

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: Friday 20th July 2018

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 2:00pm

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

Apologies: Councillors Raynes (Cllr Gowing substituting)

127. DECLARATIONS OF INTEREST

There were no declarations of interest.

A Member queried whether the Chairman would be chairing the item on This Land Financing arrangements, as a section of the report covered land holdings and sites with the East Cambridgeshire District Council (ECDC) area, and the Chairman was also the Chairman of the ECDC Planning Committee. The Chairman advised that he did not feel that he should withdraw for that item: conversely, if a This Land application was presented to the District Council Planning Committee, he would declare an interest and would withdraw. The legal advisor agreed with this interpretation. Additionally, the report author commented that the section on future sites was not a key part of the report.

128. MINUTES AND ACTION LOG OF THE COMMERCIAL AND INVESTMENT COMMITTEE HELD 22ND JUNE 2018

The Committee resolved to approve the minutes of the Committee meeting held on 22nd June 2018.

Members noted the following updates to the Action Log:

Item 83/Second valuation – the second valuation was provided as an appendix to one of the items on the agenda, so this should be updated to 'completed'.

Item 96/Tri-LEP workshop – this had been set up for 13/09/18, and an invitation issued to Members.

Item 118/Disposal Policy flowchart – this would be circulated shortly. **Action required.**

Item 120/Finance query – it was agreed that if a written reply was sent to one Member, it should be sent to the whole Committee, as a general principle. **Action required.**

It was resolved to note the Action Log.

129. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

130. SMART ENERGY SYSTEMS – INNOVATE UK FUNDING BID SUPPORT

The Committee considered a report on the preparation of a 'Smart energy Systems Demonstrator Project' bid for submission to Innovate UK by 25th July 2018.

Members were reminded of the significant challenges faced by Cambridgeshire in terms of connecting energy generation projects to the distribution networks. There had been a number of recent policy changes, whereby the government was promoting renewable, decentralised energy, but the current energy distribution networks were not set up to deal with this. UK Power Networks (UKPN) require significant grid reinforcements, and the complexity and high cost of these effectively constrained the local energy distribution networks, most notably around Greater Cambridge. For example, Cambridge University had completed a Combined Heat & Power (CHP) plant two years ago, but it was not yet connected to the grid because this would cost £13M, as the first developer triggered the costs, and there was no guarantee that these costs would be recouped from other developers.

There was now wider recognition across government that energy infrastructure in the UK needed to change and modernise, and this had been incorporated in the UK's Industrial Strategy document, which set out ambitious plans to fundamentally change power networks by 2030, including the *Future Power Systems Architecture* initiative, which focused on utilising the latest technology and smart assets.

The County Council had been working with a range of partners including Cambridge University, UKPN, Cambridge City Council, Origami Energy and energy consultants to scope a smart local energy system that links electricity,

transport and heat assets across the Greater Cambridge area. The focus was on energy and developments projects that were already built or in the development pipeline, such as the County Council's St Ives, Babraham and Trumpington Smart Energy Grids and battery storage projects. In addition to the physical constraints on the network, the regulatory regime was a real challenge, so the Council and its partners were looking at these issues e.g. ways to support local trading. The benefits to the Council in coordinating the Smart Energy Systems Demonstrator project were explained, along with the funding requirements and grant opportunities. Should the bid be successful, and the investment grade proposals approved for Babraham and Trumpington, the Council would be able to draw down grant funding as part of its investment.

The first objective of the project was capacity management, which included balancing assets flexibly to deal with supply and demand. The second objective was to set up energy trading, which will in the long term reduce energy costs for businesses. The partners were already in discussion with a wide range of major local businesses, such as the Marshalls Group, Anglia Water, Addenbrookes, John Lewis/Waitrose and Hill, the lead developer in Cambridge North West. The bid needed to be submitted week commencing 23rd July, and the outcome would be known in September. Because the Council would be acting as a commercial developer, for an investment of £8.5M it could realise match-funding of 25% (i.e. around £2M). The Council would receive 100% match funding on the public sector element. The proposed financial commitments for the partners were noted. The Council would be leading the project, and supporting the work on the policy development and regulatory regime. This was currently costed at £311K over the next three years, and a project manager would need to be recruited. This element would be 100% grant funded.

Members noted the small amount of risk if the project should move out of scope. Currently there were discussions about how to adapt projects to realise the right capacity management, but if this did not work, officers would come back to Committee.

Arising from the report:

- a Member asked why the Council should lead on this project. Officers explained that the Council had a significant investment in the project, and that a number of partners were SMEs, and therefore did not have the processes in place to lead on a project of this scope, so the project needed to be led by either the Council or the University. The benefits of leading the project were set out, especially in terms of shaping policy and regulatory requirements. The costs would be covered by grant;

- in response to a Member question, it was confirmed that information gathered as part of the project lead would be shared and promoted widely through the “Energy Catapult”;
- noting the third recommendation stated “... *that match funding is made available for the Smart Energy Systems Demonstrator project, if the bid is successful*”, it was confirmed that whilst the intention was to submit the bid week commencing 23rd July, this would not constitute a contractual arrangement, and there would be an option to reconsider before reaching the contractual stage;
- whilst acknowledging that the report had been prepared quickly and a number of elements were not confirmed, a number of Members requested that more data, particularly financial data, be provided in this type of report in future, even if the figures were estimates;
- discussed the benefits for Cambridgeshire and Peterborough, noting that whilst the focus of these proposals was Greater Cambridge, there would be wider benefits, and this would serve as a flagship project;
- officers agreed to send all Members a paper detailing the figures, partners and risks with this project. **Action required.**

The Committee thanked Sheryl French for the enormous amount of work she had done in pulling together this submission to meet the government deadline.

It was resolved unanimously to:

- (a) support Cambridgeshire County Council coordinating and leading in a Smart Energy Systems Demonstrator Bid and its submission to Innovate UK;
- (b) support the inclusion of Babraham, Trumpington and St Ives Smart Energy Grid development projects within the bid;
- (c) agree that investment is committed to Babraham, Trumpington and St Ives Smart Energy grids following the agreement of the business cases, and that match funding is made available for the Smart Energy Systems Demonstrator project, if the bid is successful.

131. THIS LAND FINANCING ARRANGEMENTS, PORTFOLIO SALE AND CONSTRUCTION FUNDING

Members considered an update on matters related to the This Land companies, and the County Council's connected financial interests. The report set out proposed approaches to the revaluation of one site following the decisions by the relevant Planning Authority, the valuation methodology, construction financing proposals and potential future developments. The different elements of the loan were set out. A revised recommendation (a) was set out in confidential Appendix C.

Committee Members were reminded that at the December 2017 Committee meeting they had agreed a number of principles, including the overall envelope for lending, and this had been reconfirmed in the budget set by full Council earlier in the year. Currently £42.1M of that loan had been activated, with a further £77.68M identified for land acquisition, construction and associated costs, as per the December resolution. The Committee noted the difference in valuations following Planning Committee decisions. This followed the approach the Committee had set out about achieving best consideration.

Section 4 of the report covered the requests, and officers confirmed that they were satisfied that these were timed with This Land's upcoming cashflow needs. It was confirmed that the Council was acting not just as the shareholder of This Land but also as the financier with the necessary security for those loans. Section 5 of the report outlined potential future work avenues.

Arising from the report:

- a Member noted that the report alluded to the Council pursuing planning permission, but it had previously been suggested at the Committee that This Land were better placed to pursue planning permissions. It was noted that County officers were doing feasibility work on a number of sites, and there was expertise both within the Council and within This Land;
- a Member asked what type of sites were being considered for future developments, what impact these would have on farm land, and how this fitted in with the County Farms Working Group. It was suggested that the potential for County Council sites would be explored and then promoted in line with previously agreed policies;

As there were a number of question relating to the confidential appendices, the Chairman recommended to the Committee that they should move in to private session.

EXCLUSION OF PRESS AND PUBLIC

It was resolved, by a majority, that the press and public be excluded from the meeting for the following item on the grounds that it contained 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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information).

It was resolved, by a majority, to:

- a) approve revision of the disposal value and make available to This Land the corresponding increase in loan financing related to the property detailed in Appendix C to the report, and delegate to the Deputy Section 151 officer, in consultation with the Chairman of the Committee, authority to amend the site value further, to reflect any further revision by the external valuer following final technical review, within a +/-8% range of the figure included in Appendix C (and report to the Committee);
- b) approve provision of a “construction loan” to This Land, for up to £8M, and in accordance with Appendix B to the report;
- c) approve provision of a “bridging loan” to This Land, for up to £7.6M, and in accordance with Appendix B to the report;

Delegating the agreement of the final terms of these arrangements to the Deputy Section 151 Officer in consultation with the Chairman of the Committee.

The meeting moved back in to public session.

132. FINANCE AND PERFORMANCE REPORT – MAY 2018

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

Members noted that there were two main overspends predicted: £500K in the Commercial Activity budget, reflecting that there had been no commercial acquisitions made to date, and £449K due to the closure of CCS. The latter pressure was due to the non-delivery of the recurring surplus, but was likely to rise as the one-off costs of closure were quantified and confirmed.

In response to a Member question on whether there was the capacity and capability in-house to achieve the commercial acquisition objective, it was confirmed that this was the Committee's strategy going forward, and there had been no change to those plans to generate commercial income: indeed, a new Director of Business Improvement and Development had been appointed to help achieve this objective.

Members noted the following two areas of virement that the Committee was being asked to approve:

- £84M funding for schemes carried forward from 2017/18 which have been reviewed by the Capital Programme Board;
- £711K virement from the Shire Hall Maintenance budget to the Countywide Building Maintenance Budget.

With regard to the latter, it was confirmed that this was to incorporate the additional work needed for the Spokes in the Hub and Spokes model, bringing them up to purpose to support flexible working. Work was ongoing to establish the exact costs. A number of Members queried this, suggesting that the work should be included in the Cambs 2020 programme, not the Shire Hall Maintenance budget. Officers explained that two different types of maintenance budget were involved, and the £711K was less of a 'virement', but more about how the money was being spent. It was agreed that further information would be provided for the September meeting, and the decision on this virement would be taken there. **Action required.** It was clarified that the virement would not result in the wear and tear of Shire Hall in the short term, rather it would divert some of the funding originally allocated for long term maintenance to other sites.

For the Traded services to schools and parents, it was noted that the -£408K figure related to undistributed overheads for traded services to schools and parents. This was separate to the CCS overspend of -£449K. It was agreed that an explanatory note would be circulated explaining this. **Action required.**

A Member noted that the CCS closure was attributed to "a Committee decision" without further context being provided on the reasons for that decision, such as the deficit for that Service increasing year on year. It was agreed that it would be useful to provide that additional information in future reports. **Action required.**

There was a discussion on how grant funding was reported, noting that the presentation in the report was the same as to other Committees. Officers agreed to review how this how this information was presented in future. **Action required.**

It was confirmed that the percentages in the Budgetary Control Report were done on an absolute basis.

It was resolved to:

- 1) review, note and comment upon the report;
- 2) consider and approve the capital budget changes.

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

Members considered the forward agenda plan and Training Plan for Commercial & Investment Committee.

It was resolved to:

- (i) note the Agenda Plan, including the updates provided orally at the meeting;
- (ii) note the Training Plan.

134. EXCLUSION OF PRESS AND PUBLIC

It was resolved, by a majority, that the press and public be excluded from the meeting for the following item on the grounds that it contained 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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information).

135. CAMBRIDGESHIRE CATERING AND CLEANING SERVICE

Members considered an update on arrangement for school currently using CCS for catering and cleaning services.

It was resolved to:

note the update on progress.

Although item 136 and 138 were being held in private session, the Legal Advisor confirmed that the Chairman could allow members of third party organisations to attend the meeting.

136. UPDATE ON RECRUITMENT FOR INDEPENDENT POSITIONS ON THIS LAND'S BOARD OF DIRECTORS

The Committee received an update on progress made in recruiting further members of This Land's Board of Directors.

It was resolved to:

note the progress made to date in recruiting further members of This Land's Board of Directors.

137. POTENTIAL ACQUISITION

Members considered a report on a property acquisition opportunity.

It was resolved, by a majority, to:

- (a) approve the acquisition of the property in Cambridge on the basis of the terms set out in this report;
- (b) delegate the conclusion of any of the final details of the contract to the Deputy Section 151 Officer in consultation with the Chairman of the Committee.

There was a request for a recorded vote on the above decision. Voting pattern: all Conservative Members voted in favour, all Liberal Democrats voted against, and the Labour Member abstained.

138. THIS LAND QUARTERLY REPORT

Members considered a quarterly performance report from This Land.

It was resolved to:

note the report.

Chairman