COMMERCIAL AND INVESTMENT COMMITTEE

Friday, 19 March 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

10:00

COVID-19

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

AGENDA

Open to Public and Press

CONSTITUTIONAL MATTERS

OTHER DECISIONS

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

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

KEY DECISIONS

- 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 Mark Goldsack (Chairman) Councillor Chris Boden (Vice-Chairman) Councillor Ian Bates Councillor John Gowing Councillor David Jenkins Councillor Linda Jones Councillor Peter McDonald Councillor Terence Rogers and Councillor Tim Wotherspoon

For more information about this meeting, including access arrangements please contact

Clerk Name: Dawn Cave
Clerk Telephone: 01223 699178
Clerk Email: dawn.cave@cambridgeshire.gov.uk

Commercial and Investment Committee: Minutes

Date: 19 February 2021

Time: 10:00am – 12:00 noon

Venue: Virtual Meeting

Present: Councillors M Goldsack (Chairman), C Boden (Vice-Chairman), I Bates, J Gowing, D Jenkins, L Jones, P McDonald, T Rogers and M Smith (substituting for Cllr Wotherspoon)

395. Apologies for absence and Declarations of interest

Apologies were presented on behalf of Councillor Wotherspoon (Councillor Smith substituting).

396. Minutes of the meeting held on 18 December 2020 and Action Log

The minutes of the meeting held on 18 December 2020 were agreed as a correct record.

397. Action Log

The Action Log was noted.

398. Petitions or Public Questions

There were no petitions or public questions.

399. Refurbishment of March Community Centre

The Committee considered a report on the refurbishment of March Community Centre.

Members noted the financing arrangements for the refurbishment works, including Growth Fund Capital grant from the Combined Authority, and that individual components of the works had been approved through the appropriate governance arrangements, including the Communities & Partnership Committee. However, the project in aggregate had not been considered by the Commercial & Investment Committee. The benefits of the refurbishment in terms of enhanced facilities for both education and community purposes of this popular centre were noted.

Comments from one of the Local Members, Councillor Count, were noted, and are appended to these minutes.

Arising from the report:

- A Member indicated strong support for the project, but expressed concerns that the support of Commercial & Investment Committee was being sought retrospectively. He stressed the Committee's useful role in evaluating such proposals at an early stage;

- Welcomed the proposals and highlighted the wide range of services provided at the Centre;

- Noted that prior to the pandemic, the Centre earned approximately £120K per annum for room hire, although there would be reduced income over the pandemic and initial recovery periods, with £150K income forecast for 2021/22;

- Noted that the land was owned by the County Council;

- Noted that the facilities at the Centre could be used by students from across the county, but there were other centres that may be more convenient for students from the south and west of the county.

The Chairman thanked officers for their presentation and Members for their comments. He acknowledged Member concerns about the report being considered retrospectively, and said he would be working with officers to ensure that would not be repeated.

It was resolved unanimously to:

(i) Receive and record the report;

(ii) Endorse the capital refurbishment spend of the monies awarded by grant at no cost to the Council's core budget (Strand 1);

(iii) Endorse the secondary capital investment to upgrade the net carbon zero heating system and roof repairs agreed through delegated governance (Strand 2);

(iv) Notes the procurement processes that have commenced across the totality of works (£735k) towards the appointment of contractors.

400. A first stage report - Care Suites, East Cambridgeshire – Property Implications

Members considered a report on work taking place that may lead to the opportunity to acquire land and build services at the Princess of Wales hospital site in Ely, to address the challenges of the county's growing care needs, along with the opportunity to generate income through leasing space to the NHS.

A Member thanked officers for bringing this report at the evaluation stage, so that the Committee could play a role in reviewing the financial criteria. The Member welcomed the project, but asked that officers update the Committee if there were any significant changes to the project viability. Speaking as the Committee's representative on the Care Suites Member group, Councillor Jones endorsed these comments, especially the importance of reporting back any changes to the business model going forward. It was noted that this would be the first Care Suites initiative by the County Council, so it was vital that the Committee monitored its progress.

Another Member expressed strong support for the report and the work that had been undertaken. He suggested that future iterations of the timetable should include key decision points in the democratic process. He also stressed the importance of being clear if projects had been given unqualified support by other Committees, that this was made clear when they were presented to Commercial & Investment Committee. From a broader perspective, there was an East Cambridgeshire District Council (ECDC) planning issue, relating to affordable housing percentages and green space: the Member pointed out that it was not Commercial & Investment Committee's job to second guess the ECDC planning decision. He suggested that this issue be explored in the next report on this matter.

A Member expressed strong support for the scheme and asked if the project proposers could consider affordability and running costs, in addition to construction costs, when proposing their project.

A Member asked if the intention was to work with a RSL (Registered Social Landlord) in terms of letting out the sixteen flats.

It was resolved unanimously to:

(i) to note the opportunity for CCC to support an integrated health and care community at the Princess of Wales Hospital site in Ely with its Care Suite programme;

(ii) to note the preparations made by the Council in anticipation of returning to Committee in 2021 for investment decisions.

401. Alconbury Weald Civic Hub

The Committee considered an update on the Civic Hub construction programme.

The design specification of the building had been reviewed in the light of the pandemic, especially in terms of increasing the volume of fresh air intake into the building. Since the initial impact of the pandemic had caused delays early in 2020, including the manufacture of key components such as glass panels, good progress had been made. The original timings and costs of the project would have been met if it had not been for the pandemic, but the Cambs 2020 team was doing what it could do to claw back lost time. There were around 50 labourers currently on site, and social distancing was being very closely managed. There would be a period of six weeks for the handover, with the plan to formally occupy in September.

The pandemic had also led to major changes in the way staff worked, and working at home had become an effective and productive way to carry out many, but not all, activities. Engagement with staff had shown that space to collaborate with colleagues and for teams to come together was now a key requirement. The Council therefore needed to find the right balance between using its buildings for activities where staff need to come together with colleagues, partners and citizens, alongside the productivity of working from home and utilising virtual tools.

The Joint Strategic Recovery Board had identified four Early Adopter sites, incorporating design changes to continue to enable the new ways of working that the organisation has embraced since the first Lockdown, and one of those sites was the Alconbury Weald Civic Hub. Teams based in the building would work on an average 3:10 desk ratio, a slight change from the previous 5:10 ratio, but would have access to these different types of spaces to enable better collaboration and meeting environments. Furniture had been chosen in consultation with both Members and officers.

The Social Value of the site was very good, with 96% of the subcontract packages having been procured, 71.4% of those being placed with local subcontract companies, which equated to £8.1M of the £11.3M allocated being local spend.

The existing Shire Hall site was being decommissioned, and was currently vacant except for a small number of officers working in the Octagon. The staff currently in the Octagon would be able to work elsewhere.

The Chairman advised that he had visited the Alconbury Weald site earlier in the week, and as soon as Covid restriction allowed, would be arranging for a visit by the Committee to the site.

Arising from the report:

- A Member queried the Risk Register, specifically how some risks appeared to have changed: she referenced item no.2, contaminated land, which was still appearing as a risk despite the majority of works relating to the building and the car park being completed. Officers advised that the car park was still under construction, with respect to drainage and landscaping, so even though it had reduced slightly, contaminated land remained a fundamental risk. There were other risks e.g. utilities, where mitigating measures had been put in place but the underlying risks remained;

- A Member queried the removal of the central internal staircase. It was confirmed that this had to be removed, but there was still a choice between staircase or lift;

- Members noted that although the final sale of the Shire Hall site would not be completed until after May, there was still a significant period of decommissioning required. At this stage, the move to the new building was likely to take place in August, so that officers could be working there in September. There would be a three month period where there was no formal headquarters building;

- A Member observed that this project had been very seriously impacted by the pandemic, and that the pandemic had also fundamentally influenced the design of the building and how it would be used in future. He commented that one of the bugbears of efficient construction cost mitigation was changing specifications. Whilst there were very good reasons in this instance, overall he felt that this was something that required careful review. Contingency figures had increased but there was still £565K of the contingency budget left, and it would interesting to see how much of that would be utilised. He commented that there was a real danger that contingency was regarded as acceptable cost overrun. He suggested that six months after handover, there should be a full financial review of the project and its financing;

- A Member applauded the project, commenting that it was one of a handful of substantial Council projects in recent years that was coming in more or less on budget and on time, and expressed his thanks to Andy Preston and the Cambs 2020 team. Another Member commented that there were other major project successes such as Kings Dyke;

- Noting the rebalancing in favour of meeting space rather than office space, a Member commented that due to the change in working behaviours, the building may not be required at all. In particular, officers and Members may not need to travel significant distances for meetings. He also queried access to the site, noting that whilst there would be a bus from Cambridge, the timetable would be geared to the working day, not staff or Members attending occasional meetings. Officers agreed that there had been a significant change in working behaviours brought about by the pandemic, but observed that whilst there had been real benefits to many members of the staff and the Council, there were welfare and wellbeing issues experienced by some staff from constantly working at home. The way services would be delivered in future would continue to evolve, but to not have a headquarters building at this stage would be premature. In terms of needing to attend the site for a meeting, it was likely that officers and Members would plan their diaries around meetings and being on site for part or the whole day on days that they had on site meetings. With regard to transport options from Cambridge, it was observed that of the 600+ staff to be relocated to Alconbury Weald, there were only around 100 who lived in Cambridge – the majority of the workforce did not live in Cambridge;

- In response to a Member question, it was agreed that a list of the four Early Adopter sites would be circulated to Members Action required;

There was a discussion on the proposed new name, “New Shire Hall”. One Member asked if alternative options be considered, such as paying tribute Captain Sir Tom Moore. Other Members suggested that the building name should reflect its function, so it was obvious to the wider public what its purpose was. It was confirmed that the signage would carry the appropriate County Council branding.

It was resolved unanimously to:

a) Note construction progress and development to date which remains within the approved budget;

b) Consider and approve the proposed name for the building as 'New Shire Hall'.

402. Review of retirement age of farming tenants with farm business tenancies granted under the Agricultural Tenancies Act 1995

The Committee considered a report on a proposed amendment of a management policy for the Rural Estate. Members were reminded that the Committee had approved management policies for the Rural Estate at its meeting in February 2020.

Farm Business Tenancies (FBTs) comprise the majority of County Council farm tenancies. An FBT is a commercial agreement for the use of land and does not relate to employment. FBTs vary in length, but none currently extend beyond the tenants 65th birthday.

Government changes to retirement dates impact when older tenants were due to qualify to receive their state pension depending on their year of birth. It was considered prudent and equitable to review the policy so that all agricultural tenants nearing the end of their current tenancies and approaching State Pension Age were offered new tenancies in a consistent way. This would help ensure that all County Council Farm Tenants, whether on Agricultural Holdings Act 1986 (AHA) or FBT agreements were treated equitably as they approach State Pension Age. Having taken legal advice on the issues around retirement age, it had been concluded that the existing policy was not discriminatory.

Three options were set out in the report:

Option 1 – do nothing and maintain the status quo.

Option 2 – allow tenants to apply for new tenancies beyond 65 years of age for as long as they feel able to farm.

Option 3 – offer all tenants when they reach age 65 years the opportunity to apply for a new FBT that takes them to the year in which they reach state pension age (or thereabouts) with an end date of October to match the recognised end of the farming year.

One Member commened that he found the section on equality and diversity very useful. He asked whether there would be an absolutely firm policy that tenancies end at 68? He expressed concerns that if farmers wanted to continue past the statutory retirement age, and were capable of doing so, the Council may appear to be forcing them out. He also asked whether there had been any consultation with farm tenants on this matter. Officers advised that the legislation was unclear – a policy could be set, but this may be tested in its application in individual cases. The expectation to date was that farmers would retire when they reached statutory retirement age, but there was potential for tenants to continue, on a case by case basis. The issue was a commercial one around ending tenancies, not forcing farmers into retirement. Tenants had not specifically been consulted, as the intention was to align the policy with legislation. It was observed that the Rural Assets team regularly interact with tenants so were aware of their views, and the proposed change was really about levelling up the existing policy.

It was resolved unanimously:

> approve an amended policy so that agricultural tenants are given the opportunity to apply for a new FBT that takes them to the year in which they reach state pension age (or thereabouts) with an end date of October to match the recognised end of the farming year.

403. This Land Update

The Committee considered an update on This Land, the Council's wholly owned housing company.

It was noted that This Land (and its subsidiary companies) intended to revise its balance sheet date from 31 December to 31 March. This would align the companies' financial year with the Council's. The report also outlined a number of changes including a key change in leadership and a number of other matters, which could be discussed more fully at the quarterly shareholder meeting.

One Member commented that this appeared to be a selective update, especially as this was a a housing company but there was no update on the number of houses that had been built. Officers agreed to follow this up outside of the meeting Action required. It was also noted that This Land had recently issued a Press Release which had included that type of information .

A Member observed that This Land were in receipt of a huge amount of money from the Council (£112M), and as such, the Committee could reasonably expect more information, including clarification of the company's predicted "glidepath" in terms of the Council's return on this loan. It was acknowledged that in terms of borrowing and interest costs, This Land was returning what it should be to the Council. It was also noted that This Land held considerable assets, and the value of those assets had increased significantly through the work of the company and the Planning Permissions obtained.

Whilst acknowledging that This Land was a separate legal entity, one Member expressed concern around the lack of information provided to Members in advance of the change to the Chief Executive position. It was noted that the interim Chief Executive had been appointed from within the company, and whilst that may be a good thing, no information had been provided to Members on the change or the rationale.

Officers commented that there could be detailed discussions regarding the debt outstanding in the regular meetings that the Committee as shareholder has with This Land on a quarterly basis. The Interim Chief Executtive had indicated that profit would be seen “in the near future”, although that was clearly dependent on a number of issues, and this could be explored in more detail at the shareholder meeting. There was no evidence that the company could not continue to make payments on their loans with the Council, and no evidence to suggest that they would not deliver against their business plan. It was also observed that the Interim Chief Executive, being an internal replacement, represented a net saving to the company.

A Member advised that he had asked for this item to be included on the Committee agenda, and he thanked the Chairman and officers for their report. However, he was disappointed that neither of the two County Council representatives on the This Land Board had been invited to attend. The Chairman acknowledged this point, and apologised for not inviting the Council’s representatives on the This Land Board to the meeting. He suggested that he could either invite them to a future meeting, or Members could take up the opportunity to observe a This Land Board meeting. The latter option had been taken up by a number of Committee Members to date.

One Member felt strongly that Members should not hear about changes to the senior structure of This Land indirectly. He had many questions about the departure of the previous Chief Executive, such as why he was not serving his notice, and the circumstances that had led to his departure. He observed that This Land almost certainly have a Communications function, and it was regrettable that they had not seen fit to communicate with the Committee, as shareholder, before issuing a Press Release. The Chairman and officers agreed to raise this matter with This Land.

It was noted that David Lewis was the Interim Chief Executive, not the substantive incumbent in that role, and a Member asked what the process was for confirmation in that position. The Member commented that the Committee had felt that the previous incumbent, David Gelling, was doing a good job, so it was unclear why he had left.

In relation to the change of the accounting period, it was confirmed that there were valid reasons for this change. Since the inception of the company, having separate accounting periods had become more and more complicated, and it was simpler to align the two. One Member commented that HMRC were often suspicious if organisations in the same group had different accounting periods, and indeed there was specific provision in the Companies Act to allows a second change of accounting period to align accounting dates within a group. In response to a question on whether the This Land subsidiaries were active, officers advised that most were dormant, but This Land Finance Ltd was active. Officers agreed to provide more information on this matter to the Committee. Action required.

It was resolved unanimously to:

note the report and confirm the change in This Land’s accounting date.

404. Finance and Performance Report – December 2020

The Committee considered a report on the financial information relating to the areas within the Commercial and Investment Committee's remit, for the period ending 31st December 2020.

At the end of December, there was a forecast underachievement of income of £2,605K on revenue budgets. There was one significant forecast outturn variance change by value which related to the Shire hall Relocation revenue budget (£95K). There was a capital underspend of £14.7M . The budget for Ground Source Heat Pumps had been added.

A Member commented that in an ordinary year, the financial position would be considered dreadful, but in the context of the pandemic, it was fully understandable, and the shortfall was less than anticipated. However, he asked why Facilities Management were failing to anticpate business rates in relation to Cambridgeshire Archives and Kings Dyke. Officers advised that this related to the budgeting for those schemes. In relation to Archives, the incorrect figure had been used at the budgeting stage. Whilst this figure had not been provided by the Estates team, the Assistant Director Property agreed to investigate the process further to see if such instances could be avoided in future. It was further noted that in the estimatation of the level of business rates, rateable values had been reassessed in the past at a number of sites, as there was a risk of underestimating.

It was resolved unanimously to:

Note the report.

405. Committee Agenda Plan and Appointments to outside bodies

The Committee considered the Agenda Plan, including changes made since publication.

On behalf of the Committee, the Chairman congratulated Tom Kelly, who had recently been appointed as Director of Resources and Section 151 Offficer, and thanks to Chris Malyon, as outgoing Deputy Chief Executive/Section 151 Officer.

It was resolved to:

1. review the agenda plan.

Chairman

Comments from Councillor Steve Count, Local Member, in relation to item 399 (Refurbishment of March Community Centre)

The paper you are receiving today is for endorsing and noting the successful award of previous funding, so it may not be the subject of extensive debate. However, in case you are interested in the view of a local member, in this case a privilege I share with Councillor French, I wanted you to know how much we endorse and support this project.

The community centre is located in the very heart of March, with only the best interests of its residents and those of the wider area in mind. To be able to offer teaching, training and qualifications in an area of multiple deprivation, when a pandemic has stripped many of the normal opportunities in life, could quite literally be a life saver.

Not only will training be directly delivered here, but this location is envisaged to provide a vibrant administrative base from which the Service will be able to reach out to communities across the local towns and villages to provide them with place-based learning. Any support you can give to this project will be appreciated.

COMMERCIAL AND INVESTMENT COMMITTEE MINUTES-ACTION LOG

This is the updated action log as at 1st March 2021 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 16th December 2019					
Minute number	Item title	Responsible officer(s)	Action	Comments	Completed
307.	Milestone 4 and 5 Report for the Alconbury Weald Civic Hub – Cambs 2020 Programme	Andy Preston/ Kim Davies	Totality of the Business Case, including some commercially confidential information, to be brought back to a future meeting, so that Members could establish the overall financial position.	A financial update for the Cambs 2020 project will be considered by C&I Committee later in the year.	
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.
Minutes of 16th October 2020					
380.	Service Committee Review of the draft 2021-2022 Capital Programme	Eleanor Tod/Justine Hartley	Officers to investigate further implications of recent developments for Swaffham Prior scheme.	A full report on the Swaffham Prior scheme was considered by the Environment & Sustainability Committee in January 2021 Council and committee meetings - Cambridgeshire County Council > Meetings (cmis.uk.com)	Completed

				Further to the query raised in this Committee, it is now expected that the scheme will attract both Renewable Heat Incentive and Heat Network Investment Project external funding	
Minutes of 18th December 2020					
391.	Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning proposals for 2021-26	Sheryl French/ Chris Malyon	A Member raised a query regarding income for the North Angle Solar Farm project. It was agreed that this would be addressed by email to the Committee.	Response circulated to Committee by email on 11/02/21.	Completed
Minutes of 19th February 2021					
401.	Alconbury Weald Civic Hub	Andy Preston	List of the four Early Adopter sites to be circulated to Members.	1. New Shire Hall - Alconbury Weald 2. Stanton House - Huntingdon 3. Part of Sackville House - Cambourne 4. CPDC (Cambridge Professional Development Centre)	Completed
403.	This Land Update	Chris Malyon	Update on the number of houses that had been built by This Land to be circulated to Members.	Response emailed to Committee on 21/02/21: 9 units completed but more due to be completed in the near future.	Completed
403.	This Land Update	Chris Malyon	Questioned whether This Land subsidiaries active.	As advised at Committee, This Land Finance Ltd is active. Two subsidiaries are dormant.	Completed

Agenda Item No: 5

Clean electricity supply for Swaffham Prior Community Heat Project via Private Wire from North Angle Solar Farm

To:	Commercial and Investment Committee
Meeting Date:	19 March 2021
From:	Steve Cox, Executive Director, Place and Economy
Electoral division(s):	All
Forward Plan ref:	N/A
Key decision:	No
Outcome:	Supply clean electricity from North Angle Solar Farm to Swaffham Prior Community Heat Project via a Private Wire.
Recommendation:	Members are asked to:

a) Confirm support for Option B, a private wire solution connecting North Angle Solar Farm, Swaffham Prior Community Heat Network and the Burwell Local substation as set out in paragraphs 2.4-2.7 and its implementation as set out in the next steps under section 4.0;

b) Delegate the implementation decisions on Option B to the Executive Director Place and Economy and Chief Finance Officer in consultation with the Chair of Committee and the Energy Investment Working Group, providing these decisions fit within the investment cases approved for both projects.

c) To note the private wire connection risks and opportunities set out under sections 3.0 and 6.0

Officer contact:
Name: Sheryl French and Claire Julian-Smith
Post: Programme Director and Delivery Manager - Energy
Email: Sheryl.french@cambridgeshire.gov.uk and Claire.julian-smith@cambridgeshire.gov.uk
Tel: 01223 728552/715349

Member contacts:
Names: Councillors Goldsack and Boden
Post: Chair/Vice-Chair
Email: Mark.Goldsack@cambridgeshire.gov.uk | cboden@fenland.gov.uk
Tel: 07831 168899 | 07860 783969

1. Background

1.1 In May 2019, Cambridgeshire County Council (CCC) declared a Climate and Environment Emergency. In 2020 the Council set a corporate objective to deliver net-zero carbon emissions for Cambridgeshire by 2050 and published its Climate Change and Environment Strategy (CCES) approved at Full Council in May 2020. The strategy includes measures to mitigate climate change and puts the use of the Council's assets to generate clean energy at its core.

1.2 In December 2020, Commercial and Investment Committee approved the investment case for the North Angle Solar Farm (NASF) which included the costs for a private wire connection to supply Swaffham Prior Community Heat Project (SPCHN). Committee also agreed to scope detailed options for the private wire connections, in particular for the connection and supply of electricity to SPCHN. The aim being to sell approximately 5% of the electricity generated at NASF to the proposed Swaffham Prior Community Heat Project at £0.05/kWh, equivalent to the wholesale price supplied to the Grid. This could mitigate the risk on 5% of the NASF generation to wholesale price reductions, supply clean electricity locally and benefit the SPCHN.

1.3 The NASF project received planning permission in September 2020 and work is underway discharging the relevant pre commencement planning conditions and finalising the implementation plans to mobilise the project. The project construction is scheduled to start in summer 2021 with the view to supply electricity during the second half of 2022.

1.4 In January 2021, the Council's Environment & Sustainability (E&S) Committee approved the investment case and the capital expenditure for the SPCHN including the estimated costs for the private wire to connect SPCHN to NASF.

1.5 The SPCHN project secured planning permission on 24th November 2020 and the scheme is due to start construction in summer 2021. This project must start supplying heat to initial customers by 31st March 2022. The main bulk of customer connections will progress from April 2022 onwards.

1.6 The outcome of this report is to progress to detailed design and construction of the private wire connection, which will supply clean electricity from late 2022 from the NASF to SPCHN.

2. Progress Update

2.1 Both NASF and SPCHN must connect to the local electricity distribution network at the same point, Burwell Local substation. It is essential for both projects to connect to the distribution network; for NASF it allows the project to sell clean electricity wholesale into the market via the distribution network and for SPCHN to access electricity supplies for the heat pumps at the energy centre when the NASF is not generating sufficient supplies e.g. at night or during peak winter.

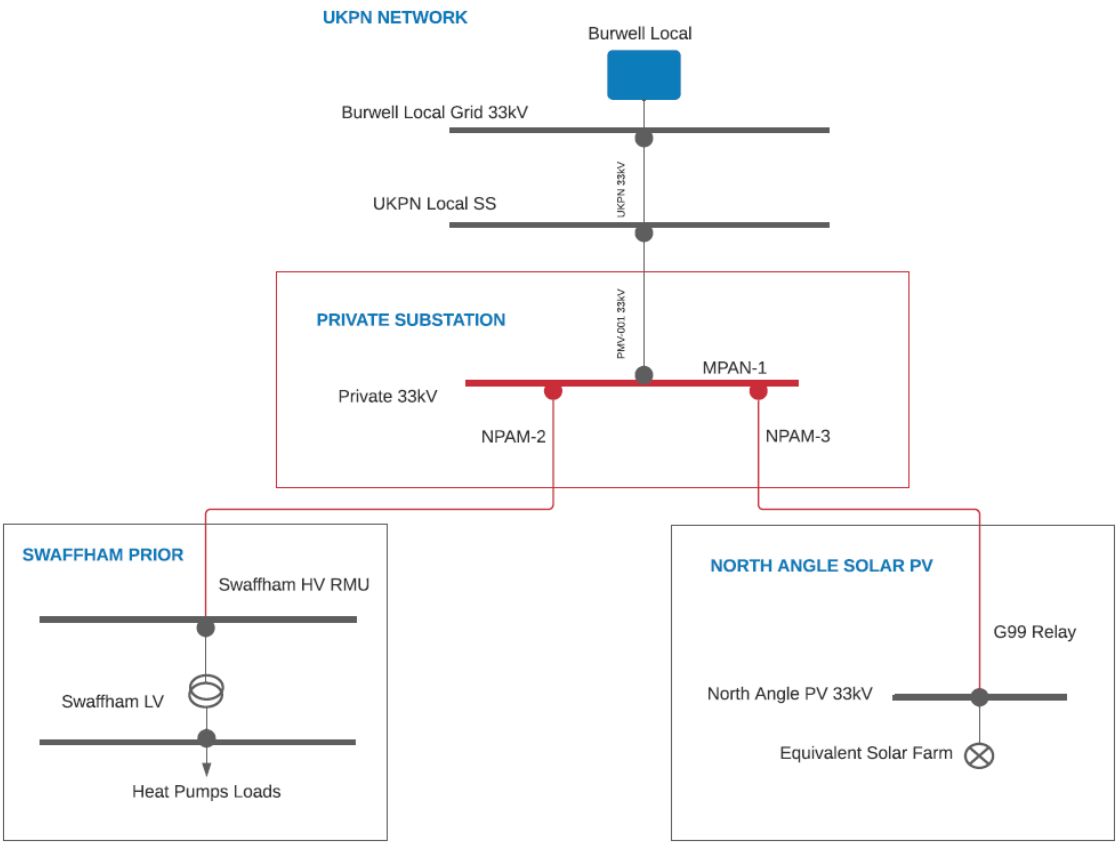
2.2 The distribution network in this area of East Cambridgeshire is heavily constrained. This means the majority of new connections must connect to the 33kV system rather than 11kV and pay for network upgrades as part of this process.

2.3 Both NASF and SPCHN projects have been liaising with UK Power Networks to connect to Burwell Local substation. UKPN have supplied costs to connect the projects individually to Burwell Local and these are set out in table 1 below as Option A. Under option A, both UKPN and an Independent Connections Provider (ICP) deliver the cable route and connection to Burwell Local using statutory undertaker powers. The cable route is then subsequently adopted by UKPN, who can then connect other projects to the cable route.

2.4 Option B is a private wire solution. A private wire is proposed that connects NASF and SPCHN, allowing NASF to directly supply electricity to SPCHN. SPCHN requires approximately 5% of the total generation at NASF with the balance being fed into the distribution network via a private substation connection and sold at wholesale price. The Council is the owner of the private wire and must take on maintenance responsibilities. This option came forward when it was clear that both projects would effectively share the same point of connection at Burwell Local. Examining the flows of electricity, the Council would in effect be selling generated electricity wholesale at ~5p/kWh from the NASF project into the distribution network and yet buy it back via the Burwell Local connection for ~14p/kWh to supply electricity to SPCHN. This led to discussions that both projects could benefit from a private wire solution.

2.5 SSP Electrical Ltd were procured to develop the overall electrical concept for the potential integration of the North Angle Solar PV array and the Swaffham Prior heat pump. The initial feasibility study confirmed outline feasibility and an outline High Voltage (HV) Design of the system is set out below.

Figure 1 – Integration Concept



2.6 Energy modelling of both the SPCHN electricity demand and the NASF generation identified that the majority of the SPCHN load demand can be aligned with daylight hours minimising power usage of the system during night time when NASF is not producing.

2.7 Cost comparison of Options A and B is detailed in table 1 below.

	Option A (£M)	**Option B – Private wire (£M)**
Contestable work	6.55	4.33 (including wayleaves)
Non-contestable work	1.43	1.43
Contingency	0	0.25
Other	0	TBC – lease costs for land to site the private substation and maintenance contract costs
TOTAL £M	7.98	6.1 plus costs for land lease and maintenance contract

3. Material Risks and Opportunities

3.1 Regulatory Implications. There are no regulatory reasons why the Council cannot own a private wire. However, private cables do not always show up on property searches (especially highway searches) and it will be important for the Council to ensure independent registration of a cable to ensure this is picked up to avoid the risk of cable strike during subsequent construction.

3.2 Planning Implications. LGSS Law have advised that if the cable route is delivered by a licensed provider under section 6 of the Electricity Act 1989 this would fall under permitted development, otherwise a planning application will be required. The solution of procuring a licensed provider to deliver the cable route is currently being explored but which then allows the Council to retain ownership of the cable rather than being adopted by UKPN. If feasible, the costs of this solution will then need to be assessed against the risks associated with a planning application and the timescales for implementation.

3.3 Wayleave negotiations: The chosen cable routes mainly go through CCC-owned land but they do also cross 3rd party private land. Different route options have been identified to manage the risk of any one party holding the Council to ransom on wayleave price.

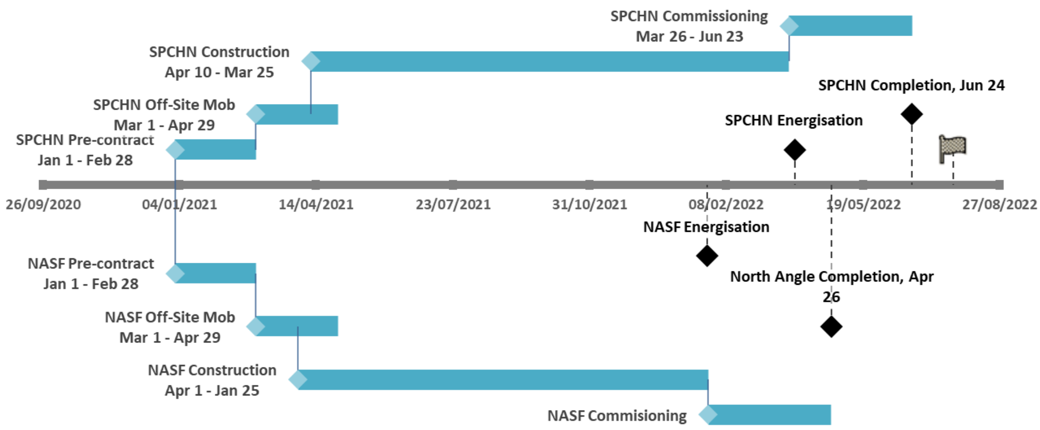
3.4 Private substation: Land for hosting the private substation is required. The location of this is important to minimise the cost of additional cable routing. If suitable Council land cannot be identified, negotiations with third parties will be needed for a long lease.

3.5 Current connection agreement with UKPN. If the integration of the systems goes ahead the current connection agreements with UKPN would need to be updated to reflect the change. There is a risk that UKPN will not vary our current arrangements. This will put the project further back in the project stack for getting works delivered which is a risk to the NASF project. This could potentially impact the timeline for delivery of the NASF project, risking cost overruns.

3.6 Ongoing Management Requirements. A maintenance contract will need to be procured for option B as the Council will have the responsibility for ensuring the private wire connection operates - safely and efficiently. If the cable is rendered un-operational, a quick response would be required as both the NASF project would not be exporting electricity and the SPCHN would need to purchase grid electricity at higher prices.

3.7 Projects' Programme. The existing construction programmes for the projects are both targeting a summer build (during 2021). The construction phase of SPCHN will take approximately three months longer as shown in the high-level timeline and will require electricity from the end of March 2022. It is unlikely that the NASF project will be supplying at this point so it means initial electricity for SPCHN is bought at retail price until the NASF project can supply. Delays on the private wire construction programme will impact both projects financially. The SPCHN's business case is dependent on accessing affordable electricity.

Figure 2 – Timeline for NASF and SPCHN projects



3.8 Covid-19 Pandemic Impacts. Additional costs may result during the construction phase whilst accommodating labour and supply chain challenges. It is expected that the rollout of the Covid-19 vaccine in the UK, will mitigate some impacts, many products for energy projects are sourced globally.

3.9 Brexit. Although, reaching a trade deal reduced the level of uncertainty, impacts on the supply chain costs along with exchange rates and tariffs are not completely discarded. The evolution of Brexit and Covid-19 risks are and will be closely monitored by the project teams.

3.10 Opportunity: The current proposal for a private wire to connect NASF and SPCHN benefits both projects. The route, as identified, does not preclude further commercialisation opportunities for the NASF or the private wire. For example, the opportunity to explore whether other local industrial estates could be supplied by clean electricity via a further private wire could be progressed or scoping how the Council could partner with a licensed provider to supply electricity locally to communities.

4. Next steps

4.1 Undertake an assessment of cost, time and planning risk for progressing the private wire under the solutions set out in 3.2. If a licensed provider can be procured for the delivery of the private wire (and the Council retaining post-construction ownership of the wire) within the budget for the two projects, this will be compared to the solution of submitting a separate planning application. Bouygues will then undertake detailed designs for the High Voltage cable route, private substation and integration works and a cost for the works. This will either form the specification for the procurement of a licensed provider or will form the basis for a planning application and formal integration into the Design and Build contracts for both NASF and SPCHN projects.

4.2 The Council's Rural Estates team will need to identify suitable land for the siting of the private substation and finalise wayleave negotiations and easements with third party landowners for the preferred NASF to Burwell Local substation 6.9km cable route and from the SPCHN to the private substation. The routes will look to maximise the use of CCC-owned land to reduce capital costs.

5. Alignment with corporate priorities

5.1 A good quality of life for everyone
There are no significant implications for this priority

5.2 Thriving places for people to live
There are no significant implications for this priority.

5.3 The best start for Cambridgeshire's children
There are no significant implications for this priority.

5.4 Net-zero carbon emissions for Cambridgeshire by 2050
It is estimated that both projects would prevent the emission of more than 143,000 tonnes of CO_2 over their lifetime through offsetting fossil-fuel electricity generation.

6. Significant Implications

6.1 Resource Implications:
The development of the private wire solution, Option B, requires additional staff resource to organise and manage than Option A and has ongoing maintenance and insurance cost implications. However, the longer term benefits for the Council

include further commercialisation opportunities along the route of the private wire and a stronger more sustainable Swaffham Prior Community Heat Project. Resources from rural estates, the energy investment unit, finance and legal will be needed and these costs will be covered through existing development budgets for both projects or through future revenues.

6.2 Procurement / Contractual / Council Contract Procedure Rules Implications:
The private wire connection will be built either via a procured statutory provider or by Bouygues Energies & Services who were procured under a mini-competition run under the Refit 3 Framework. The procurement of a maintenance provider will also be required and scoping for this will start once the specification for the HV cable is complete.

6.3 Statutory, Legal and Risk Implications:
In addition to section 3 above, there is a residual risk in option B as the Council will be the owners of the high voltage cable, its safety and maintenance.

6.4 Equality and Diversity Implications:
There are no significant implications.

6.5 Engagement and Communications Implications:
Discussions with landowners and tenants have started.

6.6 Localism and Local Member Involvement:
No significant implications

6.7 Public Health Implications:
No significant implications

Have the resource implications been cleared by Finance?
Yes Name of Financial Officer: Matthew Rathbone/ Jonathan Trayer

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?
Yes Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?
Yes or No Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes Name of Legal Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications?
Yes or No Name of Officer: Bethan Griffiths

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 or No Name of Officer: Iain Green

Source documents

Documents

North Angle Solar Fam

- Approval for Grid Connection down payments for energy investment projects, October 2019
- Project update, March 2020 (circulated via email)
- North Angle Solar Farm Investment Decision, 18 December 2020.

Location

- https://tinyurl.com/y64yk828
- https://tinyurl.com/y2ncl6k5
- https://tinyurl.com/uo32y6c
- Available by e-mail

Swaffham Prior Community Heat Network

- Heating Swaffham Prior Community website – updates and newsletters
- Heating Swaffham Prior video
- Swaffham Prior Community Heat Project – Investment Case, 14 January 2021

Location

- https://www.cambridgeshire.gov.uk/council/meetings-and-decisions
- https://heatingswaffhamprior.co.uk/
- https://www.mlei.co.uk/projects/swaffham-prior-community-heat
- https://vimeo.com/403639185/47ee190c01
- Internal files

Appendix A: NASF to SPCHN and potential route option

Agenda Item No: 6

Infrastructure Fund(s) Selection

To:	Commercial and Investment Committee
Meeting Date:	19th March 2021
From:	Director: Business Improvement and Development Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	N/a
Key decision:	No
Outcome:	That the Committee consider further diversification of the Council's treasury investment portfolio to include Infrastructure funds. That the Committee takes account of the risks and reward of such an investment, in view of the Council's Treasury Management Strategy and the due diligence undertaken by the appointed independent advisor.
Recommendation:	The Committee is invited to: a) Note the contents of this report b) Endorse the diversification of the treasury investments into Infrastructure Funds c) Consider its view on the acceptability of the volatility and sector exposure of Fund D, in particular, as detailed in section 3.2 and 6.3 d) Endorse the deployment of investment funds across Fund A, Fund C and Fund D, according with section 6.2 and 6.4, noting that the Chief Finance Officer will determine the exact timing and distribution of funds pursuant to the treasury management strategy

Officer contact:
Name: Anne Betts Walker
Post: Commercial Senior Advisor
Email: anne.bettswalker@cambridgeshire.gov.uk
Tel: 01223 703270/07581470851

Member contacts:
Names: Councillors Goldsack and Boden
Post: Chair/Vice-Chair
Email: Mark.Goldsack@cambridgeshire.gov.uk | cboden@fenland.gov.uk
Tel: 07831 168899 | 07860 783969

Background

1.1 Guided by this Committee, since 2019, the Council has diversified the investments it holds for treasury management purposes. Traditionally the Council had either held balances as cash or cash equivalents, that is as highly liquid and highly secure with a low (currently very low) yield or to reduce the level of borrowing required as part of the capital financing requirement (known as “internal borrowing”). By taking a longer-term view over the certainty of balances available for investment and utilising external borrowing earlier, greater diversification of treasury management investments is being implemented. This has meant investment into a pooled property fund, a diversified income fund (multi-asset including equities), and a multi-class credit (MCC) fund (predominantly bonds). These investments had a longer-term outlook, with reduced liquidity or security but a more favourable yield and return on balances.

1.2 In November 2020, in line with the current Commercial Strategy, Commercial and Investment Committee’s investment group identified in the region of £20m of further funds available through treasury management that could be deployed on a medium/longer term footing. It is anticipated that this will reach the upper limit of scope of funds available for treasury management purposes. The group agreed to explore investment into a Green Infrastructure and/or Clean Energy fund/s, to further diversify the portfolio. This pursues the strategy set out by the appointed investment independent advisor in 2020 as a suitable asset class to target, following on from multi-class credit.

1.3 The scope of this investigation was to assess investment options that must meet the requirements of the Council’s treasury management strategy, and a financial income target whilst seeking to meet the Council’s environment, social value and governance (ESG) objectives and contribute value to (our) net zero carbon strategies and approach. Earlier research during the MCC investment indicated an infrastructure-based fund with some focus on green initiatives may be the most appropriate next investment reflecting both the preference of Cambridgeshire County Council (CCC) of environmentally sustainable practices and the real possibility for a reasonable return in the current economic climate, without compromising on significant risk profiles.

1.4 Following a procurement exercise in November 2020 Arlingclose Limited were appointed as investment advisers for this specific investment selection. Arlingclose are an experienced treasury advisor and finance consultancy with a large public sector client base, and very familiar with advising local authorities.

1.5 At the end of January 2021, Arlingclose Limited presented their initial report for further consideration and due diligence to Officers. The initial fund review exercise by Arlingclose Limited gathered a long list of twenty-four funds that met the initial screen criteria – based on security, liquidity, yield, under the treasury management strategy. Further analysis and application of specific criteria including preferences for UK domicile, high ESG approaches and a preference for infrastructure and environmentally positive funds, resulted in seven of these funds recommended for initial review by CCC.

1.6 On 4th February at the C&I Investment Group meeting, Members agreed the following recommendations from Officers:

1.6.1 That four of the seven recommended funds be put forward for further due diligence investigation. (Confidential Appendix A for details of these funds)

- The Council splits the £20 million investment across two or more of the funds recommended following due diligence by Arlingclose Limited.

- The Council concentrates the majority of the funds available in the Infrastructure Funds category as yield is a significant pre-requisite (valuation gains or losses cannot be immediately accessed under the IFRS 9 disregard) and the Infrastructure universe appears to be larger in number and broader in diversification than Green Energy.

1.6.2 It was recommended by Officers and agreed by Members that the funds might be aligned as follows:

- Primary Infrastructure Fund Investment of between £12-£15 million: UK orientated, cleaner, medium volatility. This would be either Fund A or Fund B.

- Secondary Investment of between £5-£8 million: either Fund C clean energy or Fund D global infrastructure.

1.7 Arlingclose Limited were tasked to undertake detailed due diligence investigations on these four nominated funds and make recommendations for the most aligned investments to CCC requirements.

1.8 At the end of February 2021, Arlingclose Limited presented the results of the due diligence exercise on the four nominated funds and made investment recommendations to Officers (full report available in Confidential Appendix C).

2. Due Diligence Process and Findings

2.1 A desk exercise was undertaken during the first phase of shortlisting appropriate investment funds for further consideration. The following selection criteria were applied to make recommendations in line with the scope of Council investment requirements. (Appendix B for details of ESG approaches).

Criterion	
Income	o Income must be distributed and preferably on a regular basis (at least annually) o No formal income target stated but priority given to higher income levels – (informal discussions between Officers and Arlingclose indicated a 4-5% expectation)
UCITS (undertakings for collective investment in transferable securities)	o Investments must not count as capital expenditure under the local authority capital financing regulations o For pooled funds this means being structured under relevant UCITS • Relevant UCITS are either UK UCITS or EEA UCITS (post 31/12/20) the latter to be FCA authorised as UK UCITS before 31/12/23 • For detailed review during due diligence stage
UK Domicile	Preferred
GBP sterling	For funds, having a GBP share class if the base currency of the fund is not GBP and cost of hedging to be clearly understood
ESG	o To be as exclusive as possible without significant impact on income; considered acceptable for a fund to be moving towards exclusivity but not fully exclusive on day 1 of the investment

	○ No universally agreed definitions ○ UN Principles of Responsible Investment (UNPRI) – 3 Approaches • Integration (ESG factors built into product) • Thematic (contribution towards stated goals with measurable outcomes) • Screening (filters based on investors preferences)
Qualitative criteria	The themes of green energy, infrastructure etc

2.2 A further, more detailed due diligence investigation was undertaken on the four selected investment funds. This included in-depth conversations with their Fund Managers. In all twenty-seven criteria were considered during the due diligence phase including commentary by Arlingclose Limited on each fund. The due diligence criteria reviewed were as follows:

Company Overview	Company Background	Location	Overall Assets Managed	Fund Focus
Fund Details	Fees	Income Distribution	Fund Management Resource	Investment Objectives
Benchmark	Targets	Investment Philosophy & Style	Investment Instruments	Portfolio Construction
Stock Positions	Risk Analysis & Control	Fund Liquidity	Investor Concentration	Fund Turnover
Hedging	Swing Pricing/Dilution Levy	Reporting	ESG/Sustainability	Portfolio Composition
Fund Holdings	Fund Performance	Arlingclose Commentary		

For detailed Fund Manager responses see Confidential Appendix C - Arlingclose Limited Report February 2021

2.3 Arlingclose Limited believes all four funds are well run products fitting with the Council's financial objectives and likely ESG criteria.

2.4 Analysis of each of the funds are illustrated in the table below for comparison purposes:

Risk	Fund A		Fund B		Fund C		Fund D	
UCITS*	✓		✓		✓		✓	
Domicile	UK		UK		UK		UK	
Fund Inception	Dec 2017		Jan 2016		Dec 2017		July 2016	
Fund AUM	£532m		£700m		£247m		£775m	
Asset Class	Equities (Investment Trusts)		Equities (Investment Trusts)		Equities (Investment Trusts)		Equities	
Base Currency	£ Sterling		£ Sterling		£ Sterling		£ Sterling	
Fees	0.65% p.a. (charged to capital)		0.65% p.a. (from income)		0.70% p.a. (charged to capital) [+]		0.87% p.a. (including management fee, charged to capital)	
Income distribution	Quarterly/ex-dividend		Quarterly/ex-dividend		Quarterly/ex-dividend		Quarterly/ex-dividend	
Benchmark annual income target	5% through dividends		Aims for 5% however no formal target (MSCI UK Index illustrative)		Aims for 4.5% however no formal target (S&P Clean Energy Total Return Index illustrative).		Outperform OECD G7 Inflation Index +5.5% over 5 years.	
ESG credentials	UN PRI, UN Global Compact, UN SDG's, UK SIFA		UN PRI, UN Global Compact, UK Stewardship Code 2020 (aspiration), TCFD		UN PRI, UN Global Compact, UK Stewardship Code 2020 (aspiration), TCFD		UN PRI (2010), ESG factors incorporated into processes and applied consistently. Engagement with boards on ESG issues, monitors and votes at meetings	
Hedging	Non-GBP holdings non-hedged at fund level		N/A		Non-GBP holdings in alternative currencies ($ and €) which may use tactical hedging to manage volatility		Non-GBP holdings in alternative currencies. Costs of hedging borne by relevant hedged share class	
Return – Total (£ return per £1m)	1 yr.	-1.09% (-£10,900)	1 yr.	-3.48% (-£34,800)	1 yr.	26.34% (£263,400)	1 yr.	7.27% (£72,700)
	3 yrs.	8.01% (£81,000)	3 yrs.	5.29% (£52,900)	3 yrs.	19.88% (£198,800)	3 yrs.	10.39% (£103,900)
	5 yrs.	N/A	5 yrs.	6.32% (£63,200)	5 yrs.	N/A	4.3 yrs.	8.17% (£81,700)
Volatility	1 yr.	20.6%	1 yr.	19.5%	1 yr.	22.6%	1 yr.	25.2%
	3 yrs.	7.6%	3 yrs.	7.4%	3 yrs.	11.6%	3 yrs.	12.7%
	5 yrs.	N/A	5 yrs.	5.6%	5 yrs.	N/A	4.3 yrs.	11.8%
Liquidity	Good		Good		Good		Good	

Other		Co-manager structure, potential “soft close”	Co-manager structure, if continued strong growth in 2021 income yield estimated at +/- 3%, 6% holding in gas	Broad global portfolio with holdings of 13.4% in gas and 16.1% in renewables

*UCITS – complies with the EU UCITS Directive and on gaining FCA approval before 31/12/2023 will devolve to UK UCITS
+ The minimum investment at this rate (re-negotiated by Arlingclose) is £8m

Past performance does not guarantee future results and the Committee is cautioned that it should not rely on past performance as a guarantee of future investment performance.

2.5 Fund pairings were identified to enable effective comparison for both a primary and a secondary investment. Further, the primary and secondary funds approach enables deeper comparison and consideration of diversification and risk.

2.6 Fund comparisons to enable investment decision:

2.6.1 Primary Investment - Fund A vs. Fund B: These are similar funds and they are the most obvious competitors of the four funds. Fund B invests in a slightly wider range of assets while Fund A's performance has been stronger over the past three years. However, risks in Fund B are the lack of co-manager structure (as the secondary advisor does not appear to be as active in the fund on further questioning) and the potential for a soft closure of the fund in the relatively near future.

2.6.2 Secondary Investment - Fund C vs. Fund D: These funds are not direct competitors, and their strategies are distinct given Fund C's thematic focus on majority clean energy. They are both global funds but Fund C is weighted towards the UK whereas Fund D is the more globally diversified. From an income perspective, Fund D aims for a higher level of income, and on the capital side Fund C has seen particularly strong growth in the past one year (however, the Fund Manager commented that recent growth may not be as rapid going forward but they believe the long-term outlook remains good overall).

3.0 Risk and Treasury Management Strategy

3.1 The Treasury Management Strategy adopted by Full Council in February lists investment in Infrastructure funds as non-specified investments. This means that whilst the Council has decided they are an authorised form of investment that can form part of the portfolio, additional care, caution and due diligence is required relative to the financial investments they will be replacing. The Treasury Strategy is clear that the Council will prioritise security, liquidity and yield, *in that order.* It is important to note that risk is increasing by taking on these investments, principally that capital values can decrease (i.e. they are less secure than cash) and that the funds can be "gated" reducing liquidity. Members will want to consider that the additional potential benefits in terms of diversity and yield are commensurate with the additional risk exposure, across the whole portfolio. The following sections consider the key risk and selection factors in more detail and note the UK focus and solid regards to ESG as mitigations.

3.2 Volatility: Across all four funds volatility is within normal parameters for the Equities share class. It is worth noting that volatility is greater in this share class than in the Bond market where the MCC investment is positioned, or any other category of treasury investment that the Council is so far exposed to. Fund D has slightly higher volatility than the other funds. This is due to the underlying nature of its investments. Infrastructure investments in this class function as underlying assets not equities and Fund D comprises a mix of both Infrastructure and Equities. In a wider portfolio however, Fund D volatility is within normal parameters especially when taking a longer-term view.

3.3 Diversity of Funds: Three of the funds are explicitly focused on Infrastructure and the fourth includes renewable energy infrastructure (a sub class of infrastructure) indicating significant overlap in Fund holdings. Fund D has the least overlap in comparison because of its global rather than UK specific focus. The uncertainty of the Covid 19 pandemic has impacted the market with a higher degree of correlation than would be usual in non-Covid 19 times. 2020 represents around 30% of the data from the four funds. In the longer term it is anticipated that the funds will display greater divergence with one another. When compared with current Council investments the level of diversity was slightly more.[1] Therefore some consideration should be given to the mix between the primary and secondary investments.

3.4 Yield and ESG link: While the ESG credentials of the selected funds are important, income is an important consideration in recommending this investment. A high level of ESG would mean less choice and less diversification of funds, impacting the risk profile of the investment and the wider Council investment portfolio. Our experience from the MCC investment and the analysis of this investment so far does indicate the more exclusive the ESG, the lower returns in the current climate (see Confidential Appendix D); this will need to be monitored over the medium to long term. To expand opportunity and mitigate risk it was necessary to broaden the ESG requirements of the Council in the scope of this investment.

3.4.1 All four funds have strong ESG credentials with Fund D being the only one to report the impact of its investing activities to the UN Principles of Responsible Investment annually. Funds C and D both invest in natural gas (average 9.7%), viewed as a “bridging” energy source in the medium term, while more green energy infrastructure is developed. In recent years Fund Managers have been working together in a stewardship capacity to influence and impact their investments to become “greener”. By investing, CCC could help to further influence. However, should a small percentage of the funds remain invested in natural gas in the medium term we could, through the liquidity afforded due to using Treasury Management rules, divest from these funds so as to not negatively impact our organisational ambition for net zero.

3.4.2 It is understood that we are unable to eliminate the use of natural gas for some delivery, and in some sectors some production of carbon will remain in these earlier years of our net zero ambition by 2050. This is relevant to investments when considering infrastructure funds.

3.5 Net Zero Carbon Investment: It is very difficult to take a view on this measurement in part because everything we do has a carbon impact on the environment. Currently carbon disclosures for the investment world is under consideration with some Funds developing their own ratings underpinned by EU Directives[2]. At this time, the focus of these activities is on agreeing the data sets that will be used as reporting criteria by investment funds globally. The expectation is that a taxonomy will be developed and harmonised across all investment classes in the near future in order to standardise information.

4.0 Comparison of Funds alongside current Council portfolio and “do nothing” scenario.

Please note, that funds’ historic performance is outlined here and is no predictor or guarantee of future returns but can provide an indication of funds’ success in achieving their income targets over time.

[1] Correlation Analysis that includes the MCC investment is not possible at this time as the Fund is newly constituted and relevant annual figures are not available.
[2] MiFID II

Under a “do nothing” scenario the Council would not reduce its internal borrowing and would instead utilise the long-term available working capital balances to finance the capital programme. For comparison purposes, a reasonable baseline is the cost of the additional borrowing that will be required as a result of the diversion of these funds to treasury investment. Using a 5-year PWLB maturity loan interest rate as a proxy, the additional cost to the Council is 1.1%. The income returns below can be compared to this when considering relative return.

Name		**Capital Return**	**Income Return**	**Total Return**	**£ yield per £1m**	**Volatility**
Fund A	1 year	-5.81%	4.72%	-1.09%	-£10,900	20.6%
	3 years % p.a.	2.87%	5.14%	8.01%	£81,000	7.6%
Fund B	1 year	-7.88%	4.40%	-3.48%	-£34,800	19.5%
	3 years % p.a.	0.45%	4.83%	5.29%	£52,900	7.4%
	5 years % p.a.	1.45%	4.87%	6.32%	£63,200	5.6%
Fund C	1 year	22.71%	3.63%	26.34%	£263,400	22.6%
	3 years % p.a.	15.74%	4.14%	19.88%	£198,800	11.6%
Fund D	1 year	2.03%	5.24%	7.27%	£72,700	25.2%
	3 years %p.a.	4.81%	5.59%	10.39%	£103,900	12.7%
	4.3 years % p.a.	3.41%	4.76%	8.17%	£81,700	11.8%
Existing CCC investments						
Diversified Income Fund	1 year	-4.93%	3.19%	-1.77%	-£17,700	13.6%
	3 years % p.a.	-0.30%	3.17%	2.87%	£28,700	7.1%
Property Fund	1 year	-4.88%	4.32%	-0.56%	-£5,600	3.1%
	3 years % p.a.	-1.32%	4.23%	2.91%	£29,100	2.0%
	5 years % p.a.	-0.41%	4.22%	3.81%	£38,100	2.6%

4.1 When considering the impact of this proposed investment on the current investment portfolio held by the Council some diversification may be gained by investing in any of the four funds in relation to the LA Property Fund. Investing in more than one fund has been recommended by Arlingclose from a diversification perspective. Fund A and Fund B, although comprised of different underlying assets have very similar objectives and exposures and do not add diversity relative to each other. Fund D, with a more global profile is differentiated from Funds A, B and C. Both Funds C and D have some exposure to natural gas.

4.2 All four funds have outperformed the current CCC portfolio, in terms of yield, over the past three years.

5.0 Summary of Findings

5.1 Based on previous performance, the highest income return would be achieved by a combination of Funds A and D, with both achieving over 5% p.a. income return (< £50,000 per £1m invested), followed by a combination of Funds B and D.

5.2 Lower income returns would be achieved if Fund C was the secondary investment to Funds A and B. However, Fund C achieved stronger capital returns than the other three funds and is the most directly aligned to “clean energy”. Investing in Funds B and C would have achieved the lowest returns over the period.

5.3 It is not recommended that Fund B and Fund C be invested in as a combination of primary and secondary investments as they share the same fund manager. It is not recommended that Fund A and Fund B be invested in combination due to their very similar investment objectives.

5.4 There is a slightly increased risk associated with the key person in Fund B and the fund is approaching a “soft close”.

5.5 While Officers proposed a primary and a secondary investment in their recommendations to Members with a view to spreading the investment across two funds, Arlingclose Limited have suggested an alternative third option.

5.5.1 The suggested secondary allocation had been to either Fund C or Fund D. Fund D has achieved strong income returns and offers diversification in the overall portfolio. Fund C is a good fit with the Councils desire for “green” investments and is well positioned to benefit from the global energy transition.

5.5.2 Arlingclose Limited have suggested that the secondary allocation be split between Fund C and Fund D. The inclusion of Fund C helps to inform the selection of the primary investment of Fund A to avoid holding investments with the same fund manager.

5.5.3 The combination of Funds C and D as the secondary investment is worth considering as while it would not offer a higher income level (a drop of 0.25% p.a. compared with the Funds A and D combination) and it has a slightly higher volatility, it still provides a strong income of over 5% p.a. combined with capital growth and an acceptable level of volatility. Importantly this combination offers the greatest diversity in the Council portfolio, reducing the risk of too much correlation, and meets the desire for “green” investments.

5.5.4 Taking account of the principles in the treasury strategy, the diversity offered by this additional investment is a key consideration. Members will appreciate that the approach outlined does heighten the risk of decreased security and liquidity, but these factors can be mitigated to some degree by the increased diversity that they bring. It is also important that the Council continues to keep under the review the wider portfolio from this perspective. The Council had planned to increase the investment in the multi-class credit fund. However, from a yield and diversity perspective, transferring £2m of the funds notionally earmarked from multi-class credit now appears to be a more optimised approach.

6.0 Conclusions and Recommendations

6.1 Following this due diligence exercise Arlingclose Limited consider that all four funds selected are suitable for consideration for investment.

6.2 Taking account of the findings in section 5, and the detailed report prepared by Arlingclose, Officers are minded to recommend an investment envelope of £22m (transferring £2m from the provisional allocation for multi-class credit), divided as follows:

Fund	Amount	Rationale
A	£10m	Strong income returns whilst being UK focused, broad infrastructure assets
C	£8m	Narrower clean energy focus, small investment in natural gas (6%)
D	£4m	Higher volatility but within normal parameters and some exposure to natural gas (13.4%), pleasing income returns and global diversity to form part of the portfolio.

6.3 It is suggested that the Committee will wish to indicate whether they are comfortable that Fund D forms part of the portfolio, taking account of its global and natural gas exposure and slightly higher volatility. If Members are not comfortable with its inclusion, this would lead to a redistribution across funds A and C.

6.4 Under the Treasury Management strategy approved by Full Council, the Chief Finance Officer is authorised to make the investments above. Clearly given this is a sensitive new area the CFO wishes to fully consult with this Committee and ensure its endorsement. The investments will also be noted at the General Purposes Committee, which supervises the Council's treasury management activities. As with other Treasury investments the exact timing and distribution between funds will be determined and varied by the Chief Finance Officer, based on advice from the treasury team, the retained treasury advisor and, with respect to these investments, Arlingclose Limited.

7. Alignment with corporate priorities

7.1 A good quality of life for everyone

There are no significant implications for this priority.

7.2 Thriving places for people to live

There are no significant implications for this priority.

7.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

7.4 Net zero carbon emissions for Cambridgeshire by 2050

There are some implications for this priority at this time due to one or more of the fund options having a small percentage invested in natural gas, however, a positive inclusion of investments focused towards green and clean energy and infrastructure helps support the approach and influence CCC are seeking. Currently the availability of ESG exclusive investment in these fund classes are limited when applying the requirements of Treasury Management and seeking financial returns with appropriate diversity and volatility to manage risk. Some discussion has been had with CCC's Energy Investment Unit to understand not all sectors can eliminate the use of natural gas in the short to medium term especially, and that an overall balance across activities will be required – not all, at this time, can be net zero and meet financial or exposure to risk standards. As described earlier, it is very difficult to take a view on this measurement in part because everything we do has a carbon impact on the environment. Currently carbon disclosures for the investment world is under consideration with some Funds developing their own ratings underpinned by EU Directives[3]. The expectation is that a taxonomy will be developed and harmonised across all investment classes in the near future in order to standardise information, however it is currently still being developed.

8. Significant Implications

8.1 Resource Implications

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

The Council is contemplating this investment using its Treasury Management powers. Our assessment is that the Council has sufficient cash flow certainty over the next 3 -5 years to be able to hold funds invested rather than as cash or to require the full extent of the authorised external borrowing level. In simple terms, this £22m is available because the Council's actual level of external borrowing is less than its calculated borrowing requirement. This means that it is financing the difference through 'internal borrowing', that is to say cash sums in hand or healthy working capital balances. By investing these sums instead, the Council will need to increase its external borrowing (and apply this to the capital programme) in cash flow terms, thereby releasing the surplus cash or working capital for this investment.

8.2 Procurement/Contractual/Council Contract Procedure Rules Implications

All procurement and contract management protocols are in place and regularly monitored by Commercial Service officers.

8.3 Statutory, Legal and Risk Implications

The Council has received advice from Arlingclose Ltd as a professional investor. Under the regulatory regime this relies on the treasury management expertise, professional standing and registration of the Chief Finance Officer and CCC Treasury Team.

The Committee needs to fully consider the risk implications for security and liquidity, and assure itself that it is comfortable with the increased risk from this form of investment relative to the baseline position, that there is commensurate likelihood of return to offset those risks, and that the Council can take a sufficiently long-term view to realise that position.

As it stands, the Council adopts the statutory override from MHCLG for the accounting standard IFRS 9 which means fluctuations in capital values are not recognised through usable reserves prior to March 2023. At this time, there is no confirmation that from April 2023 downwards movements in the capital value will not need be charged to revenue in the year that they arise.

8.4 Equality and Diversity Implications

[3] MiFID II

There are no significant implications within this category.

8.5 Engagement and Communications Implications
There are no significant implications within this category.

8.6 Localism and Local Member Involvement
There are no significant implications within this category.

8.7 Public Health Implications
There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Tom Kelly

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 or No
Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications?
Yes or No
Name of Officer: N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes or No
Name of Officer: N/A

Have any Public Health implications been cleared by Public Health Yes or No
Name of Officer: N/A

Appendix B

Environmental, Social and Governance Approaches

The Council desires, as part of its commitment to its net zero carbon strategy, to invest with consideration of Environmental, Social and Governance (ESG) factors. Currently there are no universally agreed and accepted set of ESG definitions and metrics. These issues are often based on personal values, conviction and perception and there is no agreed method to integrating them into investment processes. Any decision is likely to be subjective and will rely on investors own assessment of ESG factors and the risks they bring over the long term.

The United Nations has developed Principles for Responsible Investment (UN PRI) as a method for encompassing ESG in equity investments. These three approaches can be used singly or in concert:

Approach	
Integration	explicitly building the impact of ESG factors into fundamental analysis, research and security valuation and balance sheet strength
Screening	non-financial filters based on the investor’s preference, values or ethics which are applied to the investable universe to determine eligible securities: o Norms based screens: these use minimum standards set by recognised bodies or frameworks, e.g. the UN’s Global Compact and its Guiding Principles on Business and Human Rights, International Labour Organisation’s Conventions, etc. o Negative screens: which avoid or reduce exposure to particular companies with products/services/business practices with a poor ESG record or based on the investor’s criteria and parameters. o Positive screens: these include the best performers by ESG performance and/or practices relative to industry peers and may look to effect positive outcomes.
Thematic	identifying challenges and opportunities and allocating capital that will contribute towards particular goals and which have measurable outcomes o Impact investing is a subset of thematic investing with the purpose of achieving meaningful, additional environmental or social outcomes which, in the absence of that investment, would not have been achieved.

Finance Monitoring Report – January 2021

To:	Commercial and Investment Committee
Meeting Date:	19th March 2021
From	Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Purpose:	To present to Commercial and Investment (C&I) the January 2021 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 outturn position, as at the end of January 2021.
Recommendation:	The Committee is recommended to review and comment on the report.

Officer contact:
Name: Justine Hartley
Post: Strategic Finance Manager
Email: justine.hartley@cambridgeshire.gov.uk
Tel: 07944 509197

1. Background

1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance Monitoring Report at most committee meetings during the year, and 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 2021 Finance and Performance report.

2.2 Revenue: At the end of January, Commercial and Investment Committee is forecasting an underachievement of income of £2,940k on revenue budgets. There are five significant forecast outturn variances by value (greater than 2% or over £100,000) to report.

2.3 Capital: At the end of January, Commercial and Investment Committee is forecasting an underspend of £24.7m on the capital programme budget. There are four 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.

Service: Commercial & Investment

Subject: Finance Monitoring Report – January 2021

Date: 19th March 2021

Key Indicators

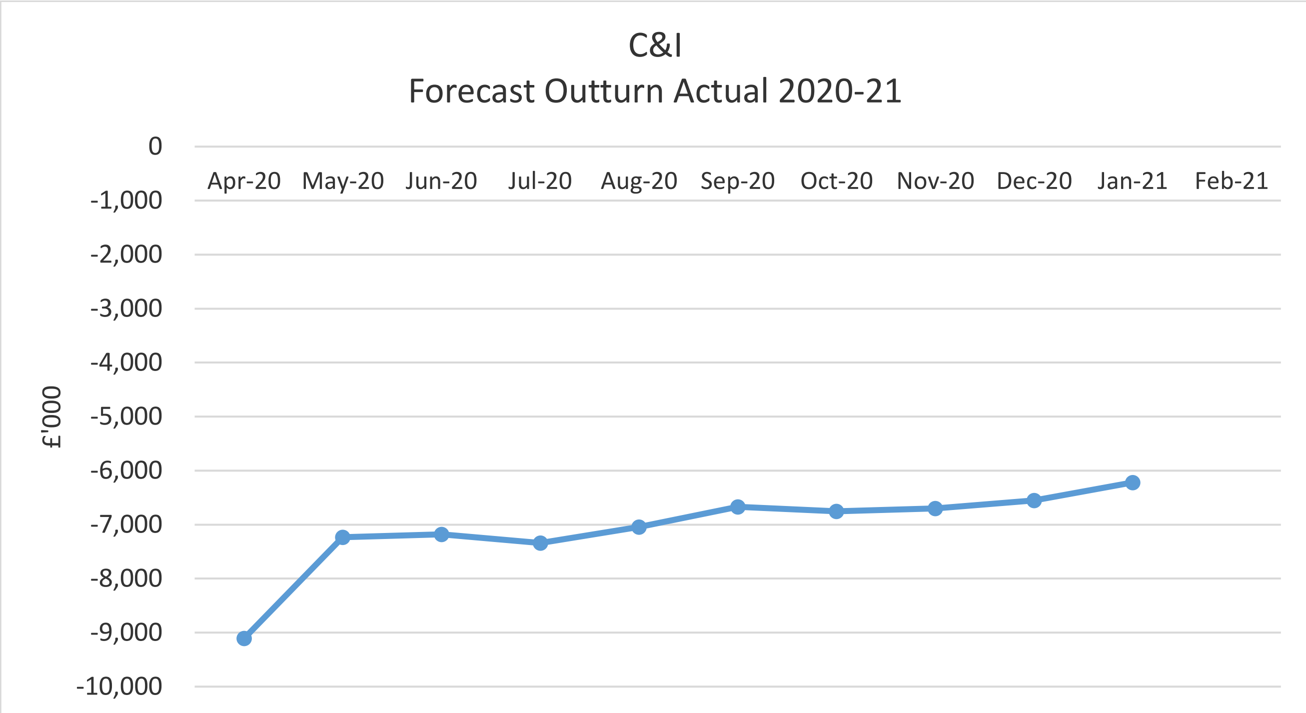
Previous Status	Category	Target	Current Status	Section Ref.
Amber	Revenue position by Directorate	Balanced year end position	Amber	1.2
Green	Capital Programme	Remain within overall resources	Green	2

Contents

1. Revenue Executive Summary

1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £2,940k at the end of January, which is an increase of £335k from the previous forecast. Commercial & Investment (C&I) has a negative budget as it has an income target for 2020/21 of -£9,159k. As such, the forecast outturn variance of £2,940k means that C&I is expecting to achieve a net income position of -£6,219k as demonstrated in the following chart:



1.2 Summary of Revenue position by Directorate

Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
Commercial Activity	-12,225	-8,448	2,342	19%
Property Services	6,833	5,729	288	4%
Strategic Assets	-3,495	-1,888	85	-2%
Traded Services	-271	314	224	83%
Total	**-9,159**	**-4,292**	**2,940**	**32%**

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 2021, the overall position for C&I is an underachievement of £2,940K.

There are five significant issue to report this month.

Property Investments

The Property Investments budget is forecast to underachieve by £1,036k, an increase of £75k since last month. The Brunswick House forecast has been updated, based on 80% occupancy levels expected for the rest of the financial year.

Contract Efficiencies & Other Income

The Contract Efficiencies & Other Income budget is forecasting to underachieve by £371k in 2020/21, this is an increase of £72k since last month.

The commercial income expected from the sale of a modular e-learning product to other local authorities is unable to be achieved. Whilst fifteen local authorities have indicated their intention to purchase the system, due to the new lockdown and impact further on budgetary positions this 2020/21 year, they are not able to complete the purchase in this financial period. However, strong communications are being maintained with a view to achieving sales in the early to mid period of the next financial year. Coupled with some emerging mechanisms to achieve sponsorship and advertising revenues, direct to the organisation and as a scheme with other LAs, we are expecting this income target to be fully achievable in 2021/22.

Collective Investment Funds

The Collective Investment Funds budget is forecast to underachieve by £1,100k, an increase of £72k since last month.

The annual return from the CCLA fund has improved reflecting performance in the 4th quarter of 2020. This is more than offset by a reduction in the return now anticipated from a £20m investment into a multi-class credit fund reflecting changes to the anticipated timing of the investment.

Property Services

The Property Compliance budget is forecasting an underspend of £22k in 2020/21. The cost of water testing is lower due to Covid-19 restrictions and there is less demand for accessibility equipment, but also an increased cost in agency staff working on Covid-19 risk assessments.

Facilities Management budget forecast overspend has increased due to pressures for building maintenance and lease vehicle contract costs, which has been partly offset by underspends on utilities & general office costs, due to building closures.

Strategic Assets

Strategic Assets budget is forecasting an overspend of £85k, a decrease since December of £41k due to an increase in external income towards staff costs.

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

Covid-19 – Financial Impact

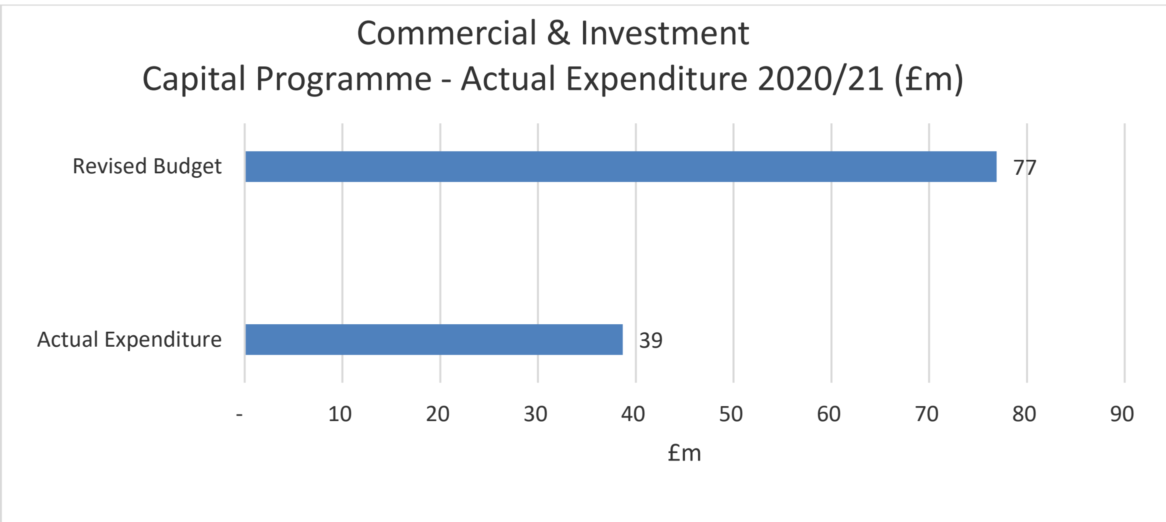
The current projected financial costs associated with managing the implications of the Coronavirus pandemic, including any loss of income:

Service Area	Details	Estimated cost 2020-21 £000	April –Jan impact £000
Property Services	Loss of income from Shire Hall & Castle Court Car park	90	74
Collective Investment Funds	Anticipate a 23% reduction on annual return from CCLA fund	98	98
Contract Efficiencies & Other Income	There is expected to be a delay in contract negotiations during this time	371	371
Property Services	Cambs 2020 programme removal costs with regards to H&S	20	5
Property Investments	Reduction in rent received from commercial properties	1,261	1,099
Traded Services	Reduction in income due to CPDC being closed	52	52
Collective Investment Funds	Anticipate reduction in the return in investment	859	859
Property Services	Cost of additional signage and H&S supplies and resource	55	34
Traded Services	Reduction in ICT Service income due to the closure of schools and change of roles	77	64

2. Capital Executive Summary

2.1 Expenditure

Commercial and Investment Committee has expenditure of £38.6m to date on the Capital Programme, against a revised budget of £76.9m:



In-year, an underspend of £24.7m is forecast; this is in addition to the Capital Variations budget of £17.6m.

There are four significant issues to report this month.

Housing Schemes

The Housing scheme is forecasting an underspend of £12,886k, an increased underspend of £3,086k compared to last month. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase.

Swaffham Prior

Delivery timescales for the commercialisation phase of the Swaffham Prior project have been accelerated in order to submit a Stage 1 application for Renewable Heat Incentive (RHI) funding for the project as early as possible. An application was submitted in November 2020, locking in current tariff values for both ground source and air source heat pumps. The project was awarded a commercialisation grant of £355,000 under the government's Heat Network Investment Project (HNIP) in July 2020 which will fund the additional expenditure in 2020/21.

North Angle

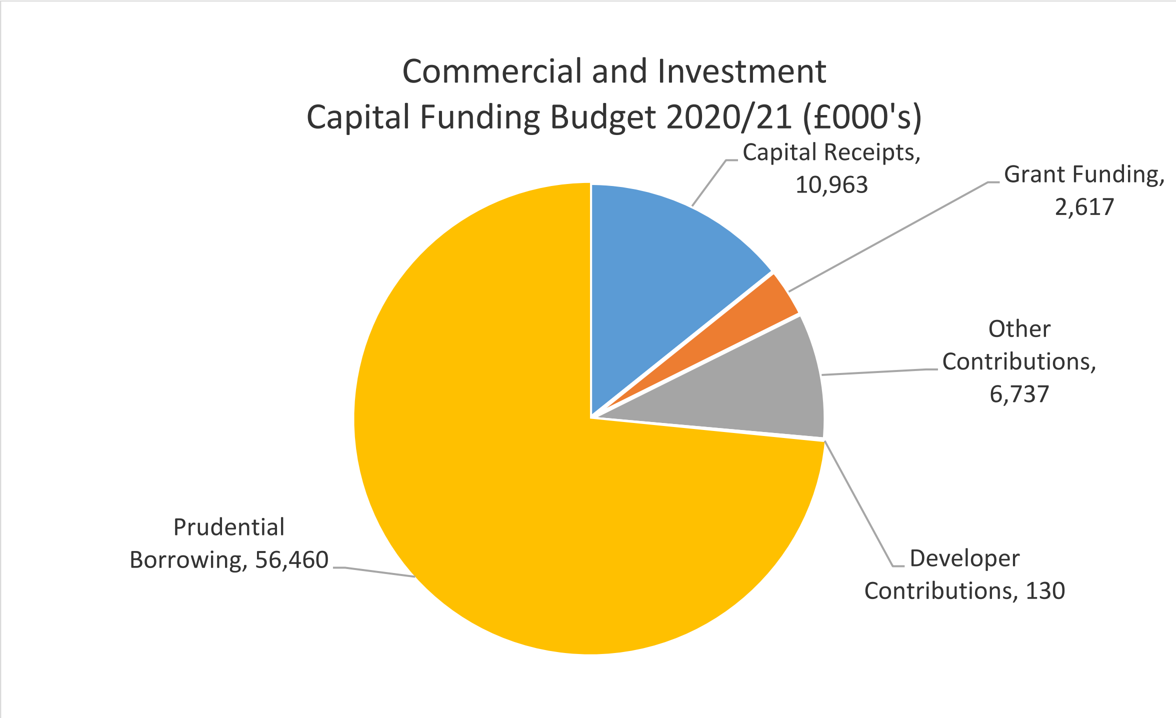
The planning timetable for the North Angle project has been revised due to additional planning requirements and the incorporation of some design changes which has resulted in a minor delay to the construction timetable. Pre-mobilisation works, including road reinforcement, were expected to take place during the current financial year but will now occur in early 2021/22.

Buildings Maintenance

The building work expected for March Community Centre, Huntingdon Youth Centre, Buttsgrove and Yaxley has been delayed. The work required will be re-assessed in 2021/22.

2.2 Funding

Commercial and Investment Committee has a revised capital funding budget of £76.9m in 2020/21.



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

3. Savings Tracker Summary

The savings tracker is produced three times a year – the quarter three table is included as 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 Finance & Performance Report – January 2021

Previous Forecast Outturn Variance		Budget 2020/21	Actual Jan 2021	Forecast Outturn Variance	Forecast Outturn Variance
£000's		£000's	£000's	£000's	%
	Commercial Activity				
962	Property Investments	-3,665	-3,670	1,036	28%
-241	Shareholder Company Dividends & Fees	-491	-295	-241	-49%
194	Housing Investment (This Land Company)	-5,796	-3,306	225	4%
299	Contract Efficiencies & Other Income	-449	0	371	83%
1,028	Collective Investment Funds	-1,560	-93	1,100	71%
-150	Renewable Energy Investments	-265	-1,084	-150	-57%
2,092	**Commercial Activity Total**	**-12,225**	**-8,448**	**2,342**	**19%**
	Property Services				
160	Facilities Management	5,835	5,094	320	5%
30	Property Services	792	706	30	4%
-40	Lost Sales, Fees & Charges Compensation	0	-23	-40	0%
13	Property Compliance	206	-48	-22	-11%
163	**Property Services Total**	**6,833**	**5,729**	**288**	**4%**
	Strategic Assets				
-0	County Farms	-4,211	-2,215	0	0%
126	Strategic Assets	716	327	85	12%
126	**Strategic Assets Total**	**-3,495**	**-1,888**	**85**	**-2%**
	Traded Services				
0	Traded Services - Central	0	0	0	0%
89	ICT Service (Education)	-200	229	89	45%
135	Professional Development Centres	-71	84	135	190%
224	**Traded Services Total**	**-271**	**314**	**224**	**83%**
2,605	**Total**	**-9,159**	**-4,292**	**2,940**	**32%**

Annex 2 – Service Commentaries on the Revenue 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.

Property Investments

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-3,665	-2,628	1,036	28%

The Property Investments budget is forecast to underachieve by £1,036k, an increase of £75k since last month, for the following reasons:

- The current expected loss from rental income for two of the Council's properties due to the impact of the Covid-19 pandemic is forecast to be £1,261k. The Brunswick House forecast has been updated, based on 80% occupancy expected for the rest of the financial year.
- The Kingsbridge forecast has improved by £225k because the debt charge has reduced due to application of capital receipts to fund most of the purchase.

Shareholder Company Dividends & Fees

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-491	-732	-241	-49%

The Shareholder Company Dividends & Fees budget is forecasting to overachieve by £241k in 2020/21.This is mainly due to underestimating the reserve amount for the 2019/20 ESPO Dividend by £159k and an increased amount expected in 2020/21.

Housing Investment (This Land Company)

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-5,796	-5,571	225	4%

The Housing Investment budget is forecasting an overspend of £225k on its £5.8m budget. As a result of positive cashflows into the company from a property sale, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. The company is noting progress with planning and construction closely, given the ongoing pandemic.

Contract Efficiencies & Other Income

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-449	-78	371	83%

The Contract Efficiencies & Other Income budget is forecasting to underachieve by £371k in 2020/21, this is an increase of £72k since last month. This is due to the targets for savings and additional income not being met.

The commercial income expected from the sale of a modular e-learning product to other local authorities is unable to be achieved. Whilst fifteen local authorities have indicated their intention to purchase the system, due to the new lockdown and impact further on budgetary positions this 2020/21 year, they are not able to complete the purchase in this financial period. However, strong communications are being maintained with a view to achieving sales in the early to mid period of the next financial year. Coupled with some emerging mechanisms to achieve sponsorship and advertising revenues, direct to the organisation and as a scheme with other LAs, we are expecting this income target to be fully achievable in 2021/22.

Covid-19 has impacted on all of the Council's suppliers across the organisation. Some of these suppliers are seeking relief under the PPN 02/20 guidance. It is likely that these businesses will be very much focused on recovering from the impacts of this pandemic and will not be open (or capable) of negotiating contracts.

Collective Investment Funds

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-1,560	-460	1,100	71%

The Collective Investment Funds budget is forecast to underachieve by £1,100k.

- A reduced return on investment of £40k on the annual return from the CCLA fund is forecast due to the pandemic. This is an improved position from last month reflecting reported performance in the final quarter of 2020.
- A £20m investment into a multi-class credit fund was scheduled to take place in April/May 2020, however due to the impact of Covid-19 on the financial markets, it was necessary to reassess the viability of this fund to ensure that it still met the Council's investment objectives. A lower overall yield has been selected than originally anticipated, taking account of environmental and sustainability governance. Furthermore, due to market volatility the investment will now be staggered as opposed to a single lump investment. As a result, the forecast return has been reduced to £80k in 2020/21, a variance of £1,060k. This is a lower return than previously reported reflecting changes to the anticipated timing of the investment.

Renewable Energy Investments

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-265	-415	-150	57%

The income received from the Solar Farm has increased due to the favourable weather conditions over the spring and summer; an overachievement of income of £150k is forecast in 2020/21.

Facilities Management

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
5,835	6,075	320	5%

Property Services are forecasting an overspend of £320k. This is mainly due to:

- The 2020/21 revenue budget for the Alconbury Weald Civic Hub is £175k. Based on the expected completion date for the building (Spring 2021), this budget is not required during 2020/21, therefore creating a -£175k underspend.
- The Shire Hall Car Park Income budget is forecasting to underachieve by £90k in 2020/21. This is based on not charging for the car park for 3 months, and less income being received now charging has recommenced.
- Buildings maintenance has continued with costly repairs needed for various properties; however, we have seen a saving on utility bills & general costs due to the temporary closure of buildings, £350k
- Lease Car Vehicle Costs of £55k, contract costs that cannot be recovered due to Covid-19 restrictions on staff travel.

Strategic Assets

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
716	829	113	16%

The Shire Hall Relocation revenue budget is forecasting an overspend of £95k. The initial costs associated with the Hawthorns building preparation work will be a revenue pressure due to the decision to no longer use the building as part of the Cambs2020 programme, £61k. There is also a cost for storing shelving & storage that will no longer be used of £34k.

ICT Service (Education)

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-200	-111	89	45%

The ICT Service are forecasting an underachievement of income of £89k in 2020/21. This is due to a combination of reduced training income over the school closure period, and reduced earning potential while staff have been working on the set up of devices provided by the Department for Education. A greater online training offer is being delivered which is helping to mitigate the position.

Professional Development Centres

Current Budget for 2020/21 £'000	Outturn Actual £'000	Outturn Forecast £'000	Outturn Forecast %
-71	64	135	190%

The Professional Development Centre budget is forecasting to underachieve by £135k. The centre at CPDC will be closing in 2020/21 as part of Cambs 2020, causing a £64k pressure due to reduced income in-year. Provision for the loss of income of this closure has been included in the Business Plan for 2021/22, and as such this will be a one-off pressure.

The service have seen a further loss of £52k income due to being unable to trade as expected in the early months of the year as a result of Covid-19.

Annex 3 – Capital Position

3.1 Capital Expenditure 2020/21

Commercial & Investment Capital Programme 2020/21						
Total Scheme Revised Budget £000	**Original 2020/21 Budget as per BP £000**	**Scheme**	**Revised Budget for 2020/21 £000**	**Actual Spend 2020/21 £000**	**Forecast Spend - Outturn £000**	**Forecast Variance 2020/21 £000**
		Commercial Activity				
192,416	4,101	Commercial Investments	11,323	0	-	(11,323)
158,222	32,050	Housing Schemes	42,300	26,074	29,414	(12,886)
1,000	-	Development Funding	200	-	200	-
3,645	3,306	St Ives Smart Energy Grid	1,110	18	260	(850)
6,306	563	Babraham Smart Energy Grid	322	95	136	(186)
6,969	-	Trumpington Smart Energy Grid	87	-	1	(86)
8,267	8,027	Stanground Closed Landfill Energy Project	491	14	336	(155)
2,526	-	Woodston Closed Landfill Energy Project	-	(11)	-	-
26,258	25,345	North Angle Solar Farm	5,014	(177)	974	(4,040)
40	20	Light Blue Fibre	20	-	20	-
643	-	Swaffham Prior Energy Project	537	224	764	227
213	-	School Ground Source Heat Pump Projects	213	12	213	-
907	-	Cambridgeshire Outdoor Centres	864	812	864	-
-	-	Marwick Centre Roof Repair	-	59	59	59
-	-	March Community Centre	400	14	400	-
-	-	Lower Portland Farm	3,750	3,509	3,750	-
475	475	LGSS Law Equity	-	-	-	-
407,887	73,887		66,630	30,645	37,391	(29,239)
		Property Services				
6,352	600	Building Maintenance	1,042	346	583	(459)
345	-	Office Portfolio Rationalisation	11	2	11	-
6,405	2,965	Investment in the CCC asset portfolio	4,793	870	3,130	(1,663)
90	-	Property Asset Database	90	-	-	(90)
15,000	3,000	Decarbonisation Fund	4,500	392	1,183	(3,317)
200	200	Electric Vehicle Chargers	200	-	200	
28,392	6,765		10,636	1,609	5,107	(5,529)
		Strategic Assets				
1,000	100	Local Plans Representations	100	1	100	-
3,000	300	County Farms Investment	300	107	300	-
1,981	885	Community Hubs - East Barnwell	1,584	22	100	(1,484)
18,737	9,721	Shire Hall Relocation	14,076	6,042	8,000	(6,076)
295	-	Meads Farm House Replacement	272	227	272	-
330	-	Mill Rd - Former Library	330	9	330	-
25,343	11,006		16,662	6,406	9,102	(7,560)

669	603	Capitalisation of Interest Budget	603	-	603	-
(32,070)	(17,692)	Capital Programme Variations Budget	(17,625)	-	-	17,625
430,221	**74,569**	**TOTAL**	**76,906**	**38,660**	**52,203**	**(24,703)**

3.2 Capital Variation 2020/21

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

Service	Capital Programme Variations Budget £000	Forecast Outturn Variance (Jan 2021) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Jan 2021) £000
C&I	-17,625	-42,328	-17,625	100%	-24,703

3.3 Capital Funding 2020/21

Original 2020/21 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2020/21 £000	Forecast Spend £000	Variance £000
3,736	Capital Receipts	10,963	1,931	(9,032)
1,373	Grant Funding	2,617	1,921	(696)
6,731	Other Contributions	6,737	8,500	1,763
130	Developer Contributions	130	-	(130)
62,599	Prudential Borrowing	56,460	39,851	(16,609)
74,359	**TOTAL**	**76,906**	**52,203**	**(24,703)**

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 below:

Investment in the CCC asset portfolio

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
4,793	3,130	-1,663	-1,663	-	-	-1,663

The Investment in CCC asset portfolio scheme is forecast to underspend by £1.6m due to delays, mainly due to the impact of Covid on planned construction works and preparatory works. The Spokes programme is well underway, and savings have been seen on existing projects, and efficiencies are expected in projects yet to begin from the agreed budget, which will be reported in the next full update to Commercial and Investments Committee. This will reduce the borrowing requirement in year by £1.6m.

Shire Hall Relocation

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
14,076	8,000	-6,076	-6,076	-	-	-6,076

The Shire Hall Relocation scheme is forecast to underspend in 2020/21 by £6m. This is mainly due to the initial impact of Covid 19 on planned construction works. The building is now watertight with completion of the roof and glass façade, as well as the internal walls, allowing the first fix of electrical, plumbing, and mechanical installations to get underway. Completion is now expected in late summer-early autumn. This will reduce the borrowing requirement in year by £6m.

March Community Centre

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
400	400	-	-	-	-	-

£0.4m of EU funds have been allocated to the refurbishment project for the March Community Centre. This project will expand the workshop and teaching space at the venue, enabling the service to deliver a revised and refocused learning programme in Fenland, focussing on vocational skills and employability. The funds are due to be claimed in full from the Cambridgeshire and Peterborough Combined Authority by March 2021. No additional prudential borrowing is required for the project

Commercial Investments

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
11,323	-	-11,323	-11,323	-	-11,323	-

The Commercial Investment scheme is forecast to underspend by £11.3m. There are no active plans at this stage for investment prior to the end of the financial year, given the current market conditions and general uncertainty. This will reduce the capital receipt requirement.

St Ives Smart Energy Grid

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
1,110	260	-850	-850	-	-	-850

Due to ongoing delays in securing necessary grant funding, forecast expenditure to support the construction of the Smart Energy Grid has been delayed until 2021/22.

The Community Hubs – East Barnwell

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
1,584	100	-1,484	-1,484	-	-	-1,484

The Community Hubs – East Barnwell scheme is forecasting an underspend of £1,484k; the only costs expected in 2020/21 will be related to planning, and any construction costs will be in future years. This will reduce the developer contributions applied this year by £260k and the prudential borrowing requirement in year by £1,193K.

Decarbonisation Fund

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
4,500	1,183	-3,317	-944	-2,373	-	-3,317

The Decarbonisation Fund scheme is now forecasting to underspend by £3.3m. There are 13 projects expected to complete in this phase. The revised forecast is based on the cost of the work that is due to take place this financial year. The majority of the expenditure in this year will be funded by the new grant. This will reduce the borrowing requirement in year by £3.3m.

In addition, £2.5m has been awarded by the Public Sector Decarbonisation Scheme, a £1bn fund from BEIS and administered by Salix Finance, aimed at decarbonising heat in public buildings. £1.5m will be spent this financial year and £2m in 2021/22. This reduces the 2020/21 borrowing requirement by a further £1.5m.

Housing Schemes

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
42,300	29,414	-12,886	-9,800	-3,086	-	-12,886

The Housing scheme is forecasting an underspend of £12,886k. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. This will reduce the borrowing requirement in year by £12.4m and the capital receipts requirement by £0.4m.

Farm acquisition

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
3,750	3,750	-	-	-	-	-

The acquisition of a new farm was approved by GPC in November 2020. The expenditure in 2020/21 is for the acquisition, with costs related to planning expected in later years. This will be funded by prudential borrowing.

School Ground Source Heat Pump Projects

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
213	213	-	-	-	-	-

Commercial and Investment Committee approved a £213k development budget for three school ground source heat pump projects at Comberton Village College, Impington Village College and The Galfrid School in November 2020. This will be funded by prudential borrowing. The budget is expected to be fully spent by March 2021.

North Angle Solar Farm

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
5,014	974	-4,040	-0	-4,040	-	-4,040

The planning timetable for the North Angle project has been revised due to additional planning requirements and the incorporation of some design changes which has resulted in a minor delay to the construction timetable. Pre-mobilisation works, including road reinforcement, were expected to take place during the current financial year but will now occur in early 2021-22. This will reduce the 2020/21 borrowing requirement by £4,040k.

Swaffham Prior Energy Project

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
537	764	227	-0	227	-	-

Delivery timescales for the commercialisation phase of the Swaffham Prior project have been accelerated in order to submit a Stage 1 application for Renewable Heat Incentive (RHI) funding for the project as early as possible. An application was submitted in November 2020, locking in current tariff values for both ground source and air source heat pumps. The project was awarded a commercialisation grant of £355,000 under the government's Heat Network Investment Project (HNIP) in July 2020 which will fund the additional expenditure in 2020-21.

Building Maintenance

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Jan) £'000	Forecast Spend - Outturn Variance (Jan) £'000	Variance Last Month (Dec) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
1,042	583	-459	-0	-459	-	-459

The building work expected for March Community Centre, Huntingdon Youth Centre, Buttsgrove and Yaxley has been delayed. The work required will be re-assessed in 2021-22.

This will reduce the 2020/21 borrowing requirement by £459k.

Annex 4 – Savings Tracker Quarter 3

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.6.003	Babbage House closure	-397	0	0	0	-397	-397	0	0	Green	Babbage House is now closed
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	-8	0	0	0	-8	-8	0	0	Green	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs.
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	-18	-18	0	0	0	-18	0	0	Green	Increased income received to date
F/R.7.106	Utilisation/commercialisation of physical assets (One Public Estate)	-36	0	0	0	0	0	36	100	Black	Income from parking – not expected to be met in 2020/21
F/R.7.110	Return on Commercial Property Investments	-105	0	0	0	0	0	105	100	Black	This was an extension of the current target, which will not be met due to delayed investment.
F/R.7.113	Invest to Save Housing Schemes - Income Generation	54	0	0	0	54	54	0	0	Green	Net reduction in income from loans from This

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
											Land expected in 20/21
F/R.7.127	County Farms – Commercial uses	-75	-38	0	-37	0	-75	0	0	Green	Rental income on target
F/R.7.130	Increase in ESPO dividend	-250	0	0	0	-250	-250	0	0	Green	
F/R.7.129	Pooled Property Fund Investment (CCLA)	-420	-95	-80	-80	-67	-322	98	23	Amber	Anticipate lose 23% of annual return from CCLA fund, due to the fund granting rental breaks

Annex 5 – Technical Note

1. Grant Income Analysis

There is no additional grant income to record in 2020/21.

2. Virements and Budget Reconciliation

Budgets and Movements	£'000	Reported
Budget as per Business Plan	**-9,205**	
Transfer of budget to Shire Hall Relocation, as agreed for the Babbage House move.	15	May 2020
Transfer of the Ely Archive Centre budget from P&C to Property Services	83	May 2020
Transfer of budget from Property Services to Information Management for offsite storage	-20	June 2020
Transfer of budget from Finance to Shareholder Company Dividends & Fees budget for Non-Exec Director costs	-35	September 2020
Transfer for the pay award and mileage savings for Q2.	4	October 2020
Revised Budget	**-9,159**	

3. Reserve Schedule

Fund Description	Balance at 01 April 2020	Movements in 2020/21	Balance at 31 Jan 2021	Forecast Balance at 31 March 2021	Notes
Other Earmarked Funds					
North Cambridge Academy site demolition costs	705	26	731	680	1
subtotal	**705**	**26**	**731**	**680**	
Capital Reserves					
General Capital Receipts	11,632	325	11,956	12,518	2
subtotal	**11,632**	**325**	**11,956**	**12,518**	
TOTAL	**12,337**	**351**	**12,687**	**13,198**	

Notes

1 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.

2 General Capital Receipts received during 2020/21 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used to purchase equity in This Land, or as decided by GPC/Full Council.

Cambridgeshire County Council

Cambridgeshire County Council
Commercial and Investment Policy and Service Committee Agenda Plan

Published on 1st March 2021
Updated on 11th March 2021

Notes

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.

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

- Minutes of previous meeting and Action Log
- Finance Report – The Council's Virtual Meeting Protocol has been amended so monitoring reports (including the Finance report) can be included at the discretion of the Committee.
- Agenda Plan, Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels

Committee date	Agenda item	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
19/03/21	Private wire North Angle to Swaffham Prior	Claire Julian Smith		09/03/21	11/03/21
	+Cambridge Biomedical Campus	John Macmillan			
	+Spokes: Cambridge Registry Office Refurbishment Contact'	Kim Davis/ Alex Gee	2021/031		
	Infrastructure Fund Selection	Chloe Rickard			

Committee date	Agenda item	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
16/04/21				06/04/21	08/04/21
28/05/21	Cambs 2020 Financial Update	Andy Preston/ Kim Davis			
	Shire Hall Sale contract	Tony Cooper/ Tom Kelly	2021/040		
	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Chloe Rickard			
	Soham Northern Gateway – This Land and Education transactions	Tony Cooper	2021/019		
25/06/21				01/06/21	03/06/21
09/07/21					
13/08/21	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Chloe Rickard			
10/09/21	Stanground Solar and battery project	Sheryl French	2021/007		
15/10/21					
19/11/21					
17/12/21					
21/01/22					
18/02/22					
18/03/22					
22/04/22					

Committee date	Agenda item	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
20/05/22					

To be programmed: ICT Future Delivery Options (John Chapman); Trumpington Park & Ride Smart Energy Grid (Sheryl French);
Please contact Democratic Services democraticservices@cambridgeshire.gov.uk if you require this information in a more accessible format