Agenda Item no. 2

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 18 October 2019

Time: 10:00am – 12:15pm

Venue: Kreis Viersen Room, Shire Hall, Cambridge

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

Apologies: Councillors Hay and Wotherspoon

275. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

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

276. MINUTES OF THE MEETINGS HELD ON 13 AND 24 SEPTEMBER 2019 AND ACTION LOG

The minutes of the meetings held on 13 and 24 September 2019 were agreed as a correct record.

The Action Log was noted.

277. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

278. APPROVAL FOR GRID CONNECTION DOWN PAYMENTS FOR ENERGY INVESTMENT PROJECTS

The Committee considered a report which proposed moving a proportion of the funds allocated for the grid connections from the implementation phase to the development phase, to secure electricity export connections via UK Power Networks (UKPN) distribution network. This related to three energy projects at Babraham Park & Ride, Stanground Closed Landfill site and North Angle Solar Farm, where the development budgets had previously been agreed by the Committee.

The original business cases for the three schemes had not included up-front connection charges as part of the development phase: these were included in the construction phase. However, it would be advantageous both financially and in terms of timescales to secure the capacity at this stage. Doing this would mitigate against the greatest area of risk, especially as costs were likely to escalate if there were any delays.

In terms of fees, the figures that the Committee was being asked to commit to were the maximum in the ranges estimated. It was noted that the total capital cost for the Babraham project should read £6.3M.

Arising from the report:

- Noting the mitigation strategy to have Bouygues tender the contestable work, Members were advised that whilst there were several companies who could work with lower voltage sections of the network, there were fewer companies that were able to do the higher voltage work, such as at North Angle Farm;

- A Member asked about the potential archaeology issues at North Angle Farm, and the likelihood that these could delay progress. Officers were unsure of the timeframe for the archaeological work, as the Historic Environment team were very busy, and it was difficult to speculate on likely findings. The usual approach was to discuss possible methods of mitigation with Historic Environment colleagues and Planning Consultants. It was observed that there was only minimal construction in solar parks. It was agreed that the Historic Environment report would be copied to Councillors Jones and Schumann. **Action required;**

- A Member queried the *"feasibility study … due by October 2019"* referenced in the report. It was confirmed that the first draft had been received but it was unacceptable, and the Energy Investment Unit was working with partners to improve the Feasibility Study;

- A Member asked about the risk of cyber attacks and terrorism for the Energy Investment projects, and whether emergency plans would be in place for the sites. Officers advised that they had not considered this issue, and agreed to examine it further, and add it to the Risk Register. **Action required.**

It was resolved unanimously to:

a) Approve £722,000 for the down payments for grid connections for Babraham Park & Ride, North Angle Solar Farm and Stanground Closed Landfill site;
b) Approve new total development budgets for the above projects as set out in Table 2 of the report.

279. COMMERCIAL TEAM

The Committee received a report on the proposed Commercial Team.

Members were reminded that it had previously agreed to create a new Business Improvement and Development Directorate. One of the responsibilities of the new

Director was to lead commercial work and establish commercial capacity. The report summarised key targets met to date, noting that there were some areas of the strategy which were a delivery risk due to lack of capacity, both in terms of time and skills. It was therefore recommended that a staffing structure of three dedicated FTE staff be set up. The report also sought approval for the submission of a Transformation Bid proposal to pay for the recruitment/secondment of the required staff until 2021, after which point the service would be self-sustaining.

Arising from the report:

- It was confirmed that the substantive roles of the staff being seconded from the Transformation team would be backfilled;

- Noting that the work would be to *"…manage, maintain and proactively adapt our investment portfolio"*, a Member queried whether this was a genuine Transformation bid. Officers responded that it was, as it was changing the way the Council dealt with the Commercial agenda. The Member asked if it was possible form the team to become self-sustaining by 2021, and how savings would be attributed to the Team. Officers advised that in terms of returns on investment, a huge amount was spent on third party contracts, and more resource needed to be put in to managing that well. This could be benchmarked and recorded, e.g. increases in the income earned by traded services. It was suggested that the management of the investment portfolio specifically related to managing assets, and managing them better. Members noted how savings made to contracts would be attributed, and that Internal Audit had recently been commissioned to do some work on this;

- Members discussed the flexibility of the Transformation team, and how the team had been funded through capitalising revenue costs associated with transformation, which had been facilitated by the government. The Transformation Fund was a revenue fund, so there was far more flexibility in that budget. It was noted that the Transformation team was overseen by the General Purposes Committee. Going forward, it was anticipated that the Commercial Team would be baselined as a revenue cost, and the purpose of the report was to get that team up and running;

- In terms of the commercial Head of Service role, it was confirmed that it was unlikely that we could recruit internally, due to the requisite skill set. Soft market testing had been positive, and it was envisaged that the Head of Service role should be filled early 2020. A Member cautioned that long lead times could frustrate the timescales;

- One Member commented that the process appeared to have been over-complicated, and suggested a much briefer report on roles required, costs and job descriptions would have sufficed, with the decision process mapped out more simply. Officers welcomed these comments but commented that staffing decisions (e.g. Job Descriptions) would not usually be shared with the Committee;

- Noting the legal implication that stated *"…the political appetite to accept new risk"*, a Member asked if this would be reflected in the Risk Register. The Member also asked what the potential impact could be of any future restriction on local authorities investing. The Chairman commented any such restriction would be linked to *borrowing*, not on the use of capital receipts. The reasons behind the recent PWLB increase in interest rates were discussed. It was confirmed that the Corporate Risk Register already included commercial work. On a more general point, a Member observed that the Commercial & Investment Committee did not review its Risk Register, whilst other Service Committees considered their Risk Registers on a quarterly basis. Officers agreed to take this forward. **Action required.**

It was resolved unanimously 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.

280. OLDER PEOPLE'S ACCOMMODATION STRATEGY UPDATE

The Committee received an update on the progress made by the Older People's Accommodation Strategy in securing sustainable, quality and affordable residential/nursing care provision.

Members noted that in 2018-2019, the County Council had spent approximately £51M on residential/nursing care, of which £10.7M was spent on block beds (contracted beds retained solely for the Council's use) and £40.8M on spot beds (individually purchased placements). There were currently around 1400 people living in residential care, and the number of placements had been relatively static until recently when there had been an increase. In terms of the market, people were living longer, but having more complex needs when they reached that stage of their life, and these factors were driving up costs. The market from the providers' perspective was facing a 9.6% increase in workforce costs year on year, and the sector was highly regulated both financially and in terms of quality. Cambridge in particular had a high demand from self-funders, which drove up the cost of care available. Going forward, the current type of care provision was not seen to be sustainable.

There were four key strands to the Older People's Accommodation Strategy:

(1) Increasing capacity and market control – building in new capacity where possible e.g. by building up block placement capacity, effectively hedging the market to avoid increased spot bed prices;
(2) Develop sustainable delivery models;
(3) Manage demand for LA residential/nursing care – a range of programmes were underway to make the model more sustainable, to reduce the numbers requiring care in the first place;
(4) Create income from the self-funder market – through reducing the cost of voids to the Council.

Arising from the report:

- A Member queried the issue of capacity, noting that the focus of the Strategy was to increase capacity and contain costs, but at the same time there were voids – surely the voids should keep costs downs? Officers explained that whilst there was usually capacity available when the need arose, the issue was that that capacity was not affordable. Moreover, whilst simple economics dictated that an excess of supply should reduce prices, the reality in the sector was not as straightforward: as the average time living in a care home was 2.5 years, so it was often in the providers' interests to wait for a premium funder than to sell a bed to a local authority;

- A Member commented that there was little financial information in the report, e.g. the cost differences between block and spot beds. Officers commented that the key issue was that spot pricing was increasing significantly, across the board, year on year;

- There was a discussion on Life Expectancy, noting that people were typically going in to residential care much later in life, but with much more complex needs;

- A Member commented that despite having planned in 2017 to enter into a strategic partnership with a care home provider to use council owned land to operate up to 3-4 care homes across the county, little appeared to have been done to date. Officers updated the Committee on the procurement process that was taking place currently, and that there were currently two bidders left in that process. However, it was suggested that this option was not looking as attractive as originally anticipated, as the market shifted away from standard residential and nursing type care homes. Noting that work was ongoing with the CCG to tackle delayed discharges, the Member suggested working in partnership e.g. with Addenbrookes;

- A Member asked what savings, additional income and additional risk there was from the care-suite model, the proposed tenancy-based alternative to nursing and residential care. Officers advised they were working with partners and they were confident that the model would cost less than existing models. Another

Member referred to the excellent assisted living/extra care housing in St Neots, which he felt needed to be encouraged as it was a good model of what could be achieved through working with Registered Social Landlords. Officers commented that care-suite was almost identical in terms of principles, but focused on higher needs.

It was resolved to:

Note the update provided.

281. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING

Members considered a report on the draft Business Plan Revenue Proposals for services within its remit. All local authorities were facing major challenges of increasing demand for services set against reducing funding, whilst the costs of those services was increasing due to inflationary and demographic pressures.

There were two main proposals being put forward:

- County farms – Commercial uses (-£75K) i.e. converting buildings from agricultural to non-agricultural uses;
- Pooled property fund investment (-£330K), specifically the CCLA Local Authority Property Fund to generate a revenue return. The Committee had agreed an investment of £11M earlier in the year, but that had been agreed after the conclusion of the Business Planning process for 2019-2020, so was being included in the 2020-2021 Business Plan.

Arising from the report:

- A Member noted that the Business Cases did not include any financial information. It was noted that this was included in the covering report, and that the Business Case template did not include financial template, but it was agreed to review this. **Action required**. It was also noted that both proposals included the Business Plan references, but the original £11M was not referenced;

- It was noted that the Committee considered proposals for non-agricultural use of agricultural land for energy or commercial projects e.g. the North Angle Solar Farm. A Member asked how this use of agricultural land fitted in with the Council's wider objectives e.g. Climate Change and Environment, in terms of the competing priorities between food, energy and commercial uses. The Chairman responded that there were two Member Groups overseeing these aspects, the Climate Change and County Farms Working Groups, which would be making recommendations across the Council;

- A Member raised the issue of reinvestment in agricultural land, and it was confirmed that the County Farms Working Group was looking at reinvestment opportunities;

- A Member observed that the pooled property fund did not include any outline plans for years after 2020-2021. Officers advised that this was currently being considered as part of the diversified investment portfolio. The Member also noted that outline plans were included for 'County Farms – Commercial uses' despite the County Farms Working Group not having had a discussion on that, and this represented a significant departure. Officers reiterated that these were only marginal changes, and did not reflect absolute numbers;

- A Member commented that it would be helpful to have some narrative on the main proposals in the covering report. It was agreed that this could be included in future reports. **Action required.**

It was resolved to:

a) note the overview and context provided for the 2020-21 to 2024-25 Business Plan revenue proposals for the service;
b) comment on the draft revenue proposals that are within the remit of the Commercial & Investment Committee for 2020-21 to 2024-25.

282. SERVICE COMMITTEE REVIEW OF DRAFT 2020-21 CAPITAL PROGRAMME

Members considered an overview of the draft Business Plan Capital Programme for Commercial and Investment. The anticipated funding sources and specific changes to existing schemes included in the 2019-2020 Business Plan were noted.

It was resolved to:

a) note the overview and context provided for the 2020-21 Capital Programme for Commercial & Investment;
b) comment on the draft proposals for Commercial & Investment's 2020-21 Capital Programme and endorse their development.

283. 2020-21 INVESTMENT STRATEGY

The Committee considered a report on the 2020/2021 Investment Strategy. This had been updated to reflect the Council's investment activity since the Strategy was last agreed, and it would be included in the Capital Strategy, which would be part of the 2020-21 Business Plan. The Chartered Institute of Public Finance and Accountancy (CIPFA) required all local authorities to prepare an investment strategy, covering both financial and non-financial assets. It was expected that further guidance would be issued by both CIPFA and the MHCLG (Ministry for Housing Communities and Local Government).

Since the Investment Strategy had last been agreed, the Council had made three major acquisitions. It was noted that the table showing Debt relative to Service Expenditure would be updated further as the Capital Strategy was revised. It was noted that there was a close relationship between the Commercial Team and Investment Strategy, with the Commercial team working very closely with Finance colleagues. It was suggested that this relationship could be better articulated in the Strategy.

There was a discussion around the objective of generating a 6% average yield across the portfolio over the medium term. It was noted that this was an aspiration, and may be squeezed by the recent government announcement that the Public Works Loan Board (PWLB) was increasing interest rates by 1%, but it would stifle the appetite to invest in future projects. Officers also commented that now the market was better understood, especially in terms of risks and yields, the approach to investment had become more sophisticated.

A Member queried the statement in the Strategy that *"… the 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* (i.e. higher risk)". Officers commented that this was making the point that the objective was a balanced portfolio, but agreed to review the wording of this section to include the rationale.

A Member commented that the assessment of risk in the Individual property assessments appeared somewhat cursory, and she assumed there was more detail underpinning that assessment. It was acknowledged that those more detailed assessments may be commercially sensitive, but it was agreed to revisit the Strategy in light of those comments.

It was agreed that the draft Investment Strategy would be updated to reflect the comments raised by Members. **Action required.**

It was resolved 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.

284. FINANCE MONITORING REPORT – AUGUST 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 August 2019.

Members were reminded that the cost of financing capital (debt charges) for all commercial activity schemes had been moved from the Debt Charges budget under Corporate Services to the Commercial Activity heading within Commercial &

Investment Committee. To date this only related to the Solar Farm scheme. Members were asked to recommend this virement to the General Purposes Committee.

At the end of the period, Commercial & Investment Committee was forecasting an overspend of £115K on revenue budgets, which was mainly due to changes in the Commercial Activity budget. The Shareholder Company Dividends budget was forecast to overachieve by £250K (due to the dividend from ESPO), and the Contract Efficiencies and Other Income budget was forecast to underachieve by £200K due to delays in putting in place plans to meet targets relating to savings from contract efficiencies and additional external income.

The Capital budget was on target as at the end of August. There was additional spend on Commercial Activity area, and the Joint Highways Project was being rescoped, so this project was being removed from the current year's plans. It was confirmed that the chart at 2.1.2 of the report was inaccurate.

It was resolved, by a majority, to:

a) Review, note and comment upon the report;
b) Recommend to the General Purposes Committee to approve a £603K virement between Commercial & Investment Committee and General Purposes Committee to reflect the movement of the Debt Charges budget in relation to Commercial Activity schemes;
c) Note the removal of the budget for the Joint Highways Depot.

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

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

It was resolved to note the Agenda Plan and Training Plan

286. 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)

287. CAMBS 2020 – SPOKES REVIEW

The Committee considered a report which considered the results of an analysis of the Council's needs and asset portfolio, and recommendations on how best to optimise the use of accommodation resources, and how this would be funded.

It was resolved, by a majority, to:

a) Endorse the process followed to date and agree the future approach as set out in the report;
b) Approve capital programme expenditure of £5.449M (to be funded by prudential borrowing) for the disposals/acquisitions and adaptations;
c) Recommend to General Purposes Committee to earmark £513K within reserves for Cambs 2020 one-off reorganisation allowances and moving costs, as set out in the revenue table of section 2.5 of the report;
d) Recommended to General Purposes Committee that the remaining £395K revenue pressure for 2020-21 and saving of -£210K for 2021/22 is resolved as part of the 2020-21 Business Planning process, as set out in the revenue table of section 2.5 of the report.

Chairman