COMMERCIAL AND INVESTMENT COMMITTEE

Cambridgeshire County Council

Friday, 18 October 2019

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

10:00

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

AGENDA

Open to Public and Press

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

13. Cambs 2020 - Spokes Review

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

The Commercial and Investment Committee comprises the following members:

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

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

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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https://tinyurl.com/CommitteeProcedure

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COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 13 September 2019

Time: 10:00-12.30

Venue: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors J Schumann (Chairman), I Bates, L Dupré, A Hay (Vice Chairman), M Goldsack (substituting for Councillor Rogers), J Gowing, D Jenkins, L Jones, and T Wotherspoon

In attendance: Councillor S Bywater

Apologies: Councillor Rogers (Councillor Goldsack substituting)

259. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were presented on behalf of Councillor Rogers (Councillor Goldsack substituting). There were no declarations of interest.

260. MINUTES OF THE MEETING HELD ON 12 JULY 2019 AND ACTION LOG

The minutes of the meeting held on 12 July 2019 were approved as a correct record.

The following items were discussed:

Item 242(3)/The report on the resourcing of the Commercial Team would be considered at the October Committee meeting.

Item 225/Inspection of buildings/estates review report – this would be reported to either the October or November Committee meeting.

Item 162/Older People's Accommodation Strategy – Members expressed concern that there appeared to be no progress on this issue. The Chairman advised that the first phase had been assessing need from a Service perspective, and that as that stage had now been completed, the Service Director would be asked to provide a report to the October meeting. **Action required.**

Item 252/Water Procurement/ESPO – The Chairman thanked Councillor Bates for instigating the response sent from ESPO on these matters.

It was resolved to note the action log.

261. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

262. PROCUREMENT OPTIONS FOR ENERGY PROJECT DELIVERY CONTRACTOR

The Committee received a report which set out options for the procurement of a new Energy Project Delivery Contract to commence after the current contract for services, the Refit 3 Framework with Bouygues Energies & Services, expires in April 2020. At that date, projects already underway would continue under the Refit 3 contract, but any new projects would require a new contract to be in place.

Officers had worked with their counterparts from other local authorities, including Peterborough, Cambridge, South Cambridgeshire, Huntingdonshire, Fenland and Suffolk, and the recommended approach was to work in partnership with those authorities in the procurement exercise, sharing costs. However, since the report had been published, it was likely that Suffolk County Council would not be joining the partnership as they did not currently have a programme of energy projects to take forward, nor did they have the staff resource. Members were also advised that the Refit 4 costs had been redacted from the public version of the report at the request of Local Partnerships, the co-owner of the Refit Framework.

The scope of the contract was outlined. Members noted that three different procurement options had been considered – Refit 4, own OJEU procurement, or other existing Framework (i.e. other than Refit). A SWOT analysis had been conducted and lifetime contract costs had been estimated. The conclusion was that the "own OJEU" route would be the most attractive option. The flexibility to competitively procure reviews would improve the usefulness of reviews, and better tailor the reviewer to the project. The timescales and processes, post agreement, were noted.

A Member asked if there was internal capacity to deliver the project delivery contract, or whether officers would be diverted from other projects and work? Officers confirmed that they were satisfied there was sufficient resource. In response to a Member question about the maturity of the contractor market, officers confirmed that the same position would apply if the Refit 4 option was chosen, and advised that there had been limited competition under the previous Refit frameworks.

A Member asked whether the estimated cost savings would be impacted by the withdrawal of the Suffolk County Council. It was estimated that cost savings could be reduced by about £10,000.

There was a query as to what happened if the estimated savings were not realised as individual projects came forward, specifically when this might happen. Officers advised that there was an option under Refit 4 but that was a sunk cost, and it was more likely that the contract would move wholesale to Refit 4 if the cost savings could not be realised. The Member suggested that this may create reputational risk among partners, and this should be included in the SWOT analysis. Another Member pointed out that if the savings turned out not to be achievable, the situation would be the same for all partners, so they would also move over to the Refit 4 contract. It was suggested that the question about review risk should be covered in the SWOT analysis. Officers agreed, but highlighted that this was explored in the report, specifically that the Invitation to Tender and Terms & Conditions would be examined by Procurement and Legal colleagues to ensure that potential tensions regarding confidentiality and independence of third party reviewers would be covered. It was confirmed that the draft Invitation to Tender documentation would be shared with the Member Working Group.

It was confirmed that had the points raised above been included in the SWOT analysis, the recommendations to Committee would not change, as the key factors, quality and cost savings, would remain the same.

A Member asked what the cost savings were for the District and City Councils listed. Officers explained that cost savings would depend on the size of individual authority's programmes - some estimates had been produced, based on notional assumptions of what the size of each authority's programme might be, and this detailed information could be provided.

Observing that the cost savings were quite modest, officers explained that achieving better value out of technical reviews needed to be considered - the stage had been reached where officers' own skills, intelligence and capacity matched that of Local Partnerships, so their expertise became less valuable. Members suggested that this point should have been made clear in the report, along with a more thorough SWOT analysis.

It was noted that East Cambridgeshire District Council was not listed as one of the partners in the procurement exercise. It was confirmed that they had been approached but like Suffolk did not have a pipeline of projects. It was confirmed that other authorities could join at a later stage, for an access fee.

It was resolved unanimously to:

a) Approve the recommended procurement route set out in paragraph 2.5 of the report;
b) Approve the development of an Invitation to Tender which will be shared with the Energy Project Member Working Group for comment ahead of issuing to the market;
c) Delegate authority to the Chief Finance Officer in consultation with the Chairman of Commercial and Investment Committee to award the contract

With the Committee's agreement, the Chairman suggested that the Finance Report be taken until after the Meads Farmhouse report, as one of the Finance Report's recommendation was contingent on the decision on that item.

263. NOTICE TO PROCEED WITH ST IVES SMART ENERGY GRID

Members considered a report on progress with the St Ives Park and Ride Smart Energy Grid. This scheme would combine solar panels in canopies above car parking spaces with battery storage and electricity generation to serve both the site and local industrial customers. It was confirmed that the Transfer with the Land Registry was still not finalised. The Chairman and Councillor Bates agreed to assist officers with the land title issue.

The risks of the project were outlined including securing Power Purchasing Agreements (PPAs) with major customers and exiting the EU with a No Deal Brexit (in terms of exchange rate losses and tariffs). It was confirmed that if costs increased significantly, a further report would be presented to the Committee.

It was noted that Local Member Councillor Kevin Reynolds had indicated that he was happy with both the report and its recommendations.

It was suggested, especially given the No Deal Brexit risk, that it would be helpful to have clearer information on the timetable, as this was critical. It was agreed that an additional recommendation would be added in *"To report to the Energy Investment Project Member Working Group any updates and timeline"*. It was confirmed that the delegation was within the financing previously agreed, and that the Deputy Chief Executive had no authority above that.

On behalf of the Committee, the Chairman asked for best wishes to be passed on to Sheryl French for a speedy recovery.

It was resolved unanimously to:

a) Note progress with the project;
b) Report to the Energy Investment Project Member Working Group any updates and timeline;
c) Delegate the final project decisions to the Chief Finance Officer in consultation with the Chairman of the Commercial & Investment Committee, including the issuing of a 'Notice to Proceed' as set out in paragraph 2.5 of the report.

264. PERFORMANCE REPORT – QUARTER 2 OF 2019-20

The Committee received a report which provided Key Performance Indicators associated with the delivery of the Commercial Strategy 2019-2021. Previously, Performance had been included in the combined Finance & Performance reports. Going forward, Service Committees would have separate Performance reports on a quarterly basis, which all followed the same format. A number of Members commented favourably on the division between Finance and Performance reports, which they felt gave a greater focus on performance issues.

It was confirmed that Indicator 164 (*Annual forecast of the net amount of commercial property income as a percentage of initial investment*) had a Red RAG rating as it was marginally more than 10% outside the target. It was clarified that Amber RAG ratings were for targets within 10% of target. With regard to the statement that *the "…6% target will be achieved in the long-term from a balanced portfolio"* it was clarified that 'long term' in this context meant over five years from the first investment.

It was resolved unanimously to:

a) Note and comment on performance information

265. SAWTRY MAN CAVE

The Committee considered a request to grant a ten year lease of the workshop area at the Sawtry Community and Youth Centre to Caresco at less than best consideration.

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

Reasons for Lateness – the report had not been finalised in time for agenda despatch.

Reasons for Urgency – the existing tenancy agreement had expired and the proposal was to grant a new lease conditional on Caresco obtaining grant funding, and Caresco needed to submit that grant application.

Local Member Councillor Bywater spoke to the Committee, in support of the report recommendations. He thanked the Committee, for their support of the Sawtry Community & Youth Centre over the years, and outlined the different groups using the Centre, and in particular the number of people using the Man Cave, including those referred by the local GP practice. He thanked officers, especially John Macmillan and Alex Gee, for their perseverance with this matter.

In response to Member questions, it was confirmed the lease placed the responsibility for repairs and maintenance on the tenant, and the estimated running costs listed in the report for utilities and business rates were annual.

A Member advised that there was a national registered organisation, UK Man Shed, who offered a lot of support offer support to Man Sheds/Man Caves. Another Member commented that from a public health perspective, it would have been good to see reference to the Social Value of the project. It was agreed that this information would be produced and circulated to Committee Members. **Action required.**

It was unanimously resolved:

a) To enter into an agreement for lease to Caresco for a minimum 10 year term at less than best rent subject to them receiving grant funding for improvements and maintenance;

b) That agreement of the final terms are delegated to the Deputy Chief Executive in consultation with the Chairman of the Committee.

266. MEADS FARMHOUSE, WARBOYS – REPLACEMENT DWELLING

The Committee considered a report which sought approval for capital funds to replace a farmhouse on the County Farm Estate that was beyond economic repair. The original property was built in 1932 and was suffering from subsidence related issues for many years. The proposal was to replace the dwelling, which was the economical solution.

In response to a Member question, it was confirmed that the Council had become aware of the subsidence around 2000, but subsidence was not covered by insurance at that point. Officers advised that they were confident that the foundation work would be under budget, so the need for contingency would reduce, which would have a knock on effect for professional fees charged on overall project costs. The tenant was young, and it was expected he would be on the estate for at least the next 30 years. The rental differences would be covered by the tenant's tenure.

A Member suggested that in future reports, NPV would be useful calculation to include, to give the cost of alternatives such as the cost of not going ahead with a replacement dwelling.

It was noted that the existing building was a two storey dwelling with numerous single storey extensions. The tenant had bought a caravan which he would live in for the duration of the works, as he wanted to remain on site. The planning application was for a replacement dwelling on the same site, and existing infrastructure would be used where feasible.

A Member commented that the process needed to be more robust in future, going through the Working Group at an earlier stage, with all options presented. Whilst this was probably the best possible outcome in this case, other options needed to be explored by Members.

The Committee noted the comments from one of the Local Members, Councillor Costello, which supported the report recommendations.

It was agreed that the elevations for the new dwelling would be circulated to the Committee. **Action required.**

It was resolved unanimously to:

1) Review, note and comment upon the report;
2) Recommend to the General Purposes Committee to approve £295K of prudential borrowing for the demolition and rebuilding of the house at Meads Farm;
3) Approve the re-procurement of the Mechanical & Electrical and Building Fabric Maintenance contracts in order to maintain the Authority's statutory obligations.

267. FINANCE MONITORING REPORT – JULY 2019

The Committee considered a report on the financial information relating to the areas within the Commercial and Investment Committee's remit, for the period ending 31st July 2019. A number of changes to the report were noted, including reordering and technical sections streamlined, removing repetition. Finance reports had been standardised between Committees.

Additionally, work was under way to ensure that net returns from the Council's solar farms and energy investment capital projects were now under the Commercial Activity heading. Investment in the CCLA Property Fund was now being reported under Commercial Activity. This would be included in the August outturn report, which would be presented to the October Committee meeting.

Members noted the Committee's net income position with respect to Revenue budget, and the balanced position of the Capital budget. There had been a number of underspends in the Capital budget but these would be netted out by the Meads Farmhouse expenditure. This project would preserve the value of the asset and the rental income received from it, and would meet the Council's current obligation as a landlord, but not generate any additional income.

The Committee noted Appendix B, which set out the reprocurement of the Mechanical & Electrical and Building Fabric Maintenance Contract, which should have started nine months ago. It was confirmed the budget for this activity was within the Committee's base budget, and this was a standard reprocurement exercise. Members expressed concern that the reprocurement of the contract was being rushed through, especially as it was over £1M and involved other local authorities. It was suggested that rather than delaying the process, a briefing note should be circulated, outlining the process adopted. **Action required.** The anticipated award of the contract was on Monday 16th September, and whilst it could be delayed, there were risks involved if this route was taken.

There was a discussion on the element of the maintenance contract which looked at *"Condition Surveys and other testing (not within the above contract)"*. It was confirmed that the existing tender was based on the current operational portfolio, which could fluctuate as assets were acquired/divested. A Member commented that Condition Surveys had been a cause for concern by the Committee for some time, and it would have been helpful if there had been more time to explore the implications before retendering the contract, particularly around the timetable. Officers commented that in terms of materiality, 90% of the contract related to the other four elements set out in the report (Planned preventative maintenance, work required following service, reactive maintenance and requests for work), and Condition Surveys were only a small part of the total contract.

It was resolved unanimously to:

a) Review, note and comment upon the report;
b) Recommend to General Purposes Committee to approve £295K of prudential borrowing for the demolition and rebuilding of the house at Meads Farm; Approve the re-procurement of the Mechanical & Electrical and Building Fabric Maintenance contracts in order to maintain the Authority's statutory obligations.

268. COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN AND TRAINING PLAN

Members considered the Agenda Plan, including a number of changes since publication, and the Training Plan.

Members noted that there would be an additional Committee meeting, prior to the This Land Annual General Meeting on 24th September.

Members were asked to consider possible items for the provisional Member training session on 18th October, so that these could be agreed at the 3rd October briefing.

It was resolved to note the agenda plan and training plan.

(The Deputy Chief Executive withdrew from the meeting)

269. THIS LAND – PERIODIC AND FINANCING UPDATE

Members considered an update on the financial position, progress and forecasts of This Land, the Council's wholly owned arms length company established to carry out property development work. The appendices to the report included commercially sensitive information regarding finances and schemes.

The Council had granted loans of £78.87M loans for land to This Land, and to date had received back the initial overhead loans (£2.8M) and were due to receive interest of £4.89M in 2019-20. Active shareholder engagement continued, with the second shareholder update for 2019 taking place on 2nd August 2019 at the company's offices. The AGM was scheduled for 24th September.

Members noted:

- All land transfers had been completed for the foreseeable future.
- There had been a number of delays in progressing the planning applications.
- A significant revision of the company's detailed financial projections and profiles was anticipated. Based on the latest predictions, the company remained in a favourable state and the returns were expected to continue. Attention was drawn to details of the completed development on Milton Road.

A Member observed that for a number of sites, a potential lack of viability or "less than best" financial position was identified, but the same assessment had applied to the Milton Road site originally, but this scheme had subsequently proved to be financially viable, with returns exceeding expectations.

A Member expressed concern that some This Land documents shared confidentially with the Committee had been leaked to the Press, and asked officers what action would be taken. It was confirmed that the Council's Monitoring Officer was being consulted on this matter, but that a robust approach was taken to Members leaking commercially sensitive documents.

With regard to the backlog of work with Local Planning Authorities, it was confirmed that there was a formal escalation to challenge under the statutory processes when planning applications had not been dealt with in a timely manner, and planning courts would consider cases of non determination.

It was confirmed that This Land was committed to undertaking a full financial refresh, including financial predictions, twice a year.

Members discussed the borrowing strategy of This Land, noting that the company was looking at different ways of fulfilling its borrowing requirements.

It was resolved unanimously:

To note and comment on the report.

270. EXCLUSION OF PRESS AND PUBLIC

Two Members pointed out that it would have been possible to write the report in such a way that it was publically accessible, with just the appendices confidential. Officers noted Members' comments, and agreed to disaggregate information in future to ensure that reports could be publically available as far as possible.

It was resolved by a majority:

> 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 relation relating to the financial or business affairs of any particular person (including the authority holding that information)

271. SHIRE HALL DISPOSAL – DRAFT HEADS OF TERMS

The Committee considered a report on the draft Heads of Terms for the lease of Shire Hall between the Council and the hotel provider at Shire Hall.

Written comments from Councillor Richards, the Local Member, were noted.

It was resolved unanimously to:

a) Comment on the draft Heads of Terms as set out in the appendix to the report;
b) Approve the Heads of Terms as set out in the Appendix to the report and delegate the agreement of any further minor amendments to the Deputy Chief Executive in consultation with the Chairman of the Committee.

Chairman

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 24 September 2019

Time: 11:15 – 11:50am

Venue: Darwin Suite, Cambridge Holiday Inn, Impington

Present: Councillors J Schumann (Chairman), L Dupré, A Hay (Vice Chairman), J Gowing, D Jenkins, L Jones, T Rogers and M Shellens

Apologies: Councillors Bates and Wotherspoon

272. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were presented on behalf of Councillor Bates and Wotherspoon. There were no declarations of interest.

273. EXCLUSION OF PRESS AND PUBLIC

It was resolved by a majority:

> 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 relation relating to the financial or business affairs of any particular person (including the authority holding that information)

274. RESOLUTIONS FOR THIS LAND ANNUAL GENERAL MEETING

The Committee considered the agenda and supporting papers for the This Land Annual General Meeting. It was noted that there would be a Shareholder Vote on the Ordinary Resolutions, specifically (i) to re-appoint the auditors, (ii) to adopt the remuneration policy and (iii) to agree the accounts.

It was resolved, by a majority, to:

> Enable the appointment of the Executive Director of Place & Economy (Steve Cox) as a non-executive director of companies within the This Land group, alongside the continuing coterminous appointment of the Deputy Chief Executive for a transitional period

It was resolved, unanimously, to agree the following resolution:

> Re-appoint RSM UK Audit LLP as external auditors

It was resolved, by a majority, to agree the following resolution:

Adopt the company accounts for the period ending December 2018

Chairman

Agenda Item No: 4

APPROVAL FOR GRID CONNECTION DOWN PAYMENTS FOR ENERGY INVESTMENT PROJECTS

To:	**Commercial and Investment**
Meeting Date:	**18 October 2019**
From:	**Executive Director, Place and Economy**
Electoral division(s):	**Soham South & Haddenham, Sawston & Shelford and Queen Edith's**
Forward Plan ref:	**2019/060** *Key decision:* **Yes**
Purpose:	**To propose moving a proportion of the funds allocated for the grid connections for three key projects, from the implementation phase to the development phase, to secure electricity export connections via UK Power Networks distribution network.**
Recommendation:	**Committee is being asked to approve:** **a) £722,000 for the down payments for grid connections for Babraham Park & Ride, North Angle Solar Farm and Stanground Closed Landfill site.** **b) New total development budgets for the above projects as set out in Table 2.**

	Officer contact:		*Member contacts:*
Name:	**Cherie Gregoire**	Names:	Councillors Schumann and Hay
Post:	Project Manager, Energy Investment Unit	Post:	Chair/Vice-Chair
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1. BACKGROUND

1.1 Development budgets for energy projects at Babraham Park and Ride, Stanground Closed Landfill site and North Angle Solar Farm were previously approved by Commercial and Investment (C&I) Committee on 25 May 2018, 14 September 2018 and 18 January 2019 respectively. These approved development budgets cover internal staff time, planning application fees and consultancy fees. Updates on each of these three projects were presented to C&I on 21 June 2019 and 12 July 2019 where approval for further drawdown of budget was granted.

1.2 These previous papers have frequently highlighted the challenge of connecting distributed generation projects to the grid in the Cambridgeshire area due to large pressures on available capacity. To mitigate this risk and understand the capacity and cost constraints for projects to understand the impact on project returns and viability, applications for grid connections are made as part of the development process ahead of planning applications.

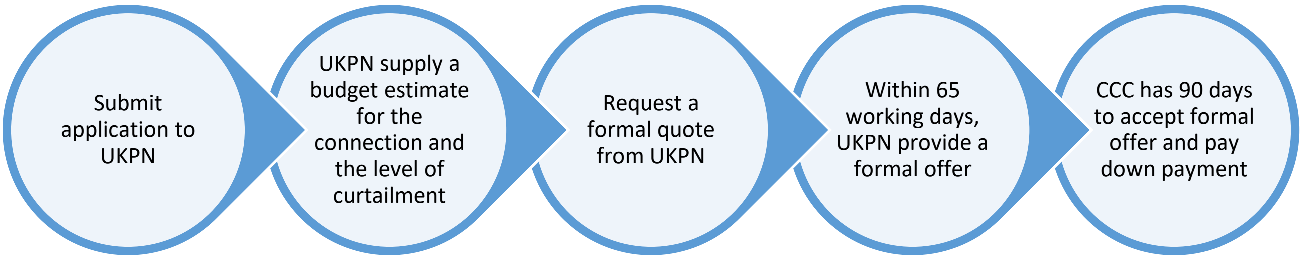
1.3 The grid capacity challenge is a strategic challenge to growth and there are a range of initiatives underway to help unlock this challenge. For example, the EIU and Greater Cambridge Partnership (GCP) reviewed the capacity of the electricity network and its ability to facilitate growth. As a result, GCP with the support of the EIU commissioned an engineering feasibility study for upgrading the 132kV substation at Fulbourn to unlock grid capacity in Cambridge Southern Fringe. The results of this feasibility study are due by October 2019. Detailed designs could be progressed over the subsequent 18 months with construction planned to install the grid reinforcement by 2022-23. The Babraham Park and Ride development could come under this arrangement and consideration may be needed as to how to phase the Babraham project delivery to benefit from these upgrades. Another example of a strategic intervention is an application was submitted by the EIU to Innovate UK in August 2019 to compete for funding to identify the capacity requirements for clean growth to 2030 and the investment plans to facilitate new electricity infrastructure.

2. MAIN ISSUES

2.1 The approved development budgets for the three projects did not include provision for the upfront grid connection costs. Instead, this was included in each of the business cases within the construction costs. Recently, the requirement for up-front deposits has been clarified by UK Power Networks (UKPN) and these need payment during the initial development phase rather than during the construction phase.

2.2 The three projects identified in paragraph 1.1 are now in the process of applying to UKPN for a grid connection. The process for applying for a connection is as follows in Figure 1.

Figure 1. Grid connection application process



2.3 Further stage payments will be required ahead of UKPN incurring further costs, e.g. for design work, ordering equipment with long lead times and prior to UKPN performing works on site.

2.4 The three sites are located in Flexible Distributed Generation (FDG) areas, which are subject to curtailment incidents once connected. This can result in a reduction in electricity exported to the grid at times of stress on the distribution network. This is done on a last-in, first out (LIFO) basis, i.e. customers that have secured a grid connection early are less likely to have their generation curtailed than those that have connected later.

2.5 Securing a grid connection at this stage guarantees our position in the LIFO stack. It is also a means to mitigate one of the largest risks for these energy investment projects, which is obtaining a cost-effective grid connection.

2.6 Should the formal offer not be accepted within the 90 day timeframe, the application will be voided and a new application for connection would be required. The impact of not accepting the formal offer and making a down payment is that the projects lose the opportunity to connect at the offered cost and the projects would be pushed down the LIFO stack, increasing the rate at which the project will likely be curtailed.

2.7 The costs to connect to the grid fall into two categories, contestable and non-contestable. The non-contestable cost is for works that must be conducted by UKPN on their section of the network, whereas the contestable costs may be tendered by Bouygues E&S to Independent Connections Providers (ICPs). **Table 1** below shows the budget estimate for both portions and the range of the expected down payment should we contract UKPN for just the non-contestable cost or both costs. This paper is requesting that Committee approve the maximum of those fees be added to the project's development budgets.

Table 1. Grid connection cost estimates

	Amount budgeted in High Level Assessments for grid connection (Bouygues)*	Budget estimate for grid connection (UKPN) (£ excl. VAT)		Formal offer (UKPN) (£ excl. VAT)	Initial payment required upon acceptance of quote	Total Project Capital Value
		Non-contestable	Contestable			
Babraham Park and Ride	£1,469,208	£170,000	£1,290,000	Requested	£17,000 - £146,000 (estimated)	£4,719,355
Stanground Closed Landfill	£1,582,224	£253,001	£473,966	Not yet requested	£25,300 - £76,000 (estimated)	£8,887,728
North Angle Solar Farm**	£1,900,000	£1,323,513	£5,217,314	£1,679,665 (non-contestable) £6,137,544 (contestable)	£500,000 by 5pm 18 November 2019	£28,856,444
TOTAL		**£8,727,794**			**£722,000**	

*These amounts were included in the total capital costs reported in earlier Committee papers.
**It should be noted that the formal quote received from UKPN is still provisional and therefore subject to change. This is apt to be true for all three projects.

2.8 A mitigation strategy is to have Bouygues tender the contestable work. A benefit of this approach is it delays spending on that portion of the work until the project enters into a construction contract, thereby limiting risk. For instance, the down payment made to UKPN for Babraham would be 10% of the non-contestable cost, or £17,000, rather than £146,000 should we wish UKPN to complete both contestable and non-contestable areas of work. Bouygues E&S is engaging with ICPs with a view to obtaining competitive quotes for the contestable works.

2.9 To manage the financial risk**,** UKPN has agreed that they will not use any of the initial payment to conduct works or order long lead time items without the written consent of Cambridgeshire County Council. Should no works be done on the project and the project is cancelled, the initial payment will be refundable less the assessment and design fee (about £10k per project). It should be noted that for Triangle Farm, the initial grid connection payment was paid well in advance of receiving planning permission. In that case, our agent Savills agreed several conditions with UKPN which made the payment refundable.

2.10 **Table 2** describes the changes to the development budgets from bringing forward the investment from the construction phase to the development phase.

Table 2. Resultant increase in development budgets

	Approved Development Budget	Request for initial payment for grid connection moved from construction phase	New total development budget
Babraham Park and Ride	£459,000[1]	£146,000	£605,000
Stanground Closed Landfill	£456,300[2]	£76,000	£532,300
North Angle Solar Farm	£600,000	£500,000	£1,100,000

2.11 The spending for the three projects has been reprofiled to incorporate the down payment proposal and other changes. The change to the expected spend in FY 19/20 is shown in Table 3 below.

Table 3. Change in capital spending for FY19/20

	Previously approved FY 19/20 capital spending (£000s)	Revised FY 19/20 capital spending (£000s)
Babraham Park and Ride	383	350
Stanground Closed Landfill	397	298
North Angle Solar Farm	672	908
Note: while the down payments are expected to be paid in this financial year, other costs have shifted into later years.		

2.12 Planning applications are being prepared for each site for submittal in the next few months. The outcome of those applications will not be known before the required down payment must be made to UKPN, therefore there is a risk that planning could be denied. Should that happen, refunds on the down payments will be requested.

2.13 Preplanning advice was sought for each project, a summary of that advice is provided in **Appendix A**.

[1] The 21 June 2019 C&I Committee paper on the IGP phase 1 update for Babraham Park and Ride, paragraph 2.20 provides a breakdown on costs. The paper is available here: https://tinyurl.com/y2ml34y4.
[2] The 21 June 2019 C&I Committee paper on the IGP phase 1 update for Stanground, paragraph 2.12 provides a breakdown. The paper is available here: https://tinyurl.com/yywsjt48.

Babraham Park and Ride alternative option

2.14 Currently there are two options being explored for Babraham Park and Ride. The conventional route of a network connection and a separate route which is a private wire to a customer. To keep options open, an FDG application has been submitted for the Babraham project whilst further discussions develop with a customer. If the customer signs up to a power purchase agreement the network connection route will be cancelled. That could result in the sunk cost of about £10k in application fees to UKPN but this is manageable for the project if a customer signs up to a PPA. The benefit of securing a direct customer for the electricity is the benefit of selling at the retail as opposed to wholesale price.

2.15 The costs to lay cabling to the customer would be incurred only once in a construction contract with Bouygues. The duration of the PPA would need to be sufficient to cover project costs including those of private wire connection and the PPA customer would need to be of good financial standing with long term business viability and commitment to the site.

2.16 Negotiations with the customer have progressed well to date. A Memorandum of Understanding has been signed between both parties and a letter provided granting the Council the authority to apply for a grid connection on their behalf.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

While there are no significant implications for this priority, the ability to secure grid connection is essential to the expansion of renewable energy to reduce the carbon footprint of the Authority and improve air quality through the expansion of electric vehicle charge points.

3.2 Thriving places for people to live

While there are no significant implications for this priority, should the projects above proceed, there are opportunities to benefit the local economy through the use of local businesses or sale of clean electricity.

3.3 The best start for Cambridgeshire’s children

While there are no significant implications for this priority, the renewable energy projects described above are essential to reducing the Authority’s carbon footprint and improving the environment for future generations.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

Table 2 of the report sets out the resource implications**.** There is no impact on internal resources from this proposal.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The team will present revised business cases to the Capital Programme Board for Stanground and Babraham in October on the shift in the timing of spending and make recommendations to committee.

4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

The Energy Investment Programme Member Working Group were consulted in September 2019 on this topic and their feedback integrated into this paper. This body was also informed of the changes in the overall grid connection cost for North Angle Solar Farm and the impact on the business case. In addition, the EIU reports to the Commercial and Investment Committee quarterly on all project progress.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus DeSilva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Joanna Shilton
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green

Source Documents	Location
1. Outline Business Case for Smart Energy Grids for Trumpington and Babraham Park and Ride Sites, 25 May 2018 Commercial and Investment Committee meeting 2. Outline Business Cases for Clean Energy Projects at Woodston and Stanground closed landfill sites, 14 September 2018 Commercial and Investment Committee meeting 3. Outline Business Case for Solar Farm on Rural Estate land at Mere Farm, 18 January 2019 Commercial and Investment Committee meeting 4. Babraham Smart Energy Grid - Investment Grade Proposal Stage 1 Update, 21 June 2019 Commercial and Investment Committee meeting 5. Stanground Solar PV and Battery Storage Project – Investment Grade Proposal Stage 1 Update, 21 June 2019 Commercial and Investment Committee meeting 6. Investment Grade Proposal (IGP) Stage 1 update on the development of the North Angle Solar Farm, 12 July 2019 Commercial and Investment Committee meeting	1. https://tinyurl.com/y63mpb2k 2. https://tinyurl.com/yyqvpcwz 3. https://tinyurl.com/y64yk828 4. https://tinyurl.com/y2ml34y4 5. https://tinyurl.com/yywsjt48 6. https://tinyurl.com/y2ncl6k5

Appendix A – Summary of pre-planning advice received

Babraham P&R	The County Council is the planning authority for this project under Regulation 3 of the Town and Country Planning General Regulations 1992. In November 2018, pre-planning advice was received and the following issues identified: The site is within the greenbelt and sits within both Cambridge City and South Cambridgeshire boundaries which means the policies from both Councils will need to be considered. Both Local Plans have policies with a presumption in favour of renewable and low carbon energy generation. In addition, there is a local nature reserve nearby and sites of special scientific interest. Due to the size of the development, an Environmental Screening Request will be submitted ahead of the full planning application to help inform the submission documents. Given the broad policy support, the planning application is expected to receive an officer recommendation for approval, subject to formal consultation.
North Angle Solar Farm	The County Council is the planning authority for this project under Regulation 3 of the Town and Country Planning General Regulations 1992. In August 2019, pre-planning advice was received and the following issues identified: Situated within East Cambridgeshire, the planned solar farm borders the Council's existing solar farm in Soham. Legal advice is required to ensure that the capacity of the proposed solar farm will not breach the threshold of a Nationally Significant Infrastructure Project (NSIP), and that the two projects will be seen as separate entities. There are a number of solar farm projects coming forward in close proximity to the North Angle site, and cumulative impact arguably poses the biggest risk to the planning application. In addition, Historic England has identified the site as an area of high potential archaeological importance, and as such additional survey work will be required. North Angle will be an Environmental Impact Assessment (EIA) development. It is considered that the principle of renewable energy generation is generally supported in the area (East Cambridgeshire District Council details their support for renewables within their Local Plan) and therefore the planning application would be expected to receive an officer recommendation for approval subject to the potential archaeological impacts being assessed and the cumulative effects of other schemes being brought forward in the area can be mitigated through the development process.
Stanground Closed Landfill	As this site falls outside of Cambridgeshire, Peterborough City Council (PCC) is the planning authority for this project under Regulation 3 of the Town and Country Planning General Regulations 1992. Pre-

	planning discussions have taken place with PCC (the determining authority) and written advice was received on 16th April 2019. Pre-planning advice provided constructive guidance on the scope of ecology works, planting for screening, site boundary treatment and preferred construction access routes. The nature of the site as a closed landfill requires specific consideration of any disturbance or risk of penetration of the capping layer. This will be managed by use of a non-penetrative mounting system, secured by ballast, for the solar panels and a shallow concrete pad foundation, located outside the landfilled area, for the battery storage containers. Details of these designs are being prepared for inclusion in the planning application. An Environmental Impact Assessment (EIA) is also likely to be required in view of the site being a closed landfill. Scoping advice is being sought from PCC to inform the preparation of the EIA. The location of the site adjacent to Great Crested Newt (GCN) ponds to the north and west requires specific consideration in the planning documentation. However, PCC's ecology officer has advised that existing GCN survey data is sufficient to inform a suitable mitigation strategy e.g. suitable construction methods, planting etc to enable development of the site. No major planning concerns have been raised with the proposals. Subject to preparation and submission of the necessary documentary evidence base the proposal should be capable of receiving officer support.

Agenda Item No: 5

COMMERCIAL TEAM

To:	**Commercial & Investment Committee**		
Meeting Date:	**18th October 2019**		
From:	**Amanda Askham**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/a**	*Key decision:*	**No**

Purpose: **Committee is asked to consider: the capacity required to deliver on the Council's Commercial Strategy and the submission of a Transformation Fund bid to finance the Commercial Team until March 2021.**

Recommendation: **Committee is asked to:**

a) note and endorse the proposed structure of the commercial function within the Business Improvement & Development Directorate;

b) support the Transformation Bid proposal of £390,000 to fund the Commercial Team up to March 2021; and

c) recommend the submission of a Transformation Bid proposal to the General Purposes Committee.

	Officer contact:		***Member contact:***
Name:	Amanda Askham	Names:	Cllr Josh Schumann
Post:	Director Business Improvement and Development	Post:	Committee Chair
Email:	Amanda.Askham@cambridgeshire.gov.uk	Email:	Joshua.Schumann@Cambridgeshire.gov.uk
Tel:	01223 703565	Tel:	01223 706398

1. BACKGROUND

1.1 In June 2018, Members agreed to create the new Business Improvement and Development Directorate. One of the responsibilities of the new Director was to lead commercial work for the organisation and to establish commercial capacity – both through a discrete resource to deliver commercial work and through the development of greater commercial acumen throughout the organisation.

1.2 In April 2019, the Commercial and Investment Committee (C&I) approved a new Commercial Strategy for the period 2019 – 2021. The strategy sets a clear focus on commercial objectives and describes three key work streams: Investments and Acquisitions, Contributions and Funding and Contracts and Procurement.

1.3 As part of the Council's 2019/20 business planning cycle, commercial targets have been set and, in January 2019, General Purposes Committee (GPC) agreed an outline investment from the Transformation Fund of up to £1m in order to build the strength and depth across our commercial activity to deliver these returns.

1.4 This papers proposes a drawdown of £390K against this agreed funding to establish dedicated commercial resource to fully deliver income targets in 2019/20 and 2020/21. From April 2021, the team will become self-funding from commercial returns.

2. DEVELOPMENT OF COMMERCIAL RESOURCE

2.1 Over the last year, the Council has significantly expanded the scope of its commercial work reflecting the ambitions of the Council:

- Net income of up to £5m will be returned to the Council's budget in 2019/20 from property acquisitions and investment.
- A revenue return in excess of £5.3m will be delivered in 2019/20 from This Land.
- The Council has invested in the CCLA Local Authorities Property Fund which is expected to make a net return of £335k in 2019/20.
- Successful marketing of the Shire Hall – resulting in bids from more than 30 organisations – has enabled the Council to appoint a preferred bidder and move forward on plans for a new civic headquarters in Alconbury Weald.
- A commercial e-learning product has been developed for this Council's use and also for commercial return, with sales to other Councils and Public Sector organisations expected to return up to £200k between 2019 and 2021.
- Over 60 of our high value contracts have been reviewed and the Council's contract register is scrutinised monthly - releasing savings, improving contract management and delivering better outcomes.
- Annual gross return from our Farms Estate has increased to just under £5m.
- The Council has approved the creation of a commercial joint venture company with University of Cambridge to further develop digital infrastructure across the county.

2.2 To date, this work has largely been managed between the Transformation, Property and Finance Teams, who have been working hard to deliver on the Commercial Strategy across all three work streams, with the Investments & Acquisitions work in particular advancing and delivering on target.

2.3 In addition, the Council has very successfully grown the work of its Energy Investment Unit (EIU), which secured investment through the Transformation Fund in May 2019. The work of the EIU is expected to generate a net return to the Council over the next 25-30 years of over £100m and reduce carbon by 17,800 tonnes per annum.

3. MAIN ISSUES

The Council's approach has been successful to date, and the many of commercial KPIs and income targets are on track for 2019/20. However, without dedicated resource to deliver commercial work, the Council is becoming limited in its ability to work on further schemes and there are still areas of the strategy which are a delivery risk due to lack of capacity – both in terms of time and skills:

3.1 The contracts work stream of the strategy has significant potential. The Council spends in excess of £440m on third party contracts annually and early work on our contracts register suggest that a specialist and concerted effort in this area could reduce spend by up to 0.5% in the short term and by up to 4% over a three year period.

3.2 The Council has committed to reviewing the procurement and commissioning cycle, with emphasis on strong category management, market intervention, refocused social value measures, dynamic procurement and the growth of localised micro enterprises. The Council will also need to be prepared to respond to the impact of changes in our environment (Brexit, Climate issues, place based services) on our markets and procurement regulation.

3.3 The acquisitions and investments work stream of the strategy has been very successful this year, with internal governance mechanisms, due diligence processes and decision making proving sufficient to build an investment portfolio which generates a net annual return of over £5m from six properties. However, the C&I Committee has acknowledged that we are reaching the limits of our internal capacity to manage, maintain and proactively adapt our investment portfolio to generate the greatest returns and protect our investments. In recent months, the Council has been working with a firm of external investment advisors to consider further development of our investment portfolio and to make recommendations about appropriate governance structures to manage investment risk. While these advisors and our existing internal teams, can - and do - provide a degree of oversight across investments, to operate more effectively across a variety of asset classes we also need an experienced, internal 'client' function.

3.4 The Council's asset portfolio - both property and non-property - is a major resource and is integral to the delivery of many Council services. It is essential that all assets are contributing to the Council's priority outcomes and the ongoing economic and social development of the County. Further work on a comprehensive asset strategy is required, including a review of the Council's full asset register.

3.5 The Contributions and Funding work stream encompasses a number of strands within the Commercial Strategy and there are a number of key activities which are not on track for delivery this year, due to lack of capacity:

- development of an income stream from advertising and sponsorship - which we know has delivered good commercial returns in similar Councils;
- development of stronger relationships with our business community, where we have already seen an appetite for investment for social good;
- a complete review of fees and charges, including a consistent model and expectations for income generating services

3.6 In the most recent commercial delivery plan, elements of both the Contracts work stream and the Contributions and Funding work stream were flagged as a concern due to to lack of capacity to deliver. The return from these two work streams is £450,000 in the current Business Plan and - whilst there are plans to deliver against this target - without appropriate resource, the risk rating has been adjusted to red and amber respectively.

3.7 Monitoring input to This Land will continue to step-up as loan exposure and risk increases and construction progresses

4. PROPOSAL

4.1 Currently corporate teams, have been providing most of the resource to push forward with these pieces of work. However, capacity is limited as teams have core corporate functions to deliver and there are also skills gaps as these officers have not been recruited against commercial requirements. To fully deliver on current commercial targets, to ensure that we optimise future commercial potential and to continue strong risk management practice within a growing commercial portfolio, it is now necessary to establish a dedicated and appropriately skilled commercial function.

4.2 The establishment of a commercial function within the Business Improvement and Development Directorate was agreed in principle when the new Directorate was established. Now that the Commercial Strategy has been agreed, work streams are underway and the Council has received external advice on investment and acquisitions, the size and shape of this function can be determined. The new commercial function will replace the current ad hoc division of commercial work between the Transformation Team, Finance and Property, providing a clear point of responsibility and accountability for all commercial activity.

4.3 In line with the Council's commercial principles, this team will be as lean as possible and will have flexibility to expand or contract according to return on investment and performance measures. It is proposed that the minimum requirement to establish this new function will be one Head of Service post supported by dedicated resource seconded from the Transformation Team (one FTE Transformation Manager and one FTE Senior Transformation Adviser). Capacity and skills will be kept under review with a view to appointing a permanent, self-funding team by April 2021.

4.4 The Commercial Team will lead across all three work streams in the Commercial Strategy and will be accountable for delivery of both existing and stretch targets.

4.5 The current role of Property, acting as the gateway for investment opportunities will end but their role carrying out due diligence and managing and maintaining direct property investments will continue. Property's chartered surveyors will also manage the surveyors/agents input to property acquisitions and synergy with other property work but they will be identified, qualified and led by the Head of Commercial. With the appointment of the Head of Commercial, the Property Team will be able to take a more pro-active role in maintaining and managing our investment assets, ensuring they maintain their value and mitigating operational risks. The Head of Commercial will provide strategic oversight of all investment opportunities in order to build a balanced portfolio and will also seek to build relationships with tenants in order to protect the Council from market fluctuations and maintain consistent revenue income from our investments.

4.6 The Head of Commercial will identify investment and commercial opportunities, carry out due diligence and commercial analysis before presenting these opportunities to Finance for additional review and discussion of financing options. Investment opportunities will then proceed to Investment Working group and then on to Committee.

4.7 The Head of Commercial post will report directly to the Director of Business Improvement and Development, form a key part of the Directorate Management Team and frequently engage with members through Commercial Board, Investment Group and Committee. The new role will cover a wide strategic remit in order to deliver and surpass the targets outlined in the commercial strategy. Beyond the life of our current strategy the role will be integral in planning the future commercial direction of the authority and building medium and long terms plans to embed and drive forward our ambitious commercial program.

4.8 In order to find the right set of skills for the Head of Commercial post, a thorough search of various sectors will be required including the private sector. To test the market a preliminary recruitment search has been commissioned, which has received a very positive response. Once funding has been recommended by C&I Committee and approved by GPC Committee, interviews and assessment of candidates can take place.

4.9 The appointed Head of Commercial will require operational support to deliver on the Commercial Strategy and to become self-funding by April 2021. As such, it is recommended that resources be seconded from the Transformation Team to fulfil this need. Transformers are already working to deliver on the Commercial Strategy but this will formalise and fund dedicated commercial resource rather than continuing to divert from the core functions of the Transformation Team. Secondment will also ensure that specific commercial development and training needs can be better targeted to individual Transformation Team members.

4.10 The exact priorities and focus of the Head of Commercial are difficult to determine at this stage as the person appointed to fulfil this post will likely have a specific skill set, which, while allowing them to fulfil all aspects of the role, may result in different areas being prioritised. As such the two seconded post will be kept broad and flexible in order to allow delivery of the strategy and to promote the key areas of focus identified by the Head of Commercial.

5. FUNDING

5.1 It is recommended that funding for the Commercial Team is drawn down from the Transformation Fund for the period November 2019 to March 2021. The total for this period would be up to £390,000 to cover:

- recruitment and employment of a Head of Service
- secondment of one FTE Transformation manager and 1 FTE Senior Transformation Adviser; and
- targeted commercial training, as required.

5.2 This funding bid meets the criteria of the Transformation Fund under both the **Invest to Save** criteria (proposals that require an initial investment to achieve cash savings in future years, in line with Council and Service priorities as determined during the BPP) and the **Invest to Advance** criteria (proposals that will deliver a quantifiable future income stream that could be achieved earlier with "bridging finance", in line with Council and Service priorities as determined during the BPP).

5.3 Other options for funding have been considered including funding from capital receipts, funding from commercial income and reducing resource in the Transformation Team. A SWOT analysis of these options is included as **Appendix 1**.

5.4 Benchmarks on the current commercial income and savings the authority has generated to date, through commercial activity will be put in place, and any added value the team can generate above the benchmark will be attributed to the new commercial team. Should this added value be achieved through work with services, additional income or reduced spend will be allocated to the Commercial Team before being redeployed into further council initiatives.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 The Head of Service and seconded roles will undertake activities to deliver against the objectives within the Strategy until April 2021. This includes creating commercial returns to support the delivery of crucial frontline services which drive positive impact on all three Corporate Priorities.

- A good quality of life for everyone
- Thriving places for people to live
- The best start for Cambridgeshire's children

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

- If the Transformation Fund bid is approved, this will result in a drawdown of up to £390,000 with the aim of the team becoming self-funding by April 2021.
- The Commercial Team will be accountable for the achievement of existing commercial targets and will specifically address the £450,000 of commercial income which is not yet on track in the current business plan (against reduced spend in contracts and achievement of external income and sponsorship).
- Beyond this, the Commercial Team will be expected to identify opportunities to

achieve additional commercial returns in 2020/21 and beyond. This figure will be developed in consultation with the new Head of Service and will be subject to revision as the level of resources made available for commercial activity changes.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

- One of the priority areas of the Commercial Strategy focuses on developing an innovative approach to procurement and contracting. Work is ongoing in this area, involving the Procurement Team with oversight from Commercial Board in order to identify opportunities and threats on our contract register and act on them to deliver savings and upskill staff across the organisation.
- All of the relevant procurement processes have been carried out by Human Resources to appoint Penna to run a recruitment search.

7.3 Statutory, Legal and Risk Implications

- Our ability to deliver on the Commercial Strategy will depend on a number of factors including the extent to which the authority uses its legal powers and delegations and the political appetite to accept new risk. Full business cases, which consider legal implications and clearly articulate risk and reward, will be developed for all commercial proposals.

7.4 Equality and Diversity Implications

- The business case template for commercial work includes equality and diversity implications for all initiatives. Further to this, as the proposal includes the recruitment of a Head of Commercial post, proper recruitment processes will be followed to ensure equality and diversity.

7.5 Engagement and Communications Implications

- The appointment of a Head of Commercial will be widely communicated. Alongside this, the Commercial Strategy, will be communicated through different channels and to different audiences in a variety of formats in order to encourage a commercial outlook and invite business cases to be submitted to the Commercial Team.

7.6 Localism and Local Member Involvement

- Social value is a key element of the Commercial Strategy and all commercial business cases will consider value (both social and financial) to our local area. Members of the C&I Committee will be involved in reviewing (and often in developing) Business Cases for commercial proposals. Where there is a direct impact in a locality, Local Members will be notified according to the Council's constitution.

7.7 Public Health Implications

- The Strategy is focused on creating sustainable funding for the delivery of crucial frontline services, many of which have a positive impact on Public Health priorities.

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes Tom Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Gus De Silva
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Pending Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Rachel Green
Have any engagement and communication implications been cleared by Communications?	Pending Christine Birchall
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Amanda Askham
Have any Public Health implications been cleared by Public Health	Yes Tess Campbell

Source Documents	Location
Commercial Strategy **Commercial Strategy Action Plan update June 2019**	Commercial Strategy 2019-2021 Commercial Strategy Action Plan June 2019

APPENDIX 1

FUNDING OPTION SWOT ANALYSIS

Funding Option	Strengths	Weakness	Opportunity	Threat
Transformation Fund	Uses fund appropriately to change service model and accelerate delivery of savings/income. Funding would be committed until March '21 giving time for the team to develop some bigger commercial opportunities. Transformation Fund funding for commercial activity already agreed in principle The monitoring requirements attached to transformation funding will provide an extra layer of scrutiny and visibility on the performance of this team.	Reduces funding available for other transformation initiatives. Commercial Team needs to become self-funding - reduces this requirement initially. Return on investment measures may be confused by/overlap with returns from existing commercial schemes.	Frees up all commercial income generated by the team to be invested in frontline service delivery. May encourage further commercial bids to the Transformation Fund.	Could undermine credibility of function with other services (if not self-funding from day one). May limit the flexibility of the team – i.e. to consider long term returns.
Revenue Pressure/ funded by in year commercial returns	No initial outlay by the authority to fund the Team	Risk of adding £133k pressure to the Council's budget with only 4 months of the year to recover. Requires some mechanism to recoup income from services the team works with such as traded services, or services	Immediate focus for the team on securing additional income to ensure team is sustainable – urgency may lead to increased ambition and determination.	Could lead to unnecessary internal charging mechanisms. Immediate focus for the team on securing additional income to

		that generate income through fees and charges.		ensure team is sustainable – urgency may lead to narrow focus and increased risk.
Capital Receipts	Does not add direct pressure to revenue budget. Well understood process of monitoring and allocating capital receipts to transformational activity. Capital receipt funding could be used to fund the team on an ongoing basis, freeing up all commercial return for front line services. Capital receipts could be used to fund the team until March '21, giving time for the team to develop some bigger commercial opportunities	Reduces available capital receipts for other schemes. Legislation on use of capital receipts may be change in future years. There are currently no Capital Receipts available to Fund the Team. Given the limited number of available Capital Receipts we would need to carefully manage them in order to ensure sufficient funding was available for the Commercial Team.	With the new recommendations on borrowing being brought before Committee there is an opportunity to secure some new Capital Receipts to Fund the Team. May allow the Commercial Team more freedom to act strategically and pursue commercial targets that will provide the greatest net gain for the authority in the long term.	Lost opportunity downside with less capital receipts available for other investment opportunities.

Agenda Item No: 6

OLDER PEOPLE'S ACCOMMODATION STRATEGY UPDATE

To:	**Commercial & Investment Committee**		
Meeting Date:	**18th October 2019**		
From:	**Will Patten, Service Director, People & Communities**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/a**	*Key decision:*	**No**
Purpose:	**The purpose of this paper is to update the committee on the progress made by the Older People's Accommodation Strategy in securing sustainable, quality and affordable residential/nursing care provision.**		
Recommendation:	**The Committee is requested to note the update provided.**		

	Officer contact:		***Member contact:***
Name:	Jo Melvin	Names:	Councillor Joshua Schumann
Post:	Senior Commissioner	Post:	Committee Chairman
Email:	Joanne.melvin@peterborough.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk
Tel:	07507 602904	Tel:	01223 706398

1. BACKGROUND

1.1 In 2018/9, Cambridgeshire County Council (LA) spend approximately £51m pa on residential/nursing care of which £10.7m was spent on block beds (contracted beds retained solely for LA use) and £40.8m on spot beds (individually purchased placements).

1.2 The number of people accessing LA residential/nursing care fell during 2014/5 – 2017/18 but rose slightly in 2018/19. People are living longer and generally entering care at an older age and with more complex needs.

1.3 Commissioners have developed an Older People's Accommodation Strategy to secure sustainable, affordable and quality bed-based provision for the LA. The strategy is based on 4 key strands; an increase in the proportion of block beds and reduction in spot purchasing, effectively 'hedging' against continued rises in market prices; development of alternative delivery models; a range of demand management initiatives to reduce flow into care and lastly income generation from the self-funder market.

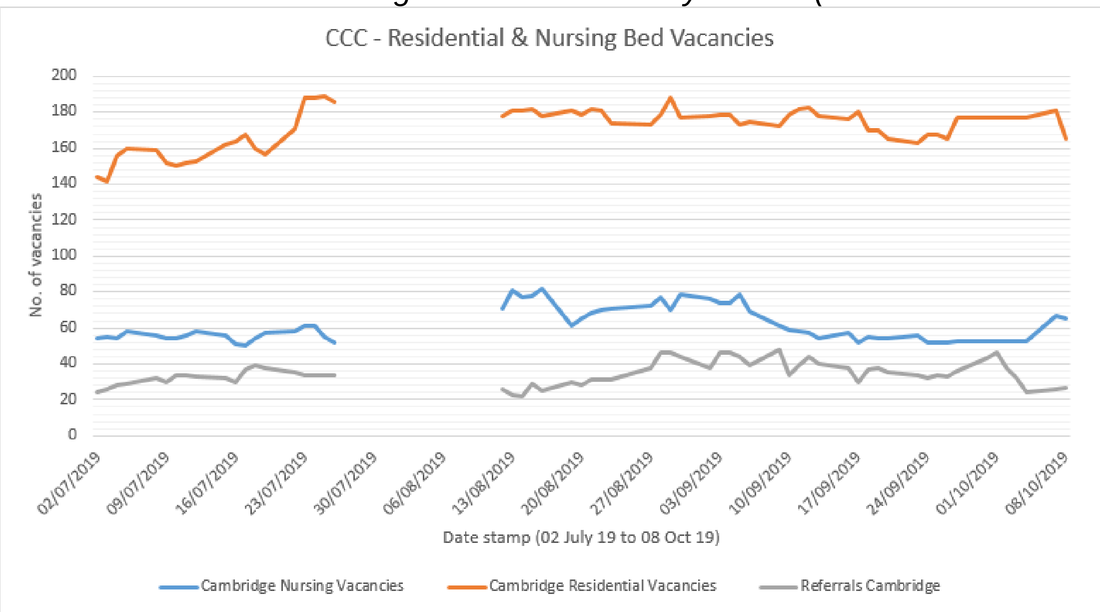
1.4 This report provides Commercial & Investment Committee with a summary overview of the market context, an outline of the Older People's Accommodation Strategy and brief update on its work-streams.

2. MAIN ISSUES

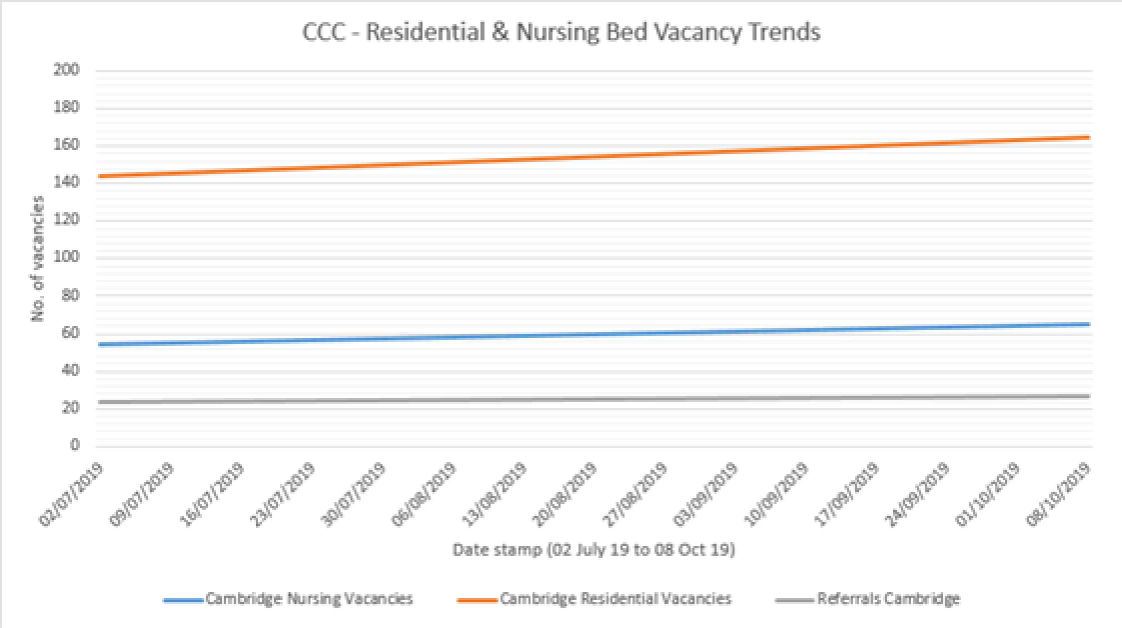
2.1 Market forces and rising cost of care

2.2 The rising cost of care in Cambridgeshire is not solely due to supply and demand issues. The graph below illustrates the number of empty beds available across the county as reported by providers against the number of referrals requiring LA funded beds, suggesting there is capacity in the market.

2.3.1 *CCC – Residential & Nursing Bed Vacancies July-Oct 19 (Source: CCC Brokerage)*

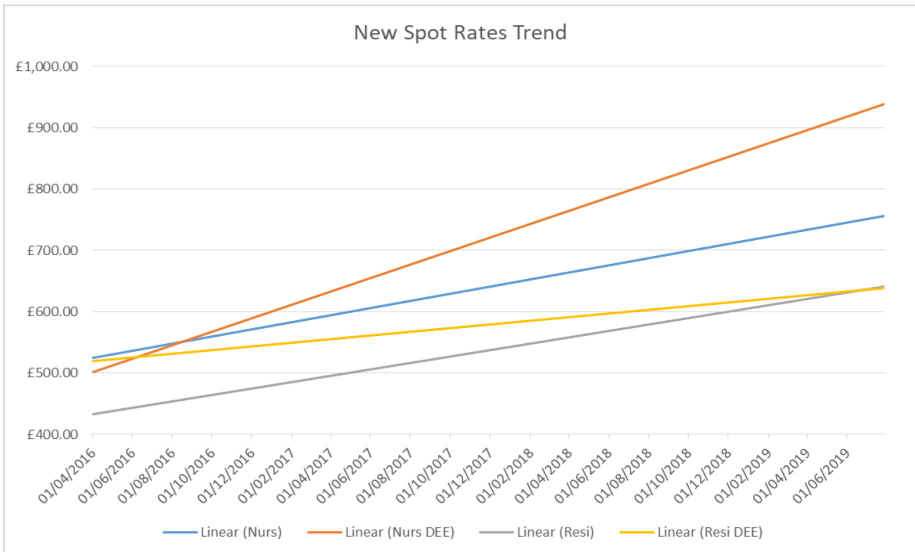


2.3.2 *CCC – Residential & Nursing Bed Vacancy July- Oct 19 Trends (Source: CCC Brokerage)*

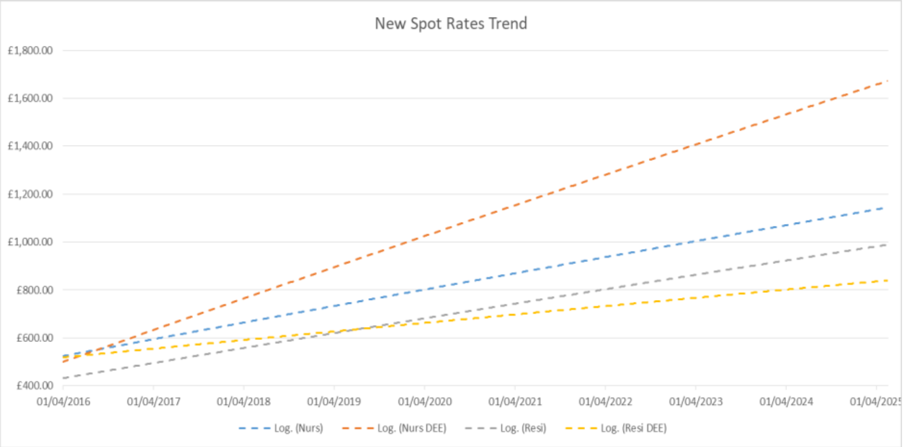


2.4 Market prices have increased due to a combined range of factors. Providers have experienced a number of increasing cost drivers in recent years stemming from recruitment challenges, changes to the national living wage, pension contributions, regulatory requirements and increases in the cost of goods and services. At the same time, LA's have sought to maintain affordable fee levels. Higher fees paid by a buoyant self-funder market, higher fees paid by the NHS (for nursing beds) and, in some localities, a shortage of provision have also contributed to increasing cost of care.

2.5 Of the residential and nursing care purchased by the local authority, c. 75% is spot purchased. Spot purchasing costs are subject to greater fluctuation and the local authority has less control over prices than those purchased via block contracts. The graph below shows the average weekly price of spot purchased beds has increased significantly since 2016 across all care types due to the factors outlined above.



2.6 Forecasted spot purchased bed cost in the graph below predicts a continued growth trend.



2.7 The local authority faces a further pressure from a significant proportion of current spot placements which are below current market rates (due to placements being historic in nature and the costs not increasing in line with market place inflation).

2.8 If no action is taken, a potential cost pressure will emerge over the next c.1-5 years as placements expire and new placements continue to be spot purchased at current market rates. For instance, if the current 'lower cost' placements were to expire and the beds subsequently purchased at the current average market rates, this would represent an additional cost of £4.3m to the local authority. In reality, this attrition is likely to occur over a number of years and, in doing so, is likely to be affected by inflationary factors and population growth.

2.9 **Older People's Accommodation Strategy - our approach to achieve sustainable, affordable and quality capacity**

2.10 Within the Older People's Accommodation Strategy, commissioners have set out a 4 strand approach to reach a sustainable and affordable position in relation to residential and nursing provision for older people. These are set out below.

(i) Increase capacity and market control
This approach seeks to obtain additional capacity by encouraging the market to develop additional beds. To gain greater control over market forces, the LA is seeking to increase its proportion of block beds and reduce spot purchasing, effectively 'hedging' against continued rises in market prices.

(ii) Develop sustainable delivery models
There is increasing acknowledgment that the sustainability of traditional models of residential and nursing care is becoming increasingly challenging. Commissioners are working with the market, regulator and NHS partners to develop alternative models of residential and nursing care which can offer more security to residents and repatriate costs currently borne by the LA to the appropriate agency.

(iii) Manage demand for LA residential/nursing care
A range of programmes are underway in commissioning and via the Adults Positive Challenge Programme to prevent and delay demand and ultimately reduce flow into LA funded care.

(iv) Create income from the self-funder market
Self-funder agreements within block contracts will enable providers to utilise empty LA block beds for self-funders, generating income for and reducing the cost of voids to the LA.

2.11 **Update on work-streams within the Older People's Accommodation Strategy**

2.12 The following section summarises work undertaken and currently in progress within the 4 key strands of the Older People's Accommodation Strategy.

2.13 A number of actions have been taken to obtain additional affordable nursing and residential capacity. Detailed modelling as a result of the care homes development programme in 2017 identified an immediate need for an additional 150 beds. To date we have increased LA block bed capacity by an additional 85 beds as outlined below.

2.14 In 2018/19, Work stream 1 of the Care Homes Development Programme offered existing block contract providers the opportunity to increase the number of block beds on their contract, resulting in 39 additional beds.

2.15 In Spring 2019, a tender was issued to gain 111 additional beds under Work stream 2(a) of the Care Homes Development Programme. Subsequently, a contract has been awarded to a provider to deliver 48 beds in Huntingdonshire. Mobilisation discussions are under way and commissioners anticipate the units being available within 24 months.

2.16 During summer 2019, negotiations to extend current block bed contracts secured a further 28 additional beds, increasing the total current block bed count to 373.

2.17 A tender is scheduled for October 2019 to obtain a further 93 additional beds as part of the Care Home Development Programme. This tender also seeks to procure 234 existing beds on a block basis, encouraging providers to convert their current spot purchased placements into block contract arrangements. This will increase the proportion of block purchased beds to a c.50:50 spot to block ratio, hedging against increasing market prices.

2.18 In 2017 we initiated Work Stream 3, a competitive dialogue process to enter into a strategic partnership with a care home provider to use council owned land to design, build and operate 3-4 care homes across areas of greatest demand across Cambridgeshire. This continues with two bidders remaining in the process. Commissioners are working with Palace Green Homes, East Cambs District Council and CCS NHS Trust to explore a potential site for a residential care facility on or adjacent to the Princess of Wales Hospital site in Ely. Work is ongoing to identify suitable, available LA sites. However, new tenancy based models for residential/nursing care are emerging that may offer a more sustainable alternative to traditional care models (see 2.19, 2.20 and 2.21).

2.19 Commissioners are developing a care-suite model as a tenancy-based alternative to residential and nursing care, based on learning from other local authorities. Care suites tend to offer larger rooms than traditional nursing homes and afford individuals greater legal rights over their accommodation than traditional residential/nursing care home models. They also provide a sustainable delivery solution to shortages in quality, affordable bed-based care provision.

2.20 Commissioners are currently refining the model and engaging the market in identifying opportunities for conversions of existing care homes. Opportunities to develop a new build care suite in Huntingdon are also being explored. It is intended to build the care suite model into the recommissioning of block beds ready for 2021.

2.21 A review of Extra Care housing has been commenced to assess its potential to maintain tenants with more complex needs, thereby providing a cost effective alternative to residential care. This will allow more older people to choose to remain in their home environment for longer as their needs increase, rather than necessitating a move into residential care. The outcome of the review and associated commissioning recommendations is anticipated around December 2019.

2.22 Continued in-depth market assessment and a review of future bed requirements will inform the volume and type of provision to be commissioned on a block basis in 2020/21. Dependent on the level of organic growth in the market during this time and the evolution of Extra-Care and Care Suites models, it may be possible to secure sufficient additional, affordable beds for future needs, thereby reducing the need to build our own.

2.23 In order to maintain pace on these developments, the Service Director for Commissioning has set up an Older People's Accommodation Board which is meeting monthly to deliver against a clear set of strategic commissioning intentions encompassing the above.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

The following bullet points set out details of implications identified by officers:

- Acquiring quality residential and nursing capacity is central to our commissioning approaches
- Developing alternative tenancy-based models of care offers individuals greater legal rights over their accommodation than traditional residential/nursing care home models

3.2 Thriving places for people to live

- Block contracts offer providers guaranteed income, supporting market sustainability and workforce retention.
- Increasing market capacity may lead to the creation of new jobs in the care sector

3.3 The best start for Cambridgeshire's children

See wording under 3.2 above.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

N/A - Significant resource implications (where identified) have been addressed via reports to Adults Committee.

Section 4 Leads sign off not required as report is for update purposes only and does not require a decision from this Committee.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

See wording under 4.1.

4.3 Statutory, Legal and Risk Implications

See wording under 4.1.

4.4 Equality and Diversity Implications

See wording under 4.1.

4.5 Engagement and Communications Implications

See wording under 4.1.

4.6 Localism and Local Member Involvement

See wording under 4.1.

4.7 Public Health Implications

See wording under 4.1.

SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2020-21 TO 2024-25

To:	**Commercial & Investment Committee**
Meeting Date:	**18 October 2019**
From:	**Amanda Askham: Director of Improvement & Development**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**This report provides the Committee with an overview of the draft Business Plan Revenue Proposals for services that are within the remit of the Commercial & Investment Committee.**
Recommendation:	**a) That the Committee note the overview and context provided for the 2020-21 to 2024-25 Business Plan revenue proposals for the Service.** **b) That the Committee comment on the draft revenue proposals that are within the remit of the Commercial & Investment Committee for 2020-21 to 2024-25.**

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1. OVERVIEW

1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the priority outcomes we want for people.

Priority Outcomes for Cambridgeshire Citizens

A good quality of life for everyone	Thriving places for people to live	The best start for Cambridgeshire's children
• Keeping vulnerable people safe in a way that draws on their own strengths and those of their communities. • Nurturing healthily communities that have access to resources that enable them to support themselves, connect with others and become sustainable. • Improving social and economic equality so that life expectancy, opportunity and social mobility are not determined by wealth or background. • Encouraging and supporting people to choose healthy lifestyles to prevent problems in later life - focusing our help on those communities most at risk of poor health outcomes. • Using our public assets wisely and raising money in a fair and businesslike way to generate social return for all citizens of Cambridgeshire.	• Growing financial and social capital place-by-place by stewarding local resources including public, private and voluntary contribution. • Continuing to invest in the environment, infrastructure and services that are a vital part of everyday life for everyone in the county and for a thriving local economy. • Putting more choice and more independence directly into the hands of individuals and communities. • Working with District and Parish Councils, Public Sector Partners and other community organisations to provide local services which build supportive, resilient communities and great places to live.	• Focusing on what happens to children in their earliest years as the key to influencing positive outcomes in adult life. • Working with children, their families and carers to develop positive attitudes to learning and health and wellbeing. • Joining services across health, education and social care to address social inequalities in our most deprived communities. • Intervening early and effectively to support and safeguard vulnerable children, young people and their families. • Increasing stability in placements for children in care. • Providing ongoing support for care leavers to help achieve positive educational outcomes and access to quality work opportunities.

1.2 To ensure we deliver our agenda, the focus will continue to be on getting the maximum possible value for residents from every pound of public money we spend, and doing things differently to respond to changing needs and new opportunities. The Business Plan therefore sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the challenge of reducing resources.

1.3 Like many Councils across the country, we are facing a major financial challenge. Demand is increasing and funding is reducing at a time when the cost of providing services continues to rise significantly due to inflationary and demographic pressures. Through our FairDeal4Cambs campaign we are currently linking with the 36 Shire County areas who make up membership of the County Councils Network and who are raising the issue of historic underfunding of Shire Counties with our MPs and through them with Government. As one of the fastest growing Counties in the country, this financial challenge is greater in Cambridgeshire than elsewhere. We have already delivered £178m of savings over the last five years and have a strong track record of value for money improvements which protect front line services to the greatest possible extent. However, we know that there will be diminishing returns from existing improvement schemes and that the substantial pressure on public finances remains. It is therefore clear that we need to continue to work alongside local communities to build independence and co-produce solutions at pace.

1.4 We recognise the scale of change needed and propose a significant programme of change across our services, with our partners and, crucially, with our communities. To support this we have a dedicated transformation fund as part of the Business Plan, providing the resource needed in the short term to drive the change we need for the future.

1.5 As the scope for traditional efficiencies diminishes, our plan is increasingly focused on a range of more fundamental changes to the way we work. Some of the key themes driving our thinking are;

- Income and Commercialisation - identifying opportunities to bring in new sources of income which can fund crucial public services without raising taxes significantly and to take a more business-like approach to the way we do things in the council.

- Strategic Partnerships – acting as ‘one public service’ with our partner organisations in the public sector and forming new and deeper partnerships with communities, the voluntary sector and businesses. The aim being to cut out duplication and make sure every contact with people in Cambridgeshire delivers what they need now and might need in the future.

- Demand Management – this is fundamentally about supporting people to remain as healthy and as independent as possible, for as long as possible. It is about working with people to help them help themselves or the person they care for e.g. access to advice and information about local support and access to assistive technology. Where public services are needed, it is about ensuring support is made available early so that people’s needs don’t escalate to the point where they need to rely heavily on public sector support in the long term.

- Commissioning – ensuring all services that are commissioned to deliver the outcomes people want at the best possible price – getting value for money in every instance.

- Modernisation – ensuring the organisation is as efficient as possible and as much of the Council’s budget as possible is spent on front line services and not back office functions, taking advantage of the latest technologies and most creative and dynamic ways of working to deliver the most value for the least cost.

1.6 The Council continues to undertake financial planning of its revenue budget over a five year period which creates links with its longer term financial modelling and planning for growth. This paper presents an overview of the proposals being put forward as part of the Council’s draft revenue budget, with a focus on those which are relevant to this Committee. Increasingly the emerging proposals reflect joint proposals between different directorate areas and more creative joined up thinking that recognise children live in families and families live in communities, so some proposals will go before multiple Committees to ensure appropriate oversight from all perspectives.

1.7 Funding projections have been updated based on the latest available information to provide a current picture of the total resource available to the Council. At this stage in the year, however, projections remain fluid and will be reviewed as more accurate data becomes available.

1.8 Equally, as our proposals become more ambitious and innovative, in many instances they become less certain. Some proposals will deliver more or less than anticipated, equally some may encounter issues and delays and others might be accelerated if early results are promising. We have adapted our approach to business planning in order to manage these risks, specifically;

- Through the development of proposals which exceed the total savings/income requirement – so that where some schemes fall short they can be mitigated by others and we can manage the whole programme against a bottom-line position
- By establishing a continual flow of new proposals into the change programme – moving away from a fixed cycle to a more dynamic view of new thinking coming in and existing schemes and estimates being refined
- Taking a managed approach to risk – with clarity for members about which proposals have high confidence and certainty and which represent a more uncertain impact

1.9 The Committee is asked to comment on these initial proposals for consideration as part of the Council's development of the Business Plan for the next five years. Draft proposals across all Committees will continue to be developed over the next few months to ensure a robust plan and to allow as much mitigation as possible against the impact of these savings. Therefore these proposals may change as they are developed or alternatives found.

1.10 Committees will receive an update to the revenue business planning proposals in December at which point they will be asked to endorse the proposals to GPC as part of the consideration for the Council's overall Business Plan.

2. BUILDING THE REVENUE BUDGET

2.1 Changes to the previous year's budget are put forward as individual proposals for consideration by committees, General Purposes Committee and ultimately Full Council. Proposals are classified according to their type, as outlined in the attached Table 3, accounting for the forecasts of inflation, demand pressures and service pressures, such as new legislative requirements that have resource implications, as well as savings and investments.

2.2 The process of building the budget begins by identifying the cost of providing a similar level of service to the previous year. The previous year's budget is adjusted for the Council's best forecasts of the cost of inflation, the cost of changes in the number and level of need of service users (demand) and proposed investments. Should services have pressures, these are expected to be managed within that service where possible, if necessary being met through the achievement of additional savings or income. If this is not possible, particularly if the pressure is caused by legislative change, pressures are considered corporately. It should be noted, however, that there are no additional resources and therefore this results in an increase in the level of savings that are required to be found across all Council Services. The total expenditure level is compared to the available funding and, where this is insufficient to cover expenditure, the difference is the savings or income requirement to be met through transformational change and/or savings projects in order to achieve a set of balanced proposals.

2.3 The budget proposals being put forward include revised forecasts of the expected cost of inflation following a detailed review of inflation across all services at an individual budget line level. Inflation indices have been updated using the latest available forecasts and applied to the appropriate budget lines. Inflation can be broadly split into pay, which accounts for inflationary costs applied to employee salary budgets, and non-pay, which covers a range of budgets, such as energy, waste, etc. as well as a standard level of inflation based on government Consumer Price Index (CPI) forecasts. All inflationary uplifts require robust justification and as such general inflation is assumed to be 0%. Key inflation indices applied to budgets are outlined in the following table:

Inflation Range	2020-21	2021-22	2022-23	2023-24	2024-25
Non-pay inflation (average of multiple rates) where applicable	3.6%	2.7%	2.8%	2.7%	2.7%
Pay (admin band)	2%	2%	1%	1%	1%
Pay (management band)	2%	2%	1%	1%	1%

2.4 Forecast inflation, based on the above indices, is as follows:

Service Block	2020-21	2021-22	2022-23	2023-24	2024-25
People and Communities (P&C)	5,665	5,748	4,475	4,171	4,251
Place and Economy (P&E)	1,961	2,053	2,222	2,259	2,361
Commercial and Investments (C&I)	238	147	138	141	143
Public Health	51	51	24	24	24
Corporate and Managed Services	-275*	174	103	104	104
LGSS Operational	277	277	139	139	139
Total	**7,917**	**8,450**	**7,101**	**6,838**	**7,022**

*Includes reduction of additional pension contribution in relation to vacancies to be apportioned between Service Blocks

2.5 A review of demand pressures facing the Council has been undertaken. The term demand is used to describe all anticipated demand changes arising from increased numbers (e.g. as a result of an ageing population, or due to increased road kilometres) and increased complexity (e.g. more intensive packages of care as clients age). The demand pressures calculated are:

Service Block	2020-21 £’000	2021-22 £’000	2022-23 £’000	2023-24 £’000	2024-25 £’000
People and Communities (P&C)	10,771	11,252	12,811	13,295	13,008
Place & Economy (P&E)	199	225	179	192	202
Total	**10,970**	**11,477**	**12,990**	**13,487**	**13,210**

2.6 The Council is facing some cost pressures that cannot be absorbed within the base funding of services. Some of the pressures relate to costs that are associated with the introduction of new legislation and others as a direct result of contractual commitments. These costs are included within the revenue tables considered by service committees alongside other savings proposals and priorities:

Service Block / Description	2020-21 £’000	2021-22 £’000	2022-23 £’000	2023-24 £’000	2024-25 £’000

New Pressures Arising in 20-21					
P&C: Increase in Older People's placement costs	4,458				
P&C: Home to School Transport - Special	800				
P&C: SEND Specialist Services – loss of grant	300				
P&C: SEND Specialist Service – underlying pressures	201				
C&I: East Barnwell Community Centre		100			
Existing Pressures Brought Forward					
P&C: Impact of National Living Wage on Contracts	3,367	3,091	3,015	3,015	3,015
P&C: Potential Impact of Changing Schools Funding Formula	1,579	1,500			
P&C: Libraries to serve new developments		49			
P&C: Supervised contact (numbers of children)	-35				
P&C: Independent reviewing officers (numbers of children)		-85			
P&E: Minerals and Waste Local Plan	-54	-54			
P&E: Guided Busway Defects	-1,300				
C&I: Renewable energy – Soham	4	5	40		
C&I: LGSS Law dividend expectation		-96			
Impact of Local Government Pay offer on CCC Employee Costs (combined)	174	174			
Total	**9,494**	**4,684**	**3,055**	**3,015**	**3,015**

3. SUMMARY OF THE DRAFT REVENUE BUDGET

3.1 In order to balance the budget in light of the cost increases set out in the previous section and reduced Government funding, savings or additional income of £24.6m are required for 2020-21, and a total of £74m across the full five years of the Business Plan. The following table shows the total level of savings necessary for each of the next five years, the amount of savings attributed from identified savings and the residual gap for which saving or income has still to be found:

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
Total Saving Requirement	24,561	14,916	12,280	12,697	9,050
Identified Savings	-10,711	-2,256	920	206	558
Identified additional Income Generation	-1,285	-2,225	-3,542	-365	133
Residual Savings to be identified	**12,565**	**10,435**	**9,658**	**12,538**	**9,741**

3.2 As the table above shows, there is still a significant level of savings or income to be found in order to produce a balanced budget for 2020-21. While actions are being taken to close the funding gap, as detailed below, it must be acknowledged that the proposals already identified are those with the lower risk and impact profiles and the further options being considered are those considered less certain, or with greater impact.

3.3 The actions currently being undertaken to close the gap are:

- Reviewing all the existing proposals to identify any which could be pushed further – in particular where additional investment could unlock additional savings

- Identifying whether any longer-term savings can be brought forward

- Reviewing the full list of in-year and 2020-21 pressures – developing mitigation plans wherever possible to reduce the impact of pressures on the savings requirement

- Bringing more ideas into the Transformation Pipeline – this work will continue to be led across service areas with support from the Transformation team – recognising that it is the responsibility of all areas of the Council to keep generating new proposals which help meet this challenge.

3.4 There are also a number of additional risks and assumptions with potential impacts on the numbers above and accompanying tables. These will be monitored closely and updated as the Business Plan is developed to ensure that any financial impacts are accurately reflected in Council budgets:

- The Business Plan includes a 2% inflationary uplift for administrative and management band staff pay. The National Joint Council pay scales have not been confirmed for 2020-21 onwards and it is possible than an uplift of greater than 2% will be agreed. A number of other groups of public sector workers including teachers, armed forces and police officers are expected to receive pay increases in excess of 2% in 2020-21.

- The result of schools funding reforms, in particular the control of the Dedicated Schools Grant shifting further toward individual schools, potential additional funding to be announced by government, and the local situation with a deficit held within the high needs block is still under discussion and the significant current pressure will be updated as the outcome of this discussion becomes clear.

- Movement in current year pressures – Work is ongoing to manage our in-year pressures downwards however any change to the out-turn position of the Council will impact the savings requirement in 2020-21. This is particularly relevant to demand led budgets such as children in care or adult social care provision.

- The inflationary cost increases set out in section 2.4 assume that inflation on the cost of bed-based care within Adults & Older People's Services will continue to be higher than general inflation in 2020-21. Additionally, the pressures within Older People's services included in section 2.6 assume that the local NHS continues to contribute funding to joint health and social care initiatives at current levels in 2020-21.

- The Government has confirmed that the introduction of 75% business rates retention and the review of relative needs and resources (fair funding review) will be delayed until 2021 to coincide with the next multi-year spending review. There is therefore a significant level of uncertainty around the accuracy of our funding assumptions from 2021/22 onwards.

- The Council has worked closely with local MPs in campaigning for a fairer funding deal for Cambridgeshire. The Chancellor announced the Government's spending plans for 2020-21 on 4th September, which included an additional £1bn of grant funding for social care. The financial implications for the Council are still as yet unclear as individual local authority allocations are yet to be announced. Notwithstanding any additional funding the Council may receive, it is expected that significant savings are required to balance the budget for 2020-21 and services continue to develop plans at pace.

- The Government has confirmed that The Winter Pressures and Social Care Support Grants, announced for the first time in 2019-20, will continue in 2020-21. These grants now support £4.4m of permanent spending across Adults and Children's Services as well as contributing £1.9m to the 2020-21 budget gap. We have assumed, in line with other Shire Counties, that these grants continue at their current levels throughout the period of the current Medium Term Financial Strategy (2020-21 – 2024-25). However, the Council will continue to develop options for further savings which will allow the authority to operate on a sustainable basis should this funding not be forthcoming in future years.

3.5 In some cases, services have planned to increase income to prevent a reduction in service delivery. For the purpose of balancing the budget these two approaches have the same effect and are treated in the same way.

3.6 This report forms part of the process set out in the Medium Term Financial Strategy whereby the Council updates, alters and refines its revenue and capital proposals in line with new savings targets. New proposals are developed across Council to meet any additional savings requirement and all existing schemes are reviewed and updated before being presented to service committees for further review during December.

3.7 The level of savings required is based on a 2% increase in the Adults Social Care precept and a 0% increase in Council tax. The Government has confirmed that Local Authorities will be granted the continued flexibility to levy the ASC precept in 2020-21, however the Government has not yet announced the Council tax referendum limit for 2020-21. Local Authorities were permitted to increase general Council tax by a maximum of 2.99% in 2018-19 and 2019-20 without the requirement for approval from residents through a positive vote in a local referendum. It is likely, although not confirmed, that the Council will be presented with the option to increase Council tax by up to a further 2.99% in 2020-21. It is estimated that the cost of holding a referendum for increases deemed to be excessive would be around £100k, rising to as much as £500k should the public reject the proposed tax increase (as new bills would need to be issued).

3.9 Following October and December service committees, GPC will review the overall programme in December, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

4.0 BUSINESS PLANNING CONTEXT FOR COMMERCIAL AND INVESTMENT COMMITTEE

4.1 With the ever decreasing traditional funding for the authority and increasing demand for services, we need to increase our commercial returns and make our current funds and assets work harder to enable the authority to remain sustainable and achieve desired outcomes. The Council's Commercial Strategy was agreed by the Commercial and Investment (C&I) Committee on 26th April 2019 and sets out our commercial vision to develop a range of commercial activity which delivers financial and social return by becoming a Council which uses its assets, skills and position to generate significant levels of new income to support delivery of crucial front line services.

4.1.1 In this context commercialism means

- making a profit - from trading and investments;
- maximising value for money from contractual relationships;
- making robust decisions on a consistent basis with evidence and a sound business case;
- thinking about the return on investment for every pound we spend;
- considering the whole life cost of policy decisions, including market impact;
- collaborating with the market and with partners to develop alternative models for greater return;
- considering new and innovative ways of generating income; and
- maximising use of revenue and assets.

4.2 By entering a new phase of enterprise, investment and commercial growth we can continue to provide good services to communities despite cost and funding pressures. To deliver this we are committed to;

- investing in our services to transform them, delivering better outcomes and reduced demand
- Investing in commercial opportunities which bring in a good financial return to the council whilst balancing risk and rewards
- making improvements to how we manage our business, our people and our money
- improving how we manage the contracts we have with suppliers and external providers
- developing new and deeper partnerships – bringing benefits for all

- only considering reducing services as a last resort

It is acknowledged that if the Council wishes to take commercialism beyond the current position it may need to take more risk in order to achieve greater returns and commercial success. Governance, management and performance of new commercial enterprises, partnerships and contracts will continue to be robust to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately used and accounted for.

5. OVERVIEW OF COMMERCIAL AND INVESTMENT COMMITTEE'S DRAFT REVENUE PROGRAMME

5.1 The list below provides an overview of the draft 2020/21 business planning proposals within the remit of the Commercial and Investment Committee. In each case the reference to the business planning table is included along with the anticipated level of financial saving or additional income.

5.2 It is important for the Committee to note that the proposals and figures are draft at this stage and that work on the business cases is ongoing. Updated proposals will be presented to Committee again in December at which point business cases and the associated impact assessments will be final for the Committee to endorse. The areas currently under review for which it is anticipated revised business cases will be presented in December are:

- Energy Investment - business cases for energy schemes are currently undergoing revision; this is anticipated to have an impact on the timing of achieving revenue returns
- Housing Investment – timescales for anticipated loans to This Land are being revised based on the company's updated financial model; depending on the movement, this may have an impact on the level and/or timing of interest payments anticipated from the company
- Property Investment – the level of returns from investment are being updated based on forecast returns from recent investment, as well as those anticipated from future investment.

5.3 Additional investment is required to deliver transformation of this scale and the programme of savings described below will need to be supported by resource agreed through the Council's Transformation fund process. A report is being presented to the October C&I Committee for recommendation to General Purposes Committee in October, detailing the additional resource requirements, the associated savings and therefore the return on investment.

Summary of proposals:

5.4 **<u>F/R.7.127 County farms – Commercial uses (-75k)</u>**

5.5 **<u>F/R.7.129 Pooled property fund in investment (-330k)</u>**

6 LONGER TERM TRANSFORMATION TO CREATE A SUSTAINABLE SERVICE MODEL

6.1 This programme of work includes innovative approaches that will improve outcomes whilst continuing to deliver a further level of efficiency and significant savings.

6.2 A Transformation resource was established in 2016 to enable investment in longer term initiatives, identifying opportunities where better outcomes can be delivered at reduced cost and demand for services can be reduced. To date, savings of £23.8m have been released as a result of services using this resource.

7. NEXT STEPS

7.1 The high level timeline for business planning is shown in the table below.

December	Updated business cases and any additional business cases go to committees
January	General Purposes Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

8. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 **A good quality of life for everyone**
There are no significant implications for this priority.

8.2 **Thriving places for people to live**
The impact of these proposals is summarised in the equality impact assessments, included within Appendix 1.

8.3 **The best start for Cambridgeshire's children**
The impact of these proposals is summarised in the equality impact assessments, included within Appendix 1.

9. SIGNIFICANT IMPLICATIONS

9.1 **Resource Implications**
The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix. The proposals seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

9.2 **Procurement/Contractual/Council Contract Procedure Rules Implications**
Any implications will be set out fully in the business cases associated with each of the proposals - fuller business cases will be provided to the December Committee meeting.

9.3 **Statutory, Legal and Risk implications**

The implications will be set out fully in the business cases associated with each of the proposals - fuller business cases will be provided to the December Committee meeting.

9.4 **Equality and Diversity Implications**
No significant implications

9.5 **Engagement and Consultation Implications**
No significant implications

9.6 **Localism and Local Member Involvement**
As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

9.7 **Public Health Implications**
No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Eleanor Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus De Silva
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Monitoring Officer: Fiona McMillan, LGSS Law
Are there any Equality and Diversity implications?	Covered in business case impact assessment Julia Turner
Have any engagement and communication implications been cleared by Communications?	Yes Christine Birchall
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Julia Turner
Have any Public Health implications been cleared by Public Health	Yes Iain Green

Source Documents	Location
Strategic Framework	https://ccc-live.storage.googleapis.com/upload/www.cambridgeshire.gov.uk/council/finance-and-budget/Section%201%20-%20Strategic%20Framework%20-%2019-20.pdf?inline=true

APPENDIX 1: Draft Business Cases for business planning proposals within the remit of Commercial and Investment Committee

APPENDIX 2: Financial summary – table 3

Business Case

F/R.7.129 - Pooled property fund investment (CCLA)

Project Overview

Project Title	F/R.7.129 - Pooled property fund investment (CCLA)		
Project Code	TR001528	**Business Planning Reference**	F/R.7.129
Business Planning Brief Description	Investment in the CCLA Local Authorities Property Fund to generate a revenue return.		
Senior Responsible Officer	Tom Kelly, Head of Finance		

Project Approach

Background

Why do we need to undertake this project?

The Council has ambitious targets for income from commercial property investments. Investment in this pooled property fund offers important diversity in investment, a proven track record of yield and return to other local government bodies as well as accounting advantages.

What would happen if we did not complete this project?

We would not benefit from the return on this investment

Approach

Aims / Objectives

Return on investment

Project Overview - What are we doing

Investment in a pooled property fund through CCLA

What assumptions have you made?

What constraints does the project face?

Delivery Options

Has an options and feasibility study been undertaken?

Scope / Interdependencies

Scope

What is within scope?

Medium to long term investment.

What is outside of scope?

Short term investment

Project Dependencies

Title

Cost and Savings

See accompanying financial information in Table 3

Non Financial Benefits

Non Financial Benefits Summary

None

Title

Return on investment

Risks

Title

Fund doesn't make expected return

Project Impact

Equality Impact Assessment

Who will be affected by this proposal?

No direct impact on residents/ service user groups

What positive impacts are anticipated from this proposal?

Return on investment

What negative impacts are anticipated from this proposal?

Opportunity cost of not using this funding for other investments

Are there other impacts which are more neutral?

None

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

No direct impact on residents/ service user groups

Business Case

F/R.7.127 County Farms - Commercial uses

Project Overview			
Project Title	F/R.7.127 County Farms - Commercial uses		
Project Code	TR001551	**Business Planning Reference**	
Business Planning Brief Description	To assess the potential viability for increasing the revenue and capital returns from our County Farms Estate (CFE). This will include, but is not limited to: - Viability of converting buildings to non-agricultural uses to create additional revenue from the CFE. - Develop a strategy for maximizing the release of capital receipts.		
Senior Responsible Officer	Hugo Mallaby		

Project Approach

Background

Why do we need to undertake this project?

The Council has an ambitious commercial strategy. Understanding our commercial opportunities from the CFE is fundamental to creating and informing our future strategy for revenue generation and to create a balanced revenue producing portfolio where viable. This work will also be important in providing increased resilience to tenants (where development ties in with diversification ideas) that will protect the overall income from the estate.

What would happen if we did not complete this project?

We would be unable to fully realize the capital and/or opportunity of the CFE.

The CFE's total revenue may come under greater pressure, given the current uncertainties in the agricultural sector.

Approach

Aims / Objectives

- To understand better where the potential opportunities lie on the estate to increase diversified revenue streams – either by working with tenants to create suitable on-farm diversifications or, where appropriate, to let directly to the market.
- The approach will be determined by each site's potential, the desire for on-farm diversification by tenants and the Council's requirements for income generation, based on a managed risk approach.
- To assess the viability of a new distribution hub on CFE land adjoining the A14 near Swavesey.

Project Overview - What are we doing

We have instructed external consultants to complete a desktop analysis of all farm buildings and to present a list of those sites most suitable for development. This list will then be used to inform our strategic direction for optimising revenue generation across the organisation and our assets.

The Distribution Hub is at the inception stage at present. A full business case will be presented as the project develops.

What assumptions have you made?

The sites must be potentially viable from a planning and finance perspective.

What constraints does the project face?

Potential planning issues – particularly re highways in some parts of the County and for the distribution hub particularly as the site adjoins the A14.

Delivery Options

Has an options and feasibility study been undertaken?

The first stage of this has been instructed through external consultants.

Scope / Interdependencies

Scope

What is within scope?

All farm buildings on the CFE currently used for agriculture.
CFE land at Swavesey adjoining the A14

What is outside of scope?

Existing buildings currently used for commercial non-agricultural uses and CFE farmhouses.

Project Dependencies

Title

Cost and Savings

See accompanying financial information in Table 3

Non Financial Benefits

Non Financial Benefits Summary

The non-financial benefits of a proposal will be specific to the proposal itself. Typically, such proposals could reduce length of commute, provide alternative sites for businesses outside Cambridge (so helping to reduce traffic in Cambridge) and facilitate growth of SMEs and start-up businesses throughout the County.

Title

Risks

Title

Project Impact

Equality Impact Assessment

Who will be affected by this proposal?

The level of impact on communities will vary on a site by site basis and will be addressed within the individual proposals being considered.

What positive impacts are anticipated from this proposal?

Local businesses may see more trade from converted sites; potentially staff/occupiers could move to the area and help rural schools and businesses survive/thrive; potential for greater age diversity in rural areas.

Potential additional employment opportunities

What negative impacts are anticipated from this proposal?

Any decision to increase revenue generation or release capital receipts will be presented to Commercial and Investment Committee accompanied by a full business case analysis outlining any potential impacts specific to the proposal.

Are there other impacts which are more neutral?

All proposals will be presented to Commercial and Investment Committee. The impact of these proposals will vary and will be considered within its evaluations.

Disproportionate impacts on specific groups with protected characteristics

Details of Disproportionate Impacts on protected characteristics and how these will be addressed

Not known at this stage.

Section 3 - F: Commercial and Investments

Table 3: Revenue - Overview

Budget Period: 2020-21 to 2024-25

Ref	Title	2020-21 £000 (Detailed Plans)	2021-22 £000 (Outline Plans)	2022-23 £000	2023-24 £000	2024-25 £000	Description	Committee
1	**OPENING GROSS EXPENDITURE**	**17,735**	**17,489**	**17,789**	**18,397**	**18,632**		
F/R.1.001	Base adjustments	425	-	-	-	-	Adjustment for permanent changes to base budget from decisions made in 2019-20.	C&I
1.999	**REVISED OPENING GROSS EXPENDITURE**	**18,160**	**17,489**	**17,789**	**18,397**	**18,632**		
2	**INFLATION**							
F/R.2.001	Inflation	247	156	147	150	152	Forecast pressure from inflation, based on detailed analysis incorporating national economic forecasts, specific contract inflation and other forecast inflationary pressures.	C&I
2.999	**Subtotal Inflation**	**247**	**156**	**147**	**150**	**152**		
3	**DEMOGRAPHY AND DEMAND**							
3.999	**Subtotal Demography and Demand**	**-**	**-**	**-**	**-**	**-**		
4	**PRESSURES**							
F/R.4.001	East Barnwell Community Centre	-	100	-	-	-	Operating costs for the proposed new community centre in East Barnwell, Cambridge.	C&I
F/R.4.007	LGSS Law dividend expectation	-	-96	-	-	-	Reduced dividend expectations fom LGSS Law in 2019/20 and 2020/21. The company is making progress with improved utilisation of fee earning lawyers, under the stewardship of a new finance director.	C&I
F/R.4.903	Renewable Energy - Soham	4	5	40	-	-	Operating costs associated with the capital investment in Renewable Energy, at the Soham Solar Farm. Links to capital proposal C/C.2.102 in BP 2016-17.	C&I
4.999	**Subtotal Pressures**	**4**	**9**	**40**	**-**	**-**		
5	**INVESTMENTS**							
F/R.5.001	Invest to Save Housing Schemes - Interest Costs	-517	-79	-	-	-	Revenue costs associated with the development of the Cambridge Housing and Investment Company in order to generate long-term income streams.	C&I
F/R.5.002	St Ives Smart Energy Grid - operating costs	-	39	1	1	1	The Council is building a Smart Energy Grid at the St Ives Park & Ride site, capital project reference F/C.2.118. These are the expected operating costs.	C&I
F/R.5.003	Babraham Smart Energy Grid - operating costs	-	-	120	3	4	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. These are the expected operating costs.	C&I
F/R.5.004	Trumpington Smart Energy Grid - operating costs	-	-	-	63	2	The Council is building a Smart Energy Grid at the Trumpington Park & Ride site, capital project reference F/C.2.120. These are the expected operating costs.	C&I
F/R.5.005	Stanground Closed Landfill Site - operating costs	-	-	115	3	4	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected operating costs.	C&I
F/R.5.006	Woodston Closed Landfill Site - operating costs	-	-	48	1	2	The Council is installing a solar park facility and battery storage system at the Woodston closed landfill site, capital project reference F/C.2.122. These are the expected operating costs.	C&I

Section 3 - F: Commercial and Investments

Table 3: Revenue - Overview

Budget Period: 2020-21 to 2024-25

Ref	Title	Detailed Plans 2020-21 £000	Outline Plans 2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	Description	Committee
F/R.5.007	North Angle Solar Farm, Soham - operating costs	-	371	135	14	14	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. These are the expected operating costs.	C&I
5.999	**Subtotal Investments**	**-517**	**331**	**419**	**85**	**27**		
6	**SAVINGS**							
	C&I							
F/R.6.003	Babbage House closure	-397	-198	-	-	-	The lease on Babbage House is due to end in 2020-21, and will not be renewed.	C&I
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	-8	2	2	-	-	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs. Links to capital proposal B/C.5.029	C&I
6.999	**Subtotal Savings**	**-405**	**-196**	**2**	**-**	**-**		
	TOTAL GROSS EXPENDITURE	**17,489**	**17,789**	**18,397**	**18,632**	**18,811**		
7	**FEES, CHARGES & RING-FENCED GRANTS**							
F/R.7.001	Previous year's fees, charges & ring-fenced grants	-27,237	-27,432	-29,566	-33,292	-33,666	Previous year's fees and charges for the provision of services and ring-fenced grant funded rolled forward.	C&I
F/R.7.002	Increase in fees, charges & ring-fenced grants	-416	-	-	-	-	Adjustment for changes to fees, charges & ring-fenced grants reflecting decisions made in 2019209.	C&I
F/R.7.003	Fees and charges inflation	-9	-9	-9	-9	-9	Uplift in external charges to reflect inflation pressures on the cost of services.	C&I
	Changes to fees & charges							
F/R.7.103	County Farms Investment (Viability) - Surplus to Repayment of Financing Costs	-4	-	-	-	-	Increase in County Farms rental income resulting from capital investment. Element surplus to repaying financing costs.	C&I
F/R.7.104	County Farms Investment (Viability) - Repayment of Financing Costs	4	-	-	-	-	Increase in County Farms rental income resulting from capital investment. Links to capital proposal F/C.2.101.	C&I
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	100	70	16	-	-	Income generation resulting from capital investment in solar farm at Soham. Element to repay financing costs. Links to capital proposal C/C.2.102 in BP 2016-17.	C&I
F/R.7.106	Utilisation/commercialisation of physical assets	-36	-	-	-	-	One Public Estate Asset plan Maximise the income generated from parking Venue request tool	C&I
F/R.7.113	Invest to Save Housing Schemes - Income Generation	571	-188	-	-	-	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	C&I
F/R.7.114	St Ives Smart Energy Grid - Surplus to Repayment of Financing Costs	-	-79	84	-8	-8	The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. This is the expected income surplus from the sale of energy.	C&I
F/R.7.115	St Ives Smart Energy Grid - Repayment of Financing Costs	-	-38	-89	2	2	The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I

Section 3 - F: Commercial and Investments

Table 3: Revenue - Overview

Budget Period: 2020-21 to 2024-25

Ref	Title	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	Description	Committee
		Detailed Plans	Outline Plans					
F/R.7.116	Babraham Smart Energy Grid - Surplus to Repayment of Financing Costs	-	-	-319	-46	171	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. This is the expected income surplus from the sale of energy.	C&I
F/R.7.117	Babraham Smart Energy Grid - Repayment of Financing Costs	-	-	-829	14	13	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.7.118	Trumpington Smart Energy Grid - Surplus to Repayment of Financing Costs	-	-	-	44	-24	The Council is building a Smart Energy Grid at the Trumpington Park & Ride site, capital project reference F/C.2.120. This is the expected income surplus from the sale of energy.	C&I
F/R.7.119	Trumpington Smart Energy Grid - Repayment of Financing Costs	-	-	-	-507	9	The Council is building a Smart Energy Grid at the Trumpington & Ride site, capital project reference F/C.2.120. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.7.120	Stanground Closed Landfill Site - Surplus to Repayment of Financing Costs	-	-	-714	149	21	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. This is the expected income surplus from the sale of energy and provision of grid services.	C&I
F/R.7.121	Stanground Closed Landfill Site - Repayment of Financing Costs	-	-	-709	12	12	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy and provision of grid services.	C&I
F/R.7.122	Woodston Closed Landfill Site - Surplus to Repayment of Financing Costs	-	-	-196	47	9	The Council is installing a solar park facility and battery storage system at the Woodston closed landfill site, capital project reference F/C.2.122. This is the expected income surplus from the sale of energy and provision of grid services.	C&I
F/R.7.123	Woodston Closed Landfill Site - Repayment of Financing Costs	-	-	-184	3	3	The Council is installing a solar park facility and battery storage system at the Woodston closed landfill site, capital project reference F/C.2.122. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy and provision of grid services.	C&I
F/R.7.125	North Angle Solar Farm, Soham - Surplus to Repayment of Financing Costs	-	-521	-246	-98	-99	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. This is the expected income surplus from the sale of energy.	C&I
F/R.7.126	North Angle Solar Farm, Soham - Repayment of Financing costs	-	-1,119	-356	23	24	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.7.127	County Farms - Commercial uses	-75	-250	-175	-	-	Conversion of barns on the County Farms Estate for non-agricultural commercial uses, including storage and distribution.	C&I
F/R.7.129	Pooled Property Fund Investment (CCLA)	-330	-	-	-	-	In accordance with the Council's treasury management strategy, the Commercial & Investment Committee has supported a pooled property fund investment. The Local Authorities' Pooled Property Fund, managed by CCLA, has over £1.1bn invested spread across property classes throughout the UK. The Council has funds available to invest with a long-term horizon and the expected net returns are shown on this line.	C&I
7.999	**Subtotal Fees, Charges & Ring-fenced Grants**	**-27,432**	**-29,566**	**-33,292**	**-33,666**	**-33,542**		
	TOTAL NET EXPENDITURE	**-9,943**	**-11,777**	**-14,895**	**-15,034**	**-14,731**		

Section 3 - F: Commercial and Investments

Table 3: Revenue - Overview

Budget Period: 2020-21 to 2024-25

Ref	Title	Detailed Plans 2020-21 £000	Outline Plans 2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	Description	Committee
FUNDING SOURCES								
8	**FUNDING OF GROSS EXPENDITURE**							
F/R.8.001	Budget Surplus	9,943	11,777	14,895	15,034	14,731	Net surplus from Commercial and Investment activities contributed to funding other Services.	C&I
F/R.8.003	Fees & Charges	-26,650	-28,784	-32,510	-32,884	-32,760	Fees and charges for the provision of services.	C&I
F/R.8.004	Arts Council Funding	-782	-782	-782	-782	-782	Ring-fenced grant from the Arts Council to part-fund Cambridgeshire Music	C&I
8.999	**TOTAL FUNDING OF GROSS EXPENDITURE**	**-17,489**	**-17,789**	**-18,397**	**-18,632**	**-18,811**		

Agenda Item No: 8

SERVICE COMMITTEE REVIEW OF THE DRAFT 2020-2021 CAPITAL PROGRAMME

To:	**Commercial & Investment Committee**
Meeting Date:	**18th October 2019**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**This report provides the Committee with an overview of the draft Business Plan Capital Programme for Commercial & Investment.**
Recommendation:	**a) It is requested that the Committee note the overview and context provided for the 2020-21 Capital Programme for Commercial & Investment.** **b) It is requested that the Committee comment on the draft proposals for Commercial & Investment's 2020-21 Capital Programme and endorse their development**

	Officer contact:		*Member contact:*
Name:	Chris Malyon	Name:	Councillor Josh Schumann
Post:	Deputy Chief Executive	Post:	Committee Chair
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1. CAPITAL STRATEGY

1.1 The Council strives to achieve its vision through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Authority.

1.2 Each year the Council adopts a ten-year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council.

1.3 This report forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes are developed by Services and all existing schemes are reviewed and updated as required before being presented to the Capital Programme Board and subsequently Service Committees for further review and development.

1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken / revised, which allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its outcomes.

2. DEVELOPMENT OF THE 2020-21 CAPITAL PROGRAMME

2.1 Prioritisation of schemes (where applicable) is included within this report to be reviewed individually by Service Committees alongside the addition, revision and update of schemes. Prioritisation of schemes across the whole programme will also be reviewed by General Purposes Committee (GPC) in November, before firm spending plans are considered again by Service Committees in December. GPC will review the final overall programme in January, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme as part of the overarching Business Plan for Full Council to consider in February.

2.2 The introduction of the Transformation Fund has not impacted on the funding sources available to the Capital Programme as any Invest to Save or Earn schemes will continue to be funded over time by the revenue payback they produce via savings or increased income. This is the most financially sensible option for the Council due to the ability to borrow money for capital schemes and defray the cost of that expenditure to the Council over the life of the asset. However, if a scheme is transformational, then it should also move through the governance process agreed for the transformation programme, in line with all other transformational schemes, but without any funding request to the Transformation Fund.

2.3 There are several schemes in progress where work is underway to develop the scheme, however they are either not sufficiently far enough forward to be able to include any capital estimate within the Business Plan, or a draft set of figures have been included but they are, at this stage, highly indicative. The following are the main schemes that this applies to:

- The Adults Committee first considered the Older People's Accommodation Strategy in 2016, and in September 2017 agreed a blended approach for increasing capacity for residential/nursing care. One element of this was to procure an increase in capacity through a number of new build sites, which has potential for implications for the Council's capital plans through provision of land or other assets, or involvement with construction. The Council is engaged with health partners on these challenges, to maximise a 'one public estate' approach.

- The Council, in cooperation with health partners, is reviewing the care that is provided to service-users with learning disabilities, particular those placed out-of-county due to lack of suitable local provision. One option being considered is the acquisition of land and/or buildings that could provide bespoke services to groups of individuals with high needs reducing the need to source high-cost residential placements while improving outcomes. This would have an impact on the Council's capital plans through provision of land or other assets, or involvement with construction. This will only be done where the new provision is more cost-effective than current arrangements.

- On 15th august 2019 the Economy & Environment Committee considered a report detailing the outcome of the stage 1 design contract and the next steps for the King's Dyke project. It was resolved unanimously to:

  a) Agree that Kier should not be awarded the stage 2 construction contract.
  b) Reaffirm that route 3 remained the preferred route option.
  c) Approve the commencement of a restricted two stage OJEU procurement of a target cost with activity schedule design and build contract in accordance with option (c) in section 2.33 of the report.
  d) Agree the assessment of tender returns based on a 60% - 40% price/quality split.
  e) Agree that officers should consider potential sources of further scheme funding should it be needed as the procurement proceeds.
  f) Delegate to the Executive Director in consultation with the Chairman and Vice Chairman of the Committee, the ability to make minor changes to the procurement process and timeline.

  The outcome of the tender process will be presented to the Committee, following which the capital project budget will be updated.

3. REVENUE IMPLICATIONS

3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g. transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).

3.2 The Council is required by the Charted Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, GPC recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (starting from 2015-16), so long as the aggregate limit remains unchanged.

3.3 For the 2019-20 Business Plan, GPC agreed that this should continue to equate to the level of revenue debt charges as set out in the 2014-15 Business Plan for the next five years (restated to take into account the change to the MRP Policy agreed by GPC in January 2016), and limited to around £39m annually from 2019-20 onwards. GPC are due to set limits for the 2020-21 Business Plan in October.

4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

4.1 The revised draft Capital Programme is as follows:

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
People and Communities	56,757	73,830	72,426	77,315	48,033	50,401
Place and Economy	25,998	32,338	21,330	15,025	15,025	16,000
Commercial and Investment	66,608	55,307	6,199	800	800	4,000
Corporate and Managed Services	8,026	2,890	-	-	-	-
Total	**157,389**	**164,365**	**99,955**	**93,140**	**63,858**	**70,401**

4.2 This is anticipated to be funded by the following resources:

Funding Source	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
Grants	51,544	37,652	31,603	28,607	32,570	58,332
Contributions	12,713	39,880	47,005	36,403	22,235	213,029
Capital Receipts	5,773	3,231	500	500	500	1,500
Borrowing	44,600	52,717	26,237	27,880	11,813	389
Borrowing (Repayable)*	42,759	30,885	-5,390	-250	-3,260	-202,849
Total	**157,389**	**164,365**	**99,955**	**93,140**	**63,858**	**70,401**

* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

4.3 The following table shows how each Service's borrowing position has changed since the 2018-19 Capital Programme was set:

Service Block	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000

People and Communities	-21,220	-21,906	22,186	-179	2,586	15,397	1,595
Place and Economy	11,875	1,935	-3,485	188	2,916	-	-
Corporate and Managed Services	-342	5,434	578	-	-	-	-
Commercial and Investment	5,652	13,621	55,778	5,399	-	-	-67,751
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
Total	**-4,035**	**-916**	**75,057**	**5,408**	**5,502**	**15,397**	**-66,156**

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
New	4,442	13,068	3,075	-	-	-	-
Removed/Ended	-6,489	-35	-186	-9,096	-10,918	4,170	2,850
Minor Changes/Rephasing*	-33,791	-51,210	44,330	9,779	10,656	14,899	1,780
Increased Cost (includes rephasing)	7,706	-	-	-	-	-	-
Reduced Cost (includes rephasing)	-5,530	-6,651	2,450	105	-	-	1,300
Change to other funding (includes rephasing)	-2,032	1,214	757	6,449	5,229	-1,095	-
Housing schemes	-3,660	43,353	38,885	-	-	-	-68,551
Variation Budget	35,319	-655	-14,254	-1,829	535	-2,577	-3,535
Total	**-4,035**	**-916**	**75,057**	**5,408**	**5,502**	**15,397**	**-66,156**

**This does not off-set to zero across the years because the rephasing also relates to pre-2019-20.*

4.5 These revised levels of borrowing will have an impact on the level of debt charges incurred. The debt charges budget is also currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers on capital.

5. OVERVIEW OF COMMERCIAL & INVESTMENT'S DRAFT CAPITAL PROGRAMME

5.1 The revised draft capital programme for the Commercial & Investment Service is as follows:

Capital Expenditure	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Years £'000
Commercial & Investment	66,608	55,307	6,199	800	800	4,000

5.2 It is anticipated to be funded by the following resources:

Funding Source	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Years £'000
Specific Grants	1,727	-	-	-	-	-
Agreed Developer Contributions	130	-	-	-	-	-
Capital Receipts	2,217	735	500	500	500	1,500
Prudential Borrowing	18,281	13,647	5,699	300	300	2,500
Prudential Borrowing (Repayable)	43,353	38,885	-	-	-	-201,668
Other Contributions	900	2,040	-	-	-	201,668
Total	**66,608**	**55,307**	**6,199**	**800**	**800**	**4,000**

5.3 The full list of Commercial & Investment capital schemes are shown in the draft capital programme at **Appendix 1**.

5.4 The following changes have been made to existing schemes from the 2019-20 Business Plan:

- **St Ives Smart Energy Grid**
  The budget for this scheme has been rephased to reflect the timing of the work. Commencement of work on this scheme has been delayed due to prolonged negotiations over securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions. This scheme is to be part funded from specific grants and the remainder from prudential borrowing.

- **Babraham Smart Energy Grid**
  The budget for this scheme has been rephased to reflect the timing of the work. This scheme is to be funded from prudential borrowing. Work is ongoing to update the business case and as such it is expected that this scheme will be further revised in the December Business Plan report.

- **Trumpington Smart Energy Grid**
  The budget for this scheme has been rephased to reflect the timing of the work. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended. This scheme is to be funded from prudential borrowing.

- **Stanground Closed Landfill Energy Project**
  The budget for this scheme has been rephased to reflect the timing of the work. This scheme is to be funded from prudential borrowing. Work is ongoing to update the business case and as such it is expected that this scheme will be further revised in the December Business Plan report.

- **Woodston Closed Landfill Energy Project**
  The budget for this scheme has been rephased to reflect the timing of the work. This scheme is to be funded from prudential borrowing. Work is ongoing to update the business case and as such it is expected that this scheme will be further revised in the December Business Plan report.

- **North Angle Solar Farm, Soham**
  The budget for this scheme has been rephased to reflect the timing of the

work. This scheme is to be funded from prudential borrowing. Work is ongoing to update the business case and as such it is expected that this scheme will be further revised in the December Business Plan report.

- **Housing Schemes**
  This budget has been rephased to reflect the timing of investment and increased in order to reflect the company's latest business plan. This scheme is largely funded from repayable prudential borrowing, as well as capital receipts for the element that relates to purchasing equity.

5.5 The following scheme has been removed from the 2020-21 Commercial & Investment Business Plan:

- **Joint Highways Depot**
  This project is being re-scoped, and a revised budget will be allocated based on the new requirements via the capital budget process. The intention is that this project will still be delivered, however further scoping of the service/build requirements is needed with Highways England, the main partner. Collaboration with blue light services will also be further explored as the scheme is re-scoped.

5.6 The following new scheme has been added to the 2020-21 Commercial & Investment Business Plan:

- **Cambs 2020 Spokes Asset Review**
  The Cambs 2020 programme will see the Council move to a 'Hub and Spokes' model. This budget covers the acquisition of a new asset, disposal of surplus assets, and refurbishment of existing buildings to increase capacity. This replaces the Investment in the CCC Asset Portfolio budget, with the new budget to also be funded from Prudential Borrowing. Please see the separate paper being presented to October committee for further detail.

5.7 As highlighted above, work is ongoing to revise the 2020-21 Business Plan, with further updates due to be reported to Committee in December. In addition to the revisions already mentioned, the following work is underway:

- **Commercial Investments**
  Active discussions are underway with the Investment Group on further investment activity and future planning.

- **Capital receipts**
  Revisions to the capital receipts forecast for the Council are currently being revised, including the receipt expected from the disposal of Shire Hall.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 A good quality of life for everyone

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.2 Thriving places for people to live

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.3 The best start for Cambridgeshire's children

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

The resource implications have been noted within the main body of the report.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

7.3 Statutory, Legal and Risk Implications

The following bullet points set out details of significant implications identified by officers:

- There is a risk that capital schemes which are expected to result in revenue income do not deliver the level of income expected.

7.4 Equality and Diversity Implications

There are no significant implications within this category.

7.5 Engagement and Consultation Implications

There are no significant implications within this category.

7.6 Localism and Local Member Involvement

The following bullet point sets out details of significant implications identified by officers:

- Local Members will be engaged where schemes impact on their area and where opportunities for strategic investment arise.

7.7 Public Health Implications

There are no significant implications within this category.

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

Source Documents	Location
The 2019/20 Business Plan, including the Capital Strategy Capital Planning and Forecast: financial models	https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans> c/o Senior Finance Business Partners 1st Floor Octagon Shire Hall Cambridge

2020/21 INVESTMENT STRATEGY

To:	**Commercial and Investment Committee**
Meeting Date:	**18th October 2019**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**N/a** *Key decision:* **No**
Purpose:	**To update Commercial and Investment (C&I) Committee on the 2020/21 Investment Strategy.**
Recommendation:	**The Committee is asked to review, note and comment on the Strategy and recommend its inclusion within the Capital Strategy, to be included within the 2020-21 Business Plan.**

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1. BACKGROUND

1.1 Part of the Council's approach to dealing with the twin pressures of reduced central government funding and growing demand for services has been to drive a more commercial approach within the organisation and to deliver better financial returns from property and asset holdings.

1.2 Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds, the rationale for engaging in such activity should be clear. The Council does not intend to invest in commercial activity for its own sake but to mitigate against the consequences of increasing budgetary pressures. The Council will not meet the financial challenges it faces through transforming services alone. The approach will require a mix of transformation, additional revenue sources, and a reduction in service levels. By focusing resources on the first two approaches, the need to utilise the latter option will be minimised.

1.3 The Council's Investment Strategy has been prepared in line with the following guidance:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 and Treasury Management Code 2017
- The Ministry for Housing, Communities and Local Government (MHCLG) statutory guidance on Local Authority Investments

1.4 CIPFA's revised Codes require all local authorities to prepare an investment strategy, covering both financial and non-financial assets, and MHCLGs statutory guidance provides detail on the necessary content for those strategies. The Council's strategy for financial assets has been incorporated into the Treasury Management Strategy (TMS). The strategy for non-financial assets has been included as Appendix 3 within the Capital Strategy (please see **Appendix A** to this report). Both the TMS and Capital Strategy will be agreed by Full Council in February 2020 as part of the Business Plan 2020-25.

2. MAIN ISSUES

2.1 The revised Strategy has been updated to reflect the Council's investment activity since the Strategy was last agreed by Full Council In February 2019 as part of the 2019-24 Business Plan. The main revisions are:

- Providing clarity regarding the Council's aim to generate a 6% average yield across the portfolio over the medium term. This reflects the fact that investments are not made purely on the basis of initial yield, but consider other factors such as reducing sector or geographical concentration risk, and the growth in yield over the medium to longer term.

- Providing more detail on the information that the Council uses and the process it goes through in order to make a decision to invest.

- Adding individual investment summaries, including qualitative indicators, for the new acquisitions since February 2019.

3. FUTURE STEPS

3.1 Due to increased commercial activity generally across the public sector, it is likely that both CIPFA and MHCLG will issue further guidance which the Council will need to reflect in future iterations.

3.2 The Council is also looking to benefit from best practice delivered elsewhere in the sector, and will therefore undertake a review of both Investment Strategies and assessment practices used by other Councils for analysing individual investment opportunities. This will help to ensure the Council's commercial activity is operating within a robust framework. The outcomes of this review will also feed into future updates.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

This report sets out the need for the Council to undertake Commercial Investment activity.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

5.3 Statutory, Risk and Legal Implications

The report highlights how the revised Investment Strategy meets the statutory guidance.

5.4 Equality and Diversity Implications

There are no significant implications within this category.

5.5 Engagement and Consultation Implications

There are no significant implications within this category.

5.6 Localism and Local Member Involvement

There are no significant implications within this category.

5.7 Public Health Implications

There are no significant implications within this category.

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

Source Documents	**Location**
The Prudential Code 2017 The Treasury Management Code 2017 Statutory Guidance on Local Authority Investments Statutory Guidance on Minimum Revenue Provision	1st Floor, Octagon, Shire Hall, Cambridge

8: Non-financial Investment Strategy

Part of the Council's approach of dealing with the twinned pressures of reduced central government funding and growing demand for services has been to drive a more commercial approach within the organisation and to deliver better financial returns from property and asset holdings. In July 2016, the Commercial and Investments (C&I) Committee approved a Commercial Acquisitions Strategy to help develop a strategic approach to commercial acquisitions. This has subsequently been replaced by this Investment Strategy in order to reflect updated statutory guidance.

CIPFA's revised Prudential and Treasury Management Codes 2017 requires from 2019-20 onwards that all local authorities prepare an investment strategy, covering both financial and non-financial assets. The Investment Strategy for financial assets is included within the Treasury Management Strategy; for non-financial assets, it is included here and should provide (in addition to a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services):

- An overview of how the associated risk of non-financial investments is managed;
- The implications for future financial sustainability.

Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds, the rationale for engaging in such activity should be clear. The Council does not intend to invest in commercial activity for the sake of it but to mitigate against the implications of increasing budgetary pressures. The Council will not meet the financial challenges it faces through transforming services alone. The approach will require a mix of transformation, additional revenue sources, and a reduction in service levels. By focussing resources on the first two, the need to utilise the latter option will be minimised.

As with the rest of the Capital Strategy, all commercial activity will be undertaken in line with the Council's vision of 'making Cambridgeshire a great place to call home'. All commercial activity will therefore be undertaken in order to contribute to the following Priority Outcomes:

- Using our public assets wisely and raising money in a fair and business-like way to generate social return for all citizens of Cambridgeshire.
- Growing financial and social capital place-by-place by stewarding local resources including public, private and voluntary contribution.

This will be achieved through contribution to the following Corporate Strategy theme:

- Developing strength and depth in our commercial activity

Appendix 3 sets out the details of the Council's non-financial Investment Strategy.

Appendix 3: Investment Strategy for Non-financial Investments

Objectives

- Acquire properties that provide long-term investment to support the delivery of the Council's corporate objectives
- Deliver a portfolio which balances risk and rewards aligned to the Council's risk appetite
- Prioritise properties that yield optimal rental growth and stable income
- Protect capital invested in acquired properties

Legal Powers

Power to invest
Pursuant to the powers set out in s.12 Local Government Act 2003, the Council may invest either for *"any purpose relevant to the Council's functions under any enactment", (s. 12(a))* or *"the purposes of the prudent management of its financial affairs" (s. 12(b))*.

The power to invest given in s.12 should in principle include the power to invest in commercial property. However, the power to invest in commercial property must be used either for a purpose relevant to a function of the Council, for example the regeneration of an area, for economic development outcomes, or for the prudent management of the authority's financial affairs. Investing purely to create a return is not viewed as a function of an authority. It is therefore important that the primary objective of the strategy is to support the strategic objectives of the Council. It is also important to ensure that public funds are not exposed to unnecessary or unquantified risk.

In exercising the power to invest under s.12(b) the Council also has regard to the MHCLG Statutory Guidance on Local Government Investments. The Guidance advocates the preparation of an investment strategy which the Council will be expected to follow in its decision making process unless a sensible and cogent reason is articulated for departing from it.

Power to borrow
Section 1 of the Local Government Act 2003 gives each local authority a power to borrow money for:
(a) any purpose relevant to its functions under any enactment
(b) the purposes of prudent management of its financial affairs provided it does not exceed its affordable borrowing limit under s.3 Local Government Act 2003 (s.2(1) and 2(4))

These powers mirror those in s.12 Local Government Act 2003 referenced above. The powers within the LGA 2003 are not considered wide enough to permit local authorities to borrow to invest purely in order to benefit from a financial return, particularly in light of the revised guidance on Local Government Investments which clearly states that authorities 'must not borrow more than or in advance their needs purely in order to profit from the investment of the extra sums borrowed'. However, the Localism Act 2011 was drafted to encourage councils to develop new and innovative business models. This legislation gives councils the General Power of Competence, which means a local authority has powers to do anything that is "for the benefit of the authority, its area or persons resident or present in its area". The power does not enable an authority to carry out activities that were not permitted by legislation in force before the Localism Act 2011.

<u>The power to undertake an activity for a commercial purpose</u>
The General Power of Competence may allow the Council to invest in property for a return but this activity is likely to be characterised as an activity for a commercial purpose and cannot therefore be undertaken directly by the authority (s.4 Localism Act 2011). It may be pursued through a company formed for that purpose and being within the meaning of S.1(1) Companies Act 2006. There will be attendant corporation and income tax liabilities which will need to be addressed in a business case. The formation of a company requires the preparation of a thorough and detailed business case and these and other considerations such as the financing of the company and any state aid issues would need to be addressed in that document.

Governance Processes

The decision to invest public funds in commercial property is one that should not be taken lightly. Any investment carries with it a degree of risk and the level of returns are directly proportionate to the risk of the investment made. Whilst it is important to ensure that due and proportionate governance is followed, the market for commercial acquisitions is such that agile decision making is also important. This is particularly the case where the Council wishes to acquire commercial opportunities before they hit the market and thereby avoid bidder competition which tends to escalate the sales price.

There is a fine balance in ensuring appropriate due process has been undertaken whilst not restricting opportunities through overly burdensome governance requirements. As a consequence it will not always be possible for all acquisition proposals to be considered within the democratic cycle of meetings. The C&I Committee has agreed that in order for such proposals to be considered, evaluated and pursued within an agile, yet transparent and accountable, framework, it needs to delegate responsibility via a tiered decision-making process as follows:

Investment/Loan Value	Decision Making Arrangements
£10m or less	Deputy Chief Executive/Chief Finance Officer (CFO) in consultation with Chairman of C&I Committee
Greater than £10m but no more than £25m	C&I Committee Investment Group
Greater than £25m but no more than £50m	C&I Committee
Greater than £50m	GPC

The C&I Investment Group has been created to reflect the proportional representation of the Committee; there are 3 Conservatives Members, 1 Liberal Democrat Member, and 1 Labour Member. The meetings of this Group can also be undertaken virtually if necessary. At times, it may even be too difficult to convene this Group before an initial expression of interest needs to be placed; therefore in this scenario, the Deputy Chief Executive/CFO in consultation with the Chairman and Deputy Chairwoman of C&I Committee is delegated the responsibility to place an initial bid (with the information also circulated to other members of the Group). Any final bid, however, has to follow the delegation as set out above.

Where appropriate, the Council will work with a partner organisation to develop the portfolio in order to ensure the right skills are used and the necessary capacity is generated in order to access market opportunities. The Council has used several professional advisors to date, which has provided access to different opportunities across the market.

All opportunities are reviewed by the Investment Working Group using a robust appraisal process that assesses potential acquisitions for their location, tenancy strength, tenure, lease length, repairing terms and physical condition. This information is reviewed alongside strategic criteria and key ratios and forms the basis of a scorecard to indicate whether investment is worth pursing further. The Council has also contracted investment advisors Redington to provide support and advice to elected members and statutory officers, including delivery of training.

Managing Risk

The structure of the property portfolio has a significant bearing on the portfolios inherent risk and return profile. Therefore a key objective of the strategy is to create diversification within the portfolio in order to manage exposure to the risks of concentrating too much activity in any particular sector. Key risks in the portfolio can be categorised in a number of ways, as follows.

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

Yield Risk
The aim of the majority of investments is to provide a secure return on income. The Council will manage its commercial property as a single portfolio, ensuring that the collective returns achieved on the investments meet the overall financial target that is set. It is therefore important that any purchasing decisions also contribute positively to the performance of the portfolio, both financially and in minimising the overall risks.

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

Sector Concentration: The main property sectors are retail, office, industrial and leisure/healthcare. The portfolio will aim to spread its investment across the sectors to limit exposure to any volatility in a particular area. Like geographic diversification, industry diversification must be sensitive to the diversification requirements of the overall portfolio. The value of industrial real estate holdings is sometimes adversely affected by changes in environmental legislation, and such holdings should probably be limited in overall investment portfolios.

Geographical Concentration: The strength of the investment opportunity will dictate the wider locations which may be considered outside of Cambridgeshire, as opposed to location being the driving force. It is important for the Council to understand the future economic viability of localities which will be influenced by a number of local and national economic factors. For example future major transport infrastructure investment could significantly influence the economic viability of an area and therefore the future value of investments in that locality. Engaging the services of an expert will therefore be an essential prerequisite of the strategy.

Property Concentration: Diversifying a real estate portfolio by property type is similar to diversifying a securities portfolio by industry. Different property types cater to different sectors of the economy. For example, office property generally responds to the needs of the financial and services-producing sectors; industrial property to the goods-producing sectors; retail property to the retail sector; and hotels to the travel and tourism sectors, employment growth, and the business cycle. Understanding the return and risk factors attendant to different property types requires understanding the factors affecting each property type's user groups.

Tenure Concentration: The portfolio will be managed to ensure that it contains a broad spread of tenants. This analysis can be driven by credit ratings, nature of business, lease length, and the value of the leaseholds. It is important to evaluate tenant credit ratings according to the senior corporate debt of the lessees. Leases can be compared with regard to their length (including renewal options), which may vary considerably, typically from ten to twenty years.

<u>Due Diligence</u>
The risks associated with a specific investment are mitigated by carrying out robust due diligence of the individual acquisition. This process includes the following activities:

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

The Investment Strategy will provide continual evaluation of the investment portfolio to meet the Council's priority to ensure that the investment portfolio is fit for purpose. A larger and more balanced portfolio will help achieve the Council's aim of increasing income to support the delivery of services throughout the County, however a core portfolio of property assets will be sought with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk.

Proportionality

The Council needs to consider the long-term sustainability risk implicit in becoming too dependent on commercial income or in taking out too much debt relative to net service expenditure.

Dependency on Commercial Income

As noted earlier in the strategy, the Council cannot meet the financial challenges it faces through transformation alone and therefore part of the strategy has to be to generate additional revenue resources. However, as mentioned above, there are inherent risks associated with commercial activity and as such the Council will be taking a measured risk approach towards supporting a proportion of its core activity with commercial income. The table below shows the forecast levels of commercial income as a percentage of net service expenditure:

	2019-20 Estimate %	**2020-21 Estimate %**	**2021-22 Estimate %**	**2022-23 Estimate %**	**2023-24 Estimate %**	**2024-25 Estimate %**
Commercial income* to net service expenditure	-4.1	-4.2	-4.0	-4.1	-4.0	-3.9

** Commercial income here includes both financial and non-financial income*

Debt relative to Service Expenditure

As part of the process for agreeing the Capital Strategy, GPC currently agrees a debt charges limit at the beginning of the business planning process as a mechanism to ensure that the Council does not overcommit its revenue resources to servicing debt (see Section 12). This could also be reviewed in terms of debt as a proportion of net service expenditure, which is forecast as follows:

	2019-20 Estimate %	**2020-21 Estimate %**	**2021-22 Estimate %**	**2022-23 Estimate %**	**2023-24 Estimate %**	**2024-25 Estimate %**
Financing costs to net service expenditure	7.6%	8.9%	8.6%	8.9%	9.3%	9.4%

However, the majority of these costs do not relate to borrowing incurred (or anticipated) for commercial investment, but rather to supporting the Council's service Capital Programme.

Developing the Portfolio

Financial investment options, such as investment in property funds and issuing commercial loans to other organisations are covered by the Treasury Management Strategy. There are two main methods by which the Council can deliver is non-financial investment – through acquisition of property, or through development of its own assets.

Acquisition

The Council is looking to acquire both freehold and long-term leasehold properties, engaging the services of commercial property experts in order to identify appropriate market opportunities. Where appropriate, the Council will also make use of advisors to undertake robust due diligence and complete sale documentation. Ongoing management arrangements for the Council's first acquisition have continued with the incumbent outsourced operator, who have expertise in student accommodation management and marketing. It is anticipated that facilities management and marketing arrangements for the other acquisitions will also be outsourced. The Council has acquired properties with relatively secure or straightforward tenures mitigating the scale of proactive management required and arrangements are overseen by the internal team of commercial property surveyors.

The benefits of this approach are:

- revenue is generated from the point of acquisition
- risks are mitigated with proper due diligence
- reasonable levels of liquidity
- management costs are relatively low.

However, the Cambridgeshire market generates relatively low returns due to competition and security of tenure which may mean looking further afield to generate higher returns. Initially, there was a concentration risk until the Council was able to develop a diverse portfolio across property type, sector and tenure; however, geographical concentration risk still exists as all purchase have been made in County.

As a relatively new investor in this area of activity, the Council has initially taken a relatively low risk approach to acquisitions in order to develop a sound real estate investment portfolio. This has reduced the level of return that can be generated initially; longer-term it is proposed to target an average portfolio yield of 6% by 2024-25. Where an individual opportunity does not deliver a 6% yield (either initially or longer-term) but it is felt to still have potential, the investment will still be reviewed by C&I Committee, taking into account any other supporting factors such as reduction of concentration risk. The types of investment in this area include:

- Best property for the sector in an ideal location, with long-term income from high quality tenants where yields are equal to or slightly above prime for the sector. Rental yield (financial return on the capital investment as a percentage) will be lower than the general market, but capital and rental growth should be steady and medium/long-term risk of void periods and tenant default is reduced.
- Properties similar to those above, but in slightly less favourable locations, with shorter leases and lesser tenant covenant strength, where returns will be appropriate for the sector and risk. Rental yields in this area will be slightly higher, reflecting the increase in risk.

The Committee's long-term aim is for around 75% of the overall acquisitions portfolio to be comprised of these lower-risk properties. The remaining 25% will be comprised of specialist sector investments such as hotels, public houses, student accommodation, and health care facilities; these will be considered on merit, but do not form part of the core search criteria. Given the depreciating specialist infrastructure and changes in trends, such assets may require substantial future capital expenditure in order to maintain the value of the interest; the risk from this will be fully explored and understood before purchase. Residential property provides a good income diversifier given its limited correlation to commercial property and returns have been stable over the long term, although the level of tenant and property management will be carefully considered and allowed for in all appraisals. The returns on this element of the portfolio will be varied, but should in principle be at the upper level or above the returns of the low risk acquisitions.

Development

The Council can either carry out development itself, such as with the Council's Commercial Energy Investments, or enter into an agreement with a developer to fund all or part of a development. This could be enacted as a direct commercial arrangement with a developer or could be delivered via a joint venture (JV) arrangement. This would require risk and reward arrangements to be established. In a JV scenario the level of risk would mirror the level of reward that each partner would derive; this would normally be 50:50, however other scenarios could also be developed. If the Council develops the investment itself and simply seeks a provider to construct to a defined specification, the provider does not share any of the benefits – but neither does it share any of the risks.

The benefits of this type of commercial arrangement are that the developer could bring skills that the Council does not hold internally. The investment should deliver a premium over and above straight investment, however it therefore carries with it proportionately greater risk. Selecting the right development partner is therefore essential for success.

Self-development would bring greater financial rewards and would ensure that the Council remains in control of the development. However the Council may need to invest to ensure that it has the right skills and capacity to manage such an investment programme, as these do not necessarily currently exist extensively within the Council.

The disadvantages are that revenues are only accrued once the development has been completed. Land acquisition and other costs will be incurred long before any revenue stream commences. There is very low liquidity during construction and diversification of portfolio would be low. The self-development route would expose the Council to procurement and construction risks which would need to be mitigated by the 'buying in' of the appropriate and necessary skills.

Delivery
The commercial investment portfolio will need to be developed over time to avoid the concentration risks set out earlier in this report. This will ultimately result in a balanced portfolio of investments across sectors and geographical locations. A core portfolio of property assets has been sought with a view to diversification on individual assets by sector (industrial, offices, retail and leisure), location and risk. The Council now owns four properties in four different sectors which has helped to mitigate against sector, property and tenure concentration risk, however geographical risk still remains, albeit the properties have been acquired from different locations around (or just outside) the County. In addition, the Council already has several energy schemes under development.

Funding

Section 5 and Appendix 2 of the main Capital Strategy detail how capital expenditure can generally be funded. Not all types of funding, however, can be used to fund non-financial investment; the main sources are revenue/reserves, capital receipts, borrowing, and occasionally, Government grants.

Revenue/Reserves
Given the Council's overall financial position, this would require further savings to be identified within the revenue budget to the same value as the charge; therefore this funding route is not a realistic option for the Council

Capital Receipts
The Council's current surplus asset policy is to repurpose non-operational property to generate a revenue return where possible, rather than dispose of the asset to generate a receipt. However, in the last 18 months the Council has set up its own housing company, This Land, to

develop some of the Council's surplus estate, which in turn also generates capital receipts for the Council at the point where assets are sold to the company. The Council has therefore decided to use these specific receipts, currently forecast to generate around £113m, to fund the Council's commercial investment programme. These receipts could instead be used to fund the non-commercial investment aspects of the Council's Capital Programme; therefore there is an opportunity cost of using the receipts to fund commercial investment (which is equivalent to the revenue cost that would have been incurred should the commercial investment have been funded by borrowing).

Borrowing

As with borrowing for any capital project, both the interest cost and an MRP charge would need to be covered by revenue payments (see Section 12). However, there are additional restrictions in place with respect to borrowing to fund both financial and non-financial investment – MHCLGs Statutory Guidance on Local Government Investments states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums bowed. If an authority exceptionally choose to do so, then it needs to clearly explain why it has disregarded the guidance.

The Council anticipates that the core element of its commercial investment will be funded by capital receipts. However, it is likely that this will not be sufficient to support the Council's plans regarding expectation of the level of commercial income that will be used to support the Council's revenue budget over the medium term. Therefore, it may be necessary for the Council to take a measured risk towards using borrowing to fund some element of the Council's commercial investment, whilst also developing the Council's capital place-by-place.

Property Management

Management of Property

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

Tenure

Assets acquired with tenants in place may be subject to sub-leases granted within the security of tenure provisions of the Landlord and Tenant Act 1954. This may be less attractive if assets are purchased for future development possibilities as ending the tenancies will require the

Council to satisfy one of the grounds under the Act to take back possession. Conditions of tenure will therefore be a further important consideration in any investment decision.

Realising the Investment
There may be a need in the future to dispose of property investments. This may happen because of the need to return the investment to cash for other purposes, or it could be due to poor financial performance of a particular property, etc. So, while it is likely that the majority of investments will be held for the medium to long-term in order to achieve the required return and to justify the cost of the acquisition, it is important to understand the opportunities to dispose of any investment at the outset. Therefore, as part of the investment decision, consideration must be given to the potential ways in which the Council could "exit" from the investment, such as sale to another investor, sale for redevelopment, etc. An investment would only proceed where there is a clear exit strategy, should it be required.

Current Portfolio

Acquisition:	Brunswick House	**Date of Acquisition:**	26/07/18
Service Objectives	Diversify and increase income streams to the county council, protecting frontline services notwithstanding reducing government grant and rising demand. Supporting sustainable and well managed student accommodation, held in local ownership in Cambridge, one of the world's leading student cities. There is significant undersupply of purpose built student accommodation in the city with 44% of students unable to access purpose built accommodation.	**Assessment of Risks**	Constructed in 2012, the property was acquired in good condition, marketed to students under a higher/premium end. The principal financial risk relates to occupancy levels (demand for student housing). Demand for student accommodation in Cambridge is expected to remain strong. The nature of the student property market in Cambridge is that quality of student experience is a key aspect of the offer alongside, and indeed in many cases ahead of, pricing.

	Inward economic investment: directly and indirectly supportive to jobs in the education sector, a key industry in the County's economy.		At the point of acquisition there were additional risks arising from tenancy terms and correction of a construction deficiency at the property under warranty; these were outlined in Committee reports and have subsequently been mitigated or resolved through remedial works and novation arrangements.
Advisors / Market Research	Property Consultants, Carter Jonas, were engaged to appraise the investment opportunity – conducting market research and valuing the property in view of demand, planning conditions, future prospects and condition. Legal advisors, Birketts LLP, dealt with the conveyancing and transaction, providing advice on legal issues arising from Property, Construction, Tax, Commercial, Planning and Employment. Brunswick House is staffed on a day-to-day basis and marketed by HomesforStudents, who operate 15,000 student rooms across the country with a strong reputation for student experience, welfare and security. The property is managed for the Council by Homes for Students who handle all day to day management on a contract running to	**Liquidity / Exit Strategy**	There are no plans to sell currently. The acquisition was not funded by borrowing; however, if required, the property could be sold. There was an active market for the property when it was acquired, and the property market in Cambridgeshire has strong foundations and resilience. Should student accommodation become less viable the Council would investigate alternatives such as residential apartments or accommodation for elderly people.

	2021. Should this contract not be renewed an alternative manager would be procured to continue running Brunswick House as student accommodation.				
If funded by borrowing, why was this required?	N/A		**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	N/A	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
39.5	-	-	2.4 initially	0.5 initially	1.9 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over 25 Years (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
16.4	4.8 increasing to 6.1	69.6	66.9	4.4	8.3
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
The Council is looking to establish a sinking fund with at least 1%	39.5	N/A	Asset has not yet been valued at market value as this will be done in during the 2019/20 accounts process. Council policy means assets are not revalued until the year after acquisition.		

of net income in order to maintain and improve the property.			

Acquisition:	Cromwell Leisure Park	**Date of Acquisition:**	24/05/2019
Service Objectives	Diversify and increase income streams to the county council, protecting frontline services notwithstanding reducing government grant and rising demand. Inward economic investment: directly supportive to jobs in the leisure sector, supporting the local economy. This is the only cinema in Wisbech, creating both a significant draw into the town and leisure provision opportunity across the Fenland/west Norfolk/south Lincolnshire sub region. Provides geographic diversity to the portfolio by investment into the most deprived district in the County.	**Assessment of Risks**	Risks include the reliance on rent from the food and beverage market which has experienced a recent downturn. The investment market for leisure is also quiet at present so there may be a liquidity risk if the Council needed to sell the property. There is also poor drafting and potential shortfall for the two current restaurant leases which may result in some losses but this risk is time limited as new leases would be drafted correctly.
Advisors / Market Research	The Council commissioned Carter Jonas to produce a purchase report which examined the local area, cinema brands, food and	**Liquidity / Exit Strategy**	There are no plans to sell currently.

	beverage markets, the property itself and the relevant surveys and the current leases and service charges. Legal advice on the lease was also obtained from Mills and Reeve LLP.		There are 4 units, one of which is vacant. The existing tenants are the Light Cinema, who have a tenancy running to 2039 with a break at 2029; Prezzo Plc with a lease running to 2039 with a break at 2029 and the Restaurant Group (UK) Ltd with a lease running to 2039 and a break option at 2029. In the event of any of the tenants vacating new tenants would be sought. It is most likely that the cinema would remain a cinema given that it's fitted out for this purpose and given the lack of local competition. Other leisure uses would be the most likely alternatives to a cinema but would require fitting out. Similarly the restaurants are likely to remain as restaurants given the lack of local competition, the proximity of a cinema attraction and also the Tesco supermarket nearby. The Council also has the option to sell the property.
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The strong yield of this asset is likely to underpin	**Explanation of why the Statutory Guidance on local Authority Investments and the**	N/A This is an in county acquisition, supporting the leisure sector in Fenland.

	a funding approach which relies on borrowing.		Prudential Code have not been adhered to		
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
7.0	7.0	4.9	0.7 initially	0.2 initially	0.5 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over asset life (50 Years) (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
17	10.1 falling to 7.8	206.0	29.1	6.0	5.3
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
0.4	7.0	N/A	Asset has not yet been valued at market value as this will be done during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.		

Acquisition:	Superstore Site, Newmarket Road	**Date of Acquisition:**	15/08/2019
Service Objectives	Diversify and increase income streams to the county council, protecting frontline services notwithstanding reducing government grant and rising demand.	**Assessment of Risks**	Risks are reduced by having a single tenant who is financially sound and trading in a prime area of Cambridge. The BNP Paribas Acquisition Report identifies a potential risk in the lease where Tesco have a “Substitution Clause”. Tesco could serve

	Inward economic investment: directly supportive to jobs in the retail sector, supporting the local economy. Site provides the largest supermarket within 2 miles of the city centre and benefits from both considerable scale (e.g. extensive car parking) and diversification opportunities. It is a key selling point for both local residents and also college and university inhabitants and the prospering tourist market. Site is let on a number of continuous leases; the Council believes there is strong residual value in the event the tenant leaves and a replacement is needed, or there is opportunity to completely redevelop the site.		notice to replace the Newmarket Road property with another subject to the replacement complying with terms outlined in the BNP Paribas report (i.e. an investment of equivalent standing). BNP Paribas are of the view that due to the strong levels of trade enjoyed by Tesco at the property, the chances of a trigger event occurring are very low and accordingly don't feel the clause presents a risk to the long leasehold owner.
Advisors / Market Research	BNP Paribas Real Estate provided an acquisition report which included information about the location and accommodation, a lease and income overview and a market commentary and value assessment. The Council also commissioned Birketts LLP as legal advisors for this transaction and to consider in detail the terms of the leases.	**Liquidity / Exit Strategy**	There are no plans to sell currently. Tesco's current lease is due to expire in December 2029, however they do have the option to renew for further periods. There is a risk that Tesco may decide to not renew their lease in the future and stop trading from the Newmarket Road site. Whilst it is perceived unlikely in the short to medium term, if this decision was taken by Tesco in 2029, we would explore re-letting the

			property to another retailer who would be interested in leasing the whole site. Alternatively, we could explore reconfiguring the existing unit and site to create smaller individual units which could be rented out on a long-term basis. A third option would be to consider a residential led re-development of the site, given the option to purchase the freehold interest for a nominal amount. The Council also has the option to sell its interest in the property, particularly given the location and tenure on this site.
If funded by borrowing, why was this required?	TBC	**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	N/A

Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
54.5	5.2	2.7	2.5 initially	0.1 initially	2.4 initially
Payback Period (Yrs)	**Net Income Yield (%)**	**Return on Investment (%)**	**Total Return over asset life (50 Years) (£m)**	**Internal Rate of Return (%)**	**Net Present Value (£m)**
20	4.6 rising to 5.6	167.9	150.8	4.8	35.4

Additional Investment (£m)	Current Value (£m)	Gain (+) / Loss (-) (£m)	Revenue implications of reported loss / Mitigating action
0	54.5	N/A	Asset has not yet been valued at market value as this will be done in during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.

Acquisition:	Kingsbridge Centre, Peterborough	**Date of Acquisition:**	21/08/2019
Service Objectives	Diversify and increase income streams to the county council, protecting frontline services notwithstanding reducing government grant and rising demand. Inward economic investment: directly supportive to jobs in the industrial sector, supporting the local economy. Whilst this investment is out of County, it is very much located in an area that is intrinsically linked to the Cambridgeshire local economy. Investment also provides opportunity to diversify the portfolio into the industrial/manufacturing sector.	**Assessment of Risks**	Well specified, freehold, self-contained distribution warehouse; originally designed as 5 industrial units, enabling split up and flexibility upon re-letting. The building is extensively fitted out by both occupiers to suit operational needs. One of the tenants is wedded to the building, with significant sunken costs and upgraded power supply, making it difficult for the business to relocate operation. Both tenants have long income to strong covenant ratings with guaranteed rental performance to Oct 2025 and no arrears. There is an acute shortage of available 'oven ready' supply, with the All Industrial void rate the lowest it's been in over a decade and no

				new speculative development of large warehouses on the horizon. Watts Environmental Phase 1 report concludes a low to medium environmental risk. This is satisfactory for a building in its current industrial use.	
Advisors / Market Research	DTRE provided an acquisition report which included information about the location and accommodation, a lease and income overview and a market commentary and value assessment. Legal advice was obtained from Birketts LLP.		**Liquidity / Exit Strategy**	There are no plans to sell currently, however if required, the property could be sold. There was an active market for the property when it was acquired, and the industrial sector is currently very tight due to lack of supply.	
If funded by borrowing, why was this required?	The Investment Strategy is clear that the level of income generation being targeted by the Council is unlikely to be supported by capital receipt funded investment alone. The strong yield of this asset is likely to underpin a funding approach which relies on borrowing.		**Explanation of why the Statutory Guidance on local Authority Investments and the Prudential Code have not been adhered to**	This is an out of County acquisition, supporting the industrial sector in Peterborough. Whilst it is out of County, it is very close geographically to the County border and is therefore inextricably linked with the local Cambridgeshire economy.	
Cost (£m)	**Funded by Borrowing (£m)**	**Total Interest Costs (£m)**	**Annual Income (£m)**	**Annual Costs (£m)**	**Annual Net Return (£m)**
12.3	12.3	6.4	0.7 initially	0.2 initially	0.6 initially

Payback Period (Yrs)	Net Income Yield (%)	Return on Investment (%)	Total Return over asset life (50 Years) (£m)	Internal Rate of Return (%)	Net Present Value (£m)
20	5.9 rising to 7.5	213.5	45.5	5.4	10.8
Additional Investment (£m)	**Current Value (£m)**	**Gain (+) / Loss (-) (£m)**	**Revenue implications of reported loss / Mitigating action**		
0	12.3	N/A	Asset has not yet been valued at market value as this will be done in during the 2020/21 accounts process. Council policy means assets are not revalued until the year after acquisition.		

Agenda Item No: 10

FINANCE MONITORING REPORT – AUGUST 2019

To:	**Commercial and Investment Committee**		
Meeting Date:	**18th October 2019**		
From:	**Chief Finance Officer**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/a**	*Key decision:*	**No**

Purpose: **To present to Commercial and Investment (C&I) Committee the August 2019 Finance Monitoring Report for C&I Committee.**

The report is presented to provide C&I Committee with an opportunity to comment on the projected financial and performance outturn position, as at the end of August 2019.

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

- **review, note and comment upon the report**
- **recommend to General Purposes Committee to approve a £603k virement between C&I and GPC to reflect the movement of the Debt Charges budget in relation to Commercial Activity schemes**
- **note the removal of the budget for the Joint Highways Depot.**

	Officer contact:	*Member contact:*
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1. BACKGROUND

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

2. MAIN ISSUES

2.1 Attached as **Appendix A**, is the August 2019 Finance and Performance report.

2.2 As reported in the September committee, the cost of financing capital (debt charges) for all commercial activity schemes have been moved from the Debt Charges budget under Corporate Services to the Commercial Activity heading within Commercial and Investment Committee. To date, this only relates to the solar farm scheme, as the other commercial activity schemes funded by borrowing are not yet active (and the debt charges for the Housing Schemes were already being recharged). The future year impact of this change will also be incorporated into the 2020-21 Business Planning tables for December committees. **Committee is asked to recommend this virement to General Purposes Committee.**

2.3 **Revenue:** At the end of August, Commercial and Investment Committee is forecasting an overspend of £115k on revenue budgets. There are two new significant forecast outturn variances by value (over £100k) to report since the last report that Committee received for July 2019.

2.4 **Capital:** At the end of August, Commercial and Investment Committee is forecasting a balanced position on the capital programme budget. There is one new significant forecast outturn variance by value (over £250k) and one change in budget (over £250k) to report since the last report that Committee received for July 2019. **Commercial and Investment Committee is asked to note the removal of the budget for the Joint Highways Depot.**

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

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

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Consultation Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

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

Are there any Localism and Local Member involvement issues?	N/A
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	**Location**
C&I Finance Monitoring Report (August 19)	1st Floor, Octagon, Shire Hall, Cambridge

Commercial and Investment

Finance Monitoring Report – August 2019

1. KEY INDICATORS

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

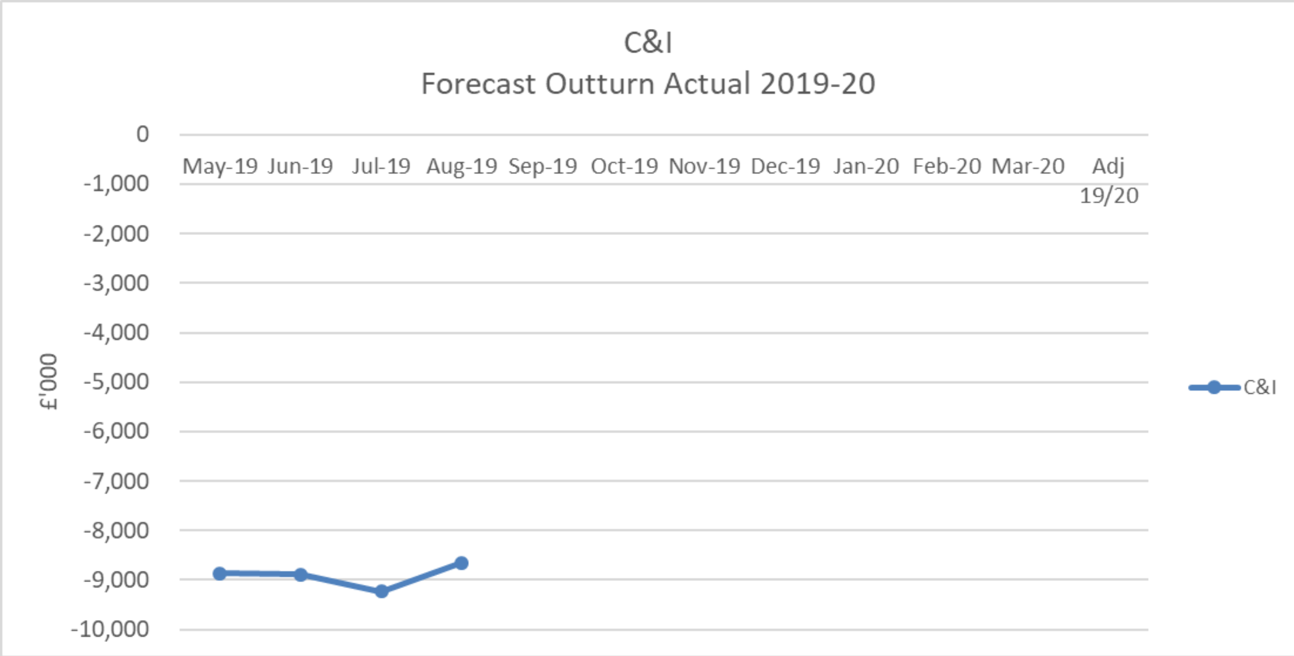
2. REVENUE EXECUTIVE SUMMARY

2.1 Overall Position

2.1.1 To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each FMR. The same format is also applied to the Integrated Finance Monitoring Report (IFMR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

Outturn Variance (July) £000	Directorate	Budget £000	Actual £000	Outturn Variance (Aug) £000	Outturn Variance (Aug) %
58	Commercial Activity	-11,354	-989	16	0.1%
63	Property Services	6,229	2,922	63	1.0%
-66	Strategic Assets	-3,301	221	-66	2.0%
81	Traded Services	-343	131	102	29.7%
136	**Total**	**-8,768**	**2,285**	**115**	**1.3%**

2.1.2 Commercial and Investment (C&I) has a negative budget as it has an income target for 2019/20 of -£8,768k. As such, the forecast outturn variance of £115k means that C&I is expecting to achieve a net income position of -£8,653k by year-end as demonstrated in the following chart:



2.1.3 The service level budgetary control report for Commercial and Investment for August 2019 can be found in C&I Annex 1.

2.2 Significant Issues

2.2.1 At the end of August 2019, Commercial and Investment is forecasting an underachievement of income of £115k in 2019/20, which is a decrease of £21k from the previous forecast. The change in forecast is mainly due to changes within Commercial Activity.

2.2.2 Commercial Activity

The Shareholder Company Dividends budget is forecast to overachieve by £250k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.

The Contract Efficiencies & Other Income budget is forecast to underachieve by £200k in 2019/20. This is due to delays in putting in place plans for how to meet targets relating to savings from contract efficiencies and additional external income.

2.2.3 A detailed explanation of the position for Commercial and Investment Committee can be found the commentary on the forecast outturn position in C&I Annex 2.

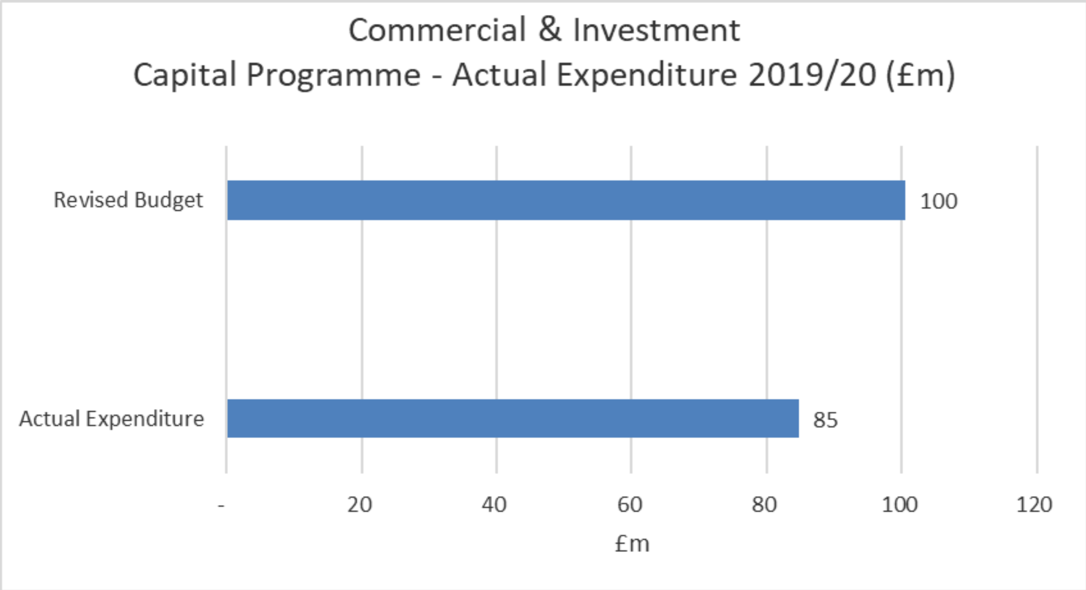
3. SAVINGS TRACKER SUMMARY

3.1.1 The savings tracker is produced quarterly; the next update will be in the October report.

4. CAPITAL EXECUTIVE SUMMARY

4.1 Expenditure

4.1.1 Commercial and Investment Committee has expenditure of £84.7m to date on the Capital Programme, against a revised budget of £100m:



In-year, a balanced position is forecast. The total scheme forecast is also on budget.

4.1.2 Commercial Activity

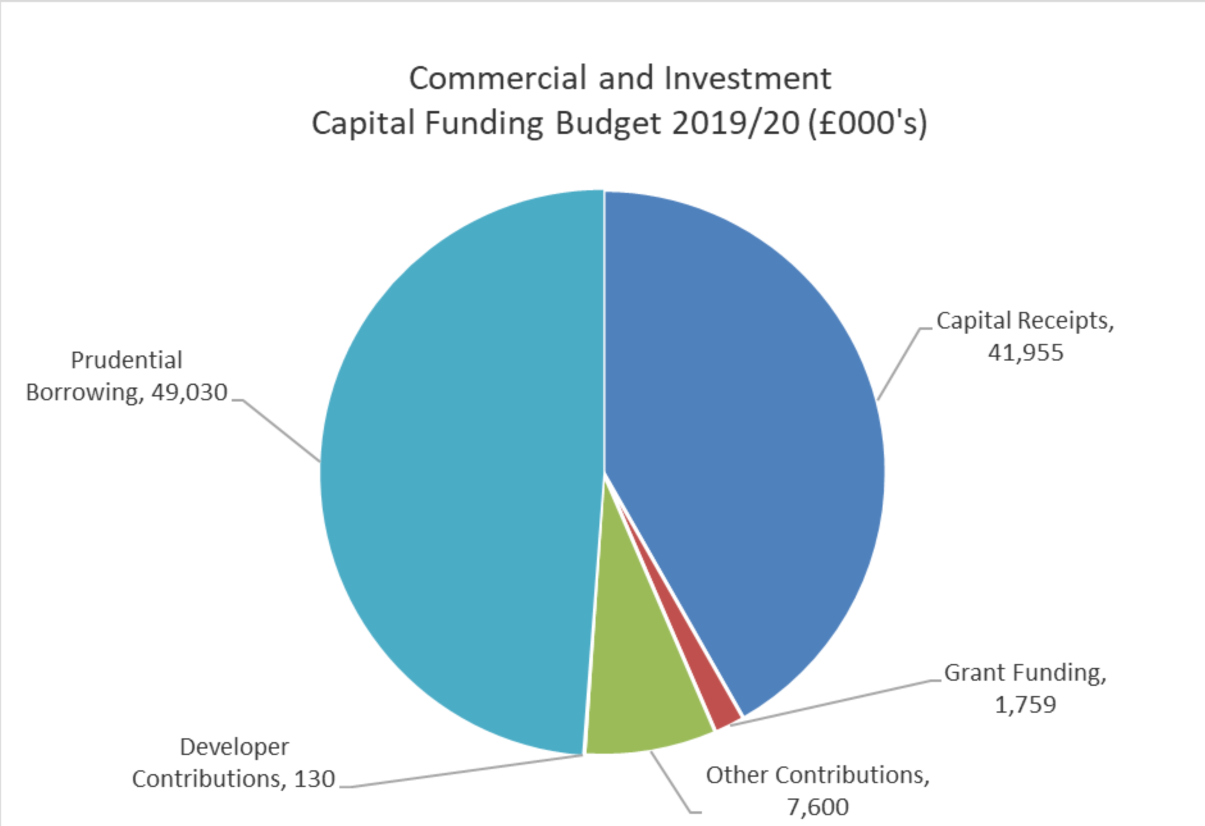
The expenditure on Commercial Investments for 2019/20 to date is £73m, which exceeds the budget of £52m. Active discussions are underway with the Investment Group on further investment activity and future planning; a request will be made to GPC in due course to confirm the funding arrangements for this activity. Forecast revenue returns factor in an element of borrowing, to be confirmed as part of this request.

4.1.3 Strategic Assets

The One Public Estate Joint Highways Project budget has been taken out of the capital programme. This project is being re-scoped, and a revised budget will be allocated based on the new requirements via the capital budget process. The intention is that this project will still be delivered, however further scoping of the service/build requirements is needed with Highways England, the main partner, and it is considered sensible to remove this from the current year plans as there is no realistic prospect of requiring prudential borrowing this year. Collaboration with blue light services will also be further explored as the scheme is re-scoped.

4.2 Funding

4.2.1 Commercial and Investment Committee has a capital budget of £100m in 2019/20, which is funded by the following capital resources:



4.2.2 <u>Strategic Assets</u>

As detailed above, the Joint Highways Project budget has been taken out of the C&I capital programme. This has reduced the Prudential Borrowing capital funding budget by £5.2m.

4.3 Variations Budget

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

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (Aug) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Aug) £000

C&I	-26,312	-6,706	-6,706	25.5%	0

4.3.2 A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in C&I Annex 4.

4. TECHNICAL NOTE

4.1.1 Technical financial information for C&I covering grants, reserves and budget virements is included in C&I Annex 5.

C&I ANNEX 1 – Budgetary Control Report

The variances to the end of August 2019 for Commercial and Investment are as follows:

Forecast Outturn Variance (July)		Budget 2019/20	Actual August 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
	Commercial Activity				
0	Property Investments	-4,700	-898	0	0%
0	Shareholder Company Dividends	-206	530	-250	-121%
393	Housing Investment (This Land Company)	-5,728	74	401	7%
0	Contract Efficiencies & Other Income	-449	0	200	45%
-335	CCLA Managed Investment	0	-117	-335	0%
0	Renewable Energy Investments	-271	-578	0	0%
58	**Commercial Activity Total**	**-11,354**	**-989**	**16**	**0%**
	Property Services				
63	Facilities Management	5,369	2,513	63	1%
0	Property Services	655	353	0	0%
0	Property Compliance	205	56	0	0%
63	**Property Services Total**	**6,229**	**2,922**	**63**	**1%**
	Strategic Assets				
-66	County Farms	-4,114	-137	-66	-2%
0	Strategic Assets	813	357	0	0%
-66	**Strategic Assets Total**	**-3,301**	**221**	**-66**	**2%**
	Traded Services				
0	Traded Services - Central	0	27	0	0%
-8	ICT Service (Education)	-200	-610	-6	-3%
0	Professional Development Centres	-71	-25	0	0%
0	Cambridgeshire Music	5	547	0	0%
89	Outdoor Education (includes Grafham Water)	-77	192	108	140%
81	**Traded Services Total**	**-343**	**131**	**102**	**30%**
136	**Total**	**-8,768**	**2,285**	**115**	**1%**

C&I ANNEX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

<table>
<tr><th rowspan="2">Service</th><th rowspan="2">Current Budget £000</th><th rowspan="2">Forecast Outturn Actual £000</th><th colspan="2">Forecast Outturn Variance</th></tr>
<tr><th>£000</th><th>%</th></tr>
<tr><td>Shareholder Company Dividends</td><td>-206</td><td>-456</td><td>-250</td><td>-121</td></tr>
<tr><td colspan="5">The Shareholder Company Dividends budget is forecast to overachieve by £250k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.</td></tr>
<tr><td>Housing Investment (This Land Company)</td><td>-5,728</td><td>-5,335</td><td>401</td><td>7</td></tr>
<tr><td colspan="5">An underachievement of income of £401k is forecast on Housing Investment. This relates to interest received on loans made to This Land, and the underachievement is a result of delays in making those loans.</td></tr>
<tr><td>Contract Efficiencies & Other Income</td><td>-449</td><td>-249</td><td>200</td><td>45</td></tr>
<tr><td colspan="5">The Contract Efficiencies & Other Income budget is forecast to underachieve by £200k in 2019/20. This is due to delays in putting in place plans for how to meet targets relating to savings from contract efficiencies and additional external income.</td></tr>
<tr><td>CCLA Managed Investment</td><td>-</td><td>-335</td><td>-335</td><td>-</td></tr>
<tr><td colspan="5">An investment in the CCLA Managed Investment Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £335 in 2019/20.</td></tr>
</table>

C&I ANNEX 3 – Savings Tracker

The savings tracker is produced quarterly; the next update will be in the October report.

C&I ANNEX 4 – Capital Expenditure and Funding

1. Capital Expenditure Summary 2019/20

Commercial & Investment Capital Programme 2019/20							
Total Scheme Revised Budget £000	**Original 2019/20 Budget as per BP £000**	**Scheme**	**Revised Budget for 2019/20 £000**	**Actual Spend 2019/20 £000**	**Forecast Spend - Outturn £000**	**Forecast Variance 2019/20 £000**
		Commercial Activity				
91,907	51,907	Commercial Investments	52,444	73,213	52,444	-
153,009	43,067	Housing Schemes	56,847	10,042	54,903	(1,944)
3,645	3,280	St Ives Smart Energy Grid	3,378	-	190	(3,188)
11,399	383	Babraham Smart Energy Grid	452	0	380	(72)
6,969	292	Trumpington Smart Energy Grid	314	0	1	(313)
9,745	397	Stanground Closed Landfill Energy Project	454	-	291	(163)
2,526	246	Woodston Closed Landfill Energy Project	285	-	100	(185)
23,219	672	North Angle Solar Farm	695	-	695	-
302,419	100,244		114,869	83,255	109,004	(5,865)
		Property Services				
6,000	600	Building Maintenance	1,338	931	1,338	-
6,150	-	Shire Hall Campus	81	-	81	-
345	-	Office Portfolio Rationalisation	47	27	47	-
550	550	Investment in the CCC asset portfolio	550	-	550	-
13,045	1,150		2,016	958	2,016	-
		Strategic Assets				
1,000	100	Local Plans Representations	100	15	100	-
3,000	300	County Farms Investment	300	11	300	-
-	4,616	MAC Joint Highways Project	-	-	-	-
1,950	910	Community Hubs - East Barnwell	1,041	-	200	(841)
18,326	5,633	Shire Hall Relocation	7,971	466	7,971	-
113	-	Marwick Centre Roof Repairs	113	-	113	-
295	-	Meads Farm House Replacement	295	-	295	-
24,684	11,559		9,820	492	8,979	(841)
134	81	Capitalisation of Interest Budget	81	-	81	-
(40,969)	(22,591)	Capital Programme Variations Budget	(26,312)	-	(19,606)	6,706
299,313	**90,443**	**TOTAL**	**100,474**	**84,706**	**100,474**	**-**

2. Capital Funding Summary 2019/20

Commercial and Investment Capital Programme 2019/20				
Original 2019/20 Funding Allocation as per BP £000	**Source of Funding**	**Revised Funding for 2019/20 £000**	**Actual Spend £000**	**Actual Variance £000**
42,077	Capital Receipts	41,955	41,955	-
2,309	Grant Funding	1,759	-	(1,759)
7,600	Other Contributions	7,600	7,600	-
130	Developer Contributions	130	-	(130)
38,327	Prudential Borrowing	49,030	50,919	1,889
90,443	**TOTAL**	**100,474**	**100,474**	**-**

3. Reported Exceptions – Capital Expenditure and Funding

Revised Budget for 2019/20	Forecast Spend - Outturn (Aug)	Forecast Variance (Aug)	Variance Last Month (July)	Movement	Breakdown of Variance: Underspend/ Overspend	Breakdown of Variance: Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Schemes						
56,847	54,903	-1,944	-1,944	-	-	-1,944
The Housing Schemes budget is expected to underspend by £1.9m in 2019/20. This is due to some loans to This Land being issued later than anticipated, so some loans that were initially planned for 2019/20 will be pushed back into 2020/21.						
Community Hubs – East Barnwell						
1,041	200	-841	-841	-	-	-841
The Community Hubs – East Barnwell scheme is expected to underspend by £841k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.						
St Ives Smart Energy Grid						
3,378	190	-3,188	-3,188	-	-	-3,188
The St Ives Smart Energy Grid scheme is expected to underspend by £3.2m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over						

Revised Budget for 2019/20	Forecast Spend - Outturn (Aug)	Forecast Variance (Aug)	Variance Last Month (July)	Movement	Breakdown of Variance	
					Underspend/ Overspend	Rephasing
£'000	£'000	£'000	£'000	£'000	£'000	£'000

securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.

This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,429k.

Babraham Smart Energy Grid

452	380	-72	-72	-	-	-72

The Babraham Smart Energy Grid scheme is expected to underspend by £72k in 2019/20. Development work on the Investment Grade Proposal for the Babraham Smart Energy Grid Project has been slower than anticipated due to uncertainties in the battery energy storage market and the simultaneous development of several large energy projects in 2018/19.

This will reduce the prudential borrowing requirement in year by £72k.

Trumpington Smart Energy Grid

314	1	-313	-313	-	-	-313

The Trumpington Smart Energy Grid scheme is expected to underspend by £314k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.

This will reduce the prudential borrowing requirement in year by £313k.

Investment in the CCC Asset Portfolio

550	550	-	-	-	-	-

This scheme was reported in the 2019/20 Business Plan as funded from Capital Maintenance Grant. The scheme will actually be funded from Prudential Borrowing, and the revised funding has been updated to reflect this.

Meads Farm House Replacement

295	295	-	-	-	-	-

Commercial and Investment Committee is requested to recommend to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income.

C&I ANNEX 5 – Technical Note

1. Grant Income Analysis

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

2. Virements and Budget Reconciliation

	£'000	Reported
Budget as per Business Plan	**-9,502**	
Movement of Contract Efficiency saving target from Corporate Services	-49	May 2019
Clear Traded Services Central income target from Central Services Risks budget	58	May 2019
Deployment of budget to Housing Investment to mitigate overspends, as agreed by GPC July 2019	122	June 2019
Transfer budget from Debt Charges and Interest for the debt charges relating to the Triangle solar farm	603	August 2019
Revised Budget	**-8,768**	

3. Reserve Schedule

Fund Description	**Balance at 01 April 2019**	**Movements in 2019/20**	**Balance at 31 August 2019**	**Forecast Balance at 31 March 2020**	Notes
	£'000	**£'000**	**£'000**	**£'000**	
Equipment Reserves					
The ICT Service (Education)	56	0	56	0	1
subtotal	56	0	56	0	
Other Earmarked Funds					
North Cambridge Academy site demolition costs	600	0	600	679	2
subtotal	600	0	600	679	
Capital Reserves					
General Capital Receipts	20,415	13,208	33,623	0	3
subtotal	20,415	13,208	33,623	0	
TOTAL	**21,070**	**13,208**	**34,278**	**679**	

Notes
1 ICT Equipment Reserve will to be used to replace critical equipment in 2019/20
2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.

3 General Capital Receipts received during 2019/20 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used for Commercial Investment.

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN	Published on 1st October 2019 Updated on 9th October 2019	Cambridgeshire County Council

Notes

Committee dates shown in bold are confirmed.

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.
* indicates items expected to be recommended for determination by full Council.
+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.
The agenda dispatch date is six clear working days before the meeting.

The following are standing agenda items which are considered at every Committee meeting:
- Minutes of previous meeting and Action Log;
- Finance Report;
- Agenda Plan, Appointments to Outside Bodies and Training Plan.

Committee Date			Reference if key decision	Deadline for draft reports	Agenda despatch date
18/10/19	Approval for grid connection down payments for Energy Investment Projects	Cherie Gregoire	2019/060	09/10/19	10/10/19
	Cambs 2020 – Spokes Review	Ferrari Hernandez/ Claire Barrett	2019/055		
	Commercial Team	Amanda Askham			
	Older People's Accommodation Strategy	Will Patten			
	Service Committee Review of Draft Revenue Business Planning Proposals for 2010/21 to 2024/2025	Chris Malyon			

Committee Date			Reference if key decision	Deadline for draft reports	Agenda despatch date
	2020-2021 Investment Strategy	Ellie Tod			
	Service Committee Review of Draft 2020/21 Capital Programme	Chris Malyon			
22/11/19	Cambridgeshire Music OFR	Cllr Hudson/ Matthew Gunn		13/11/19	14/11/19
	Business Planning (reserve item)	Chris Malyon			
	This Land – Strategic Financing: Construction and Acquisitions	Tom Kelly	2019/065		
	Changes to the scope of Babraham Park and Ride Clean Energy Project	Cherie Gregoire			
	Swaffham Prior Community Heat Scheme	Sheryl French			
	Alconbury Civic Hub	Kim Davies/ Andy Preston			
	Estates and Building Maintenance Inspections	John Macmillan/ Sara Anderson/ Alex Gee			
	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French			
13/12/19	High Level Assessment for Longstanton Park and Ride energy project	Cherie Gregoire		04/12/19	05/12/19
	Quarterly Performance Report	Tom Barden			
	Near Zero Energy Buildings Regulations 2019	Sheryl French			
	Draft Revenue and Capital Business Planning Proposals for 2020-21 to 2024-2025	Chris Malyon			
	Quarterly performance reporting against Commercial Strategy KPIs	Amanda Askham			
17/01/20				08/01/20	09/01/20

Committee Date			**Reference if key decision**	**Deadline for draft reports**	**Agenda despatch date**
21/02/20	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French		12/02/20	13/02/20
20/03/20	Quarterly performance reporting against Commercial Strategy KPIs	Amanda Askham		11/03/20	12/03/20
24/04/20	Loans to Voluntary Organisations	Tom Kelly		15/04/20	16/04/20
22/05/20	Confirmation of Chairman/Vice Chairman	Dawn Cave		13/05/20	14/05/20
	Mobilising Local Energy Investment: Quarterly finance and progress update	Sheryl French			

To be programmed: St Ives Football club – ransom strip benefit for CCC (John Macmillan) ICT Future Delivery Options (John Chapman); Land Swap at Swavesey (John Chapman); Oasis Centre, Wisbech (Hazel Belchamber); Property Services OFR (Paul Tadd); Trumpington Park & Ride Smart Energy Grid (Sheryl French)

COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	Provisional training slot		24th April 2020 (12-3pm)	Tbc	C&I
2.	Provisional training slot		24th January 2020 (10am-1pm)	Tbc	C&I
3.	**Committee Training: MLEI/Energy projects**		**18th October (12-3pm)**	**Sheryl French**	C&I
4.	Nearly Zero Energy Buildings members/officers workshop		24th May 2019(1-2.30pm)	Sarah Wilkinson/Sheryl French	C&I and GPC
5.	Commercialisation training (all Members)		26th April 2019 (1-4pm)	Amanda Askham	All Members
6.	Finance/KPIs		3rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
7.	Commercial Strategy		9th November 2018 (12.30pm)	Amanda Askham	C&I
8.	Members' duties and obligations in considering Promotion Agreements.		2nd November 2018 (12.30pm)	Chris Malyon	C&I
9.	Future Smart Energy Systems Demonstrator Project		18th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
10.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
11.	This Land Performance Workshop		12th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
12.	Asset & Risk Workshop	• Asset Strategy • CHIC • Risk approach and risk register • Site tenure mix and retention of rental housing • Affordable housing • Community Land Trusts	20th October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I

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

Updated 10/10/19