – current performance is better than target by 5% or more
- 2.4. A new KPI has been developed to allow for comparison of our range of commercial investments. This will help to inform decisions on the future asset classes we may wish to invest in, or which we may wish to reduce our exposure to.
- 2.5. The 6% target for our investments is currently not being met. Whilst we are seeking to achieve maximum return from our investments, this is balanced with a responsible approach to risk and a diversified investment portfolio.
- 2.6. Brunswick House is currently underperforming against expected income levels. However, this has primarily been due to a new competitor entering the market with an aggressive pricing strategy. Early indications suggest this will not have an impact on revenues next year. Officers met with the housing agent and plans are being considered to how the risk of such variations can be reduced in the future. That said, the investment is still performing favourably (4.5% against a 4.8% expected return).
- 2.7. Whilst not affecting income, a unit at Cromwell Business Park remains vacant. Officers are looking into opportunities to fill this space either commercially or through a social value led venture and commercial marketing is currently taking place with interested parties.

3. RISK REGISTER

- 3.1. The role of this Committee is to monitor and challenge the adequacy of the Council's risk management framework and the associated control environment.
- 3.2. A Risk Register has been produced (**Appendix 2**) identifying the risk, triggers and controls in place for the activities relating to the delivery of the Commercial Strategy.

- 3.3. The Risk Register identifies two keys risk in failing to deliver the Commercial Strategy:
- Failure to deliver the financial income anticipated within the budget and business plan
 - Due to be reputational damage, our stakeholders no longer want to engage or do business with us
- 3.4. These risks have scored nine (amber) and four (green) for finance and reputation respectively.
- 3.5. There are adequate controls in place to manage these risks, however these risks cannot be completely mitigated and the risk of delivering the financial returns anticipated are subject to some factors that are outside of our control (such as a slowdown in the economy or changes to legislation that affect the way local authorities can invest).
- 3.6. Similarly, some risk relating to reputational damage cannot be completely controlled as it is not possible to have complete confidence on a business's ability to operate in a responsible and ethical way.
- 3.7. Officers will be producing an Investment Management Plan that profiles the risks, market influences and forthcoming opportunities. This will allow for more informed investment planning and decision making, and will help to identify and put in place measures to reduce risks.
- 3.8. It is intended these risk will be presented to this Committee quarterly along with the report outlining the KPIs.

4. ALIGNMENT WITH CORPORATE PRIORITIES

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

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

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

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

5.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

5.4 Equality and Diversity Implications

There are no significant implications within this category.

5.5 Engagement and Communications Implications

There are no significant implications within this category

5.6 Localism and Local Member Involvement

Members of the C&I Committee will be involved in reviewing the KPIs, setting targets and managing the Risk Register.

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

5.7 Public Health Implications

There are no significant implications within this category.

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

Source Documents	Location

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	5.1%	5.0%	↑	↑
RAG Rating				
R				

Indicator Description

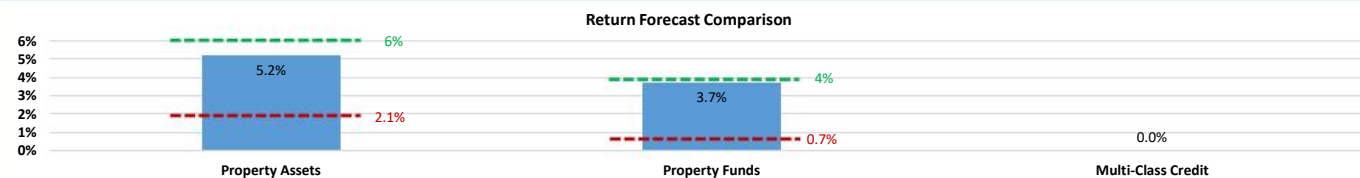
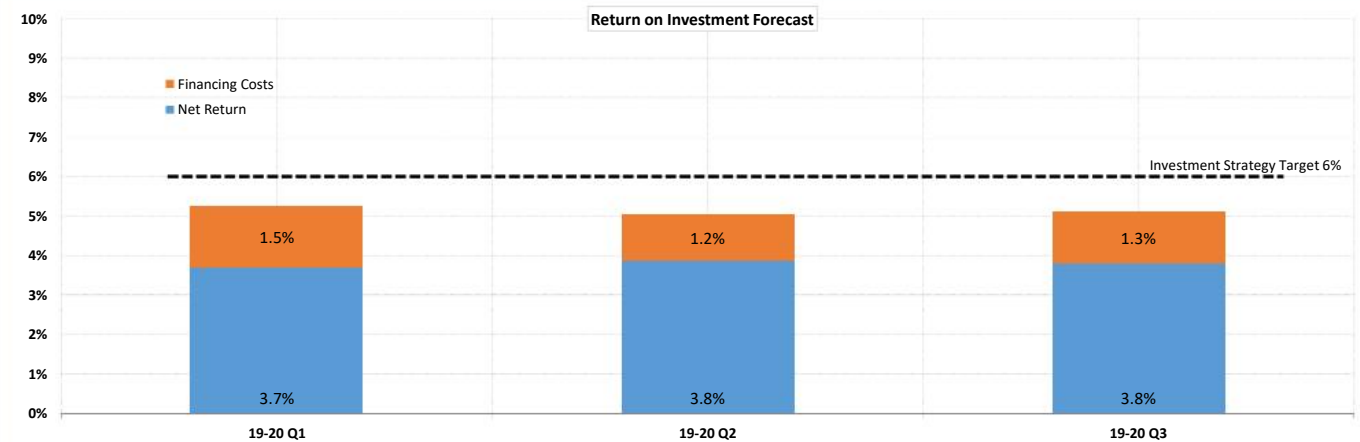
This indicator projects our expected net income from all commercial investments against the 6% target set within the non-financial Investment Strategy. It is important to note that not all investments will achieve 6% from the outset, however over the medium to longer term (by 2024-25) it is expected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

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

The return figure includes investment that has already been made, as well as investment that is expected to be made, up to the end of March 2020. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY

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



Commentary

In January, C&I Committee agreed to investment of £20m into a multi-class credit fund and the Council also completed on the purchase of Evolution Business Park.

The Council is currently in the process of appointing a Fund Manager to manage the multi-class credit fund. It is anticipated that this investment will now not be made until Q1 of 2020/21, and as such it is not currently contributing to the performance of this indicator.

The Council's Property Assets currently represent the asset class with the highest rate of return from our portfolio and we will continue to investigate new opportunities in this sector. However, it is important to have a diversified portfolio and therefore other asset classes will also continue to be explored going forward.

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
6.0%	5.2%	5.1%	↑	↑
RAG Rating				
R				

Indicator Description

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

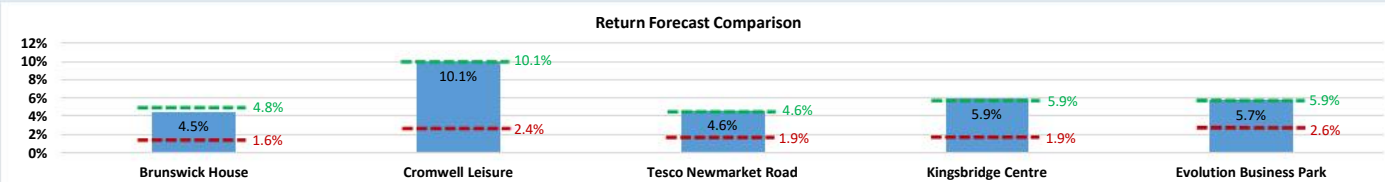
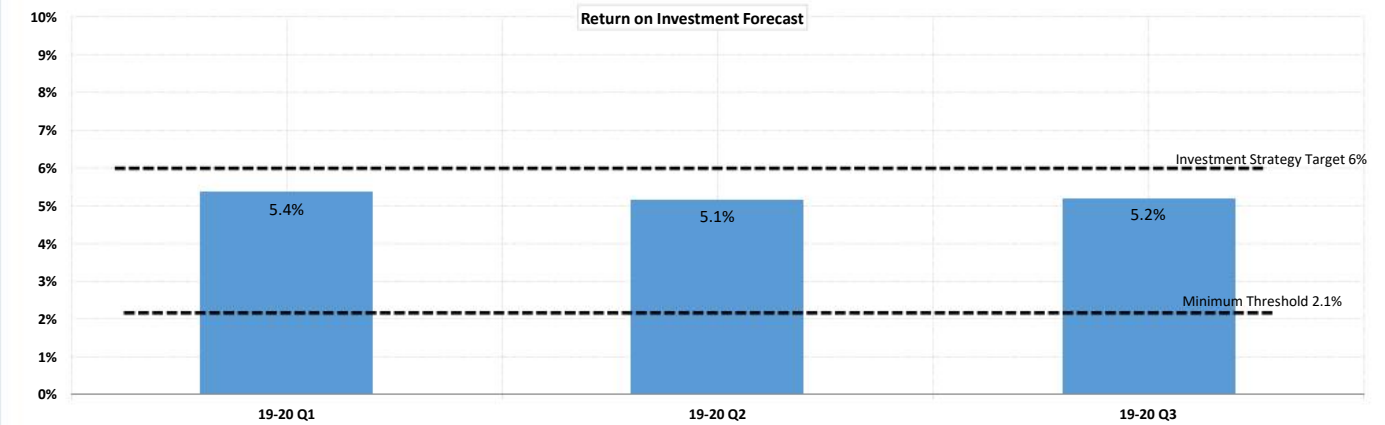
It is important to note that not all investments will achieve 6% from the outset, however over the medium to longer term (by 2014-25) it is expected that the portfolio will meet the target. The minimum threshold for Property Assets overall is calculated using an average of the borrowing interest rates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

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

The return figure includes investment that has already been made, as well as investment that is expected to be made, up to the end of March 2020. The figures look at the full year effect, even where investments have not been held for the whole year.

KEY

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



Commentary

The majority of our investments receive income through the leases paid and these lease payments are fixed until the lease expires. As such, the income from these investments are fixed. The exception to this is Brunswick House, where income is dependant on the income received from the number of rooms let. Due a new competitor joining the market with an aggressive price strategy, the income from this investment has reduced during this financial year. However, prices are being monitored and Investment Group recommended that we retain our current pricing levels as it is expected that new competitors prices will increase to reflect the typical market rates.

We have four units as part of Cromwell Leisure Centre. One of these units is vacant, but is subject to a rent guarantee for the first two years. Work is already underway to explore opportunities for future tenants, prior to this having an impact on income.

Target	Current Forecast	Previous Quarter	Direction for Improvement	Change in Performance
9.1%	9.2%	9.0%	↑	↑
RAG Rating				
G				

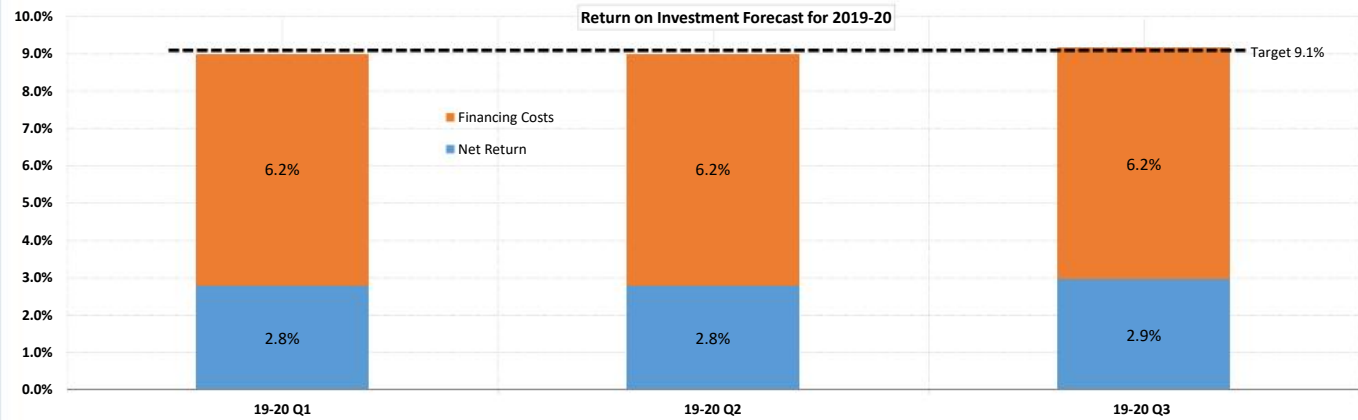
Indicator Description

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

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

KEY

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



Commentary

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

Triangle Solar Farm achieves around 3,750 tonnes of carbon savings annually (compared with North Angle Solar Farm, which would expect to deliver 8,240 tonnes)

Target	Current Quarter	Previous Quarter	Direction for Improvement	Change in Performance
TBC	12	4	↓	↓
RAG Rating				
N/A				

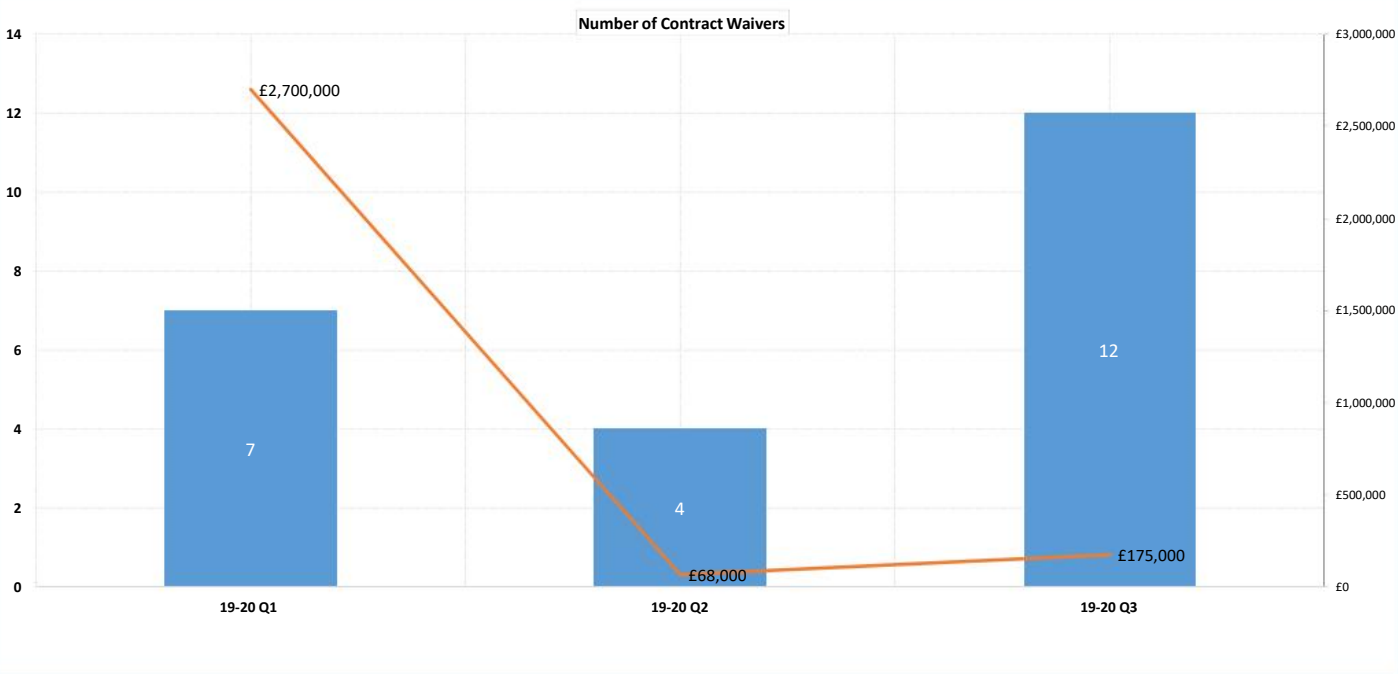
Indicator Description

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

Adequate time should be given to seek the waiver, so that alternative options can be considered. Where requests are presented to procurement that has not allowed time for a procurement exercise to be undertaken, this could indicate that the expiry of the contract has not been managed as well as it could (however, there could be valid reasons for normal timescales to be unachievable).

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

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



Commentary

During October to December there were 12 waivers that were submitted for approval within a timescale that prevented a full tender exercise to be carried out (should the waiver had been rejected). All of the 12 waivers that were submitted during this quarter had annual values of less than £25k.

Improvements in this indicator can be achieved by on-going awareness raising and training for staff using the Contract Register. This will allow for forthcoming opportunities to be identified and planned accordingly. Commercial Board are scrutinising waivers, and tools are currently being produced to help services understand how future waivers can be avoided (i.e. improved supplier management).

Target	Current Forecast	Previous Month Forecast	Direction for Improvement	Change in Performance
4.0%	3.1%	3.1%	↑	↑

RAG Rating

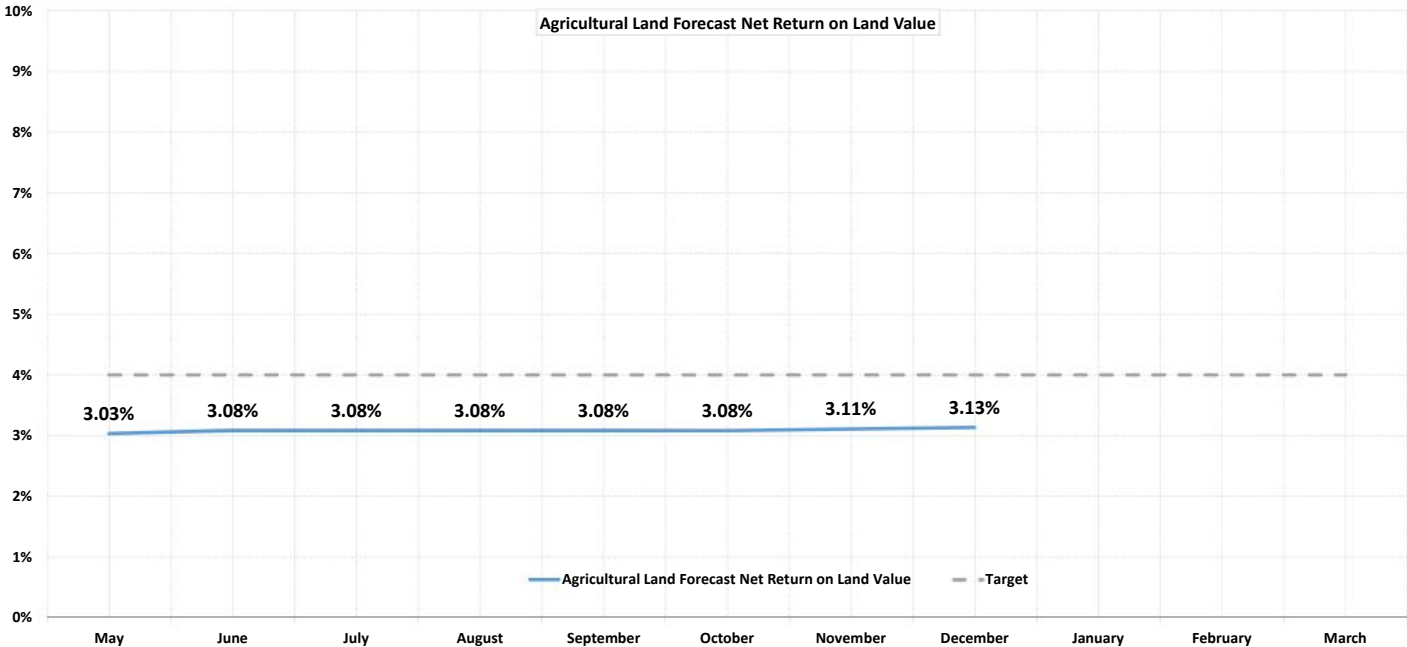
R

Indicator Description

As at 31/03/2019, the Council owns £127.8m of agricultural farm land across Cambridgeshire . This indicator demonstrates the forecast net return on the income received from renting out this land to tenants. It is recorded as a percentage of the value of the farm's estate that is used for agricultural purposes. It is net of some revenue expenses e.g. maintenance costs, utilities, insurance, rates, staff costs, but does not include the revenue cost of financing minor capital improvement works.

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

Useful Links



Commentary

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

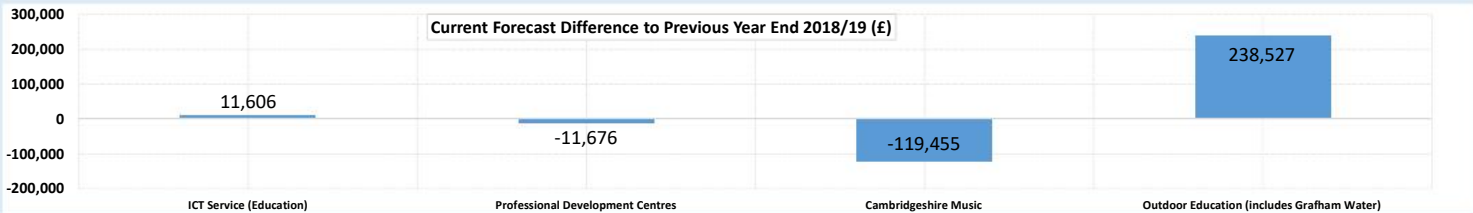
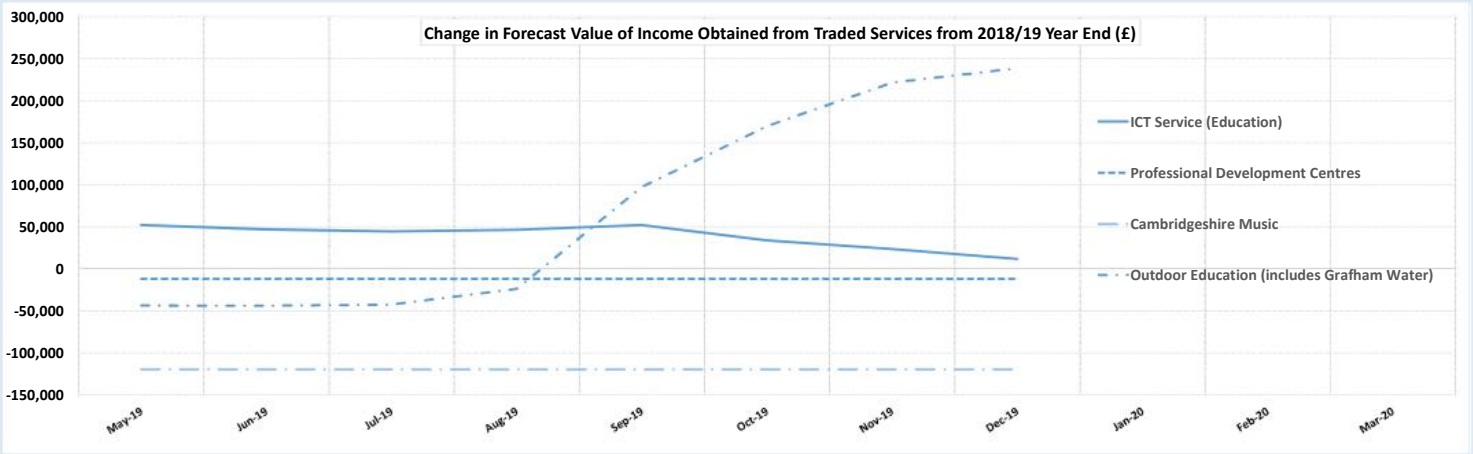
External consultants have been instructed to carry out an analysis of all farm buildings to identify potential opportunities on the estate to increase diversified revenue streams – either by working with tenants to create suitable on-farm diversifications or, where appropriate, to let directly to the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

2018/19 Year End Income	Current Forecast	Previous Month Forecast	Direction for Improvement	Change in Performance
-£132,312	-£13,310	-£113,855	↓	↓
RAG Rating				
N/A				

Indicator Description

There are four services that we describe as Traded Services, which provide income through charging for their services. This indicator demonstrates any changes in the annual net income received from traded services, comparing the forecast outturn for the current year with the actual outturn position for the previous year. An increase in the net income position is demonstrated by a negative change.

The purpose of this indicator is not to understand whether a particular traded service is expecting to achieve its forecast budget position (this is monitored through the Finance Monitoring Report), instead this indicator shows the variance in profit being made against its forecast position last year. Put simply, it shows whether a traded service is expected to make more or less profit compared to last year allowing for a direction of travel to be established.



Commentary

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

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

The Outdoor Education budget is expected to overspend by £336k in 2019/20, which is an increase of £107k from Q2. This is in part due to a one-off cost relating to backdated pay for staff at Grafham Water Centre.

Risk		Failure to deliver the financial income anticipated within the budget									
Likelihood	5						Risk Owners Amanda Askham	Current Score 9	Target Score n/a	Previous Score n/a	Last Review Next Review n/a 01/07/2020
	4										
	3			X							
	2										
	1										
		1	2	3	4	5					
Consequence						Triggers 1. The various commercial activities fail to generate the returns anticipated creating a deficit position 2. The market changes and the value of our capital investment (and expected income) declines 3. The cost of borrowing increases and the potential to generate income from investment reduces 4. A third party threatens legal action relating to an activity C&I are responsible for 5. Legislation changes so that further restrictions are put in place in the way local authorities can invest 6. A slow down in the economy causes businesses to renegotiate lease arrangement and/or businesses with a lease become insolvent 7. Commercial Team unable to identify savings through contract management	Likelihood Factors (Vulnerability) Budget indicates that £2.6m of the income for 2020/21 relates to new income (with the remainder relating to activities that are already achieving, or near achieving, expected income levels)			Potential Consequences 1. The deficit requires surplus income elsewhere, or other measures, to make up the shortfall 2. The C&I deficit contributes to the Council having insufficient reserves to cover deviation	

Controls	Adequacy	Critical Success
1. Monthly financial report to C&I on budget forecast outturn that links with overall outturn position	Good	
2. Key Performance Indicators reported quarterly to C&I Committee with identified trigger points if minimum income levels are not met	Good	
3. Dedicated Commercial Team established to deliver objectives of Commercial Strategy	Good	
4. Commercial Board, led by Commercial Team, assessing opportunities for contract reviews alongside Service leads	Good	
5. External consultant in place to advise on investment market and trends to inform investment decisions	Good	

Action Plans	Responsibility	Target Date
1. Development of an Investment Management Plan to profile risks, market influences and forthcoming opportunities	Commercial Team	01/05/2020
2. Report to Investment Group liquidity ratios of our investment and devise formula for measuring risk	Commercial Team	01/05/2020

6. A liquid portfolio allows for under performing investments and new investment opportunities to be realised. (Action Point 2)	Good	
7. Commercial Board and Member-led Steering Groups established to ensure business plans from income generating services are delivered or escalated and investments are scrutinised	Good	
8. Periodic specialist Member and Officer training is scheduled to ensure robust decision making and challenge	Good	
9. Legal advice has been sought for all new asset class investments	Good	
10. Risks associated with the delivery of the Energy Investment Programme are identified in quaterly monitoring reports	Good	

Risk Path:

Risk Category:

Linked Objective(s):



—

FINANCE MONITORING REPORT – JANUARY 2020

To: Commercial and Investment Committee

Meeting Date: 20th March 2020

From: Chief Finance Officer

Electoral division(s): All

Forward Plan ref: N/a

Key decision: No

Purpose: To present to Commercial and Investment (C&I) Committee the January 2020 Finance Monitoring Report for C&I Committee.

The report is presented to provide C&I Committee with an opportunity to comment on the projected financial and performance outturn position, as at the end of January 2020.

Recommendation: The Committee is asked to:

- review, note and comment upon the report

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Eleanor Tod	Cllr Joshua Schumann
Post: Strategic Finance Manager	Committee Chairman
Email: Eleanor.Tod@cambridgeshire.gov.uk	Joshua.schumann@cambridgeshire.gov.uk
Tel: 01223 715333	01223 706398

1. BACKGROUND

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

2. MAIN ISSUES

- 2.1 Attached as **Appendix A**, is the January 2020 Finance and Performance report.
- 2.2 **Revenue:** At the end of January, Commercial and Investment Committee is forecasting an overspend of £1,679k on revenue budgets. There are two significant forecast outturn variances by value (over £100k) to report since the last report that Committee received for December 2019.
- 2.4 **Capital:** At the end of January, Commercial and Investment Committee is forecasting an underspend of £38,608k on the capital programme budget. There are three new significant forecast outturn variances by value (over £250k) to report.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

3.4 Net zero carbon emissions for Cambridgeshire by 2050

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

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

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Consultation Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

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

Source Documents	Location
C&I Finance Monitoring Report (January 20)	1 st Floor, Octagon, Shire Hall, Cambridge

Service	Commercial & Investment
Subject	Finance Monitoring Report – January 2020
Date	20 th March 2020

KEY INDICATORS

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

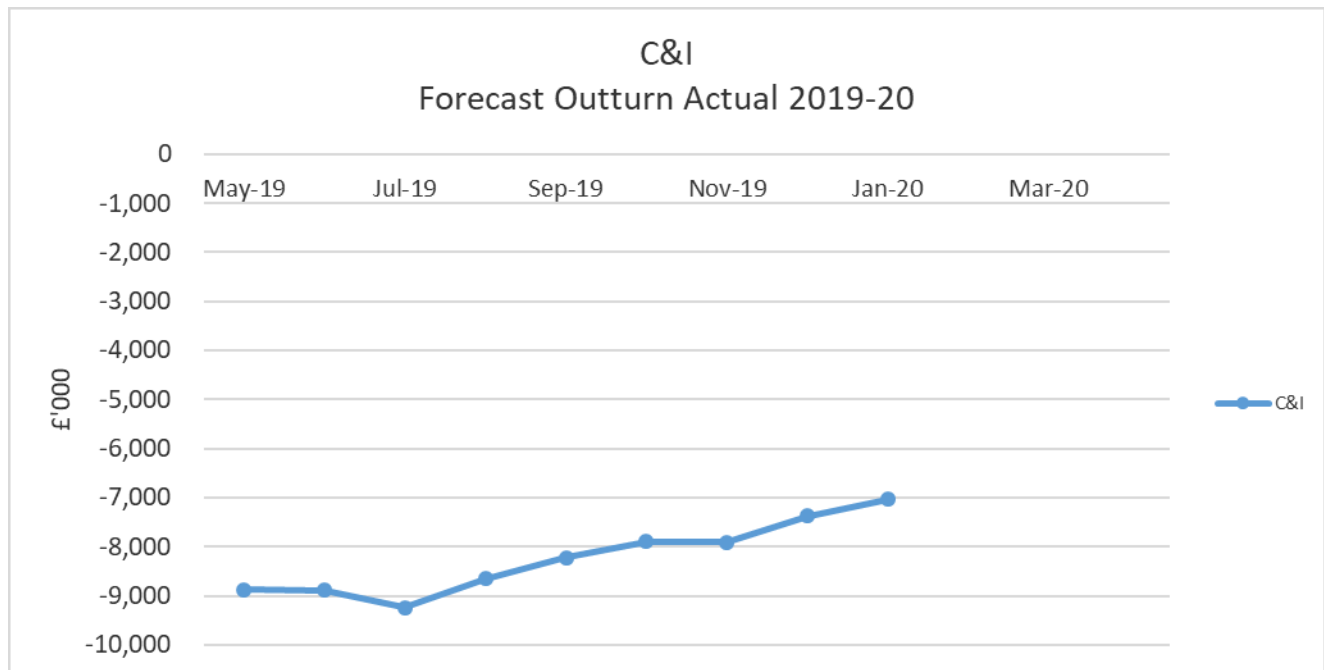
CONTENTS

Section	Item	Description	Page
1	Revenue Executive Summary	High level summary of information by Directorate Narrative on key issues in revenue financial position	2
2	Capital Executive Summary	Summary of the position of the Capital programme within Commercial & Investment	3
3	Savings Tracker Summary	Summary of the latest position on delivery of savings	5
4	Technical Note	Explanation of technical items that are included in some reports	5
Annex 1	Service Level Financial Information	Detailed financial tables for Commercial & Investment's main budget headings	6
Annex 2	Service Commentaries	Detailed notes on financial position of services that are predicting not to achieve their budget	7
Annex 3	Capital Position	This will contain more detailed information about Commercial & Investment's Capital programme, including funding sources and variances from planned spend.	10
Annex 4	Savings Tracker	Each quarter, the Council's savings tracker is produced to give an update of the position of savings agreed in the business plan.	14
Annex 5	Technical Appendix	This contains technical financial information for Commercial & Investment showing: <ul style="list-style-type: none"> Grant income received Budget virements into or out of Commercial & Investment Service reserves 	16

1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £1,679k at the end of January, which is an increase of £345k from the previous forecast. C&I has a negative budget as it has an income target for 2019/20 of -£8,706k. As such, the forecast outturn variance of £1,679k means that C&I is expecting to achieve a net income position of -£7,027k by year-end as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Outturn Variance (Previous) £000	Directorate	Budget 2019/20 £000	Actual £000	Outturn Variance (Jan) £000	Outturn Variance %
892	Commercial Activity	-11,354	-4,721	1176	10.4%
273	Property Services	6,240	6,098	255	4.1%
-125	Strategic Assets	-3,249	-1,977	-100	3.1%
295	Traded Services	-343	107	348	101.6%
1,335	Total	-8,706	-493	1,679	19.3%

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

1.3 Significant Issues

At the end of January 2020, the overall position for C&I is an underachievement of £1,679k.

Significant variances are detailed below:

Commercial Activity

The Property Investments budget is forecast to underachieve by £798k, which is an increase of £143k from the previous forecast. As previously reported, GPC considered a further increase in borrowing to fund property acquisitions in order to release £20m of capital receipts to invest in a multi-class credit pooled fund. This was approved in January, and will enable the Council to meet the financial projections set out in the 2020-21 Business Plan. Although this will increase the cost of financing the existing property investments, this will be more than off-set in future years by the income from the additional investment. However, as the multi-class credit investment will not be made until the start of the new financial year, it has created a small pressure for 2019-20.

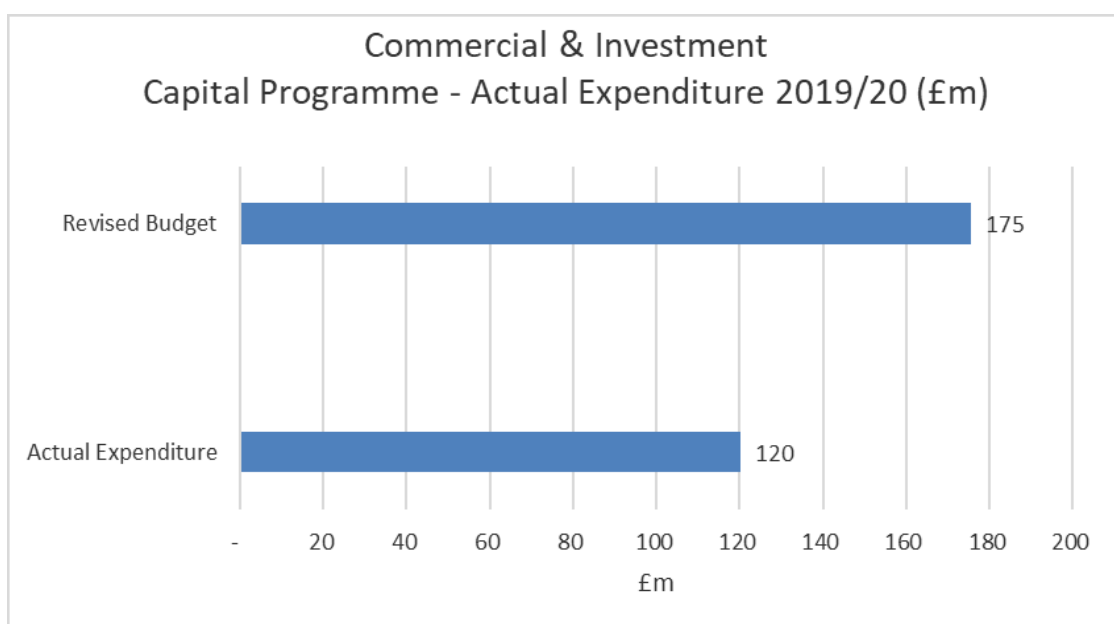
The Housing Investment budget is forecast to underachieve by £675k, which is an increase of £134k from the previous forecast. This relates to the final two construction loans for 2019-20, which are now expected to complete at the end of March. This therefore reflects a timing issue.

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

2. Capital Executive Summary

2.1 Expenditure

Commercial and Investment Committee has expenditure of £120.1m to date on the Capital Programme, against a revised budget of £175.4m:



In-year, an underspend of £38,608k is forecast. The total scheme forecast is on budget.

Significant variances are detailed below:

Commercial Activity

In January committee, GPC approved £20m of additional budget to fund investment in multi-class credit. However, it is anticipated that this will not be invested until the start of the new financial year due to the legal advice required, and the technical and procurement arrangements that will need to be put in place.

Property Services

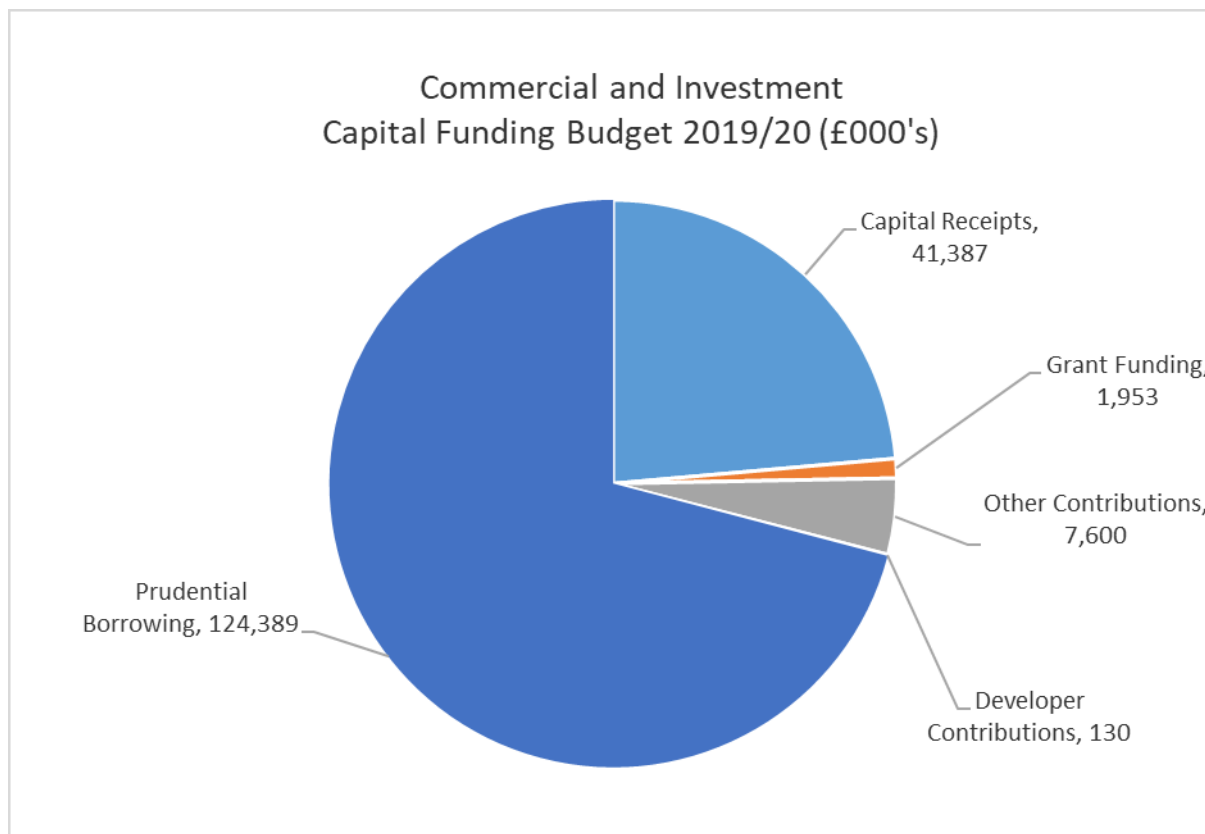
The Investment in the CCC asset portfolio scheme is forecast to underspend by £1,004k. There has been a delay in the timeline around initiating building work due to delays with the planning process, and therefore expenditure will need to be pushed back into the next financial year.

Strategic Assets

The Shire Hall Relocation scheme is forecast to underspend by £1,490k. Delays to work starting onsite due to site remediation issues (now resolved) have resulted in some project costs needing to be pushed back into the next financial year.

2.2 Funding

Commercial and Investment Committee has a capital budget of £175.4m in 2019/20, which is funded by the following capital resources:



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

Commercial Activity

As noted above, C&I Committee recommended to GPC in January the approval of an additional £20m of budget for investment in a multi-class credit pooled fund, to be funded through capital receipts. These receipts will be made available by swapping £20m of capital receipts originally earmarked for commercial property investments and borrowing an additional £20m to fund that investment instead.

3. Savings Tracker Summary

The savings tracker is produced three times a year. The quarter 3 report is included in Annex 4.

4. Technical note

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

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

ANNEX 1 – Service Level Financial Information

C&I Service Level Finance & Performance Report

Finance & Performance Report for C&I - January 2020

Forecast Outturn Variance (Dec)		Budget 2019/20	Actual January 2020	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
655	Property Investments	-4,700	-3,698	798	17%
-304	Shareholder Company Dividends	-206	-1	-304	-148%
541	Housing Investment (This Land Company)	-5,728	48	675	12%
350	Contract Efficiencies & Other Income	-449	0	350	78%
-335	CCLA Managed Investment	0	-214	-328	0%
-15	Renewable Energy Investments	-271	-856	-15	-5%
892	Commercial Activity Total	-11,354	-4,721	1,176	10%
Property Services					
327	Facilities Management	5,380	5,368	327	6%
-26	Property Services	655	628	-26	-4%
-28	Property Compliance	205	102	-46	-23%
273	Property Services Total	6,240	6,098	255	4%
Strategic Assets					
-125	County Farms	-4,062	-2,188	-160	-4%
0	Strategic Assets	813	211	60	7%
-125	Strategic Assets Total	-3,249	-1,977	-100	3%
Traded Services					
0	Traded Services - Central	0	12	0	0%
-41	ICT Service (Education)	-200	-564	-42	-21%
0	Professional Development Centres	-71	-83	0	0%
0	Cambridgeshire Music	5	526	91	1727%
336	Outdoor Education (includes Grafham Water)	-77	217	299	387%
295	Traded Services Total	-343	107	348	102%
1,335	Total	-8,706	-493	1,679	19%

ANNEX 2 – Service Commentaries on the Revenue Forecast Outturn Position

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

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance	
			£000	%
Property Investments	-4,700	-3902	798	17
<p>The Property Investments budget is forecast to underachieve by £798k, which is an increase of £143k from the previous forecast. There are currently four adverse pressures facing this area:</p> <ul style="list-style-type: none"> - The occupancy of Brunswick House (student accommodation) is below target for the current academic year, creating an underachievement of income of £187k. There is a brand new competing property in the vicinity of Brunswick House, however, the Council is confident the offer and location of Brunswick House overall will remain very appealing to students for the years ahead, and active/varied marketing activity is continuing via the operator of the accommodation. - A further commercial property investment anticipated in South Cambridgeshire has not yet completed, due to delays in receiving information as part of the purchase process and due diligence. The Council has now exchanged on this property, subject to the Vendor meeting certain further conditions, and is due to complete in late January. However, the delay is expected to result in £478k less rental income than originally forecast. This is therefore a timing issue, and it is important the Council is able to satisfactorily complete its due diligence before completing. The scale of the purchase has also changed from the original Business Case – whilst the purchase price has decreased, the scope of units included within the purchase has also reduced which has decreased the return by £40k for 2019-20. The overall return on yield on this investment, however, remains the same and the remaining unit is subject to a put and call arrangement which could lead to the Council owning the entire site with a higher overall revenue income. - The forecast level of capital receipts available to fund property investment in 2019-20 has reduced; as a result, additional borrowing has been required (this was approved by GPC in November 2019 and reflects changes to the timing (and amounts) of overage to be received from This Land). This creates additional financing costs and therefore reduces the level of return available by £138k in 2019/20. However, this change in financing is not expected to impact on the ability to deliver the expected income level for Property Investments for 2020-21 onwards. - As previously reported, GPC considered a further increase in borrowing to fund property acquisitions in order to release £20m of capital receipts to invest in multi-class credit. This was approved in January, and will enable the Council to meet the financial projections set out in the 2020-21 Business Plan. Although this will increase the cost of financing the existing property investments, this will be more than off-set in future years by the income from the additional investment. However, as the multi-class credit investment will not be made until the start of the new financial year, it has created a small pressure of £143k for 2019-20. <p>These forecast underachievements of income have been partially off-set by a £188k increase in expected return on some of the properties, mainly as a result of increased rental income following scheduled rent reviews.</p>				
Shareholder Company Dividends	-206	-510	-304	-148
<p>The Shareholder Company Dividends budget is forecast to overachieve by £304k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.</p>				
Housing Investment (This Land Company)	-5,728	-5,053	675	12

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000 %	
An underachievement of income of £675k is forecast on Housing Investment. This relates to interest received on loans made to This Land; the underachievement is a result of delays in making those loans and/or changes to the value of loans to be issued during 2019-20.				
Contract Efficiencies & Other Income	-449	-99	350	78
The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20. This is due to the targets for savings and additional income not being expected to be met in the year. However, work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once the team is in place. In addition, it has been concluded that whilst there may be some financial benefit for charities of creating a CCC lottery, this could be outweighed by the possibility of losing support through direct contributions and anxieties about control and financial burden. Resources will therefore be refocused to support other commercial initiatives.				
CCLA Managed Investment	-	-328	-328	-
An investment in the CCLA Managed Investment Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £328k in 2019/20.				
Facilities Management	5,380	5,707	327	6%
The Facilities Management budget is forecast to overspend by £327k in 2019/20. This is due to additional works following service in operational buildings, which are required for those buildings to meet required standards.				
County Farms	-4,062	-4,222	-160	-4%
The County Farms budget is forecast to overachieve by £160k. The forecast includes a decrease in expenditure for maintenance & water and an increase in income of -£54k due to a payment received which relates to last year. Also we have received an increase in income for solar power -£20k.				
Cambridgeshire Music	5	96	91	1727%
Cambridgeshire Music is forecasting a deficit of £91k at year end. The service is continuing to work to mitigate this by reducing unused capacity where able and reducing all unnecessary expenditure and ensuring all income is received. Forecasting has become more accurate in relation to staffing and income estimation this year, and pressures in these areas are reduced as a result. There have been higher costs than expected in some overheads which will be scrutinised to achieve savings next year particularly in relation to travel, systems and building costs. It has been recognised that a new business model is required and key elements of this are to move more delivery staff on to core and variable percentage roles so that spare capacity is not a pressure and can be reduced within the short-term where not needed if demand decreases. In addition the service has reviewed the way in which it works with settings to encourage growth in activity to achieve economies of scale and operate more effectively in an open market using a mixture of providers to support music education.				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000	Forecast Outturn Variance %
The service is also about to consult on changes to management structure to reduce costs for 20/21 by an estimated £30k and other adjustments to improve working practice for staff.				
Outdoor Education	-77	222	299	387%
<p>A structural pressure of £113k has been identified at Grafham Water Centre during budget preparation and has been reported from the beginning of 2019/20. This has been partially offset by underspends elsewhere in the service. A Business Development Plan is underway to address the financial sustainability of the service.</p> <p>In addition to this, there are additional one-off variances, as previously reported.</p>				

ANNEX 3 – Capital Position

3.1 Capital Expenditure

Commercial & Investment Capital Programme 2019/20						
Total Scheme Revised Budget £000	Original 2019/20 Budget as per BP £000	Scheme	Revised Budget for 2019/20 £000	Actual Spend 2019/20 £000	Forecast Spend - Outturn £000	Forecast Variance 2019/20 £000
164,068	51,907	<u>Commercial Activity</u>				
153,009	43,067	Commercial Investments	124,605	103,196	104,605	(20,000)
3,645	3,280	Housing Schemes	56,847	10,058	20,222	(36,625)
11,399	383	St Ives Smart Energy Grid	3,378	67	81	(3,297)
6,969	292	Babraham Smart Energy Grid	452	45	70	(382)
9,745	397	Trumpington Smart Energy Grid	314	1	1	(313)
		Stanground Closed Landfill Energy Project	454	43	235	(219)
2,526	246	Woodston Closed Landfill Energy Project	285	2	29	(256)
23,219	672	North Angle Solar Farm	695	223	665	(30)
40	-	Light Blue Fibre	20	20	20	-
		Swaffham Prior Energy Project	290	83	170	(120)
374,620	100,244		187,340	113,739	126,098	(61,242)
		<u>Property Services</u>				
6,000	600	Building Maintenance	1,338	1,436	1,338	-
6,150	-	Shire Hall Campus	81	30	81	-
345	-	Office Portfolio Rationalisation	47	28	47	-
3,034	550	Investment in the CCC asset portfolio	3,034	1,548	2,030	(1,004)
		Property Asset Database	30	-	30	-
15,529	1,150		4,530	3,043	3,526	(1,004)
		<u>Strategic Assets</u>				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	173	280	(20)
-	4,616	MAC Joint Highways Project	-	-	-	-
1,950	910	Community Hubs - East Barnwell	1,041	-	60	(981)
18,326	5,633	Shire Hall Relocation	7,971	3,146	6,481	(1,490)
113	-	Marwick Centre Roof Repairs	113	1	150	37
295	-	Meads Farm House Replacement	295	5	75	(220)
24,684	11,559		9,820	3,339	7,146	(2,674)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	-	26,312
373,998	90,443	TOTAL	175,459	120,121	136,851	(38,608)

3.2 Capital Variation

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

2019/20					
Service	Capital Programme Variations Budget £'000	Forecast Outturn Variance (Jan 2020) £'000	Capital Programme Variations Budget Used £'000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Jan 20) £'000
C&I	-26,312	-44,920	-26,312	100%	-18,608

3.3 Capital Funding

Commercial and Investment Capital Programme 2019/20						
Original 2019/20 Funding Allocation as per BP £000	Source of Funding		Revised Funding for 2019/20 £000	Forecast Funding - Outturn £000	Forecast Variance £000	
42,077	Capital Receipts	C&I	41,387	13,898	(7,489)	
2,309	Grant Funding	C&I	1,953	170	(1,783)	
7,600	Other Contributions	C&I	7,600	7,600	-	
130	Developer Contributions	C&I	130	-	(130)	
38,327	Prudential Borrowing	C&I	124,389	115,183	(9,206)	
90,443	TOTAL		175,459	136,851	(18,608)	

3.4 Service Commentaries on the Capital Position

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

Revised Budget for 2019/20	Forecast Spend - Outturn (Jan)	Forecast Variance (Jan)	Variance Last Month (Dec)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Commercial Investments/Multi Class Credit						
124,605	104,605	-20,000	-	-20,000	-	-20,000
General Purposes Committee has agreed £73m of additional borrowing to fund commercial						

Revised Budget for 2019/20	Forecast Spend - Outturn (Jan)	Forecast Variance (Jan)	Variance Last Month (Dec)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>property acquisitions this year. The Council has spent, or has committed to spend, £105m on commercial property investments in 2019/20.</p> <p>C&I Committee also recommended to GPC in January the approval of an additional £20m of budget for investment in a multi-class credit pooled fund, to be funded through capital receipts. These receipts will be made available by swapping £20m of capital receipts originally earmarked for commercial property investments and borrowing an additional £20m to fund that investment instead.</p> <p>However, it is anticipated that this will not be invested until the start of the new financial year due to the legal advice required, and the technical and procurement arrangements that will need to be put in place. This has created an in-year underspend of £20m, which will reduce the capital receipt requirement by £20m.</p>						
Housing Schemes						
56,847	20,222	-36,625	-36,625	-	-	-36,625
<p>The Housing Schemes are forecasting to underspend by -£20.2m. This is an increase of -£10.2m since the previous forecast, and relates to continuing adjustments in relation to the amount and timing of the final construction loan due to be issued in 2019-20, and therefore reflects a timing issue.</p>						
St Ives Smart Energy Grid						
3,378	81	-3,297	-3,297	0	-	-3,297
<p>The St Ives Smart Energy Grid scheme is expected to underspend by £3.3m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.</p> <p>This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,538k.</p>						
Babraham Smart Energy Grid						
452	70	-382	-382	0	-	-382
<p>The Babraham Smart Energy Grid scheme is expected to underspend by £382k in 2019/20. Development work on the Investment Grade Proposal for the Babraham Smart Energy Grid Project has been slower than anticipated due to uncertainties in the battery energy storage market and the simultaneous development of several large energy projects in 2018/19.</p> <p>This will reduce the prudential borrowing requirement in year by £382k.</p>						
Trumpington Smart Energy Grid						
314	1	-313	-313	0	-	-313

Revised Budget for 2019/20	Forecast Spend - Outturn (Jan)	Forecast Variance (Jan)	Variance Last Month (Dec)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>The Trumpington Smart Energy Grid scheme is expected to underspend by £314k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.</p> <p>This will reduce the prudential borrowing requirement in year by £314k.</p>						
Woodston Closed Landfill Energy Project						
285	29	-256	-256	-	-	-256
<p>The Woodston Closed Landfill Energy Project scheme is forecast to underspend by £256k. The Committee approved an officer request to suspend activity on this project in October due to prohibitive grid connection costs and current uncertainty in the battery service market.</p>						
Investment in the CCC asset portfolio						
3,034	2,030	-1,004	-	-1,004	-	-1,004
<p>The Spoke Buildings scheme is expected to underspend by £1,004k. There has been a delay in the timeline around initiating building work due to delays with the planning process, and therefore expenditure will need to be pushed back into the next financial year.</p>						
Community Hubs – East Barnwell						
1,041	60	-981	-981	-	-	-981
<p>The Community Hubs – East Barnwell scheme is expected to underspend by £981k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.</p> <p>This will reduce the developer contributions applied this year by £140k and the prudential borrowing requirement in year by £841k.</p>						
Shire Hall Relocation						
7,971	6,841	-1,490	-	-1,490	-	-1,490
<p>The relocation to Alconbury is expected to underspend by £1,490k. Delays to work starting onsite due to site remediation issues (now resolved) have resulted in some project costs needing to be pushed back into the next financial year.</p>						
Meads Farm House Replacement						
295	75	-220	-220	-	-	-220

Revised Budget for 2019/20	Forecast Spend - Outturn (Jan)	Forecast Variance (Jan)	Variance Last Month (Dec)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p>Commercial and Investment Committee recommended to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income.</p> <p>This will increase the prudential borrowing requirement in year by £295k. The scheme is expected to underspend by £220k due to a delay with preparation work required for the demolition.</p>						

ANNEX 4 – Savings Tracker

Quarter 3 report

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

Reference	Title	Committee	Original Saving 19-20	Current Forecast Phasing - Q1	Current Forecast Phasing - Q2	Current Forecast Phasing - Q3	Current Forecast Phasing - Q4	Forecast Saving 19-20	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.7.113	Invest to Save Housing Schemes - Income Generation	C&I	-1,483	0	0	0	0	-942	541	36.48	Red	Dependent on land values and This Land's readiness for construction loans.
F/R.7.127	Renewable Energy Soham - Surplus to Repayment of Financing Costs	C&I	-5	0	0	0	0	-5	0	0.00	Green	

Key to RAG ratings:

Total saving	Over £500k	100-500k	Below 100k
Black	100% non-achieving	100% non-achieving	100% non-achieving
Red	% variance more than 19%	-	-
Amber	Underachieving by 14% to 19%	% variance more than 19%	% variance more than 19%
Green	% variance less than 14%	% variance less than 19%	% variance less than 19%
Blue	Over-achieving	Over-achieving	Over-achieving

ANNEX 5 – Technical Note

1. Grant Income Analysis

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

2. Virements and Budget Reconciliation

	£'000	Reported
Budget as per Business Plan	-9,502	
Movement of Contract Efficiency saving target from Corporate Services	-49	May 2019
Clear Traded Services Central income target from Central Services Risks budget	58	May 2019
Deployment of budget to Housing Investment to mitigate overspends, as agreed by GPC July 2019	122	June 2019
Transfer budget from Debt Charges and Interest for the debt charges relating to the Triangle solar farm	603	August 2019
Transfer insurance budget to County Farms & Facilities Management	63	January 2020
Revised Budget	-8,706	

3. Reserve Schedule

Fund Description	Balance at 01 April 2019	Movements in 2019/20	Balance at 31 January 2020	Forecast Balance at 31 March 2020	Notes
	£'000	£'000	£'000	£'000	
<u>Equipment Reserves</u>					
The ICT Service (Education)	56	0	56	0	1
subtotal	56	0	56	0	
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	600	0	600	679	2
subtotal	600	0	600	679	
<u>Capital Reserves</u>					
General Capital Receipts	20,415	13,549	33,964	0	3
subtotal	20,415	13,549	33,964	0	
TOTAL	21,070	13,549	34,619	679	

Notes

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

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 2nd March 2020
Updated on 12th March 2020



Cambridgeshire
County Council

Notes

Committee dates shown in bold are confirmed.

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

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

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

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

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

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

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

Committee Date	Report title	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
20/03/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham		11/03/20	12/03/20
	Update on the North Angle solar farm project	Claire Julian Smith			
	+ This Land – Strategic Financing: Construction and Acquisition	Tom Kelly	2020/027		
24/04/20	Loans to Voluntary Organisations	Tom Kelly		15/04/20	16/04/20
	East Cambridgeshire Adult Social Care Service Development	Amanda Roach	2020/025		
	Hinchingbrooke Country Park	Alex Gee			

Committee Date	Report title	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Sale of Development Sites at Lode and Dullingham	Jane Webster			
	High Level Assessment for Longstanton Park and Ride energy project	Cherie Gregoire			
22/05/20	Confirmation of Chairman/Vice Chairman	Dawn Cave		13/05/20	14/05/20
	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French			
19/06/20	Update on Property Services	Alex Gee			
	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
10/07/20					
14/08/20					
11/09/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
16/10/20					
20/11/20					
18/12/20	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
22/01/21					
19/02/21					
19/03/21	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Amanda Askham			
16/04/21					
11/06/21					

To be programmed: St Ives Football club – ransom strip benefit for CCC (John Macmillan) ICT Future Delivery Options (John Chapman); Trumpington Park & Ride Smart Energy Grid (Sheryl French); Oasis Centre (Adrian Chapman)

COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	Provisional training slot – Redington Investment training session		24th April 2020 (12-3pm)	Amanda Askham/Chris Sutton	C&I
2.	Performance reporting		17 th January 2020	Amanda Askham	C&I
3.	Presentation on Shire Hall site plans		22 nd November 2019	Chris Malyon	C&I
4.	Committee Training: MLEI/Energy projects		18 th October (12-3pm)	Sheryl French	C&I
5.	Nearly Zero Energy Buildings members/officers workshop		24 th May 2019(1-2.30pm)	Sarah Wilkinson/Sheryl French	C&I and GPC
6.	Commercialisation training (all Members)		26 th April 2019 (1-4pm)	Amanda Askham	All Members
7.	Finance/KPIs		3 rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
8.	Commercial Strategy		9 th November 2018 (12.30pm)	Amanda Askham	C&I
9.	Members' duties and obligations in considering Promotion Agreements.		2 nd November 2018 (12.30pm)	Chris Malyon	C&I
10.	Future Smart Energy Systems Demonstrator Project		18 th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
11.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
12.	This Land Performance Workshop		12 th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
13.	Asset & Risk Workshop	<ul style="list-style-type: none"> • Asset Strategy • CHIC • Risk approach and risk register • Site tenure mix and retention of rental housing • Affordable housing • Community Land Trusts 	20 th October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I

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

Updated 13/02/20