

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 19 October 2018

Time: 10.00am-12.25pm

Venue: Room 128, Shire Hall, Cambridge

Present: Councillors J Schumann (Chairman), A Hay (Vice Chairman), I Bates, L Dupré, J Gowing, L Jones, L Nethsingha, T Rogers, M Shellens (substituting for Cllr Jenkins), T Wotherspoon

Apologies: Councillor D Jenkins (substituted by M Shellens)

158. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were presented on behalf of Councillor Jenkins (Councillor Shellens substituting). There were no declarations of interest.

159. MINUTES OF THE MEETING ON 14 SEPTEMBER 2018 AND ACTION LOG

The minutes of the meeting on 14 September 2018 were approved as a correct record.

An updated Action Log was circulated.

The following items were discussed:

Action 131 – circulate information to Committee on whether This Land would pay for the access construction road – it was agreed to check that this had been done. **Action required.**

Action 145 (NPV) – it was clarified that this related to the challenge on variable options: Chris Malyon to pick up with Cllr Boden. **Action required.**

Action 150 – it was agreed that the training session on Finance and KPIs would be circulated as a matter of urgency. **Action required.**

160. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

161. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2019-20 TO 2023-24

The Committee 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. The Council was going in to the next year with a £21M funding gap.

As the scope for traditional efficiencies diminishes, the focus was increasingly on more fundamental changes to the way the Council works, focusing on the following key themes:

- Income and commercialisation;
- Strategic partnerships;
- Demand management;
- Commissioning;
- Modernisation.

Many local authorities were increasing their focus on investment and commercial activities to support their services. The business planning proposals focused on three main areas:

- Contract management, market shaping and entrepreneurial procurement – i.e. contract efficiency;
- Increasing contribution from current service delivery; and
- An ambitious acquisitions and investment strategy.

It was stressed that it was crucial to understand the cost of generating income, i.e. the net contribution or return to the Council, to establish whether the activity was worthwhile. A Commercial Strategy was being developed, which would be presented to the next meeting of the Committee.

It was indicated that there was significant opportunity for savings through reviewing existing contracts and commencing re-procurement activities at earlier stages. It was noted that there were nearly 100 contracts coming up for renewal, and most of these were at the lower end of the contract register in terms of value, so were often the ones getting less scrutiny and attention.

A Member pointed out that the target on contract efficiency last year had not been met. Officers advised that most of that saving had been achieved but recorded within the individual service directorates. Officers had a great deal of confidence in the information that lay behind the proposals for savings in contract renewal.

A portfolio of investments and acquisitions was being developed to enable annual revenue receipts. This portfolio would be closely aligned with the emerging new Commercial Strategy, and a fit-for-purpose commercially focussed team developed to ensure that the Commercial Investment objective was met. It was noted that there had been an allocation from this Committee previously for an advertising/sponsorship post, which had been difficult to recruit to. There was a need to ensure that all opportunities for sponsorship were grasped.

Arising from the report:

- a Member noted that paragraph 3.1 referred to “savings or additional income of £33.0M” but the ‘Total Savings Requirement in the accompanying chart stated £38.509M. Officers advised that the difference between the two figures was the anticipated overspend in the current year, and this should be reflected in the narrative. **Action required;**

- a Member queried the contract efficiency of £200K, included as a potential saving, despite only 'medium confidence'. Officers advised that the total quantum of contracts was above £200K, this was the proportion that officers had confidence could be delivered. The Member also pointed out that in the appendix, for contract savings in 2020-21, there was high confidence £4.36M yet the report only mentioned "savings above a million". Officers explained that the report reference was to the latest tranche of contract savings, but the £4.36M included all contract savings i.e. the total quantum of contracts;
- with regard to the reference to "*the reviewed target of £1,000K during 2019-20*" it was confirmed that this was based on sales, and the value was very similar to what was included in the original business plan. This sum was believed to be deliverable in terms of sales, having reviewed to total amount across two financial years (2018-19 and 2019-20). A £5M investment return was still predicted, but it had been profiled in a different way;
- in response to a question on the 'other mechanisms' for commercial investments, officers explained that this included schemes such as investment in SMEs and Life Sciences, and different types of property investments. It was noted that a contract portfolio manager would be appointed, and that the person specification for that role was currently being developed;
- with regard to the proposal for 'Further returns from existing schemes', there was no sum identified or business case attached to that proposal. A Member commented that this made it difficult for Members to evaluate. Officers responded that as this was the start of the process, it was not possible to quantify currently, as further work was required;
- a Member observed that the Looked After Children (LAC) budget had been repeatedly underestimated in the Business Plan for a number of years. It was pointed out that the demand for the LAC budget was subject to many unknowns, and a great deal of proactive work had been done by Children's Services, which should eventually feed through in terms of reduced demand. More generally, whilst there had been a budget overspend (Council wide) last year, and the same was anticipated for 2018-19, historically there had been an overall underspend against the Council's budget. Another Member commented that historically there had been overspends in the Adult Social Care budget, but this had been fundamentally reviewed and set at a more realistic level. However, an overspend was again likely in that budget this year;
- a Member commented that if contracts were renegotiated down, this meant that the Council would get less for its money. The Chairman and officers countered that there was evidence that because contracts had not been monitored closely in some cases, and the opposite may be true i.e. services were being short-changed as contractors were not delivering all that they were commissioned to deliver, so there may well be a performance *increase* as a result of closer contract monitoring and the development of closer relationships with contractors. The Member responded that he still had concerns on the authority's ability to effectively manage contracts;
- the Chairman observed that the Commercial Investments Business Case included some complex issues e.g. changes to the borrowing powers of local

authorities, and it was suggested that the Commercial Investment Working Group explore these and report back to the Committee. **Action required;**

- a Member observed that there was a commitment in last year's Business Cases to learn from missing targets, and she asked how this would be taken forward, acknowledging that some factors were internal, and some were external. The Chairman responded that this information had been reported back on an ad hoc basis, but agreed that it would be useful to formalise this in one document;
- a Member requested a list of contracts across the Council. It was noted that the Contracts Register was available on the Council's intranet site, and a list could also be emailed to Members. **Action required.** It was confirmed that in addition to the Commercial & Investment Committee's savings proposals on contracts, other Service Committees would be considering contract savings in their Business Planning processes, but care would be taken that such savings were not double counted. In addition, there would be dialogue between the relevant experts in the respective teams, who in turn welcomed the support provided on good contract management;
- there was a query about the 0% inflation assumption. It was confirmed that 'standard' inflation was set to zero, but key inflation indices were applied to budgets, as set out in the report e.g. pay. It was further noted that in 2018-19 the assumption was that nothing was raised automatically;
- a Member queried the "*...update of establishment information in the Autumn*" in relation to the increase in the National Living Wage. It was confirmed that this related to the base budget being updated for known factors as the Business Planning process progressed, e.g. any change to the National Minimum Wage, final figures on the closure of CCS, etc;
- noting the recent announcement that staff above a certain grade would have to take three days unpaid leave over Christmas this year, a Member asked if this was likely to be repeated in 2019/20. Officers advised that it been necessary to trigger the collective agreement this year as the overall financial position deteriorated, but stressed that this was for one year only. It was not being applied in the 2019-20 Business Plan, as the intention was to find another mechanism to achieve savings;
- It was confirmed that the table on forecast inflation (paragraph 2.4) was in £'000s.

A Member commented that whilst she was happy to note and comment on the report, as per the recommendations, this did not mean that she supported all of the proposals in the report.

It was resolved to:

- a) note the overview and context provided for the 2019-20 to 2023-24 Business Plan revenue proposals for the Service;
- b) comment on the draft revenue proposals that are within the remit of the Commercial and Investment Committee for 2019-20 to 2023-24.

162. SERVICE COMMITTEE REVIEW OF THE DRAFT 2019-20 CAPITAL PROGRAMME

The Committee considered an overview of the draft Business Plan Capital Programme for the Commercial and Investment Committee.

Proposed capital expenditure for Commercial and Investment Committee in 2019-20 was £116.5M, funded mainly through capital receipts and prudential borrowing. The budget for housing schemes had been rephased to reflect the timing of investment.

Arising from the report:

- a Member highlighted presentational changes required to the appendices to the report; **(action required)**
- with regard to the headquarters relocation, it was noted that some changes were required to reflect variations in requirements. A full milestone report would be presented to the next Committee meeting. On the subject of the headquarters relocation, a Member commented that there was a misconception that “all Shire Hall staff would be relocating to Alconbury Weald”, which was not the case, as the Cambs 2020 project’s focus was very much the hub and spokes model. It was agreed that this point needed to be made clear at every opportunity;
- Members were pleased to note the predicted revenue returns from the energy schemes, and commented favourably on the value of these schemes;
- noting the reference to the Older People’s Accommodation Strategy, Councillor Rogers, the Committee’s representative on the Working Group for that Strategy, advised that the last two meetings of the Working Group had been cancelled. Officers confirmed that there was considerable impetus behind this project, so that would be followed up. **Action required;**
- a Member commented that there had been an excellent presentation by the Energy Projects team at the Committee training session on 18th October, but it was regrettable that so few Members had been able to attend. It was agreed that it would be useful to circulate a copy of the presentation and if possible include an abbreviated version of the presentation at a Member Seminar. **Actions required.**

It was resolved to:

- a) note the overview and context provided for the 2019-20 Capital Programme for Commercial & Investment;
- b) comment on the draft proposals for Commercial and Investment Committee’s 2019-20 Capital Programme and endorse their development.

163. LOANS TO NOT FOR PROFIT ORGANISATIONS

The Committee considered a draft policy for the provision of loans to third parties and not for profit organisations. Members were asked to propose any refinements prior to the consideration of the policy at the General Purposes Committee, as part of the revised Treasury Management Strategy in January.

Members noted:

- that 1% above the borrowing rate (i.e. PWLB) was the rate consistently applied to loans;
- that State Aid must be taken into account whenever public money was given to an organisation that undertakes commercial operation. Any such loan would need to go through a separate process;
- that the Maximum Loan Value in the report should read £99,999.

Arising from the report:

- a Member queried why Members were not included in the initial assessment of requests for loans. Officers advised that the initial assessment was not a 'sifting' but ensuring that the request complied with the criteria for loans;
- noting "*guarantees will be called upon if the lending organisation falls into arrears of more than twelve months*", a Member suggested that recovery actions should be triggered much more quickly. Officers stressed the difference between debt management and triggering the guarantee, and it was confirmed that actions would be taken much more quickly against any organisation in arrears;
- Members debated whether Commercial and Investment Committee or Communities and Partnership Committee was the most appropriate Committee to scrutinise loans. It was noted that the purpose of granting the loans was not to make money, but to cover costs and risks, and provide a facility to organisations who may not be able to secure such funding through other means;
- noting that these decisions could be delegated to the Deputy Chief Executive in discussion with the Committee Chairman, a Member asked what would happen if there was a perceived interest in the Chair's division. It was noted that in such cases, the Vice-Chair would make the decision. Whilst this was widely understood to be the case, it was agreed that this point should be made explicit in the policy.
Action required;
- it was agreed that a report on loans granted would be provided on an annual basis to Committee. **Action required;**
- Members discussed at length the minimum and maximum loan amounts. It was suggested that a range of £50,000 to £100,000 would be more appropriate;
- a Member suggested that the policy should have a defined set of criteria which loan applications be judged against e.g. supporting communities. Following discussion, it was agreed that the introductory paragraph, which referred to "*support the delivery of front-line services*", should be enhanced to reflect the expectation that applications were in line with the Council's corporate priorities and support its outcomes. **Action required;**
- a Member commented that the fact that applicants could not obtain competitive loans elsewhere suggested that they may be high risk.

Following a vote, it was agreed, by a majority, to retain the limits (£10,000-£250,000) set out in the report. Refinements included in the Policy would be as set out above, (i) clarity on governance (Vice Chairman agreeing loans if the Committee Chairman was conflicted); (ii) provision of an annual report on loans granted; and (iii) more emphasis on the types of organisations/projects that would be supported.

It was agreed that the Deputy Chief Executive would circulate the revised draft before it was submitted to General Purposes Committee. **Action required.**

It was resolved unanimously to:

- a) consider the Policy Framework as set out in the Appendix to the report;
- b) agree refinements to the draft policy;
- c) recommend the Policy Framework, as amended if appropriate, to General Purposes Committee as part of the Treasury Management Strategy in January.

164. FINANCE AND PERFORMANCE REPORT – AUGUST 2018

The Committee considered a report on the financial and performance information relating to the areas within the Commercial and Investment Committee's remit, for August 2018.

Arising from the report, Members noted:

- the £3.1M overspend in commercial activity, an increase of £0.7M from the previous forecast, mainly due to lack of sufficiently appealing opportunities being secured. A Member suggested that rather than describing the £3.1M as an overspend, it could more accurately be described as an underachievement of expectation, or similar wording;
- that housing investment was forecasting an overspend of £1.5M overspend at year end, an increase of £1M from the previous forecast. Expectations of interest receivable continued to be remodelled and reprofiled based on loans advanced;
- Traded Services to Schools and Parents was forecasting an increase of £250K;
- Cambridgeshire Catering & Cleaning Services were forecasting an overspend of £1.266M in 2018/19;
- an in year variance of £36M was predicted, exceeding the Capital Programme Variations budget by £2M;

A Member commented that some of the wording was confusing, especially as there was some information in the covering report and some in the appendices. It was suggested that one approach to address this would be combining the covering report and the appendix in to one document. It was agreed that this would be further discussed at the training session on Finance and KPIs. **Action required.** On the subject of KPIs, it was noted that many of the KPIs would relate to the Commercial Strategy that would be presented to Committee in November.

At a Member's request, officers explained the Income and Expenditure table in paragraph 2.1 of Appendix A. It was noted that whilst this information was slightly confusing, due to the timing of the income flow, but for consistency this table was included in all Service Committee reports. It was suggested that a better explanation in the narrative of the report may be the best way forward. **Action required.**

It was resolved unanimously to:

- a) review, note and comment on the report;
- b) consider and recommend to GPC to approve £84k of capital funding for Smart Energy Grid projects at Trumpington and Babraham Park & Ride sites;
- c) consider and recommend to GPC to approve the rephasing of £41.1m of the Housing Schemes budget consider and recommend to GPC to approve the rephasing of £17.2m of the Capital Programme Variations budget.

It was agreed to take the following agenda item first.

165. AGENDA PLAN, TRAINING PLAN AND APPOINTMENTS TO OUTSIDE BODIES

Members noted the Agenda Plan. The Clerk advised that the item on Smart Energy Grids for Trumpington and Babraham Park and Ride sites would now be considered in February (Babraham P&R) and June (Trumpington P&R), the latter following the GCP's consultation.

With regard to the Training Plan, it was agreed that the date for the Finance and KPIs training session would be circulated as a matter of urgency. **Action required.**

It was resolved to:

- a) note the Agenda Plan;
- b) note the Training Plan.

166. REVISED PROPOSED BUSINESS CASE TO FUND THE ROOF WORKS REQUIRED AT THE MARWICK CENTRE, MARCH PE15 8PH

The Committee considered a report on the strategy to fund the repair to the roof at the Marwick Centre in March. Regrettably, Members had received a previous version of the report, and the correct version of the report, with some minor changes, was tabled. It was noted that the key change to the report previously circulated was recommendation (b), which sought to recover the costs of the works through increased lease charges. The meeting adjourned for several minutes so that Members could consider the updated report.

Members noted the comments of one of the Local Members, Councillor Count, supporting the proposal.

Arising from the report:

- a Member asked what would happen if the costs escalated. Officers advised that they had been working closely with the contractors to ensure that the costs were accurate. It was further noted that it would cost around £300,000 to completely

remove and replace the roof, whereas the recommended £113,350 would repair the roof;

- in response to a question, it was confirmed that if FACET terminated the lease on the building before the 21 year repayment schedule had finished, they would be required to pay the outstanding 50% of the costs of repair;
- officers clarified the complex position with the various leases, and the reasons why the lease had not been updated since 2009: when the new lease was finalised, its starting date would be 2014;
- it was agreed that any issues with the arrangement would be reported back to Committee.

It was resolved unanimously to:

- a) approve that in consideration for Cambridgeshire County Council paying for the roof works of £113,350 plus VAT, Fenland Area Community Trust (FACET) will pay back 50% of the costs over the duration of the lease
- b) that 50% of the costs of this works, plus interest, will be recovered through an increase in the lease payment by Fenland Area Community Trust (FACET);
- c) that General Purposes Committee be requested to approve an increase in the 2018/19 capital programme of this Committee to cover the cost of the roof repairs.

Chairman