

ASSETS AND PROCUREMENT COMMITTEE



Tuesday, 28 November 2023

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

10:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room, New Shire Hall, Alconbury Weald
[Venue Address]

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**

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

2. **Public minutes of Assets and Procurement Committee 18th October 2023 and Action Log** **5 - 16**
3. **Petitions and Public Questions**

OTHER DECISIONS

4. **Appointment of Light Blue Fibre Shareholder Representative** **17 - 22**
5. **Land and Property Performance Report** **23 - 32**
6. **This Land – publication of Shareholders Agreement** **33 - 60**

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10.	Assets and Procurement agenda plan, training plan and appointments to outside bodies	85 - 86
	KEY DECISION	
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The Assets and Procurement Committee comprises the following members:

Councillor Ros Hathorn (Chair) Councillor Catherine Rae (Vice-Chair) Councillor David Ambrose Smith Councillor Alex Beckett Councillor Chris Boden Councillor Simon Bywater Councillor David Connor Councillor Steve Count Councillor Douglas Dew Councillor Lorna Dupre Councillor Stephen Ferguson Councillor Bill Hunt Councillor Peter McDonald Councillor Elisa Meschini Councillor Lucy Nethsingha

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

Assets and Procurement Committee

Date: 18 October 2023

Time: 2.00pm – 5.13pm

Venue: New Shire Hall

Present: Councillors Ambrose Smith, Beckett, Boden, Bywater, Count, L Dupré, Hathorn (Chair), Howell (substituting for Cllr Connor), McDonald, Murphy (substituting for Cllr Dew), Nethsingha, Rae (Vice Chair), Shailer (substituting for Cllr Meschini) and Sharp (substituting for Cllr Hunt)

1. Apologies for Absence and Declarations of Interest

Apologies were presented on behalf of Councillors Connor, Dew, Hunt, Meschini, substituted by Councillors Howell, Murphy, Sharp and Shailer respectively; apologies were also presented on behalf of Councillor Ferguson (no substitute).

Councillor Howell declared a non-statutory disclosable interest as he lived very close to the former Primary School in Papworth Everard (item 4). Councillor Howell withdrew from the meeting for this item.

Councillor Murphy declared a non-statutory disclosable interest in relation to item 14 as she had a contract of employment with the University of Cambridge.

2. Petitions and Public Questions

No petitions or public questions were received.

3. Electricity Procurement for 2024-28

The Committee considered a report on Electricity Procurement. Members were reminded that in March 2023, the Strategy and Resources Committee approved to terminate the current electricity contract at the end of the contract period, and research alternative procurement and supply arrangements for October 2024 onwards, with a particular focus on environmental and social issues. The report presented the results of that research. The current contract expired in less than 12 months, and signing up in advance was necessary to give the Council the best opportunity to secure good prices. Due to the size and complexity of the Council's portfolio, prices could not be compared in advance, in the way domestic contracts can be arranged.

A range of options were set out in the report, and Option 2, following the Crown Commercial Services Framework was recommended. This Framework provided a fully compliant route

to procurement, with lower fees than some other options. The sole supplier for the Framework was EDF, who was more aligned to the Council's climate change ambitions.

Arising from the report, a Member asked if Option 2 involved the procurement of "Pure Green" energy through a third party? Officers explained that "Pure Green" was the name of the tariff from the current supplier. The new supplier would have a range of green tariffs, and there would be the option of selecting one of those. Changing tariffs during the contract period was also an option. It was anticipated that charges under the new contract would be lower, but exact costs will not be known until nearer the date the contract commenced.

A Member welcomed the report and commented that officers had done a sterling job in following up the actions previously agreed.

It was resolved unanimously to:

- a) agree to the preferred procurement route of using the Crown Commercial Services framework for electricity supplies for the Council's property and streetlighting portfolio, for the supply period from 1 October 2024 to 31 March 2028. (Option 2 as set out in the report);
- b) delegate authority to the Executive Director of Place and Sustainability, in consultation with the S151 officer and the Chair and Vice-chair of Assets and Procurement Committee, to enter into a contract with Crown Commercial Services and with the electricity supplier named in their framework, for that supply period, and to select a trading strategy from the available options within that contract.

(Cllr Howell withdrew from the meeting)

4. Disposal of Former Primary School, Papworth Everard

The Committee considered a report on the sale of the former Primary School in Papworth Everard, most recently used as a Music Store by Cambridgeshire Music. The offer was being considered by the Committee as it was above the £500,000 limit delegated to officers. Interest had previously been expressed over recent years by This Land, the Parish Council and South Cambridgeshire District Council, but none of these routes had been progressed, so the property had been marketed commercially.

In response to Member questions:

- it was confirmed that the offer made by Wigwam Nurseries was an Unconditional cash offer, and was not dependent on that organisation securing Planning approval for change of use;
- officers confirmed that the buyer intended to convert the building into a nursery;
- officers were unaware of any proposals to construct housing on the site;
- officers advised that they were unaware of any risks in relation to the buyer, and that appropriate due diligence had been carried out. There had been nine offers in total;

- in response to a question as to whether any consideration had been given to retaining the freehold for the site, officers confirmed that leasehold may be considered for larger sites, but was not worthwhile for smaller assets, where buyers would expect to buy sites unencumbered.

Arising from the report:

- a number of Members commented that this was an extremely satisfactory outcome, securing the best price for the County Council and securing a valuable facility for the community. One Member noted that the average property sale for the postcode was £480,000, so this was a good outcome;
- a Member commented that he was surprised that the discussion on this property sale, which had not yet been concluded, was taking place in public, and suggested a view should be taken on whether such items should be considered in public session in future.

It was unanimously resolved to agree to the disposal of the property to Wigwam Nurseries Limited.

(Cllr Howell returned to the meeting)

5. Mechanical, Electrical and Buildings Maintenance Re-tender of Contract for Cambridgeshire County Offices, buildings and land assets

Members received a report which sought approval to re-tender for the Mechanical, Electrical and Buildings Maintenance contract for the Council's offices, buildings and land assets. The contract would cover reactive repairs, servicing and testing, and the rationale for awarding the contract, the proposed process, likely contract spend, risks and the benefits of this approach were outlined.

Arising from the report:

- in response to a Member question on the scope of the contract, it was confirmed that the contract could cover the Council's rural estates;
- based on previous contract spend, a Member asked if this contract took into account inflationary and resource pressures? It was confirmed that the numbers were based on anticipated spend and included an uplift. There was a slight increase in the maintenance costs, but this would be offset by reduced reactive costs. The schedule of repairs and maintenance would be priced, with a separate figure for each element;
- a Member queried the New Shire Hall constructor's defect liability contract, whether this had expired, or whether there would be an overlap with the new contract. Officers agreed to report back on the exact date but confirmed that it ended before the new contract would be awarded, which was why it was included in this contract. Action required;
- there was a query on whether social value elements were embedded in this contract, given the significant expenditure involved e.g. respecting diversity, apprenticeships, good working conditions, where the Council could have a real impact on its communities, and how this would be measured. Officers confirmed that there would be

weighting on different criteria, and whilst this work had not yet commenced, it would form the next stage in the procurement process;

- noting that the favoured SFG20 route comprised a mix of reactive and maintenance elements, each with a fixed price, a Member observed that that the value would be dependent on what happened during the lifetime of the contract. Noting the delegation in the recommendations, he asked what would happen if the estimate of £12.6M was significantly exceeded. The Executive Director for Finance and Resources confirmed this would be recorded as overspend and detailed how this would be dealt with in practice;
- in response to a question on Community Wealth Building, and the flexibility to use local contractors, officers explained that the expectation was that subcontractors would primarily be local SMEs;
- a Member observed that the proposed approach of having a regularised price list would result in 35% higher costs than a core PPM (Planned Preventative Maintenance) contract, which equated to around £450K per annum. Noting the assertion that SFG20 could save 20% of total costs, the Member asked if it was worth paying this £450K premium. Officers explained that more work would be undertaken on a planned basis, resulting in less reactive work. There would be an additional cost due to more items of work being carried out on a planned basis, which would as a result deliver a reduction in required cost for reactive maintenance and failure of systems.

A Member asked whether the final decision should be for Committee approval, rather than delegated to the Executive Director in consultation with the Chair/Vice Chair. Officers confirmed that only specific larger scale contracts came back to Committee for approval. Another Member commented that in some other local authorities, these type of procurement decisions required final approval by the relevant Committee, in confidential session if necessary. He suggested that the inception of this Committee may warrant lowering the threshold. The Chair responded that Members do have role in procurement, but there was a limit to the number of procurements and contracts that could be scrutinised by the Assets and Procurement Committee. She suggested a future workshop on these issues may be the way forward, in establishing the appropriate level.

It was resolved unanimously to:

- a) authorise the re-tender of the Mechanical, Electrical & Building maintenance contract for the non-school buildings and land assets, which is due to expire on 31st October 2024;
- b) approve the commencement of the re-procurement of the Mechanical, Electrical and Building maintenance contract for an initial term of 3 years from 1 November 2024 to 31 October 2027 with the option to extend annually for a potential further 2 years in total which equates to a 3 + 1 + 1 year term; and
- c) delegate responsibility for evaluating and awarding the framework contract to the Executive Director of Finance and Resources and in accordance with Council procedures in consultation with the Chair and Vice-Chair of Assets and Procurement Committee.

6. Reinforced Autoclaved Aerated Concrete (RAAC) school buildings

The Committee considered a report on Reinforced Autoclaved Aerated Concrete (RAAC) in school buildings. The report explained what RAAC was, how it had been used in the past, and the risk it presented, by spontaneously collapsing under certain circumstances.

The Council had been very proactive and prudent in its approach to RAAC, and commenced a programme of surveying schools in 2021. All 268 Cambridgeshire schools had been assessed, and the 228 schools in scope had been surveyed. Five schools were due to be revisited during half term, but this was for administrative purposes only, and was not because there were concerns that RAAC may be present. All State schools, including Academies, had been assessed, and the Council's duty of care for pupils of Cambridgeshire schools had been fulfilled.

Arising from the report:

- a number of Members commented that the outcome of the inspections was highly commendable, and a great relief to the Council and residents;
- it was confirmed that if any RAAC was discovered in any other part of the Council's properties, this would be reported to the Committee;
- it was noted that some other authorities had chosen not to survey Academy schools. The wider issues of local authorities being responsible for the safety of Academy pupils and buildings was discussed, noting there was no funding for that element of the Council's work. It was suggested that it may be worth lobbying central government, possibly through CCN, on the additional burden the RAAC surveys had placed on Councils. **Action required;**
- the Committee noted, in response to a question, that only 228 schools were required to be surveyed ("in scope"), as the other schools were constructed at a time when RAAC was not used as a construction material;
- it was noted that officers did not have information on RAAC in Private Schools, but agreed to check with Education colleagues. **Action required.**

It was resolved unanimously to:

- a) note the completion of the surveys and the findings;
- b) commend the proactive cross Council working within Property and Education teams to be in the position for CCC to report the outcome;
- c) that 268 schools were either assessed or surveyed and no presence of RAAC was found.

(due to Local Member availability, the Chair agreed to take the next two items out of sequence)

7. Land and Property Performance Report

Members considered a report on the activity and performance of the Property Team. This would be a standing item going forward, which would also monitor the proposed transformation process through the new Property Strategy. Officers detailed how the new asset management system, Concerto, would benefit the Council. They also outlined the proposed governance processes, and the performance measures currently reviewed.

Arising from the report:

- noting that there were 46 FTE (Full Time Equivalent) staff members on the property team, a Member asked if a breakdown could be provided at future Committee meetings. It was confirmed that there were some vacancies, and that around 20 of the 46 staff worked in the Facilities Management team. It was suggested that this information i.e. breakdown and vacancies should be included in future reports. **Action required;**
- it was confirmed that the Strategic Property Board will report to Corporate Leadership Team and the Assets & Procurement Committee;
- a Member asked about the alignment of the team with the Council's Net Zero emissions target, noting that the reinvigorated Climate Strategy did not include a strategy and targets for the Council's buildings portfolio. It was confirmed that this would form part of the Property Strategy, which the Committee would consider at its January 2024 meeting, and that that decarbonising the Council's property portfolio was a key focus;
- officers confirmed that work was already being undertaken to optimise the Council's assets e.g. identifying synergies, especially where such synergies could benefit communities;
- a Member observed that the indicator for rent per acre for the rural estate was misleading, as it was based on the average for the East of England, and Cambridgeshire land was generally more valuable as it had more fertile soil. The Member suggested that it was important to set stretch targets.

It was resolved unanimously to note the contents of the report and identify further reporting to be presented and considered to show the transformation, change and improvements at future meetings of this Committee.

8. Update on Disposal of Former Mill Road Library

Members considered an update on the disposal of the former Mill Road Library. At a meeting in March 2023, the Strategy and Resources Committee had considered a number of bids and accepted an offer for this site from Centre 33, a charity working with young people across the county. The offer had been conditional on planning permission being received. The Strategy and Resources Committee had also required that there was a restriction on future use, i.e. if the buyer wanted to sell the site for a profit in future.

Over the last six months, Centre 33 had carried out more surveys and design work, and also had discussions with the local planning authority, and commissioned valuations.

Heads of Terms had been agreed on 12 September 2023. With the Committee's approval, legal packs would be exchanged with Centre 33.

A Member asked the reasons for the delays with the legal packs. It was confirmed that it was a complex site, not least because of the age, condition and legal restrictions that applied to the site. It was confirmed that Centre 33 would have 15 days to exchange and pay a deposit, and that Heads of Terms were usually drafted initially by surveyors, with the detail provided by the legal teams.

A Member noted that the sale was conditional on planning permission being agreed, and asked if it was unusual that the buyer had not undertaken any formal pre-planning at this stage. It was noted that there had been some informal discussions with planning teams, but no formalised pre-application discussions. If the sale fell through, the site would be remarketed.

The Local Member, Councillor Howitt spoke on the report. He thanked officers for their work on this matter, and explained how the building had been restored. It was a historic and unique building, and it was vital that the right decision was made, and that there was a restrictional covenant on the building. Whilst Centre 33 was the best bidder, he felt the consultation process should have been more transparent, which he felt was a learning point for future sales. Centre 33 was a well known charity undertaking important work in Cambridgeshire, and he outlined the reasons for the delays. He felt it was important that the Council was flexible, which was preferable to the alternative of remarketing the site. He advise that one element of Centre 33's bid was that they would keep an element of public access for the local community.

It was confirmed that the sale would be a freehold disposal. A Member suggested that leasehold should be considered when such sales were made, as there were advantages for the Council maintaining the freehold in the longer term. The Chair commented that could be considered as part of the Property Strategy when it was considered by the Committee.

A Member observed that the process of evaluating bids at Strategy and Resources Committee had been complex, and that aspirations for the future use of the building had formed part of that evaluation, so he was concerned that there was doubt as to whether this sale would be progressed. Strategy and Resources Committee had requested that an update should be presented if the sale had not been completed within six months, on the presumption that it should not take that long. Whilst supporting the view that Centre 33 remained the best bidder, he felt that it would be regrettable if the sale did not progress at this stage.

It was resolved unanimously to note current progress on the Heads of Terms.

9. Procurement Governance and Performance Report

The Committee considered a report Governance and Performance of the Procurement and Commercial team and function across the Council. The report covered the first quarter of the financial year (1st April to 30th June 2023). Members noted that since the report had been published, the September procurement pipeline was now available on the County

Council website. The report also explored governance arrangements, and highlighted specific challenges.

Arising from the report, individual Members:

- observed that waivers had been a focus for both Members and senior officers in recent years, with the Chief Executive making a commitment to regularly review waivers. Despite this, there remained a surprisingly large number of waivers. Whilst the Council was moving in the right direction, and a pipeline had been created, the Member hoped it would continue to improve, especially with the inception of this Committee. The Member asked if a list could be provided by quarter, to cover the previous eight quarters, so any trends could be monitored, and that information was provided on (i) the number of waivers as a percentage of the total number of contracts let in the period, and (ii) the value of contracts subject to waiver, grouped in bands. Officers committed to provide this information in future report. **Action required;**
- noting that the most significant efficiency came from the identification of duplicate funding of a blocked bed, a Member asked if that funding had been reclaimed, and whether the management oversight which had led to this duplication been addressed. Officers agreed to provide that information, and advised that in terms of funding of beds, policies and checks were in place to ensure that there was no duplication in future. **Action required;**
- noted that only 52% of staff had completed the mandatory procurement training, which was disappointing. Officers confirmed that in addition to the 52%, there were non mandated staff who had undertaken the training. This information was being updated for future reports, to reflect the true picture with regard to mandated staff;
- observed that only 15% of direct award cases on the contract register received prior approval. Officers confirmed that they were working with those who place direct awards to improve this figure;
- thanked officers for the information provided, which would give Members a much deeper understanding of how procurement worked in practice. The Member suggested that it would be helpful for Committee Members to have a “deep dive” into a specific procurement exercise. Another Member agreed, and commented that it would be helpful for all Members to have a greater understanding of procurement, not just Members of this Committee, and suggested that this could be achieved through a combination of training and seminar events;
- commented that the Council’s procurement function had not always performed well in the past, but was improving, and this Committee was part of that improvement process. He asked if it would be possible for the Committee to see a Procurement Improvement Plan. The Chair agreed to discuss this issue with officers.

It was resolved unanimously to note the contents of the report and identify further reporting to be presented and considered at future meetings of this Committee.

10. Procurement Legislation

The Committee received a report on the forthcoming Procurement Act which was expected to receive royal assent 7th November. The report set out the key changes the Act would introduce, the actions required and key risks.

In response to a Member question, it was confirmed that the aim of the legislation was to reduce bureaucracy in terms of procurement processes, however many restrictions remained the same with regard to public procurement, and the level of transparency requirements were identified as a key risk through in the legislation.

A Member observed that all attempts to reduce bureaucracy and increase transparency should be welcomed. He suggested that good procurement practices needed to be further embedded through a Procurement Improvement Plan and training. In particular, there was scope to add value through smaller contracts, and the social value those smaller contracts could potentially bring.

It was resolved to note the report.

11. Assets and Procurement Committee Draft Training Plan

The Committee received a draft Training Plan. The focus was on the strategic elements of assets and procurement issues. The Training Plan proposed a hybrid approach, with a mixture of in person training, e.g. immediately before Committee meetings, and online training and “VLOGS” which could be accessed at any time. The various areas that would be covered in the early stage of the Training Plan were outlined.

Arising from the report:

- a Member welcomed the training plan, and suggested sessions on both Social Value and Triple Bottom Line would be helpful;
- a Member suggested that the format of online/video should be consistent;
- a Member suggested that the “Induction and Role of Assets and Procurement Committee” should be brought forward;
- welcomed the suggestion of opening up training to non-Committee Members, given the subject areas were relevant to all areas of the Council’s work. It was agreed that training would be open to all Members, but the focus and scheduling would be based on Assets and Procurement Committee Members’ availability.

The Committee resolved unanimously to:

- a. Note the report;
- b. Consider both the format and content of the draft training plan attached at Appendix 1, noting any changes in that or timings.

12. Assets and Procurement Committee Agenda Plan

The Committee reviewed the Committee Agenda Plan, noting a number of changes. It was confirmed that the Reserve meeting date scheduled for January 2024 would definitely be going ahead.

Arising from the report:

- a Member requested that Committee meetings in 2024/25 were scheduled so that they fitted in better with performance reporting;
- in response to a Member question on the strategy/action plan to deliver net zero across the Council's estates, officers confirmed that such an action plan would form part of the Property Strategy. Additionally, an Improvement Plan was already in place as a result of Audit and Accounts Committee recommendations. Another Member highlighted that there were already a number of actions relating to the decarbonisation of the Council's buildings in the Climate Change Action Plan;
- it was confirmed that there were also actions in place in relation to the improvement of procurement processes, and a request for a specific Procurement Improvement Plan was noted;
- a Member asked if the Director of Legal and Governance could give careful consideration to the items that would be taken exempt session, as in some cases the anonymisation of bidders would be required, especially where disposal of land or assets had not yet been confirmed. Officers agreed to pick this up through the Statutory Officers Group. Action required.

It was resolved to:

- a) note the agenda plan;

13. Exclusion of Press and Public

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

14. Procurement of Consultants – Cambridge Biomedical Campus

The Committee considered a report relating to the procurement of consultants in relation to Cambridge Biomedical Campus.

It was resolved, by a majority, to:

note the position in relation to the procurement of consultants as identified in the report and to approve the procurement of consultants as indicated in section 2.5 and 2.6.

Assets and Procurement Committee Minutes - Action log

This is the updated action log as at 31st October 2023 and captures the actions arising from the most recent Assets and Procurement Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Assets and Procurement Committee minutes of 18th October 2023

Minute	Item	Officer	Action	Comments	Status
5.	Mechanical, Electrical and Buildings Maintenance Re-tender of Contract for Cambridgeshire County Offices, buildings and land assets	Chris Ramsbottom	A Member queried the New Shire Hall constructor's defect liability contract, whether this had expired, or whether there would be an overlap with the new contract. Officers agreed to report back on the exact date.	The 12 month defect liability period ended in February 2023, we have some items within the building on a warranty for a further 12 months. The contractor R G Carter is still engaged by ourselves to carry out repair work due to their knowledge and continuity of the building, however this will end once the new Contract is in place in Nov 2024.	complete
6.	Reinforced Autoclaved Aerated Concrete (RAAC) school buildings	Chris Ramsbottom	It was suggested that it may be worth lobbying central government, possibly through CCN, on the additional burden the RAAC surveys of Academies had placed on Councils.	Service Director Education has approached DfE to ask if they would fund the academy school surveys. We are awaiting a definitive response and will furnish the DfE with costs of this work.	ongoing
6.	Reinforced Autoclaved Aerated Concrete (RAAC) school buildings	Chris Ramsbottom	it was noted that officers did not have information on RAAC in Private Schools, but agreed to check with Education colleagues.	Education colleagues do not hold the information on Private independent schools within Cambridgeshire.	complete
7.	Land and Property Performance Report	Chris Ramsbottom	Property team breakdown and vacancies should be included in future reports.	This will be included within the report at the next A&P Committee on 28 November 2023.	complete
9.	Procurement Governance and Performance Report	Clare Ellis	Waivers: Member asked if a list could be provided by quarter, to cover the previous eight quarters, so any trends could be monitored, and that information was provided on (i)	The waiver information will be provided next time I do a performance report, likely the meeting after January – can't remember when that is.	

			number of waivers as a percentage of contracts let in the period, and (ii) the value of contracts subject to waiver, grouped in bands.		
9.	Procurement Governance and Performance Report	Clare Ellis	noting that the most significant efficiency came from the identification of duplicate funding of a blocked bed, a Member asked if that funding had been reclaimed, and whether the management oversight which had led to this duplication been addressed. Officers agreed to provide that information	Committee emailed response on 31/10/23: The duplicate amount was recouped and processes have been put in place to ensure that duplicate funding does not happen again.	Completed
12.	Committee Agenda Plan	Emma Duncan	a Member asked if the Director of Legal and Governance could give careful consideration to the items that would be taken exempt session, as in some cases the anonymisation of bidders would be required, especially where disposal of land or assets had not yet been confirmed. Officers agreed to pick this up through the Statutory Officers Group.	<p>This text is being sent to all Report Authors plus training on report writing and the use of the exemptions is taking place in November.</p> <p><i>There is a presumption that all material relevant to a decision will be public and reports in private business should be the exception rather than the rule. The nature of the information needs to be considered from the outset and the extent to which all/some of the information needs to be in private. Confidential appendices should be considered where possible so that the report is able to be considered in public. Please clearly identify the category to which the exemption relates and the reasons why it is considered to be necessary so that an assessment can be made as to whether the exemption is justified.</i></p>	Complete

Appointment of Light Blue Fibre Shareholder Representative

To: Assets and Procurement Committee

Meeting Date: 28 November 2023

From: Executive Director of Place and Sustainability

Electoral division(s): All

Key decision: No

Forward Plan ref: N/a

Outcome: This report seeks the approval to appoint the Council's Shareholder Representative for the Light Blue Fibre Joint Venture Company.

Recommendation: The Committee is recommended to:

Appoint the Executive Director of Place and Sustainability as the Council's Shareholder Representative for Light Blue Fibre Joint Venture Company.

Officer contact:

Name: Ceren Clulow

Post: Connecting Cambridgeshire Programme Director

Email: ceren.clulow@cambridgeshire.gov.uk

Tel: 01223 715923

1. Background

- 1.1 In July 2023, the Environment and Green Investment Committee received an update on the progress of the Light Blue Fibre (LBF), Joint Venture Company between Cambridgeshire County Council and the University of Cambridge. [Link to Committee Paper](#). The development of fibre assets in infrastructure schemes was highlighted as a key element of the Cambridgeshire and Peterborough Digital Strategy for 2021-25 (Link here). The Company was established to market and develop fibre assets on a commercial basis. The purpose was to simultaneously facilitate digital connectivity.

2. Main Issues

- 2.1 The company's governance structure incorporates three nominated directors from each organisation with a number of reserved matters which require sign off from the shareholders representative for each organisation. Current nominated LBF Directors are:

Organisation	Name
University	Senior Pro-Vice Chancellor
University	Director Information Services
University	Head of Infrastructure
Council	Service Director, Finance and Procurement
Council	Service Director, Planning Growth and Environment
Council	Light Blue Fibre Director, Programme Director for Connecting Cambridgeshire

- 2.2 Light Blue Fibre Director is directly reporting to the Connecting Cambridgeshire Programme Director and the current contract is coming to an end on 30th November 2023. To continue smooth running of Light Blue Fibre, a phased transition of the CCC leadership of LBF to the Connecting Cambridgeshire Programme Director has been in place for the last 10 months. Following the appointment of the new Director by the LBF Board, the required personnel change will be addressed in consultation with HR by 1st December.

Joint Venture Shareholders Agreement - Reserved Matters

- 2.2 The legal structure of the company is underpinned by the Joint Venture Shareholder Agreement (JVSA) which sets out the details of how the university and the Council will work together to run the company.
- 2.3 The JVSA includes matters which cannot be determined by the Directors and have to be authorised by the respective shareholders representatives. Any changes to existing licence terms or key changes to licences are "reserved matters" which are referred back to the respective shareholders representative for each organisation. The full list of reserved matters are included as a schedule within the JVSA as follows:

Matters reserved for shareholder approval

- The change of its name or articles of association.
- The commencement by the Company of any new business not being the Business.
- The declaration or payment of a dividend.
- The appointment or dismissal of a director otherwise than in accordance with clause 5.3.

- v. The admission of any person (whether by subscription or transfer) as a member of the Company.
- vi. The approval to extend the term of this agreement beyond the Initial Term or the Final Phase.
- vii. The entering into or making itself liable for any capital commitment (whether by way of purchase, lease, hire purchase or otherwise) which exceeds £25,000 (exclusive of VAT) in any financial year, except where such capital commitment is provided for in the Business Plan.
- viii. The entering into of a contract or arrangement under which it will incur costs of more than £25,000 in any financial year except where such capital commitment is provided for in the Business Plan
- ix. The borrowing of any monies or incurring any indebtedness or other liability.
- x. The grant, creation or allowing to arise any charge, security, pledge, mortgage, lien or encumbrance over any of its assets or shares or entry into any agreement to grant the same or any modification thereof (other than charges arising by operation of law in the ordinary course of business or as envisaged by any financing documents applicable to it).
- xi. The commencement, discontinuation or settlement of any litigation, mediation or arbitration or other proceedings where the amount claimed (either by or against it) together with any costs incurred (or likely to be incurred) in connection with such proceedings exceeds £25,000 (exclusive of VAT).
- xii. Application for the listing or trading of any shares or debt securities on any stock exchange or market.

2.4 The sole purpose of the shareholders representative role is to act on behalf of the Council in the event that there is a proposed change to an item that falls within the scope of reserved matters. To date this has not occurred and there has been no recourse to the shareholders representative for either organisation, however as outlined in “Upcoming Decisions” below, it is likely that a request to amend the licence term (item 6 above) will be forthcoming from the company by the end of 2023.

2.5 Initially, the Council’s LBF Shareholder Representative was the Deputy Chief Executive and Section 151 Officer. Then the Executive Director for Place and Economy (as was) was appointed for the role. Due to the change in personnel, it is recommended to assign the Shareholder Representative responsibility to the Executive Director for Place and Sustainability role who will act on the Council’s behalf.

Previous Approvals

2.6 The creation of the company was approved under the Committee structure of the previous administration, with approval to proceed being issued by the (as was) Commercial & Investment Committee and with ongoing governance oversight passing to the (then) Economy & Environment Committee, as part of the overall oversight of the Connecting Cambridgeshire Programme.

2.7 The Environment and Green Investment Committee does not currently have the delegation to act as shareholder representative for LBF. However the Assets and Procurement Committee has the delegation to act as shareholder representative for all wholly owned and joint venture companies which are not otherwise the responsibility of another committee, which would include LBF. Therefore, the delegation is required to be made by this committee.

- 2.7 In the latest committee restructuring , committee oversight of the Connecting Cambridgeshire Programme now sits with the Environment and Green Investment Committee, although this has not formally been recognised in the currently published [P&S Scheme of Authorisation](#)

Upcoming decisions

- 2.8 It is anticipated that there will be a formal request from the company to the Council to extend the licence term as part of any agreement with EU Networks side agreement and to offer an extended licence to City Fibre and potentially other Alt Net providers.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

There are no significant implications for this ambition.

- 3.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

- 3.3 Health inequalities are reduced

There are no significant implications for this ambition.

- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

- 3.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.

- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications for this ambition.

- 3.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

4. Significant Implications

- 4.1 Resource Implications

There are no significant implications within this category.

- 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

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

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

4.8 Climate Change and Environment Implications on Priority Areas

There are no significant implications within this category.

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 Head of Procurement and Commercial? Yes Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes Name of Legal Officer: Stephen Randall

Have the equality and diversity implications been cleared by your EqIA Super User? Yes Name of Officer: David Allatt

Have any engagement and communication implications been cleared by Communications? Yes Name of Officer: Kathryn Rogerson

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes Name of Officer: David Allatt

Have any Public Health implications been cleared by Public Health? Yes Name of Officer: Kate Parker

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

5. Source documents

5.1 Source documents

[Light Blue Fibre Annual Progress Report
- Environment and Green Investment Committee July 2023](#)

5.2 Location

New Shire Hall, Alconbury Weald

Land and Property Performance Report

To: Assets and Procurement Committee

Meeting Date: 28 November 2023

From: Executive Director of Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: N/a

Outcome: That Committee considers and notes the information below on the activity and performance of Property Service.

Recommendation: The Committee is asked to note the contents of the report and highlight any further details to be presented and considered to show the transformation change, improvements, and current position at future meetings of this Committee.

Officer contact:

Name: Chris Ramsbottom
Post: Service Director Property
Email: chris.ramsbottom@cambridgeshire.gov.uk
Tel: 01223 699470

1. Background

- 1.1 The Property Service is responsible for the strategic and operational management of the Council's land and property portfolio. These include both owned and leased assets. The assets range from operational buildings such as Offices, Libraries, Childrens and Adult Centres, the County Farms Estate with 160 tenants, 33,000 acres of land with an associated £6m revenue income. A £150m commercial investment portfolio, with an overall value of assets of approximately £1.4bn, and circa £16m of rental income per annum. The Property Service have a gross revenue budget of £12.937m, and an income budget of £8.424m and thus a net revenue budget of £4.513m per annum.
- 1.2 The Property Service is divided between three teams:
- Strategic Assets and Estates (Urban, Rural, Strategic Development, Commercial Investment).
 - Facilities Management (Soft, Hard, and Project work).
 - Property Compliance and Health and Safety.

2. Main Issues, Governance and Performance

Property Team

- 2.1 An action from the previous Assets & Procurement Committee (A&P) in October asked if the staffing establishment for each team within Property could be expanded in more detail. This is detailed below within the three tables.

Facilities Management Team	Actual FTE
Post Title	
Head of Facilities Management	1.00
Premises Programme Manager	1.00
Facilities Manager	1.00
Premises Manager - Building Surveyor	1.00
Premises Manager - Mechanical & Electrical	1.00
Contract Manager	1.00
Premises Project Manager	1.00
Site Facilities Manager	1.00
Site Facilities Officer	1.00
Site Facilities Officer	1.00
Site Facilities Officer	1.00
Facilities Technical Officer	1.00
Property Services Helpdesk Officer	1.00
Property Services Helpdesk Officer	1.00
Site Facilities Officer	1.00
Finance Administrator	1.00
Environmental FM Manager	1.00
Project Manager – Premises	0.40
Contract Administrator	1.00

Finance Administrator	1.00
Building Engineering Maintenance Engineer (Apprentice)	1.00
Total Salary Cost (£) of Team (not including 33% on cost for NI/Pension)	£701,509.00

- 2.1 All current FM posts are filled, with no vacancies. Please note that £151,000 is recharged back to the FM salary revenue budget from project management costs on FM Capex projects to give the figure of £701,509. FM is currently on target to achieve this.

Strategic Assets and Estates Team	Actual FTE
Post Title	
Head of Assets	1.00
Business Support Assistant	1.00
Rural Estate Manager	0.80
Asset Manager Urban	1.00
Strategic Asset Manager	0.70
One Public Estate Programme Manager	0.27
Asset Review Manager	Vacant
Asset Records Manager	1.00
Principal Surveyor Urban	1.00
Estate Officer Rural	1.00
Principal Surveyor Rural	1.00
Principal Surveyor Rural	1.00
Principal Surveyor Urban	0.50
Surveyor	1.00
Principal Surveyor Urban	1.00
Principal Surveyor	0.41
Graduate Surveyor - Rural	1.00
Surveyor	1.00
Traveller Site Manager (Temporary)	0.20
Client and Void Property Resource Manager	1.00
Total Salary Cost (£) of Team (Not including 33% on cost for NI/Pension)	£638,094.00

Compliance Team	Actual FTE
Post Title	
Compliance Manager	1.00
Fire Safety Advisor	0.80
Compliance Technical Support	1.00
Compliance Officer	1.00
Compliance Technical Manager	1.00
Total Salary Cost (£) of Team (Not including 33% on cost for NI/Pension)	£188,232.00

Corporate Property Strategy and Corporate Landlord

- 2.2 Although Cambridgeshire County Council operates under a Corporate Landlord Model whereby the ownership of assets and the responsibility for their management, maintenance and funding is transferred from services to a central corporate body (Property Services i.e the Corporate Landlord), this model requires strengthening and embedding further across the Council which will then enable a strategic approach to property and asset management which is truly aligned to the Council's Strategic Framework, its vision, and contribute to the enablement of the Council's 7 ambitions.
- 2.3 Property are currently developing and writing a new Corporate Property Strategy. It will provide strategic direction and orientates the Council into how the property assets need to be managed, how it expects them to perform, and puts in place the governance structure within which property asset management will be aligned to corporate strategy with performance and decision making identified at a corporate level to ensure the assets we hold are contributing to the Council meeting its vision and ambitions.
- 2.4 It is the intention that the Corporate Property Strategy will be brought to the A&P Committee on the 16 January 2024.
- 2.5 The Corporate Property Strategy will provide a high-level, long-term framework for the management and decision-making on all property assets and will be comprise of three elements: a Corporate Property Strategy, an Asset Management Policy, and an Asset Management working action plan.
- 2.6 Under a Corporate Landlord model Property is seen as a corporate asset with Property acting as the landlord with service users as the tenant. The benefits for this approach are efficiency, consistent health and safety standards, better statutory compliance, informed decision making at a corporate level and better quality of assets which are better utilised, are accessible and contribute to a better experience for the users of these assets.

Property Asset Management System (Concerto) Update:

- 2.7 The Council procured and have commenced the implementation of a Property Asset Management System with Computer Aided Facilities Management (CAFM) software capability, the system is called 'Concerto'. The contract was awarded in April 2023.

Currently all Property related data and information is held in numerous different spreadsheets and document files which are not integrated with each other. This makes current reporting and performance management difficult and time consuming. Once all Property data is transferred and migrated into Concerto on a site-by-site basis we will have the ability to interrogate sites individually or by segment and use the data to enable report writing, performance analysis, governance and have confidence to allow strategic and operational decision making based on evidence and robust data.

The transfer of data for each land or property holding is a large task and we have programmed a completion date of all data by May 2024, although individual modules will become live and usable as they are completed.

The first area to go live onto the system was the help desk which has recently migrated over and is operating within the Concerto system.

We will hold information sessions for staff and members to highlight the full virtues and improvements the system will derive for Property Services and CCC as a whole and it will complement the improvements the move toward the adoption of a Corporate Property Strategy and Corporate Landlord model as mentioned earlier within this report.

Performance Measures



- 2.8 Across the Property Service there are a range of measures to assess performance and effectiveness of our estate. These are internal measures as well as benchmarking against similar bodies via the use of CIPFA, amongst others.

We are currently reviewing the KPIs and measures we are collating to ensure that they are relevant and can be used to drive and stretch improvement and change where required, as well as benchmarking against other similar authorities.


The re-procurement of the M&E, Building Framework Contract, the procurement of which was approved at the previous A&P Committee in October, will include within the contract a suite of KPIs which will be SMART and measure, challenge and incentivise the contractor to perform and achieve the targets set.

The following are the current key measures we report and benchmark ourselves against which were presented previously at Committee and this now shows the movement and progress of each indicator outcome.

• Water Hygiene



Compliance	No of sites	Position at A&P Committee on 18 October	Current Position	Annual
Water Hygiene Legionella testing	101	21% Completed 31% Quoted and Programmed 48% to arrange	23% Completed 29% Quoted and Programmed 48% to arrange	On Target 
Water Temperature Monitoring	101	98% Completed (monthly)	93% Completed (monthly)	Still On Target 

• Asbestos Management

Compliance	No of sites	Position at A&P Committee on 18 October	Current Position	Annual
Annual review of individual site Asbestos Asset	137	81% complete	85% complete	On Target 


Management Plans				
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- Fire Safety**

Compliance	No of Sites	Position at A&P Committee 18 October	Current Position	Annual
Fire Risk Audits	188	98% Complete	98% Complete	On Target 
Fire Extinguisher Maintenance	188	76% complete	88% complete	On Target 

- Control Of Contractors**

This is a system where we manage and measure our contractors who visit our sites To carry out work against the 5 C's Control of Contractor system we use. The 5 C,s which are measured are Control of contractor, Co-ordination, Communication, Competence and Co-operation. This involves visiting each site and checking that all documentation was completed by contractors carrying out work. It is a retrospect audit.

Compliance	No sites	No of Sites checked by Compliance team for contractor adherence at A&P Committee 18 October	Current Position	Annual Target 100%
Audit and check Contractor adherence on site to the 5 C model when visiting sites.	188	27%	29%	Improvement but still off Target (Resource issue to be addressed) 

Compliance	Annual Target	Position at last A&P Committee on 18 October	Current Position
Annual Awareness Training for Site Managers, Custodians, caretakers to understand their responsibilities for 5Cs, Asbestos Management, Water Hygiene, Fire Safety which is delivered by the compliance team	10 No courses	Courses delivered 3 No Courses booked and still to be delivered 7 No	Courses delivered 7 No Courses booked and still to be delivered 3 No  On Target

- **Strategic Estates**

We collate two Estate indicators which are corporately managed as part of the suite of Corporate Performance Indicators.

Indicator 171: Rent per acre obtained from Rural Estate. The target is £107/acre, this is based, set and benchmarked by Defra throughout the East of England. Our current performance is £146/acre which is a positive and improving outcome as a comparator with the rest of the East of England. Following member comment that, although this is a benchmarked indicator, we are fortunate in regard to the environment Cambridgeshire finds itself in comparison with the rest of the East of England and it was felt we would always be reporting a favourable outcome without the need to stretch ourselves, therefore we are looking at alternative more meaningful indicators which we can measure against others which will also drive improvement.

Indicator 204: Annual forecast of gross income from our commercial investment as a percentage of initial investment. The target is 6% and our forecast is we will achieve 5.79% and is an improving outcome, one based against a current uncertain national economic position and based on the risk profile of investments.

Asset Valuations

- 2.9 Each asset is required to be fully revalued every 5 years with a partial revaluation and uplifts carried out annually in line with CIPFA requirements. This work is essential and is part of the Council's statement of accounts. This year the timescales have been brought forward to complete this work to be aligned with finance colleague requirements and the statutory deadline to deliver our statement of accounts by 31 May 2024. This item is to give assurance that we have, with Bruton Knowles our external framework asset valuer, developed new processes and procedures and put in place more robust and accountable project and programme management regimes and we are confident the valuation process is progressing this year to programme and without any issues of concern and will be incorporated within the timeframe required by our Finance colleagues.

Rural County Farms Estate.

- 2.10 I wish to draw Committee's attention to the Autumn 2023 Rural Views Newsletter produce for the tenants of Cambridgeshire County Farm Estate. This is produced quarterly and is very informative regarding estate news, performance, views, and events.
The link is included below for your convenience.
<https://www.cambridgeshire.gov.uk/asset-library/2023-autumn-newsletter.pdf>

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes.

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

- De-carbonisation of our existing building portfolio is a key strategy moving forward to assist the council achieving its net zero commitments.

- 3.2 Travel across the county is safer and more environmentally sustainable.

There are no significant implications although property rationalisation with the required assets in the right locations with both public and active travel availability will contribute to this ambition.

- 3.3 Health inequalities are reduced.

There are no significant implications.

- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs.

There are no significant implications.

- 3.5 Helping people out of poverty and income inequality.

There are no significant implications.

- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised.

A Corporate Property Strategy will enable economic growth within communities.

- 3.7 Children and young people have opportunities to thrive.

Access to good quality public buildings will enable communities to thrive.

4. Significant Implications

Not required

5. Source documents

5.1 Source documents

None

This Land – publication of Shareholders Agreement

To: Assets and Procurement Committee

Meeting Date: 28th November 2023

From: Executive Director Finance & Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: N/a

Outcome: The Shareholders Agreement regulates the relationship between This Land Limited (“the Company”) and Cambridgeshire County Council (“the Council”) (as the company’s only shareholder). Through receiving the Shareholders Agreement at Committee, there is transparency as to the arrangements in place for the governance and management of the Company

Recommendation: The Committee is invited to note the Shareholders Agreement for This Land Limited

Officer contact:

Name: Tom Kelly
Post: Service Director: Finance and Procurement
Email: tom.kelly@cambridgeshire.gov.uk
Tel: 01223 703599

1. Background

- 1.1 This Company (and its subsidiaries forming the This Land Group) is a housing development company wholly owned by the Council. The Company operates as an independent entity, with its own economic character and rather than being directed by the Council. The Company is led by a board of directors who set the strategy of the firm and hold the executive team to account. The board is comprised of:
- six non-executive directors (appointed by the shareholder, of whom four are independent, and the two non-independent non-executive directors, currently the Executive Director for Place and Sustainability and a Councillor) (the “Non-Executive directors”); and
 - two executive directors (the Company chief executive and chief finance officer) (the “Executive Directors”).
- 1.2 The Shareholders Agreement between the Council and the Company sets out the relationship and understanding between the Shareholder (Cambridgeshire County Council) and the Company for the purposes of conducting the business.
- 1.3 The Council has loaned £113.85m to the Company and also invested £5.85m as equity. In addition to the Shareholder Agreement, the Council has additional roles as the lender. There are also binding loan agreements, agreed for the long term loans advanced in the period up to 2021, which confer additional monitoring powers on the Council.
- 1.4 The Council is conducting a review of the governance arrangements that underpin the relationship with the Company and part of that has been a review of the Shareholders Agreement. At its meeting on the 11 July 2023, the then Strategy and Resources Committee delegated authority to agree the revised Shareholder Agreement to the section 151 officer. Following constitutional changes earlier in the Autumn, the Assets and Procurement Committee is now the shareholding committee for the Company, on behalf of the Council.
- 1.5 The revised Shareholders Agreement is published as an appendix to this report.

2. Main Issues

- 2.1 The review has confirmed that the existing Shareholders Agreement was not in need of significant change but there have been a number of amendments that will further improve governance.
- 2.2 The suggested revisions provide for the introduction of a Shareholder Review Group, which is internal to the Council. This will further formalise and coordinate the governance arrangements relating to the Company within the Council and has been established to support the Shareholder’s Representative and two Non-Executive Directors nominated by the Council. This new group will be an additional layer of governance and liaison between the Assets and Procurement Committee (as shareholder) and the Company Board. Briefing by This Land to Members through the shareholder regular updates will also continue. The Shareholder’s Representative is the Shareholder’s Section 151 Officer (or designated deputy).

- 2.3 To ensure this new group has effective oversight, the provisions for progress monitoring in Section 4 of the Agreement have been enhanced, for example to ensure that draft agenda and papers of all Board and committee meetings are received by the Shareholders Representative five 5 business days before the relevant meeting to which they relate and that copies of minutes of all Board and committee meetings are received fifteen (15) business days after the relevant meeting to which they relate.
- 2.4 The Shareholders Agreement has also been strengthened to ensure the draft business plan is received by the Shareholders Representative no later than 28th February for the following financial year. This continues moves in recent years to align the financial reporting years between the Company and the Council and to bring forward the consideration date for the Company business plan within the calendar year.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

There are no significant implications for this ambition.

- 3.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

- 3.3 Health inequalities are reduced

There are no significant implications for this ambition.

- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

- 3.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.

- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications for this ambition.

- 3.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

4. Significant Implications

4.1 Resource Implications

There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this ambition.

4.3 Statutory, Legal and Risk Implications

The Shareholder Agreement is a legal document and has been considered by Pathfinder Legal Services, on behalf of the Council, as part of this review.

4.4 Equality and Diversity Implications

There are no significant implications for this ambition.

4.5 Engagement and Communications Implications

There are no significant implications for this ambition.

4.6 Localism and Local Member Involvement

There are no significant implications for this ambition.

4.7 Public Health Implications

There are no significant implications for this ambition.

4.8 Climate Change and Environment Implications on Priority Areas

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral

4.8.2 Implication 2: Low carbon transport.

Neutral

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Neutral

4.8.5 Implication 5: Water use, availability and management:

Neutral

4.8.6 Implication 6: Air Pollution.

Neutral

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Neutral:

Have the resource implications been cleared by Finance? Yes
Name of Officer: Michael Hudson

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes
Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes Name of Officer: Stephen Randall

Have the equality and diversity implications been cleared by your EqIA Super User?
No

Have any engagement and communication implications been cleared by Communications?
Yes Name of Officer: K Rogerson

Have any localism and Local Member involvement issues been cleared by your Service. No

Have any Public Health implications been cleared by Public Health? No

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer? No

5. Source documents

5.1 Source documents

Shareholder Agreement Comparison version

APPENDIX

CAMBRIDGESHIRE COUNTY COUNCIL

AND

THIS LAND LIMITED

SHAREHOLDERS AGREEMENT

PARTIES

- (1) **CAMBRIDGESHIRE COUNTY COUNCIL** of New Shire Hall, Emery Crescent, Enterprise Campus, Alconbury Weald, Huntingdon PE28 4YE (the **Shareholder**)
- (2) **THIS LAND LIMITED** (company number 10237292) whose registered office is at Compass House Vision Park, Chivers Way, Histon, Cambridge, England, CB24 9AD (the **Company**)

RECITALS

- (A) The Shareholder established the Company for the purposes of the Business.
- (B) As at the date of this Agreement, the Shareholder holds 100% of the shares in the Company.
- (C) The Shareholder and the Company are entering into this Agreement to set out and clarify the relationship and understanding between the Shareholder and the Company for the purposes of conducting the Business.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, unless the context requires otherwise:

Accounting Reference Date means 31 March

Annual Remuneration Report has the meaning given in clause 4.1.5

Articles means the articles of association of the Company as amended or replaced from time to time in accordance with this Agreement

Shareholder Representative has the meaning given in the Articles

Board for the purposes of this Agreement means the board of directors of the Company

Business has the meaning given in clause 3

Business Day means a day (other than a Saturday or Sunday) on which banks are open for business in England

Business Plan means a five-year operational business plan and budget of the Company to be adopted pursuant to clauses 3.3 and 3.4

Confidential Business Information means, in relation to a person, all technical, commercial, financial or other information of whatever nature relating to that person's business, products, developments, services, trade secrets, know-how, personnel, supplies or historic current or potential customers, whether or not designated as confidential and whether disclosed orally, pictorially, in writing, by demonstration, by viewing, in machine readable form or by any other means

Deed of Adherence means a deed in the form or substantially in the form set out in Schedule 1

Director for the purposes of this Agreement shall mean a director of the Company, including any person occupying the position of director, by whatever name called

EIR means the Environmental Information Regulations 2004 and any subordinate legislation made under those Regulations from time to time, together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation

Encumbrance includes any mortgage, charge (fixed or floating), pledge, lien, hypothecation, guarantee, trust, right of set-off or other third party right or interest (legal or equitable) including any assignment by way of security, reservation of title or other security interest of any kind, howsoever created or arising, or any other agreement or arrangement (including a sale and repurchase agreement) having similar effect

Executive Director means a director who is a full or part time employee of the company engaged in an executive office to manage the day to day operations of the Company

Financial Year means each financial accounting period of 12 months ending on the Accounting Reference Date other than in relation to the first Financial Year which shall run on and from incorporation of the Company to and including the Accounting Reference Date in the following calendar year, or such longer or shorter period as the Board shall from time to time determine in accordance with clause 7.4 and Schedule 2 (*Reserved Matters*)

FOIA means the Freedom of Information Act 2000 and any subordinate legislation made under the Act from time to time, together with any guidance and/or codes of practice issued by the Information Commissioner or relevant government department in relation to such legislation

Independent Chair has the meaning given in the Articles

Insolvency means any of the following:

- (a) the presentation of a petition or giving of a notice, or the convening of a meeting for the purpose of considering a resolution, for the winding up or dissolution of, the passing of any resolution for the winding up or dissolution of, or the making of a winding up order against or order for the dissolution of, a party, other than for the sole purpose of a scheme for a solvent reconstruction of a party;
- (b) the appointment of a receiver, administrative receiver, receiver and manager, administrator, sequestrator or similar officer over all or any of the assets or undertaking of a party, the making or the giving of a notice for the intention of the making of an administration application or the presentation or the giving of a notice for the intention of the presentation of a petition for an administration order, or the making of an administration order, in relation to a party;
- (c) the proposal of, application for or entry into of a compromise or arrangement or voluntary arrangement, or any other scheme, composition or arrangement in satisfaction or composition of any of its debts or other arrangement for the benefit of its creditors generally, by a party with any of its creditors (or any class of them) or any of its members (or any class of them) or the taking by any party of any action in relation to any of the same or the filing of any documentation for the purpose of obtaining a moratorium pursuant to section 1A and paragraph 7 of schedule A1 of the Insolvency Act 1986 in relation to a party, other than for the sole purpose of a scheme for a solvent reconstruction of the party;
- (d) the taking by any creditor (whether or not a secured creditor) of possession of, or the levying of distress, execution, sequestration or enforcement or some other process upon, all or part of the property, assets or undertaking of a party;
- (e) the deemed inability of a party to pay its debts within the meaning of section 123 of the Insolvency Act 1986 or a party which is an individual appearing to be unable to pay a debt or to have no reasonable prospect of being able to pay a debt within the meaning of section 268 of the Insolvency Act 1986;

- (f) the suspension or threat of suspension of payment of debts by a party or the inability or admission of inability of a party to pay its debts as they fall due;
- (g) the ceasing or suspension or threat of ceasing or suspending, by a party to carry on the whole or a substantial part of its business;
- (h) the presentation of a petition for bankruptcy, or the making of a bankruptcy order, in respect of a party, the occurrence of circumstances in respect of a party which would enable the presentation of a bankruptcy petition under part IX of the Insolvency Act 1986 or the making of an application for an interim order or the making of an interim order under section 252 of the Insolvency Act 1986 in relation to a party;
- (i) the commencement by a party, of negotiations with all or any class of creditors of a party with a view to rescheduling any of the party's debts; and
- (j) the occurrence of any event or circumstance in relation to a party which has an effect equivalent or similar to any of the events mentioned in paragraph (a) to (i) above in any jurisdiction other than England and Wales

and **Insolvent** shall be construed accordingly

Intellectual Property Rights means any and all patents, inventions, registered designs, trademarks, service marks, applications for any of the foregoing or the right to apply therefor in any part of the world, design rights including community designs, database rights, copyrights, rights in the nature of copyright, moral rights, topography rights, trade names, logos, get-up, domain names, know-how and trade secrets, confidential information and all or any other intellectual or industrial property rights whether or not registered or capable of registration and whether subsisting in the United Kingdom or any other part of the world together with all or any goodwill relating or attached thereto

Nominations and Remuneration Committee means a committee of the board formed pursuant to clause 7.4.1 to perform the function detailed at clause 7.4.2(a)

Non-Executive Director is a director who is not a full or part time employee of the Company or holder of an executive office

Prohibited Act means any of the following acts:

- (a) to directly or indirectly offer, promise or give any person working for or engaged by a Member a financial or other advantage to: (i) induce that person to perform improperly a relevant function or activity; or (ii) reward that person for improper performance of a relevant function or activity;
- (b) to directly or indirectly request, agree to receive or accept any financial or other advantage as an inducement or a reward for improper performance of a relevant function or activity in connection with this Agreement;
- (c) committing any offence: (i) under the Bribery Act 2010; (ii) under legislation creating offences concerning fraudulent acts; (iii) at common law concerning fraudulent acts relating to this Agreement or any other contract with a Member; (iv) or defrauding, attempting to defraud or conspiring to defraud the Member

Reserved Matters means the matters specified in Schedule 2 (*Reserved Matters*)

Senior Management Team are the senior executive group that actively participate in the daily supervision, planning and administrative processes required by the business to help meet its objectives. The Senior Management Team is made up of the statutory executive directors (the Chief Executive Officer and the Chief Financial Officer), along with such other members of the management team as the Board determines from time to time.

Shareholder/Member means Cambridgeshire County Council and/or any other or additional persons subsequently admitted as a shareholder of the Company in accordance with clause 7.1 but excluding any person who ceases to be a member in the Company at any time

Shareholder Review Group means the group established by the Shareholder to support the Shareholder Representative

Shareholder Representative means the Shareholder's Section 151 Officer (or designated representative)

Working Hours means 9.00 a.m. to 5.00 p.m. on a Business Day

1.2 In this Agreement, unless the context requires otherwise:

1.2.1 references to clauses, paragraphs, recitals and Schedules are references to clauses and paragraphs of, and recitals and schedules to, this Agreement. The Schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the Schedules. The recitals and headings to clauses and Schedules are for convenience only and shall not affect the construction or interpretation of this Agreement;

1.2.2 a reference to a statute or a statutory provision includes a reference to:

- (a) the statute or statutory provision as modified or re-enacted or both from time to time (whether before or after the date of this Agreement); and
- (b) any subordinate legislation made under the statute or statutory provision (whether before or after the date of this Agreement),

provided that any such modification, re-enactment or legislation made after the date of this Agreement does not materially change the relevant provision;

1.2.3 references to a **person** shall be construed so as to include any individual, firm, corporation, government, state or agency of a state or any joint venture, trust, association or partnership (whether or not having separate legal personality);

1.2.4 references to any gender shall include every gender, and the singular shall include the plural and vice versa;

1.2.5 a person shall be deemed to be **connected** with another if that person is connected with that other within the meaning of section 1122 Corporation Tax Act 2010;

1.2.6 words and expressions defined in the Companies Act 2006 shall have the same meanings when used in this Agreement;

1.2.7 references to **writing** or **written** shall include any mode of reproducing words in a legible and non-transitory form including email;

1.2.8 references to a **party** or the **parties** are to a party or the parties to this Agreement from time to time and any person who agrees to be bound by the provisions of this Agreement from time to time but, for the avoidance of doubt, shall not refer to any person who has ceased to have any obligations under this Agreement from time to time;

1.2.9 in construing this Agreement, the rule known as ejusdem generis rule shall not apply nor shall any similar rule or approach to the construction of this Agreement and accordingly general words introduced or followed by the word(s) **other** or **including** or **in particular** shall not be given a restrictive meaning because they are followed or preceded (as the case may be) by particular examples intended to fall within the meaning of the general words; and

references to a **month** shall be construed as a reference to a period starting on one day in a calendar month and ending on the day immediately preceding the numerically corresponding day in the next calendar month or, if there is no numerically corresponding day in the next calendar month, the last day in the next calendar month;

2 WARRANTIES AND COMPLETION

- 2.1 Each party warrants and represents to each other party that:
- 2.1.1 it is duly organised and validly existing under the laws of England;
 - 2.1.2 it has full power and authority and has obtained all necessary authorities and consents to enter into and perform its obligations under this Agreement and such other agreements and arrangements referred to in this Agreement;
 - 2.1.3 it is entering into this Agreement for its benefit only; and
 - 2.1.4 the signing of this Agreement and the performance of its obligations under this Agreement and the other agreements and arrangements referred to in this Agreement shall not result in a breach of any other agreement or arrangement to which it is a party, nor give rise to any right of termination of any other agreement or arrangement to which it is a party.

3 THE BUSINESS AND BUSINESS PLAN

- 3.1 The business of the Company (the **Business**) shall be to promote and procure the completion of developments of property and to dispose of and / or lease out the same in order to generate profit and to do all such other lawful things as are necessary for or incidental to or conducive to the achievement of the same.
- 3.2 The Company agrees that it shall:
- 3.2.1 carry on and conduct its business and affairs in a proper and efficient manner for its own benefit in accordance with:
 - (a) its shareholder approved and current Business Plan;
 - (b) the Articles;
 - (c) all laws relating to companies as amended from time to time; and
 - (d) sound governance and good business practice; and
 - 3.2.2 use all reasonable endeavours to obtain and, if necessary, maintain in full force and effect all licences (including statutory licences), consents and authorities necessary to own, occupy and/or operate assets and to carry on the Business properly and effectively and in accordance with the Business Plan.
- 3.3 The Company shall prepare on an annual rolling basis and for the approval of the Shareholder an updated Business Plan to cover the next five Financial Years and to include (amongst other matters):
- 3.3.1 a strategy for the use of surpluses generated by the Company;
 - 3.3.2 a cashflow statement giving an estimate of the working capital requirements;
 - 3.3.3 consideration of the reliability of funding sources and the potential impact on the Company's cashflow requirements;
 - 3.3.4 a monthly projected profit and loss account;
 - 3.3.5 an operating budget (including capital expenditure requirements) and balance sheet forecast;

- 3.3.6 a management report giving detailed business objectives, linked to performance indicators, for the period ;
- 3.3.7 a written narrative explaining the source and provenance of any figures along with any assumptions which underpin them, including but not limited to inflation and pay awards;
- 3.3.8 operational approach for the Financial Year and estimated roles and resourcing required to be contributed by the Shareholder; and
- 3.3.9 a financial report which shall include an analysis of the estimated results of the Company for the previous Financial Year compared with the Business Plan for that year, identifying variations in sales, revenues, costs and other material items.
- 3.4 The Company shall consult the Shareholder Representative during the preparation of the Business Plan or any revision or update thereof.
- 3.5 The Business Plan must include comprehensive, accurate financial forecasts and financial modelling to the satisfaction and approval of the Shareholder Representative.
- 3.6 Unless otherwise agreed between the Company and the Shareholder, no later than 28th February before the end of each Financial Year, the Board shall prepare and circulate for approval comments and challenge by the Shareholder a draft updated Business Plan for the next Financial Year.
- 3.7 Ahead of its adoption by the Board, the draft updated Business Plan or any revision or update thereof must be approved by the Shareholder.
- 3.8 Once approved by the Shareholder, the draft updated Business Plan shall become the Business Plan and, where applicable, in place of the then current Business Plan on and from the start of the first Financial Year to which it relates.
- 3.9 Any variations or updates to a Business Plan shall only be effective if approved by the Shareholder.
- 3.10 Once a Business Plan has been adopted as regards the matters specifically contained in that Business Plan or any matter which has been delegated through that Business Plan for decision- making purposes to the Board the Company shall not undertake any business or action which is inconsistent with the Business Plan then in force or omit to undertake any action which is required by that Business Plan.
- 3.11 If a Reserved Matter is either not specifically contained in the Business Plan then in force or not delegated through that Business Plan or in Schedule 2 to this Agreement for decision-making purposes to the Board or any other person, such Reserved Matter shall not be undertaken by the Company without the approval of the Shareholder.
- 3.12 Any approval to be provided by the Shareholder in respect of a Reserved Matter shall be provided by the Shareholder Representative. The Company shall provide notice of any proposed action constituting a Reserved Matter to the Shareholder Representative. As soon as reasonably practicable and with an operational target of within 10 Business Days after the receipt by the Shareholder Representative of such notice, the Shareholder Representative shall confirm the Shareholder's decision in respect of such Reserved Matter, subject, where appropriate, to Committee approval by the Council according to its own constitution.

4 PROGRESS MONITORING

- 4.1 The Company shall provide to the Shareholder:
 - 4.1.1 draft annual accounts in accordance with a timetable unanimously approved by the Board from time to time;
 - 4.1.2 final audited annual accounts within 60 Business Days from the date each set of accounts are finalised;
 - 4.1.3 draft agenda and papers of all Board and committee meetings five 5 Business Days before

the relevant meeting to which they relate;

- 4.1.4 copies of minutes of all Board and committee meetings 15 Business Days after the relevant meeting to which they relate;
- 4.1.5 an annual remuneration report (**Annual Remuneration Report**) to contain (but not be limited to) a statement on the Nomination and Remuneration Committee's approach to remuneration, recruitment and retention;
- 4.1.6 copies of each audit report received along with action plans agreed;
- 4.1.7 annual risk management report, including latest Company risk registers and associated action plans;
- 4.1.8 annual assurance statements from the Chief Executive Officer, the chair of the Audit and Risk Committee, the Board and internal audit to give the Shareholder assurances that corporate governance arrangements are fit for purpose, effective and operating well in practice.
- 4.1.9 any other information required by the Shareholder from time to time.

4.2 Any right of the Shareholder to any information or document pursuant to this clause 4 shall be exercisable on behalf of the Shareholder by its Shareholder Representative or Shareholder Review Group.

4.3 The Chief Executive Officer shall attend such meetings with the Shareholder Representative as are requested by the Shareholder Representative and at which he/ she shall present such information as requested by the Shareholder Representative.

4.4 The chair of the Nominations and Remuneration Committee shall attend such meetings with the Shareholder as are requested by the Shareholder and at which he/ she shall present and answer questions in respect of the Annual Remuneration Report.

5 FINANCING THE COMPANY

5.1 The Shareholder may provide additional capital and/ or loans to the Company. Any such investment or loan shall be subject of separate agreement(s) between the Shareholder and the Company.

6 PRINCIPLES FOR STRUCTURING AND SUPPORTING THE BUSINESS

6.1 The parties agree that they intend for the following principles to govern the ways in which the Business shall be structured and supported, subject in each case to the relevant counterparties entering into binding legal agreements in respect of the same:

- 6.1.1 terms and conditions of employment for the Company's employees shall be a Company matter. The Company shall ensure that terms and conditions offered to employees are compliant with all laws (including equal pay legislation and case law);
- 6.1.2 any variation in the rights of employees in respect of their pensions is a Reserved Matter and shall require a business case assessing the costs and financial risks associated with the proposed increase. The costs of any additional pension rights will be met solely from the Company's resources; and
- 6.1.3 the appointment of the Company's auditors is a Reserved Matter.

7 MANAGEMENT OF THE COMPANY

7.1 The Shareholder

- 7.1.1 The Shareholder is the ultimate owner of the Company.
- 7.1.2 Admitting a person as a new Shareholder is a Reserved Matter and shall also be subject

to such person executing a Deed of Adherence.

- 7.1.3 Each person admitted as a Shareholder and shall be entitled to the same rights and subject to the same obligations as all other Shareholders at that time as detailed in this Agreement.

7.2 The Board

- 7.2.1 Subject always to any direction given by a shareholder resolution where required and the Reserved Matters, the Board shall have full and complete authority, power and discretion to direct, manage and control the Business and the affairs and property of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incidental to the management of the Business in accordance with this Agreement and the Business Plan then in force.
- 7.2.2 The Board shall act as a steward of the Business and the Company on behalf of the Shareholder and therefore shall be accountable to the Shareholder.
- 7.2.3 The Board shall hold the Senior Management Team to account.
- 7.2.4 The Directors and Non-Executive Directors shall be appointed and/ or removed either pursuant to the approval of a Reserved Matter by the Shareholder or in accordance with the Articles. Any such appointment or removal actioned by approval of a Reserved Matter shall be made by notice in writing and shall take effect on the date on which the notice is received by the Company.

7.3 The Senior Management Team and employees of the Company

- 7.3.1 The Senior Management Team shall run the day-to-day operations of the Company and the Business. The Senior Management Team shall be accountable to the Board. All members of the Senior Management Team may be employees of the Company.
- 7.3.2 The Senior Management Team shall be led by a Chief Executive Officer.
- 7.3.3 The Senior Management Team shall be appointed and removed pursuant to clause 7.2.4.
- 7.3.4 Nothing in clauses 7.2 and 7.3 shall be taken:
- (a) as depriving a person removed under it of compensation or damages payable to him in respect of the termination of his employment or of any appointment terminating with that as employee; or
 - (b) as derogating from any power to remove an employee that may exist apart from clauses 7.2 and 7.3.

7.4 Committees

- 7.4.1 The Board may from time to time appoint (and/ or remove) committees consisting of such members of the Non-Executive Directors, with suitable skills and experience, to provide advice to the Board (or a committee of the Board) on certain matters, each committee shall be convened in accordance with the following terms:
- (a) Unless otherwise determined by the Board, meetings of a committee shall be called, convened and conducted in the same way as Board meetings in accordance with the Articles;
 - (b) each committee shall be chaired by a Non-Executive Director;
 - (c) the maximum term of a member of a committee shall be three years, following the expiry of which term the member shall retire;
 - (d) a retiring Non-Executive Director shall be eligible for re-appointment for up to two additional periods of up to three years, although the Board shall not be obliged to re-appoint that Non-executive Director or indeed make an appointment to replace the

retiring Non-Executive Director;

- (e) for the avoidance of doubt nothing in this clause 7.4 shall require the Board to act in accordance with any recommendations or decisions of any committee which are and are intended to be used by the Directors for information purposes only; and
- (f) any decision of a committee may be given in writing or by way of a resolution passed at a meeting of that committee.

7.4.2 The following committees with the attendant responsibilities shall be maintained at all times:

(a) Nominations and Remuneration Committee:

- (i) make appropriate recommendations to the Board regarding remuneration of the Directors and Senior Management Team;
- (ii) advise the Board in respect of the expenses policy of the Directors and Senior Management Team for approval by the Board;
- (iii) advise the Board in respect of any profit-sharing, bonus or other incentive scheme of any nature for Directors and Senior Management Team;
- (iv) review and advise the Board in respect of any pension scheme or the grant of any pension rights to any Director, officer, employee, former director, officer or employee, or any member of any such person's family;
- (v) keep under review the structure, size, composition and functioning of the board as against the needs and demands of the company in the short, medium and long term;
- (vi) assess the effectiveness and performance of the Board, collectively and individually, and ensure evaluation of Board to be undertaken independently at least once every three years, and report to the board on the outcomes of such evaluation;
- (vii) find suitable candidates for future appointments to the Senior Management Team including the role of Chief Executive Officer and make recommendations on this to the Board;
- (viii) be responsible for the undertaking of any disciplinary, or potential disciplinary, action against Executive Directors;
- (ix) make appropriate recommendations to the Board to dismiss an Executive Director, against which dismissal:
 - A the Chief Executive Officer shall have a right of appeal which shall be heard by a panel of Directors (made up of Directors who are not members of the Nominations and Remuneration Committee) as determined by the Shareholder;
 - B any Executive Director other than the Chief Executive Officer shall have a right of appeal which shall be heard and determined by the Chief Executive Officer; and
- (x) may, by notice in writing from time to time and subject to such conditions as it may impose, delegate its responsibilities to find and recommend members of the Senior Management Team other than the Chief Executive Officer to the Chief Executive Officer or his/her nominee.

(b) Audit and Risk Committee:

- (i) monitor the integrity of the financial statements of the Company, including its annual report, trading updates and any other formal announcements relating to

the Company's financial performance, reviewing and reporting to the board on significant financial reporting issues and judgements which they contain;

- (ii) evaluate, determine and approve the accounting policies and consider the policies' appropriateness in relation to GAAP;
 - (iii) review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the shareholder to assess the Company's performance, business model and strategy;
 - (iv) consider, review and monitor the Company's overall risk appetite, tolerance (including stress testing) and strategy, and assess the level of risk the Company is willing to take in order to achieve its long-term strategic objectives;
 - (v) monitor and review the adequacy and effectiveness of the Company's procedures and systems established to identify, assess, manage, monitor, and mitigate risk;
 - (vi) keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
 - (vii) review the Company's compliance function and its arrangements and controls in respect of whistleblowing, fraud prevention and prevention of bribery;
 - (viii) monitor and review the effectiveness of the Company's internal audit activities in the context of the Company's overall risk management system;
 - (ix) oversee the relationship with the external auditor and review the findings of the external audit;
- (c) Finance and Investment Committee:
- (i) draft, review and recommend for Board approval financial policies, including the investment and treasury policies;
 - (ii) assess and agree investment strategy to meet the Company's investment objectives;
 - (iii) review progress against key financial and operational targets;
 - (iv) oversee the Company's treasury management strategy and borrowing arrangements;
 - (v) review plans for revenue and capital and make recommendations to the Board;
 - (vi) review management's presentations of real estate transaction proposals and the financial model and make proposals to the Board.

8 TERMINATION

- 8.1 Subject to the provisions of clause 8.2, the provisions of this Agreement shall continue in force until the Parties unanimously agree in writing to terminate it.
- 8.2 This Agreement shall, unless the Parties otherwise agree, automatically terminate on the first to occur of the following dates:
- 8.2.1 the effective date of a winding up of the Company; or
 - 8.2.2 the date the Company is owned by more than a single Shareholder.

- 8.3 Where the Company is to be wound up and its assets distributed, the parties shall agree a suitable basis for dealing with the interests and assets of the Company and shall endeavour to ensure that:
- 8.3.1 all existing contracts of the Company are performed to the extent that there are sufficient resources of the Company to do so;
 - 8.3.2 the Company shall not enter into any new contractual obligations;
 - 8.3.3 the Company is dissolved and its assets are distributed as soon as practical in accordance with the Articles.

9 UNLAWFUL FETTER ON THE COMPANY'S POWERS

Notwithstanding any other provision contained in this Agreement, the Company shall not be bound by any provision of this Agreement to the extent that it would constitute an unlawful fetter on any statutory power of the Company, but any such provision shall remain valid and binding as regards all other parties to which it is expressed to apply.

10 CONFIDENTIALITY

- 10.1.1 Each party undertakes that it shall not at any time hereafter use or disclose to any person, except in the proper course of its duties as a party to this Agreement, any Confidential Business Information of another party which may have or may in future come to its knowledge, provided that a party may share such information with its professional advisers or to those of its directors, shareholders, officers, employees, advisers and representatives who are directly concerned with the Company (or any subsidiary of the Company from time to time) or the Business; or
 - 10.1.2 as may be required by any applicable law or by any supervisory or regulatory body with whose rules it is necessary for that party to comply; or
 - 10.1.3 in connection with any proceedings arising out of or in connection with this Agreement; or
 - 10.1.4 once it becomes generally known otherwise than by reason of a breach of this clause 10.1.
- 10.1 Each party shall (so far as it is able procure that any of its directors, officers, employees, advisers and representatives coming into receipt of Confidential Business Information of another party shall be informed upon receipt that such information is confidential and (so far as such party is able to procure the same) shall comply with the provisions of this clause 10 respect of such Confidential Business Information as if they were parties.
- 10.2 Where any party is required by any law, regulation or governmental or regulatory authority to retain any information (or copies of such information) of another party, it shall notify the other party in writing of such retention giving details of the information that it has been required to retain.

11 FREEDOM OF INFORMATION

- 11.1 The Shareholder and the Company acknowledges that the Shareholder is subject to the requirements of the FOIA and the EIR, and the Shareholder and the Company shall where reasonable, assist and co-operate (at their own expense) with the party receiving the request for information to enable the Shareholder to comply with its information disclosure obligations.
- 11.2 Where the Company receives a request for information under either the FOIA or the EIR in relation to information which it is holding on behalf of the Shareholder in relation to the joint arrangements, it shall:
 - 11.2.1 transfer the request for information to the Shareholder as soon as practicable after receipt and in any event within 2 Business Days of receiving a request for information;
 - 11.2.2 provide the Shareholder with a copy of all information in its possession or power in the form that the Shareholder requires within 10 Business Days (or such longer period as the

Shareholder may specify) of the Shareholder requesting that information; and

11.2.3 provide all necessary assistance as reasonably requested by the Shareholder to enable the Shareholder to respond to a request for information within the time for compliance set out in the FOIA or the EIR.

11.3 Where the Shareholder receives a request under FOIA or EIR which relates to the operations of the Company, it shall notify the Board and afford them an opportunity to make any comments or representations in respect of the disclosure of the information sought. The Board shall respond within 5 Business Days of receipt of this notification. The Shareholder when responding to the request shall take into account any such comments or representations in so doing and shall not respond to the request until the 5 day response period referred to above has passed.

12 PREVENTION OF BRIBERY

12.1 The Company:

12.1.1 shall not, and shall procure that no Director, officer, employee, adviser or representative of the Company shall, in connection with this Agreement commit a Prohibited Act;

12.1.2 warrants, represents and undertakes that it is not aware of any financial or other advantage being given to any person working for or engaged by the Company, or that an agreement has been reached to that effect, in connection with the execution of this Agreement, excluding any arrangement of which full details have been disclosed in writing to the Shareholder before execution of this Agreement.

12.2 The Company shall:

12.2.1 if requested, provide the Shareholder with any reasonable assistance, at that the Shareholder's cost, to enable the Shareholder to perform any activity required by any relevant government or agency in any relevant jurisdiction for the purpose of compliance with the Bribery Act;

12.2.2 within 5 Business Days of the date of this Agreement, and annually thereafter, certify to the Shareholder in writing (such certification to be signed by an officer of the Company) compliance with this clause 12 by the Company and all persons associated with it or other persons who are supplying goods or services in connection with this Agreement. The Company shall provide such supporting evidence of compliance as the Shareholder may reasonably request.

12.3 The Company shall have an anti-bribery policy (which shall be disclosed to the Shareholder) to prevent any Director, officer, employee, adviser or representative of the Company from committing a Prohibited Act and shall enforce it where appropriate.

12.4 If any breach of clause 12.1 is suspected or known, the Company must notify the Shareholder immediately.

12.5 If the Company so notifies the Shareholder that it suspects or knows that there may be a breach of clause 12.1, the Company must respond promptly to any enquiries by the Shareholder, co-operate with any investigation, and allow the Shareholder to audit books, records and any other relevant documentation.

12.6 The Shareholder may terminate this Agreement by written notice with immediate effect if the Company, Director, officer, employee, adviser or representative of the Company (in all cases whether or not acting with the Company's knowledge) breaches clause 12.1.

12.7 Any notice of termination under clause 12.6 must specify:

12.7.1 the nature of the Prohibited Act;

12.7.2 the identity of the party whom the Shareholder believes has committed the Prohibited Act; and

12.7.3 the date on which this Agreement shall terminate.

12.8 Any dispute relating to:

12.8.1 the interpretation of clause 12; or

12.8.2 the amount or value of any gift, consideration or commission

shall be determined by the Shareholder which has given the notice of termination under clause 12.6 and its decision shall be final and conclusive.

12.9 Any termination under clause 12.6 shall be without prejudice to any right or remedy which has already accrued or subsequently accrues to the Shareholder.

13 NOTICES

13.1 Any notice or other communication to be served under this Agreement shall be delivered or sent by first class post or electronic communication to the party to be served at its address or email address as set out in Schedule 3 or in any Deed of Adherence (as the case may be).

13.2 Subject to clause 13.3 and in the absence of earlier receipt, any notice or communication shall be deemed to have been served:

13.2.1 if delivered personally, at the time of delivery;

13.2.2 if sent by first class post, 2 Business Days after the date of posting; and

13.2.3 if sent by email, 48 hours after the time of sending.

13.3 Any notice or communication served under this Agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been served until the start of the next period of Working Hours in such place.

13.4 In proving service of a notice or communication, it shall be sufficient to prove that delivery was made or that the envelope containing the notice or communication was properly addressed and posted as a prepaid first class letter or in the case of electronic communication, that it was sent in accordance with the guidance issued by the Chartered Governance Institute.

14 COSTS AND EXPENSES

All costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and all other documents referred to in it shall be borne by the Company, save for any private advice sought by the Shareholder which shall be at the cost of the Shareholder.

15 ASSIGNMENT AND SUB-CONTRACTING

15.1 This Agreement is personal to the parties and no party shall assign, transfer, subcontract or deal in any other manner with any of its rights and obligations under this Agreement without the prior written consent of each other party.

15.2 This Agreement shall be binding on and shall endure for the benefit of each party's successors.

16 FURTHER ASSURANCE

16.1 Each party shall at its own cost and expense, on being required to do so by another party now or at any time in the future, do or procure the doing of all such acts and things and/or execute or procure the execution of all such deeds and documents in a form satisfactory to such other party which such other party may reasonably consider necessary for giving effect to this Agreement.

17 REMEDIES AND WAIVERS

17.1 No delay by any party in exercising, or failure by any party to exercise, any right, power or remedy

provided by law or under this Agreement or any document referred to in it shall:

17.1.1 operate as a waiver of that or any other right, power or remedy; or

17.1.2 affect the other terms of this Agreement or any document referred to in it.

17.2 The single or partial exercise of any right, power or remedy provided by law or under this Agreement or any document referred to in it shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

17.3 A waiver of any breach of or default under this Agreement or any document referred to in it shall not constitute a waiver of any other breach or default and shall not prevent a party from subsequently requiring compliance with the waived obligation.

17.4 The rights, powers and remedies provided in this Agreement or any document referred to in it are in addition to and (subject as otherwise provided in this Agreement) not exclusive of any rights, powers and remedies provided by law.

18 ENTIRE AGREEMENT

18.1 This Agreement and the documents referred to in it (including the Articles and any Deed of Adherence) constitute the entire agreement between the parties relating to the matters contained in those documents and supersede all previous agreements between the parties relating to such matters.

18.2 Each of the parties acknowledges that in agreeing to enter into this Agreement it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this Agreement and/or the documents referred to in it) made by or on behalf of any other party before the signature of this Agreement. Each of the parties waives:

18.2.1 all rights and remedies which, but for this clause 18, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance; and

18.2.2 all rights and remedies, other than remedies for breach of contract available in respect of a breach of this Agreement and/or the documents referred to in it, which, but for this clause 18, might otherwise be available to it in respect of the falsity of any representation or warranty set out in this Agreement and/or the documents referred to in it,

provided that nothing in this clause 18 shall limit or exclude any liability for fraud or dishonesty on the part of any party.

19 VARIATION

No variation to the terms of this Agreement shall be effective unless made in writing and signed by each of the parties and any person who agrees to be bound by this Agreement.

20 CONFLICT WITH THE ARTICLES

If any provision of this Agreement is inconsistent with a provision of the Articles, then the terms of this Agreement shall prevail and the Shareholder agrees to procure that the Articles are promptly amended as required.

21 SEVERANCE

21.1 If any provision of this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement which shall remain in full force and effect.

21.2 Without prejudice to the generality of clause 21.1, if any provision of this Agreement or the Articles shall be found by any court or administrative body of competent jurisdiction to be unenforceable against or by the Company, the Shareholder shall procure that the provision is nevertheless put into effect to the greatest extent possible.

21.3 If any provision of this Agreement is found to be invalid or unenforceable but would be valid or

enforceable if some part of the provision were deleted, the provision in question shall apply with such deletions as may be necessary to make it valid or enforceable.

- 21.4 The parties agree, in the circumstances referred to in clause 21.1 and if clause 21.3 does not apply, to attempt to substitute for any invalid or unenforceable provision a valid or enforceable provision which achieves to the greatest extent possible the same effect as would have been achieved by the invalid or unenforceable provision but for such invalidity or unenforceability.

22 SET-OFF

All amounts falling due under this Agreement shall be paid in full without any set-off or counterclaim.

23 NO PARTNERSHIP OR AGENCY

Nothing in this Agreement, including the use of the word "Shareholder", is intended to or shall operate to create a partnership between the parties or any of them, or to authorise any party to act as agent for any other party, and no party shall have authority to act in the name or on behalf of or otherwise to bind any other party in any way.

24 COUNTERPARTS

- 24.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each person who is a party at the date hereof has executed at least one counterpart.
- 24.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

25 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

The parties to this Agreement do not intend that any of its terms should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

26 GOVERNING LAW AND JURISDICTION

- 26.1 This Agreement is governed by and shall be construed in accordance with the laws of England and each party submits to the exclusive jurisdiction of the courts of England for all purposes relating to this Agreement.
- 26.2 Each party irrevocably consents to any process in any legal action or proceedings arising out of or in connection with this Agreement being served on it in accordance with the provisions of clause 13. Nothing contained in this Agreement shall affect the right to serve process in any other manner permitted by law.

THIS AGREEMENT has been executed as a deed on the date stated at the start of this Agreement

Executed as a deed by affixing)	Seal:
the common seal of)	
CAMBRIDGESHIRE COUNTY COUNCIL)	
)	
in the presence of)	
)	
.....)	
Authorised signatory)	

Executed as a deed by)
THIS LAND LIMITED)
acting by.....,)
a director, in the presence of) **Director**

Signature:

Name of witness:

Address:

.....
.....
Occupation of witness:

SCHEDULE 1 – DEED OF ADHERENCE

THIS DEED is made on

BY ● of ● (the **Covenantor**) in favour of the persons whose names are set out in the schedule to this deed and is SUPPLEMENTAL to the Shareholders Agreement dated ● and made by (1) Cambridgeshire County Council and (2) This Land Limited (the **Shareholders Agreement**)

THIS DEED WITNESSES as follows:

- 1 The Covenantor confirms that it has been given and read a copy of the Shareholders Agreement and covenants with each person named in the schedule to this deed to perform and be bound by all the terms of the Shareholders Agreement as if the Covenantor were a Shareholder and is party to the Shareholders Agreement.
- 2 This deed is governed by the laws of England and Wales.

IN WITNESS WHEREOF this deed has been executed by the Covenantor and is intended to be and is hereby delivered on the date first above written.

[Schedule - Parties to Shareholders Agreement including those who have executed earlier deeds of adherence.]

[Covenantor's execution block to be confirmed]

Executed as a deed by affixing)	Seal:
the common seal of)	
●)	
in the presence of)	
)	
.....)	
Authorised signatory)	

SCHEDULE 2 – RESERVED MATTERS

Note: Copies of all Board and Committee papers for matters requiring the approval of the Board will be provided to the Shareholder Representative or Shareholder Review Group in advance of decisions pursuant to clause 3.12.

Reserved matter	Approval of the Board	Approval of the Shareholder representing 100% of the voting rights of the Company (i.e. unanimous decision)
Company constitution		
Altering the Articles		✓
Taking any action or resolution inconsistent with the Articles		✓
Changing the name (or trading name) of the Company and/ or any subsidiary of the Company		✓
The Business		
Approving the Business Plan and any variation or replacement thereof		✓
Approving the timetable for the preparation and production of the draft Business Plan by the Board		✓
Changing the nature of the Business or commencing any new business by the Company which is not ancillary or incidental to the Business		✓
Selling, leasing, licensing or transferring business assets up to a value of £500,000 or in the current Business Plan	✓	
Selling, leasing, licensing or transferring business assets with a value of £500,000 or more in a single transaction or linked transaction and not included in the Business Plan		✓
Adopting any corporate governance policy in connection with the operation of the Company, including any policies in connection with contract procurement	✓	
Acquiring, purchasing, subscribing or acquiring another interest in the shares, debentures or securities of another company, or amalgamating with another company within the approved Business Plan	✓	
Acquiring, purchasing, subscribing or acquiring another interest in the shares, debentures or securities of another company, or amalgamating with another company not included in the Business Plan		✓
Creating, acquiring or disposing of a subsidiary within the approved Business Plan	✓	
Creating, acquiring or disposing of a subsidiary not included in the Business Plan		✓

Passing a resolution to place the Company in administration or for it to be wound up (unless it has become insolvent)		✓
Altering any mandate given to the Company bankers relating to any matter concerning the operation of the Company bank accounts other than by the substitution of any person nominated as a signatory by the Party entitled to make such nomination	✓	
Instituting, settling or compromising any legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or submitting to arbitration or alternative dispute resolution any dispute involving the Company	✓	
Making any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent for tax purposes in relation to the Company or its Business	✓	
Making or agreeing to make any political donation to a political party or other political organisation, or to an independent election candidate, or incurring or agreeing to incur any political expenditure (each of 'political organisation' and 'political expenditure' shall have the meaning given in Companies Act 2006)		✓
Membership of the Company		
Admitting a person as a new Member		✓
Directors and employees		
Increasing or decreasing the size of the Board		✓
Appointing or removing the Independent Chairman		✓
Appointing or removing any Executive Directors	✓	
Appointing or removing any Non-Executive Director		✓
Setting or changing Non- Executive Directors' remuneration		✓
Setting or changing Executive Directors' remuneration	✓	
Adopting or amending a policy relating to expenses of the Directors	✓	
The approval of policies and / or procedures which the Board considers likely to damage the Shareholder's reputation.		✓
Establishing or amending any profit-sharing, bonus or other incentive scheme of any nature for Non-Executive Directors		✓
Establishing or amending any profit-sharing scheme for Executive Directors or employees		✓
Establishing or amending any bonus or other incentive scheme of any nature for Executive Directors or employees	✓	

Establishing or amending any pension scheme or granting any pension rights to any Non-Executive Director or any member of any such person's family		✓
Establishing or amending any pension scheme or granting any pension rights to any Executive Director, officer, employee, former director, officer or employee, or any member of any such person's family	✓	
Dismissing any director, officer or employee in circumstances in which the Company incurs or agrees to bear redundancy or other costs in excess of £20,000 in total, with the exception of where the liability falls to an individual member	✓	
Finance, treasury and security		
Creating loans or issuing of loan capital in pursuance of the approved Business Plan	✓	
Making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity	✓	
Creating any Encumbrance over the whole or part of the Company's property or other assets	✓	
Appointing or removing the Company's auditors		✓

SCHEDULE 3 - CONTACT DETAILS

CAMBRIDGESHIRE COUNTY COUNCIL

Address: New Shire Hall, Emery Crescent, Enterprise

Campus, Alconbury Weald, Huntingdon PE28 4YE

For the attention of: Service Director: Finance and Procurement

Email address: tom.kelly@cambridgeshire.gov.uk

THIS LAND LIMITED

Address: Compass House Vision Park, Chivers Way, Histon, Cambridge, England, CB24 9AD

For the attention of: the Chief Executive Officer

Email address: hello@this-land.co.uk

or, in each case, such other address as may be notified by the relevant party to the other parties from time to time.

Provider Selection Regime

To:	Assets and Procurement
Meeting Date:	28 th November 2023
From:	Executive Director of Finance and Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	N/A
Outcome:	Committee is asked to consider the contents of this report.
Recommendation:	Committee is asked to agree the approach to implementing the Provider Selection Regime as set out in this report.

Officer contact:
Name: Clare Ellis
Post: Head of Procurement and Commercial
Email: clare.ellis@cambridgeshire.gov.uk
Tel: 01480 372345

1. Background

- 1.1 The Provider Selection Regime (PSR) is a new set of rules to be followed by Cambridgeshire County Council (the “Council”) when procuring health care services. It was created under the Health and Care Act 2022 (the “Act”) as part of wider measures to promote greater integration of health and care services.
- 1.2 The Act received Royal Assent on the 28th and it is intended that the PSR will go live on 1st January 2024 and at that point the procurement of health care services will be removed from the scope of the Public Contract Regulations 2015.
- 1.3 There is no threshold for application of the PSR.

2. Main Issues

- 2.1 Services in scope of the PSR are health care services arranged by the NHS and public health services arranged by local authorities. Out of scope are goods (e.g. medicines), social care services and non-health care services or health adjacent services, e.g. capital works or consultancy. Mixed procurements, where health care services form the largest proportion of the services being commissioned, are also in scope.
- 2.2 There are five processes provided for in the PSR, these are summarised below:
 - Direct award process A: where there is an existing provider for the services and that provider is the only capable provider. For example, A&E services. It is unlikely that this process will be available to the Council because of the nature of the services the Council commissions.
 - Direct award process B: where people have a choice of providers, and the number of providers is not restricted by the Council.
 - Direct award process C: where there is an existing provider for the services and that existing provider is satisfying the original contract and will likely satisfy the proposed new contract and the services are not changing considerably.
 - Most suitable provider process: where the Council is able to identify the most suitable provider without running a competitive process and awarding a contract.
 - Competitive process: where the Council wishes to run a competitive exercise to award a contract, or if they wish to set up a framework agreement.
 - The Council will need to comply with defined processes in each case to evidence their decision making, including record keeping and the publication of transparency notices.
- 2.3 There are five key criteria that must be considered when using direct award process C, the most suitable provider process or the competitive process. These are:
 - Quality and innovation.
 - Value.
 - Integration, collaboration and service sustainability
 - Improving access, reducing health inequalities and facilitating choice.
 - Social value.
- 2.4 There are specific requirements about applying standstill periods and record keeping. A supplier who does not agree with a PSR decision may refer the matter to the PSR Review Panel for consideration although the decisions of the review panel are not binding.

- 2.5 Existing health care contracts will have to be managed in accordance with the requirements of the PSR, rather than the PCR requirements they were established under. We are seeking legal advice as to whether any contract amendments are required.
- 2.6 The Procurement and Commercial Team has been working with colleagues from public health and social care to develop an action plan and a risk register, both are being regularly updated as colleagues undergo training and as further guidance and legal advice becomes available.
- 2.7 The PSR represents a significant change in the way health care contracts will be procured. Whilst there are still significant transparency and record keeping requirements, the emphasis has moved away from competitive procurement in all cases. Commissioners are now able to make decisions based on their knowledge of the markets and allowing for the other aims of the health care system such as greater integration and collaboration.
- 2.8 The immediate risks associated with the implementation of the PSR are the tight timetable to get both the governance environment right and the guidance to commissioners and contract managers. An assessment of forthcoming relevant procurements is being undertaken now so that we can minimise the risks in relation to those procurements. In the future the risks are likely to be connected to the proper use of the right decision-making circumstance and ensuring that thorough records are kept in all cases. These ongoing risks will be managed as the PSR is implemented and as new risks emerge they will be added to the PSR risk register.
- 2.9 The key actions that will be undertaken in the next month are:
- An update to the Contract Procedure Rules to ensure compliance. The changes won't be available until mid-December and the Monitoring Officer will be able to make the amendments under her delegated responsibility. An update on the changes will be brought to the January meeting of this Committee.
 - Production of a PSR Guidance document with associated decision-making templates. This document won't be available until mid-December, a link to the guidance document will be provided for January's meeting.
 - Identification of relevant procurements planned for the next 12 months to ensure that those procurements will be compliant with PSR.
 - Identification of current contracts in order to liaise with their contract managers to ensure compliance.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

One of the key criteria is social value, so the Council will continue to use environment related criteria for those decision making processes.

- 3.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications.

3.3 Health inequalities are reduced

Health care commissioning will continue to be rigorously managed to ensure a contribution to this ambition.

3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications.

3.5 Helping people out of poverty and income inequality

There are no significant implications.

3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications.

3.7 Children and young people have opportunities to thrive

There are no significant implications.

4. Significant Implications

4.1 Resource Implications

Value continues to be one of the key criteria used to assess direct process C, most suitable provider and competitive process.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

See section 2.

4.3 Statutory, Legal and Risk Implications

See section 2.

4.4 Equality and Diversity Implications

No implications identified.

4.5 Engagement and Communications Implications

No implications identified.

4.6 Localism and Local Member Involvement

No implications identified.

4.7 Public Health Implications

See section 2.

4.8 Climate Change and Environment Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive/neutral/negative Status:
Explanation:

4.8.2 Implication 2: Low carbon transport.
Neutral

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral

4.8.5 Implication 5: Water use, availability and management:
Neutral

4.8.6 Implication 6: Air Pollution.
Neutral

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Neutral

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

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes Name of Legal Officer: Gurdeep Singh Sembhi

Have the equality and diversity implications been cleared by your EqIA Super User?
Yes Name of Officer: Faye McCarthy

Have any engagement and communication implications been cleared by Communications?
Yes Name of Officer: Kathryn Rogerson

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/a

Have any Public Health implications been cleared by Public Health? Yes
Name of Officer: Kate Parker

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer? Yes Name of Officer: Emily Bolton

Major Energy Projects – Progress Update

To:	Assets and Procurement Committee
Meeting Date:	28 November 2023
From:	Executive Director; Place and Sustainability
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	N/A
Outcome:	The purpose of this report to provide an update to members of the Committee on the delivery of large energy projects.
Recommendation:	<p>The Committee is recommended to:</p> <p>a) Note the current position regarding the delivery of the Council's large energy project and planned actions to enable their successful completion.</p>

Officer contacts:

Name: Sheryl French & Eithne George
Post: Assistant Director, Climate Change and Energy Services & Head of Energy Services
Email: sheryl.french@cambridgeshire.gov.uk & eithne.george@cambridgeshire.gov.uk
Tel: 01223 728552

1. Background

- 1.1 Within the strategic framework of the Council ambitions have been set to achieve net zero carbon emissions by the Council by 2030 and for the County area by 2045. Linked to these ambitions the Council has invested in a range of major energy projects to:
- Showcase new business models to overcome grid connection challenges, for example the St Ives Smart Energy Grid project.
 - Build investor confidence in projects that bring together different low carbon technologies e.g. Babraham Road Smart Energy Grid and its collaboration with Cambridge University Hospital Trust (CUHT),
 - Provide demonstrator projects for rural areas in low carbon technologies that engage communities and businesses e.g. Swaffham Prior Community Heat Project
 - Generate local renewable electricity to reduce carbon emissions from fossil fuels e.g. Triangle Solar Farm
 - Invest in green projects and generate income for the Council e.g. North Angle Solar Farm
- 1.1 A total capital investment £67.4m is included in the capital programme for the delivery of these projects. In addition to these projects a further £17m has been invested in the schools retrofit and low carbon heating programme and £6.6m in the low carbon heating projects on Council buildings. Together, these projects have helped to build the capacity and skills in the Council to support energy transition and deliver the Council's commitment to achieving net zero in Cambridgeshire by 2045.
- 1.2 A key principle with the current programme is that each project is supported by a business case which demonstrates that the costs during development, construction, operations and life cycle replacements stages, can be fully met from future revenue.
- 1.3 However, some of the projects have been designed to provide a net financial benefit in terms of revenues generated from energy sales. Other projects have a focus on directly reducing fuel poverty and/or tackling strategic barriers to the delivery of net zero. Some have required grants from national government to overcome market barriers.
- 1.4 Across all the large energy projects, the total gross income projection over their lives is an estimate c£273m. This is primarily supported by the North Angle Solar Farm which is our largest individual asset. The income projections are underpinned by the tariffs that can be achieved in the export market and are at this stage indicative. The forecasts are prudent but reasonable rates that we believe can be achieved. The generation data from Triangle Solar Farm, has informed these figures as annual measurement and verification of performance is undertaken. The generation evidence from Triangle Solar Farm feeds into our revenue assumptions providing confidence to our electricity generation assumptions for our largest asset. Overall, the net financial benefit across all the large energy projects is £42,363k in terms of Net Present Value, demonstrating that the revenue to be achieved supports the business cases.
- 1.5 However, assumptions had been made around the deliverability of these projects and the timing for when the income would be achieved within the budget for the Council for 23/24.

The budget for 23/24 assumes a revenue forecast of £5,667k for all large energy projects. However, this is now forecast to be £174k. The key reason for this has been construction delays on some key projects.

- 1.6 The revenues forecasts for both 23/24 and 25/26 have now been reprofiled and are reflected in the financial monitoring reports and business planning assumptions.
- 1.7 The estimated annual and lifetime carbon emission savings for the large energy projects are set out in the table 1 below:

Project Name	Estimated average annual CO₂ saving (tCO₂)	Estimated lifetime CO₂ saving (tCO₂)
Triangle Solar Farm	5,047	*126,179
North Angle Solar Farm	2,559	76,781
St Ives Smart Energy Grid	501	15,025
Babraham Road Smart Energy Grid	220	6,615
Swaffham Prior Heat Network	965	57,901
Total	9,292	282,501

*Carbon emissions reductions are higher for Triangle Solar Farm as the grid is decarbonising over time

- 1.8 This report provides an overview of each of the large energy projects. It outlines the current position, the headline business case, the governance arrangements and key learnings from this programme.

2. Main Issues

- 2.1 The major energy projects can be divided into the following categories:

- a. Built and operating, e.g. Triangle Solar Farm and Swaffham Prior Community Heat Network
- b. In construction e.g. North Angle Solar Farm, St Ives and Babraham Smart Energy Grids
- c. In development e.g. Stanground Solar and Battery Project

2.2 Built and Operating

- 2.2.1 *Triangle Solar Farm* is located near Soham, on Council owned land and became operational in 2017. It is starting its seventh year of operation. It is a 12MW solar farm where all the electricity is exported to the grid. The project is a £9million investment, has a guaranteed electricity price over 15 years and has generated £5,986,965m income for the council since 2017. A new Power Purchase Agreement has just been completed for 12 months and this is forecast to generate approximately £1.59m revenue over that period.

The project has saved 15,192 tonnes of carbon dioxide equivalent since it started operating and can be used to net off a portion of the Council's carbon emission from electricity use. The aim of this project was to build knowledge and capacity in the Council to develop energy projects, reduce the Council's own carbon footprint and to generate revenue.

2.2.2 *Swaffham Prior Heat Network* is a community led project and is the first of its kind in creating an off-gas rural village in the UK. It encompasses a renewable energy centre hosting ground source and air source heat pumps and a 7km district heat network across the village. It is based in East Cambridgeshire and was mainly completed during 2022/23 and connections from this network to homes now underway. To date the heat network is supplying heat to 60 homes. Planning for the next phase of home connections is underway. The project will reduce the village's dependence on oil and tackle fuel poverty. It is an exemplar project on potential ways to tackle heat decarbonisation in rural areas, which is a significant issue for Cambridgeshire, with over 25,000 households with oil-based heating and off the gas grid. The scheme will receive solar electricity directly from North Angle Solar Farm in due course, fully decarbonising the heating and hot water for the village and saving on average 965 tCO₂ per annum. This project has received grant from government both for its development and capital grant to build the heat network. It has a small net positive business case, as shown in table 2 below and is a proof of concept on tackling financial barriers to rural decarbonisation. The programme for connecting homes is a five-year programme and the first year is just completing. The break even for the business case is half the village homes connected to the heat network, but the aim is to achieve 280 homes connected in five years.

2.2.3 The upfront funding of home connections at Swaffham Prior has been included in the business case below as a key principle of the project was to reduce upfront financial barriers to switching to more environmentally beneficial heating. It is to be noted that these costs are paid back over time through the revenue generated from future heat sales as outlined in the table below. This shows a small positive benefit to the project remains even after all the home connection costs. The table below shows how the forecast additional costs for end customer connections impacts the business case: The Net Present Value has reduced by c£3.7m as a result of an additional uplift in capital of c£3.2m and as a result increased interest costs for the project life of c£500k. However, the total return over asset life remains positive and the business case needs to be considered in the context of the wider energy market. The original business case assumed an income from the sale of carbon credits of £12.6m. This is removed from the approved October 2023 business case as the voluntary carbon markets are still emerging and it is unclear yet on how much could be realised in the short term.

Table 2. Swaffham Prior Heat Network Financial Metrics

Metric	Original business case approval	Approved Oct 2023
Capital budget	£11,852k	£14,140k
NPV	£2,490k	-£2,755k
ROI	108.04%	50.86%
Total return over asset life	£31,524k	£7,206k
Payback period	30 years (out of total 60 year project life)	48 years (out of total 60 year project life)

2.3 In construction

- 2.3.1 *North Angle Solar Farm* is located adjacent to Triangle Solar Farm on Council owned land. It's construction mainly took place in 2022/23 and is now awaiting connection to the grid. It is a £30million investment into a 39MW solar farm, where an estimated 95% of the electricity generated will be exported to the grid and the remaining 5% will be supplied to Swaffham Prior Heat Network. The cable to connect the solar farm to the grid and the heat network is due to start imminently and is subject to commercially confidential discussions.

Table 3. North Angle Solar Farm Financial Metrics

Metrics	Original business case approval	Most recent business case approval
Capital budget	£24,443k	£30,849k
NPV	3,538	38,443
ROI	5.02%	11.9%
Total return over asset life	£57,333k	£122,775k
Payback period	20.79 years	13.26 years

The aim of the project is the same as for Triangle Solar Farm, but opportunities to connect the heat network arose during the development phase. The North Angle Solar Farm forecast generation is from summer 2024.

- 2.3.2 *St Ives Park and Ride Smart Energy Grid* is now 95% complete. It is a 1MW solar canopy over the existing park and ride site, with a small battery and electric vehicle charging points which can be increased over time according to demand for EV charging. A local business will be connected to the smart energy grid and supplied with solar electricity, when available. The original concept of the smart energy grid was to overcome the barrier of grid upgrade costs by managing demand behind the meter. A key change to this project was a shift from a shared connection to the grid via a local business to a secure grid connection with UK Power Networks. The project will also supply clean electricity to one business, onsite EV chargers, onsite energy demand and sell any excess electricity to the grid. It is a demonstrator project on how to provide security of supply for local businesses and other large users of electricity where grid constraints exist and to provide evidence to investors on the risks and returns linking a number of low carbon technologies together to accelerate decarbonisation. It received £2million of grant funding under the European Regional Development Fund (ERDF) and the total project cost is approximately £5,686,000. The return on investment is shown below and income is expected from January 2024.

Table 4. St Ives Smart Energy Grid Financial Metrics

Metrics	Original business case approval	Latest business case approval
Capital budget	£4,283k	£5,686k
NPV	311	145
ROI	0%	0%
Total return over asset life	£4,503k	£13,559k
Payback period	20 years	24 years

2.3.3 *Babraham Road Park and Ride* is a further Smart Energy Grid in Cambridge replicating many of the features of St. Ives. However, it is larger, at 2.5MW installed capacity and is under construction currently. The latest business case for the project is:

Table 5. Babraham Road Smart Energy Grid Financial Metrics

Metrics	Original business case approval	Latest business case approval
Capital budget	£6,250k	£8,840k
NPV	308	6,530
ROI	4.81%	8.47%
Total return over asset life	£15,048k	£42,842k
Payback period	21.46 years	19.19 years

The project is scheduled to complete in Spring 2024. It has completed its first construction phase, the largest and most complex and is now delivering phase 2. It has been delayed for a number of reasons including switching from a two-phase construction programme to three phase programme to allow availability of more car parking spaces for biomedical campus staff to park especially those working at Cambridge University Hospital. This delayed the project by nearly a year. An underperforming electrical subcontractor has also created delays and there have been onsite challenges to manage with existing lampposts. A private wire is already delivered and when complete will supply electricity to Cambridge University Hospital and supply onsite EV charging infrastructure for cars and possibly buses and taxis in the future. This project can be further commercialised through the addition of battery storage as and when needed. Current forecast completion is Spring 2024.

2.4 In development

Stanground is a project that would combine a solar farm (3MW) and battery storage (10MW) into one project, which would be grid connected. Planning permission has been secured for this. It is located on the former Stanground Waste facility in Peterborough, which is a capped former landfill site. In May 2020, the Council accepted a grid connection offer from UK Power Networks (UKPN). However, in September 2023, the Council received notification that reinforcement of the transmission network will be necessary before Stanground can be connected, which is scheduled for 2030 currently. UKPN are reviewing a number of options to help speed up this process to allow projects that have connection agreements to connect sooner. However, if there is no resolution of this, then this project will stay on hold. If a sooner more reasonable date can be agreed with UKPN, the investment grade proposal will be finalised and presented to the Environment and Green Investment committee for consideration. Currently there is no budget built into the capital programme for the project, this will only come forward when a final business case is approved. Minor works have started on site to retain the planning permission as a result of this delay.

Programme Governance

2.5 Political governance

2.5.1 The investment decisions on the above projects were originally made by Commercial and Investment Committee and Environment and Sustainability Committee prior to May 2021.

Subsequent decisions have been taken by the Environment and Green Investment Committee and where these have increased costs, reported to or approved by Strategy and Resources Committee. Due to the complexity and risks associated with the large energy projects and their delivery, a Green Investment and Utility Advisory Group (GIUAG) was set up, comprising cross party representation from both the Environment and Green Investment Committee and Strategy and Resources Committee. With the recent constitutional changes, the membership of GIUAG will change to reflect the new parent committees, EGI and Assets and Procurement (A&P) Committees.

- 2.5.2 This advisory group meets monthly and is provided with briefing notes and detailed risk and mitigation reports. A key objective of the advisory group is to build Members' knowledge and capacity to understand energy projects to support decision making when presented with committee reports. More widely, it is preparing and building knowledge around the energy transition and our role facilitating some of this change.

2.6 Programme governance

The Climate Change and Environment Strategy includes the development and delivery of energy projects using the council's assets to cut carbon emissions and to benefit from the energy system transformation. A Climate Change and Environment Programme was established during 2022 with a workstream on Project Delivery that includes the large energy projects along with schools retrofit, Council buildings decarbonisation and other projects. Progress and risks are reported on a monthly basis to the Programme Board along with the detailed mitigation and management approach. The Programme Board is chaired by the Executive Director of Place and Sustainability and quarterly reports are provided to Corporate Leadership team.

2.7 Project governance

- 2.7.1 The implementation of Committee decisions on large energy projects, where these have been delegated to the Executive Director of Place and Sustainability are taken in consultation with the Executive Director of Finance and Resources and Chair and Vice Chair of Environment and Green Investment Committee. Monthly Strategic Board meetings have been set up with the Executive Directors to execute these delegations where appropriate.
- 2.7.2 Managing the day-to-day business of the projects is delivered via the Project Boards. These are established for each of the large energy projects at project inception. These boards oversee the development of the project and continue into the construction phase to ensure continuity of knowledge. The Project Boards are made of a range of skills including senior project managers, finance, technical and legal (as required). Project Board meetings are held weekly and when in the construction phase include the main contractor and contract administrators. The Senior Responsible Officer for each project is the Head of Energy Services, appointed in February 2023.

Procurement and contract arrangements

- 2.8. A number of options appraisals have been undertaken to identify the appropriate procurement route for projects. Options assessed include other existing frameworks, a Local Energy Partnership procurement and the Peterborough City Council Energy

Performance Contract

2.8.1 Table 6 below shows the procurement process and contract arrangements for each of the large energy projects.

Project	Contract	Procurement Process
Triangle Solar Farm	Design and build contract with Energy Performance Guarantee	The Greater London Authority set up the Refit 2 Framework and appointed 18 pre-qualified suppliers. The Council ran a mini competition under the Re:Fit 2 Framework, evaluated seven tenders and appointed Bouygues Energies and Services. This is an open book procurement.
St Ives Smart Energy Grid	Design and build contract with Energy Performance Guarantee	As above. It is worth noting, that the Project Development phase was extended for this project as it was seeking European Regional Development Funding (ERDF) grant funding which is why it's been delivered under Refit 2.
North Angle Solar Farm	Design and build contract with Energy Performance Guarantee	The Greater Local Authority (GLA) and Local Partnerships (LP) developed and own the Refit 3 Framework. 16 pre-qualified suppliers were appointed to the framework. The Council ran a mini-competition to secure a supplier. And Bouygues Energies and Services were appointed. A support agreement was also set up with Local Partnerships to review IGPs and works contracts for all the large energy projects to benchmark costs and check compliance with the framework.
Babraham Road Smart Energy Grid	Design and build contract with Energy Performance Guarantee	Re:Fit 3 Framework- as above
Swaffham Prior Heat Network (SPHN)	Design, build and operational contract with Energy Performance Guarantee	Re:Fit 3 Framework- as above

2.8.2 The GLA and LP Refit Frameworks have enabled projects to be set up under energy performance guarantee arrangements. This holds the contractors to account on their designs by guaranteeing the performance of the system when constructed. For projects agreed before the Covid pandemic fixed price contracts were also agreed and together with the guarantee reduced the risk to the Council.

2.8.3 However, due to covid, no fixed price contracts could be agreed during 2021 due to the volatility of the supply chain. It was therefore necessary to move to a cost-plus model.

Under this arrangement those costs that could be fixed in the contract were, but where prices or supplies remained volatile these costs could not be fixed and new ways of working on projects had to be facilitated. Examples of this include how the Council secured solar panels when demand increased during the covid pandemic. The Council partnered with Bouygues purchasing experts and used the global reach and buying power of Bouygues to fix costs and secure a place in a queue. The 'cost plus' model is a legacy that exists on three of our large energy projects. However, global events have also led to significant market disruption, for example high value electronic components can take of up to 9 months lead time.

Key Learning

- 2.9 The key lessons learnt from these projects are that the multi-year development and construction phases of these large infrastructure projects take time to deliver and therefore the timeframes for the delivery and associated income streams need to be realistic for future projects of this nature. However, it is to be noted that the projects still have financially robust long term business cases. For the Smart Energy Grids, these delays and risks are currently relatively low as forecast income was low. Triangle has exceeded income forecasts so far, which should be replicated by North Angle Solar Farm, once generating.
- 2.10 Furthermore, challenges around grid capacity have had an impact on the delivery of these projects. This reinforces the need for the Council to develop Local Area Energy Planning to reduce this risk for all parties seeking to connect to UK Power Networks, the district network operator in Cambridgeshire, in the future.
- 2.11 Proceeding during Covid, at the encouragement of national government to avoid recession was understood to be a risk and has continued to be so. Once complete, these projects are still expected to make a valuable contribution to reduction in Council carbon emissions, provide an opportunity to potentially reduce its energy costs, as well as support wider decarbonisation in Cambridgeshire through supplying renewable energy to local homes and businesses. In addition to this, the projects will provide additional EV charging infrastructure where it is needed and generate significant revenue for the Council for other activities.
- 2.12 Client side risks, particularly in relation to securing subterranean works for pipes and wires are now better understood and this learning will be built into projects in the future.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

The report above sets out the carbon emissions reductions from the large energy projects in paragraph 1.8

- 3.2 Travel across the county is safer and more environmentally sustainable

Two of the park and ride sites will host EV charging infrastructure powered by solar electricity. It is intended that this can extend to support buses and taxis.

3.3 Health inequalities are reduced

The Swaffham Prior Heat Network has removed finance as a barrier to connecting to the heating scheme and securing a warm home for lower costs over the lifecycle of the project. Warm homes contribute to reducing health inequalities. In addition, air quality improvement from removing the burning of fossil fuels.

3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

3.5 Helping people out of poverty and income inequality

The Swaffham Prior Heat Network aims to help tackle fuel poverty in the village, which will contribute to reducing poverty and income inequality, as heating can be a significant part of a householder's budget, particularly with recent sustained increases in energy prices. The recent Quality of Life Survey highlighted how households were cutting heating of homes to save money.

3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

The Swaffham Prior Heat Network is aimed at contributing to a local resilient and inclusive Economy, with a publicly provided heating service available to households and other buildings in the village. This also aims to promote social justice through the affordable provision of long term, low carbon heating to all, ensuring that those on lower incomes are not left with more expensive and carbon intensive forms of heating due to issues of affordability.

3.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

4. Source documents

4.1 Source documents

North Angle Solar Farm

- North Angle Solar Farm Investment Decision – Report taken to the Commercial and Investment Committee on 18th December 2020
- Approval for Grid Connection Down Payments for Energy Investment Projects – Report taken to the Commercial and Investment Committee on 18th October 2019

Swaffham Prior Community Heat Network

- Integrated Finance Monitoring Report for the period ending 31st August 2023 – Report taken to the Strategy, Resource and Performance Committee on 31st October 2023

- Finance Monitoring Report – August 2023 (Including Swaffham Prior Heat Network) – Report taken to the Environment and Green Investment Committee on 12th October 2023.
- Swaffham Prior Community Heat Project – Investment Case – Report taken to the Environment and Sustainability Committee on 14th January 2021.

Stanground Closed Landfill – Solar Project

- Stanground Solar PV and Battery Storage Project – IGP Stage 1 Update - Report taken to the Commercial and Investment Committee on 21st June 2019
- Outline Business Cases for Clean Energy Projects at Woodston and Stanground closed landfill sites – Report taken to the Commercial and Investment Committee on 14th September 2018.

Babraham Road Park and Ride Smart Energy Grid

- Babraham Smart Energy Grid – Updated Investment Case – Report taken to the Environment and Green Investment Committee on 16th December 2021.
- Babraham Road Park and Ride Smart Energy Grid Investment Decision – Report taken to the Environment and Sustainability Committee on 11th March 2021

St Ives Park and Ride Smart Energy Grid

- Investment Decision, St Ives Park and Ride Smart Energy Grid – Report taken to the Environment and Sustainability Committee on 1st July 2021.
- Minor Works for St Ives Smart Energy Grid – Report taken to the Commercial and Investment Committee on 22nd May 2020.

Optimisation

- Operation & Maintenance contracts for large energy infrastructure projects – Report taken to the Environment and Green Investment Committee on 16th March 2023.
- Renewable energy export arrangements for the Council's large renewable energy projects – Report taken to the Environment and Green Investment Committee on 16th March 2023

4.2 Location

[North Angle Solar Farm Investment Decision – Report taken to the Commercial and Investment Committee on 18th December 2020](#)

[Approval for Grid Connection Down Payments For Energy Investment Projects – Report taken to the Commercial and Investment Committee on 18th October 2019](#)

[Integrated Finance Monitoring Report for the period ending 31st August 2023 – Report taken to the Strategy, Resource and Performance Committee on 31st October 2023](#)

[Finance Monitoring Report – August 2023 \(Including Swaffham Prior Heat Network\) – Report taken to the Environment and Green Investment Committee on 12th October 2023.](#)

[Swaffham Prior Community Heat Project – Investment Case – Report taken to the Environment and Sustainability Committee on 14th January 2021.](#)

[Stanground Solar PV and Battery Storage Project – IGP Stage 1 Update - Report taken to the Commercial and Investment Committee on 21st June 2019](#)

[Outline Business Cases for Clean Energy Projects at Woodston and Stanground closed landfill sites – Report taken to the Commercial and Investment Committee on 14th September 2018.](#)

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[Minor Works for St Ives Smart Energy Grid – Report taken to the Commercial and Investment Committee on 22nd May 2020.](#)

[Operation & Maintenance contracts for large energy infrastructure projects – Report taken to the Environment and Green Investment Committee on 16th March 2023.](#)

[Renewable energy export arrangements for the Council's large renewable energy projects – Report taken to the Environment and Green Investment Committee on 16th March 2023](#)

Procurement Performance Report

To: Assets and Procurement Committee

Meeting Date: 28th November 2023

From: Executive Director of Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: N/a

Outcome: Committee is asked to consider the contents of this report.

Recommendation: Committee is asked to agree the actions contained within this report.

Officer contact:
Name: Clare Ellis
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Tel: 01480 372345

1. Background

- 1.1 In 2022/23, the Procurement and Commercial Team procured £1.3b worth of contracts (value over the entire contract term). So far in 2023/24, that figure is £1.2b.
- 1.2 The Council has over 750 contracts on its Contract Register (all contracts valued over £5,000), those contracts are managed by over 250 Contract Managers across the Council and are valued at nearly £4.6b.
- 1.3 Annually the Council has around £600m of external spend, this equates to around £40m spend per Procurement and Commercial Team member. Research shows that most Councils operate with an average of £18.5m of spend per team member.

2. Main Issues

2.1 Performance Management

2.1.1 The team reports on procurement performance measures on behalf of the organisation. There are 3 – relating to late waivers, social value delivery and contract awards to local businesses. Delivery of social value is on track. Performance in relation to late waivers is improving but not yet meeting target. Spend with local businesses is not achieving target but this is a new KPI and it is hoped that the recent SME event will further improve the Council's approach.

2.1.2 In addition, the team delivers against 19 service plan targets and 6 targets within the Sustainable Procurement Strategy. Some examples of the service plan targets are improving supply chain prompt payment clauses and advice, this has been achieved. Provision of basic procurement advice to new managers as part of their induction, this has also been achieved. Sustainable Procurement Strategy measures include the number of contracts which include social value measures, this is increasing and the number of suppliers signing up to our Climate Change Charter, which is also increasing.

2.2 Procurement Improvement

2.2.1 The Council's last value for money opinion was received in November 2021, this found weaknesses in procurement arrangements and a number of recommendations were made. The recommendations along with the action taken is summarised below.

BDO Recommendation	Action Taken
Remind relevant officers that contracts should be included on the Contract Register.	<ul style="list-style-type: none">• Those raising requisitions are prompted to insert a Contract Register reference.• The Contract Register is reviewed monthly by the Procurement and Commercial Team.• E procurement training has been developed.• The Award Report and Procurement Guidance reminds Responsible Officers to add contracts on to the Register.• Requisitions raised against 'no contract' now come to the Procurement and Commercial Team for approval where they are valued over £5,000.• The role of the Responsible Officer is now clearly defined

	within the Contract Procedure Rules.
Undertake spot checks of newly awarded contracts to ensure they are entered on to the Contract Register	The Contract Register is reviewed monthly by the Procurement and Commercial Team, anomalies are raised with the relevant manager.
Monitor findings of Internal Audit's procurement reviews to determine whether the Contract Register is being maintained.	All procurement compliance related Internal Audit actions have been delivered.
Mandatory training for all officers with responsibility for procurement	A module has been added to the e learning system and uptake from Budget and Contract Managers is monitored monthly. Gaps are investigated by the Procurement Governance Board and relevant action is taken.
Regularly publicise the online waiver form.	The waiver form and guidance has recently been updated to ensure its compliance with the CPRs and to ensure that the right officers are able to approve the right level of waivers.
Update the CPRs to ensure that the requirement to maintain formal documentation is embedded	The CPRs have been updated to provide greater clarity on waivers, record keeping, the role of the Responsible Officer and improved governance on Direct Awards.
Set up a central storage location for documentation relating to the procurement process.	There is now a requirement in the CPRs that all signed contracts for procurements valued over £100,000 come to the Procurement and Commercial Team. Procurement documentation for procurements valued over £100,000 is stored in shared folders accessible by both the service area and the Procurement and Commercial Team. Bidder facing documentation is uploaded on to the Council's e tendering system.

2.2.2 In addition to the actions taken as a direct result of the BDO audit, additional work has been undertaken to improve the Council's procurement processes and compliance. These are summarised below.

- Consultancy expenditure: this is reported 6 monthly to the Audit and Accounts Committee. The Consultant's Policy has been updated and a new approval form launched that must be used for all consultancy procurements valued over £5,000. Consultancy requisitions valued over £5,000 now come to the Procurement and Commercial Team for approval and approval is only given if evidence of an approval form is available.
- Procurement governance: the governance arrangements for individual procurements valued over £100,000 has been much improved with Procurement Plans and Award Reports now being signed off at relevant points through the process.
- Procurement guidance and templates: there is now a comprehensive set of guidance documents available for officers who are running their own, sub £100,000, procurements including template documents, a Procurement Guide etc. In addition, the team has produced a Contract Management Toolkit, a risk assessment process for contracts, contract variation guidance etc.
- Procurement Governance Board: established in July 2022, the Procurement Governance Board now meets bimonthly with a remit to provide strategic

oversight for procurement and to consider and manage procurement related risks. Representatives from each Department and Pathfinder attend alongside Procurement and Commercial colleagues

2.2.3 The Council's new Sustainable Procurement Strategy was approved in January 2023 and this sets the strategic direction for the function across the Council.

2.2.4 Risk assessments have been undertaken of the 10 or so highest value contracts and mitigation plans have been established with their Contract Managers.

2.2.5 The team has developed a comprehensive approach to embedding social value in its procurements valued over £100,000 and the number of procurements using this new approach continues to grow.

2.3 Next Steps:

2.3.1 The team is working hard to provide greater support for Contract Managers, free training has been provided and a Contract Management Teams channel has been opened to allow Contract Managers across the Council to share best practice and ask questions of each other and of the Procurement and Commercial Team.

2.3.2 Contract risk assessments is an ongoing process and it is hoped that within the next 6-12 months the team will have a comprehensive list of the Council's highest risk contracts to ensure that their Contract Managers are supported as far as possible.

2.3.3 A Commissioning and Commercial Strategy is being developed that will support colleagues to work their way through the whole procurement cycle, from commissioning, through procurement to contract management.

2.3.4 There is a current review of the team's capacity to ensure that there is capacity to continue to drive the improvements needed and so that we can continue to deliver high quality procurement and commercial services.

2.4 Waivers

2.4.1 As discussed at the last Committee meeting, waivers (especially late waivers) continue to be a problem for the Council. Recent additional guidance has been issued to Chief Officers to ensure that they fully understand their role in approving or rejecting waivers. In summary that guidance stated:

- Waivers should always be submitted in sufficient time to allow alternative action to be taken should they be rejected. The number of late waivers is declining but it is still too high.
- Retrospective waivers can only ever be approved in cases of genuine emergency.
- Waivers may only be approved where they are valued below the lowest of either the UK procurement threshold or the Key Decision Threshold.
- Evidence is required to be submitted when applying for a waiver.

2.4.2 For further clarity, waivers valued under £25,000 may be approved by the relevant Chief Officer alone. Waivers valued between £25,000 and £100,000 must be approved by all of the following – the relevant Chief Officer, the Head of Procurement and Commercial and the Chief Finance Officer. Waivers valued over £100,000 must also be approved by the Monitoring Officer.

2.4.3 An example of this working in practice is the Cambridge Medical Campus project. Waivers have been granted for this project based on the compatibility reason. Those waivers were below the relevant threshold and were time limited so will end on 31st March 2024. Following that, a compliant procurement process will be undertaken, probably via framework agreement(s), to ensure that the valuable project can continue.

2.5 Savings and efficiencies:

2.5.1 In the last 12 months it is estimated that the team have delivered the following:

- £670,000 savings (calculated against year 1 of the contract term)
- £1m in non-cashable savings, calculated by comparing the winning bidder to the average bid received.
- £700,000 in service area efficiencies delivered by the Commercial Team.

2.5.2 This is a total of £2.37m of savings and efficiencies and putting into the context of the team's budget, a positive balance of £1.47m.

3. Alignment with ambitions

3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

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

- Each Procurement Plan identifies how that procurement aligns to each ambition.
- Selection and award questions on climate change are considered for all procurements valued over £100,000.

3.2 Travel across the county is safer and more environmentally sustainable

See wording under 3.1 above.

3.3 Health inequalities are reduced

See wording under 3.1 above.

3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

See wording under 3.1 above.

3.5 Helping people out of poverty and income inequality

See wording under 3.1 above.

3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

See wording under 3.1 above.

3.7 Children and young people have opportunities to thrive

See wording under 3.1 above.

4. Significant Implications

4.1 Not required

Have the resource implications been cleared by Finance? Yes or No

Name of Financial Officer:

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes Name of Legal Officer: Gurdeep Singh Sembhi

Have the equality and diversity implications been cleared by your EqIA Super User?

Yes Name of Officer: Faye McCarthy

Have any engagement and communication implications been cleared by Communications?

Yes Name of Officer: Kathryn Rogerson

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/a

Have any Public Health implications been cleared by Public Health?

Yes or No Name of Officer:

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer? Yes Name of Officer: Emily Bolton

5. Source documents

5.1 Source documents

None

Assets and Procurement Committee Agenda Plan

Published on 1 November 2023

Updated on 20 November 2023

Notes

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

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

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

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

- Minutes of previous meeting and Action Log
- Agenda Plan, Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
28/11/23	Land and Property Performance	C Ramsbottom	Not applicable	16/11/23	20/11/23
	This Land Shareholder Agreement	T Kelly	Not applicable		
	Provider Selection Regime	C Ellis	Not applicable		
	Progress update with the Large Energy Projects	S French	Not applicable		
	Procurement Update	C Ellis	Not applicable		
	Appointment of Shareholder Representative to Light Blue Fibre	C Clulow	Not applicable		
	Cambridge Shire Hall - Commercial Update	M Hudson	2023/081		
16/01/24	Land and Property Strategy 2024-29	C Ramsbottom	Not applicable	04/01/24	08/01/2

Committee date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Commercial, Commissioning & Contract Management Framework	C Ellis/D Sage	Not applicable		
	Cambridge Biomedical Campus	M Hudson/ J Macmillan	Not applicable		
	East Barnwell Community Centre and Library redevelopment	M Hudson/ C Ramsbottom	2023/003		
	Business Planning - Scrutiny and overview of Assets and Procurement Committee proposals	M Hudson	Not applicable		
21/03/24	Land and Property Performance	C Ramsbottom	Not applicable	11/01/24	13/01/24
	Procurement Performance	C Ellis	Not applicable		

Please contact Democratic Services democraticservices@cambridgeshire.gov.uk if you require this information in a more accessible format

Future items to be programmed:
Eastnet procurement - 2025

Shire Hall, Cambridge – Commercial Update

To: Assets & Procurement Committee

Meeting Date: 28 November 2023

From: Executive Director Finance & Resources

Electoral division(s): Castle

Key decision: Yes

Forward Plan ref: 2023/081

Outcome: Update the Committee on the redevelopment of Shire Hall and confirm next steps following non-completion of the redevelopment agreement by the agreed deadline.

Recommendation: The Committee is invited to:

- a) note the Commercial update and withdrawal of Brookgate prior to the deadline approved by the July Strategy & Resources Committee;
- b) approve the instruction of advisers and commence the marketing of the Shire Hall site at the earliest opportunity with defined deadlines for exchange and completion of contracts;
- c) bring an update report to the March Assets and Procurement Committee on market engagement and a preferred bidder for approval, or next steps to move to that stage of appointment at the following Committee.

Officer contact:

Name: Michael Hudson

Post: Executive Director for Finance & Resources

Email: Michael.Hudson@cambridgeshire.gov.uk

1. Background

- 1.1 Following the Full Council decision to relocate the Council's headquarters from Shire Hall in May 2018, and approval of draft Heads of Terms in late 2019, negotiations on the detailed terms and contracts commenced with Brookgate. Subsequently a detailed review of the Shire Hall proposals and progress was presented to Strategy & Resources Committee in July 2021, with the Brookgate scheme re-confirmed.
- 1.2 Due to the significant economic impact of the COVID pandemic, in particular material and labour cost inflation and supply chain uncertainty, updated terms were approved by the Council's Strategy and Resources Committee in January 2022. In January 2023 a further update and amendment to terms was approved following the impact of the Government's emergency budget that drove a rapid rise in interest rates and gilt yields. 50 year gilt rates had risen from around 1.16% at the start of detailed negotiations (November 2019) to their current level (October 2023) of 4.56% (UKDMO data), impacting both finance costs and development values for the scheme. Similarly overall construction costs increased by 24% from Heads of Terms approval in November 2019 until September 2023 (ONS COPI data).
- 1.3 An update report was presented to the July 2023 Strategy and Resources Committee providing a comprehensive update on the then ongoing negotiations with Brookgate for the redevelopment of the Shire Hall site. Despite ongoing economic uncertainty slowing progress, legal negotiations were in their final stages with few significant outstanding points of contention. Committee approved a deadline for the completion of negotiations and signing of contracts.
- 1.4 Shortly before the deadline set by the Strategy and Resources Committee for signing (14th August 2023) Brookgate contacted the Council to advise that following detailed consideration of the deal by their Board, they were unable to proceed on the agreed terms. Legal papers were withdrawn shortly afterwards.
- 1.5 This report sets out the actions taken in response to the withdrawal of Brookgate and makes recommendations to ensure delivery of a successful redevelopment of the site and deliver the financial, environmental and other benefits of the scheme.

2. Main Issues

- 2.1 Following the withdrawal of Brookgate, Officers responded rapidly to work with the Council's retained advisers, BNP Paribas and Pinsent Mason, to take the redevelopment forward. A detailed review of all options for the site was initiated to consider all redevelopment options with detailed development appraisals to assess the current market conditions and due to the volatility and variability of recent times. With several reviews having taken place during the negotiation process, this earlier work provided a basis for a comprehensive update on options for the site. In parallel, all disposal options for the site were revisited, including a full freehold sale, long leases and other options, and market testing. Pinsent Mason was instructed to provide legal advice on various aspects of the redevelopment options including procurement matters.

- 2.2 These workstreams produced a comprehensive development overview of the site (with multiple development options and appraisals), detailed procurement advice, clear commercial and market intelligence and risk and funding options. These are set out below with the relevant factors assessed for the options.
- 2.3 The costs to the Council to date relating to the transaction comprise the costs of the Shire Hall campus site and professional fees. Whilst negotiations have been ongoing the Council's Property team have undertaken a major clearance exercise of Shire Hall and Octagon to remove the redundant and surplus furniture and items from the site. This continued for a significant period after the relocation to Shire Hall due to the volume of material. Careful management of this process has seen significant quantities of surplus furniture either sold or sent for reuse. The Property team has avoided large quantities of landfill, and generated a net income from selling and recycling these items rather than disposing of them. This provided both financial and environmental benefits, and facilitated the Strategic Asset team in mitigating the cost of Business Rates. It should also be noted that the Registrations Service remained on site at Shire Hall until September 2022, so there were some ongoing occupational costs.
- 2.4 In the table below the net costs of the Shire Hall site are set out by Financial Year (operating costs less income from the car parks). Property Services has also invested in improving signage and facilities in the car parks to increase usage and support the city centre. It has also invested in the heritage interpretation and amenity of the site, with brand new heritage information boards and increased litter bins and litter picking to improve visitor experience.

	2019/20	2020/21	2021/22	2022/23	2023/24 Forecast
Shire Hall Area	1,123,742.91	1,266,444.96	1,110,288.06	637,039.48	381,129.10
Shire Hall Car Park	-130,520.88	-37,923.69	-114,582.88	-212,371.55	-250,000.00
	993,222.03	1,228,521.27	995,705.18	424,667.93	131,129.10

- 2.5 The Shire Hall building and Octagon remained in Council use during FY2020/21 (including compliant occupation during COVID lockdowns) and into FY2021/22. However, the annual cost saving is over £850k per annum and reducing. The spend on professional advisers, BNP Paribas as property consultants and agents, and Pinsent Mason solicitors is £173,000. This spend has reached a point where the complex set of contracts was in a form that was effectively ready to sign. Details of the fees are set out in exempt Appendix 1. The professional services contracts were procured through appropriate procurement routes at the outset of the scheme, LGSS Law (now Pathfinder Legal Services) and Crown Commercial Services), and the contracts are being reviewed in accordance with Council procurement policies.
- 2.6 The Council obtained advice from our legal advisers, Pinsent Masons, on the available options for developing the site. For CCC to have maximum controls over the delivery of the scheme would require a full procurement process for the appointment of a developer (as it would constitute a public works contract). This would be expensive and take a significant amount of time. Instead advice remains that approaching the market to offer a land transaction, with the potential for CCC to take an income strip lease, is still the most beneficial option. The detailed advice in exempt Appendix 2 sets out the differences and

reports on risks in relation to each option. The following paragraphs though set out how each option ranks on these assessments, with a summary table set out below paragraph 2.19.

- 2.7 The first part of BNP's review involved detailed development appraisals of other potential uses of the site, in addition to the proposed office/hotel scheme. The appraisals were based on current figures for Income Strip transactions and within the parameters previously by Members for the Brookgate transaction previously. The schemes and the initial (residual) site value and initial CCC retained (i.e. profit rent under the Income Strip kept by CCC) rent are set out below in ranked order, with the most financially beneficial at the top:

Income Strip development appraisal outcomes		
Ranking by site value and retained rent	Shire Hall use	Octagon use
1 st	Hotel (management contract)	Offices
2 nd	Offices	Offices
3 rd	Hotel (leased)	Offices
4 th	Student Accommodation	Offices
5 th	Senior Living	Offices
6 th	Build to Rent Residential	Offices

- 2.8 This analysis confirms that development of the site involving offices and hotel uses remain the most valuable options for developers. Whilst any marketing of the site will see developers undertake their own appraisals and assessments it provides the Council with a clear guide as to options and likely outcomes. The following points are to note when considering options:

1. Operating a hotel through a management contract (under an international brand such as Hilton or Accor) in option 1 is the most lucrative on a gross basis, however this carries a high degree of management cost and commercial risk as the council is taking on the room vacancy risk for the hotel – the income assumes suitable levels of occupancy in the hotel. If this declines then the Council's income will decline and could go into loss in extreme events (e.g. 9/11, COVID etc). This is a similar operation to that operated by CCC at Brunswick House, noting that student letting are longer term and less fluid and seasonal than hotel bookings. The Council will need to ensure that it has suitable management and professional expertise to oversee and manage the hotel operator and ensure overall hotel performance.
2. Refurbishing both Shire Hall and the Octagon as high-quality offices is the next best option, but significantly exposes the council as a landlord in the Cambridge office market. If office rents slow this puts the income at risk, particularly in an Income Strip situation. Some parties have expressed interest in creating hi/mid tech lab space.
3. The original scheme of a leased hotel and offices remains financially attractive and provides some diversity of risk across two property sectors (hotel and office).

4. Student accommodation is also viable and demand remains stable in Cambridge, however the Council already has significant commercial exposure to this sector through its operation of Brunswick House and the lease to Collegiate at Castle Court, Cambridge. Such a scheme is also likely to require direct agreements with institutions in order to gain planning consent. The student accommodation market outside of Cambridge is currently in a state of flux due to course quality issues and compliance cost of new regulations. Soft market testing indicates that there is more of an appetite to procure and develop the site rather than an income strip deal. The value of that disposal being significantly less than the income strip proposals as discussed in paragraph 2.12 to 2.13 below.
5. Senior Living does not achieve the minimum Residual Site Value of £6m considered necessary for any scheme to be considered viable for the Council. It is also a highly specialised market, and various factors such as the site being located at the top of a long hill above the main shopping area may limit interest in this use. Senior Living has been excluded from further consideration for these reasons.
6. Rented residential accommodation makes a £2.67m loss on the site value and may create Buy to Let issues so has also been discounted. To make this scheme viable it is based upon zero affordable housing, which is unlikely to be acceptable for planning and other reasons.

Further financial details of the appraisals are set out in exempt Appendix 3.

- 2.9 BNP's analysis provides a guide to viable redevelopment options for the site and informs the marketing and disposal options. Following the development appraisals BNP conducted a confidential 'soft market test' of site and scheme with a select group of developers that had the expertise and financial scale to undertake a redevelopment of the site. This process asked the developers to consider the existing scheme and also put forward alternative proposals if they considered these more viable and/or lucrative for the Council.
- 2.10 In parallel to this BNP evaluated the options to dispose of the site via a freehold sale and a long leasehold transaction. As a recap, the Income Strip means that CCC retain the freehold ownership of the site in the long term, with a developer obtaining planning consent and redeveloping the site with funding from an external funder. Upon completion the Council pays rent to the funder for the agreed lease term (50 years is proposed), whilst the Council is paid rent by the tenants of the site e.g. office occupiers, hotel operator etc. This generates a net profit (the Retained Rent in table 1).
- 2.11 The other options for the disposal or redevelopment of the Shire Hall site area a freehold sale, long leasehold disposal, CCC undertaking planning only, CCC undertaking the development itself of the site or self-managed hotel:

- 2.12 A freehold sale is the outright sale of the site to a third party for them to develop or use the site as they deem appropriate. This would produce a capital receipt, likely to be in the range of £10m to £15m, but will end the Council's involvement in the site. Due to the high-profile nature of the site a buyer may pay a premium above the quoted price range, in part depending upon perceived market conditions. It is the quickest and simplest method of disposal.
- 2.13 A long leasehold disposal in this scenario the site would be sold for an initial capital receipt and a long-term rental income. The capital receipt and rental income will be significantly lower than the figures for an Income Strip. The lease term would be for a term of between 99 and 999 years, with different financial outcomes according to lease length. Under a long lease the Council will have very little control over the site. This option would see a high proportion of the redevelopment profits and long-term income pass the lessee/developer. This option has been evaluated on a 150 year lease and under every development scenario it results in a negative site value and long term income significantly below the income strip. The negative site value would in effect require the Council to pay the developer/long lessee the capital sum at the start to commence the scheme.
- 2.14 The Council obtaining planning consent for the site itself would then provide a consented development to bring to the market and to offer to developers. Whilst having consent in place will make the site attractive, there are several problems with this. Firstly CCC will need to make the commercial developer decisions on the details of the development, forecasting the best options several years ahead. If the scheme has a hotel within it, this will have to be designed to a particular hotel operator's requirements. CCC would need to enter into an agreement with the hotel operator in order to undertake detailed design of the hotel. This would require a formal procurement exercise to select a hotel operator, delaying the preparation and submission of the planning applications by many months. These are core skills of property developers and the Council would be closely engaged in significant commercial decisions outside its scope of expertise. If the planning consent obtained is then not aligned to market conditions at the time then this will further delay any scheme and reduce financial returns.
- 2.15 Self-development is another mechanism for the Council to retain ownership of the site and profit from the redevelopment is to carry out some or all of the redevelopment work itself. This means that CCC takes the profits that would otherwise pass to a developer, but also takes on the developer's commercial risk. If there were problems such as significant cost overruns or construction delays the costs would fall directly on the Council to fund. This level of risk is not considered appropriate for the Council, and it would require a dedicated and specialist team to manage the redevelopment.
- 2.16 The self-development route would also require the Council to find around £100m of development funding, something that would be challenging and impose risks on wider council finances. We do not consider it would be straightforward to include such a scheme in the County Council's capital programme and remain in compliance with the PWLB loan stipulations which prohibit capital investment in assets primarily for yield. Challenges with construction costs or delays beyond contingencies could see the Council facing multi-million cost overruns and this is an area that has directly impacted some other councils who have engaged in direct development activity. Whilst this method of delivery has the potential for the high returns it also carries the highest commercial and financial risk, and

would require significant internal Council management and professional input over a protracted period of time. For these reasons this option has been discounted.

- 2.17 The final option is a variation of the Income Strip, where a developer undertakes and funds the scheme, but instead of renting Shire Hall to a hotel operator the Council operates the hotel as its own business. The day-to-day operations of the hotel would be managed by an established contractor under a well-known hotel brand (e.g. Hilton, Accor), but CCC takes the commercial profits and risk. This is similar to how CCC operates its student accommodation at Brunswick House.
- 2.18 The self-manage options has the highest returns under the appraisals, however it also has a significant degree of risk, particularly for the long-term income. Tourism has seen significant downturns after major events such as 9/11 and COVID, and the Council would be fully exposed to this risk. As hotel operations is a specialist sector the Council would also need specialist in-house resource to oversee and manage the management contract, the costs of this eroding returns. In the hotel rental option the hotel operator takes these commercial risks and the Council is only required to operate as a normal landlord, which is already able to do.

2.19 Overview of disposal options

	Freehold	Long Leasehold	Income Strip	CCC planning	Self-develop site	Self-manage hotel
Time to transaction completion	3-6 months	3-6 months	3-6 months	18-24 months	5 years+	5 years+
Capital Receipt	Moderate to High	Moderate	High	High	N/A	High
Long term income	Nil	Very low	High	High	High	High
Financial Risk	Very low	Low	Medium then low once signed	Medium	Very high	Medium then Very High post-completion
Commercial Risk	Very low	Low	Low-Medium	High	High	Medium
CCC funding requirements	None	None	3 rd party funded	£1m	£100m+	3 rd party funded
Long term income	Nil	Very low	High	High	High	High
CCC control over site	None	Very limited	Full control over site excluding buildings	Control until developer appointed post-planning	Full control until building leases completed	Control of site and oversight of hotel operation
Ownership after completion	None	CCC retains freehold and reversion in c.150 years	CCC retains freehold and reversion in c.50 years	CCC retains freehold and reversion in c.50 years	CCC retains freehold and reversions	CCC retains freehold and is occupier/user of the hotel.
Deliverability	High	High	Medium-High	Medium	Low	High
NPV 50 years	£19.0m	£6.3m	£58.5m	£57.2m	£95.8m	£46.1m

2.20 With high returns and a lower risk profile, the Income Strip option remains likely to be the most suitable providing substantial returns and limiting risk. The freehold and long lease options mean losing control of the site effectively on a permanent basis, and do not provide as substantive overall returns as other options. The freehold would simply provide a one-off capital receipt and mean no further CCC involvement in the site.

- 2.21 There has been extensive work and discussion around the heritage and environmental aspects of the Shire Hall scheme. These will remain unchanged in any future scheme and are summarised below:

Scheduled Ancient Monuments & Listed building (Old Police Station): all proposals for the site will require full planning, Listed Building and Scheduled Ancient Monument consents, and ensure protection of the assets on site.

Town Green: the necessary applications have been submitted for the nomination of the lawn between the front of Shire Hall and the Mound to be given the legal protection as a 'Town Green'. This process is under way and will take a number of months to complete time due to statutory processes and timescales.

Environmental standards: the current plans for the redevelopment of Shire Hall and the Octagon have been designed to achieve BREEAM 'Excellent' standard. This will be taken forward into any new scheme. Further, in relation to Staycity's specification for the hotel, they set out demanding requirements to achieve their corporate climate/Net Zero targets. It is anticipated that any other operators will be seeking to achieve similar standards as part of the corporate approach to ESG matters.

Telecoms: the two initial approaches made by telecoms operators for the site had been withdrawn following responses from the Council's advisers, but subsequently a further approach was received to erect a mast in the former staff car park. This is being resisted as previously.

- 2.22 The income strip approach remains attractive as a means of attracting external investment into the redevelopment of the campus whilst retaining and enhancing the valuable underlying freehold asset, with this reverting to public ownership. The Council does not currently have sufficient headroom in its own capital programme (given competing requirements) to fund the development itself and would likely face regulatory barriers to accessing PWLB lending were it to pursue this route (whether it was funded by borrowing or otherwise). Additionally, although there is a potential reward in retaining all future revenues, there are cautionary considerations as to whether the additional delivery and construction risks should be taken on by the Council, even if financing was available.
- 2.23 The income strip approach should see an ongoing revenue income stream retained by the Council, which is beneficial given the nature of the ongoing services the Council provides. The income strip will also bind the Council into paying the institutional investor a set proportion of the rent each year, with this rising in line with inflation and the Council exposed to risk should income levels decline (or fall below the level due to the investor). The Council has set out in its capital strategy how its overall exposure to commercial property risk is proportionate to the Council's overall spending (< 4%) and that the property portfolio is diversified, with no other exposure to income strips or hotels. External sector specialist advice received to date has identified the shortage of supply of hotel capacity in Cambridge and further due diligence will be undertaken on long-term leaseholders (particularly the hotel leaseholder) through which the Council would seek to manage its risk exposure.

- 2.24 The financing rate / yield for this project required by an institutional investor is a crucial determinant of the schemes' profitability. In re-appraising the project, the advisor has taken the opportunity to build additional headroom into yield rates compared to those parameters previously presented to Committee. Advice received both from those familiar with income strip transactions, and broader comparators/competitor regular income investment opportunities (drawing on economic forecasts) is that yields (alongside interest rates) are expected to fall by the point that financing is confirmed (post planning). This has the potential to improve the expected returns, but as has been seen to date is also a risk. Until the proposed marketing exercise is undertaken, and ultimately a funding rate agreed for a permitted scheme thereafter, this will remain an uncertainty.

Next Steps

- 2.25 Having completed a comprehensive review of the site and its marketing potential, with significant market interest being shown, it is proposed that the Council instructs its advisers to prepare a marketing campaign for the Shire Hall site to launch early in the New Year with a clear timetable for the process through to legal completion. A deadline for legal completion would be expected to be set for the Summer of 2024.
- 2.26 The marketing process will offer the site on an 'open' basis for developers and bidders, noting the Council's requirement to seek Best Consideration and the ability of a successful developer or bidder to complete legally binding contracts and the development. Whilst the Council will not impose specific requirements on developers or bidders, there will be a preference for retaining ownership and a long-term income. The Council already has detailed knowledge of the site, the legal issues and a suite draft legal contracts for an income strip transaction to help expedite the process. In addition, there is a hotel operator with considerable knowledge of the site.
- 2.27 The evaluation of bids and selection of a preferred developer or bidder is anticipated to take place in March or April 2024, with conditional exchange the following month, subject to Member approval.

3. Alignment with ambitions

- 3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

The redevelopment will result in more energy efficient buildings on the Shire Hall site

- 3.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

- 3.3 Health inequalities are reduced

There are no significant implications for this ambition.

- 3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

- 3.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.

- 3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

The redevelopment will provide a mix of employment, tourism and other benefits to the local economy and the financial returns will help fund Council services.

- 3.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

4. Significant Implications

4.1 Resource Implications

The report above sets out details of significant implications throughout. Third party advice has been provided in support of the Council's considerations. Attention is drawn in particular to sections 2.22 – 2.24 in particular which summarises principal risks and features of the income strip and financing approach that is recommended. The exempt Appendix 3 includes a summary of the financial outputs of the various options considered.

The financial decisions at this stage are not binding and can be further considered after the open exercise has completed.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Detailed procurement advice has been obtained from the Council's legal advisors and is set out in Appendix 2.

4.3 Statutory, Legal and Risk Implications

The report above sets out details of significant implications throughout. Third party advice has been provided in support of the Council's considerations.

4.4 Equality and Diversity Implications

There are no significant implications within this category. An Equality Impact Assessment has been completed.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

The Local Member is a member of this committee and there has been extensive involvement of local residents, councillors and others during the Shire Hall redevelopment process.

4.7 Public Health Implications

There are no significant implications within this category.

4.8 Climate Change and Environment Implications on Priority Areas

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive

Explanation: The redevelopment will provide new, energy efficient buildings on the site, replacing very energy inefficient existing structures.

4.8.2 Implication 2: Low carbon transport.

Positive

Explanation: The redevelopment will be subject to the relevant planning and transport policies for the City of Cambridge.

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Positive

Explanation: Steps have already been taken to protect the green space and heritage on the site, with the Town Green nomination and improvements to heritage interpretation and management of the spaces.

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Positive

Explanation: Future occupiers will have to comply with the latest waste management requirements under planning and other regulations.

4.8.5 Implication 5: Water use, availability and management:

Positive

Explanation: The new buildings will meet the latest standards for water consumption and waste water handling.

4.8.6 Implication 6: Air Pollution.

Neutral

Explanation: N/A

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Neutral

Explanation: N/A

Report Clearance

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Tom Kelly, Service Director Finance & Procurement

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes

Name of Officer: Clare Ellis, Head of Procurement

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? Yes

Name of Legal Officer: Procurement advice cleared by Rebecca Rowley, Legal Director, Pinsents Masons

Have the equality and diversity implications been cleared by your EqIA Super User?

Yes Name of Officer: Chris Ramsbottom, Service Director Property

Have any engagement and communication implications been cleared by Communications?

Comms are fully engaged with the report Name of Officer: Christine Birchall, Head of Communications

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes Name of Officer: John Macmillan, Group Asset Manager

Have any Public Health implications been cleared by Public Health?

Yes Name of Officer: Kate Parker

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer? Yes Name of Officer: Emily Bolton

5. Source documents

5.1 Source documents

Gilt Yields – 50 year/Ultra Long prices by month date table downloaded from United Kingdom Debt Management Office (DMO) website 15 November 2023

<https://www.dmo.gov.uk/data/ExportReport?reportCode=D4H>

Construction Output Price Indices, Office for National Statistics (ONS)
Dataset release date 10 November 2023.

Available online at:

<https://www.ons.gov.uk/businessindustryandtrade/constructionindustry/datasets/interimconstructionoutputpriceindices>

