

## **COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES**

Date: Friday 24<sup>th</sup> November 2017

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 11.25am

Present: Councillors I Bates, A Hay (Vice-Chairwoman), D Jenkins, L Jones, L Nethsingha, P Raynes, T Rogers, J Schumann (Chairman), M Shellens and T Wotherspoon

### **56. DECLARATIONS OF INTEREST**

Councillor Bates declared a non-pecuniary interest in item 3 as a County Council representative on the ESPO Board.

### **57. MINUTES AND ACTION LOG OF THE ASSETS AND INVESTMENT COMMITTEE HELD 20<sup>TH</sup> OCTOBER 2017**

The Committee resolved to approve the minutes of the Committee meeting held on 20<sup>th</sup> October 2017, with the following changes:

- Add bullet point to p7 “suggested a member/officer liaison group be established”.
- Delete the second recommendation on p8.
- On p12, delete as follows in relation to the Cottenham discussion “*Other Members noted that the site was in the Local Plan, and that As a result...*”

There was a discussion on the CREATE item, with a number of Members commenting that the Committee had been acting prematurely in declaring the St Luke’s Barn site as surplus to requirements. Officers advised that a report would be brought back to Committee in December, formalising that process. It was agreed that despite those ongoing issues, the minute, amended as above, was an accurate record of the CREATE item.

Item 39/Sawston Community Hub – an update had been circulated to the Committee by email.

Item 22/Energy Efficiency, Invest to Save fund for Council non-school buildings. Members were advised that monthly electricity and gas charges were matched and recharged to individual cost centres. Revenue savings from investments via the Energy Efficiency Fund will accrue to the relevant

cost centre. Over the past two years energy saving measures such as LED lighting upgrades had been carried out in six buildings, solar PV installations on seven buildings and heating system upgrades in Shire Hall and St Ives.

Item 51(1)/Request for schedule of assets, broken down by Division. The Deputy Chief Executive commented that the resources were not available to complete this task, but subject to the Committee's agreement, he would arrange for additional resource to be employed to undertake this task. He suggested that the total cost should be no more than around £1000. It was agreed to delegate this to the Chairman and Vice Chairwoman in discussion with the Deputy Chief Executive, on the understanding that the cost was reasonable. **Action required.** A Member commented that the vast majority of this information was easily available online which Members could check themselves, but there were some anomalies. Another Member observed that as officers were working to capacity, it was understandably more difficult to find the resource required for these type of tasks, and all Members needed to be aware of that.

It was resolved to note the Action Log.

## **58. ESPO TRADING COMPANY LTD**

A report was presented detailing the recommendations of the ESPO (Eastern Shires Purchasing Organisation) Management Committee and senior officers of the six member Councils concerning the establishment of a new company, ESPO Trading Ltd.

The background to ESPO was outlined. It was noted that ESPO was currently limited to trade with customers in local authorities and a restricted list of similar organisations, as set out in the Local Authorities (Goods and Services) Act 1970. As that core market was shrinking, due to reducing public sector budgets and increasing competition, especially from online retailers, ESPO was proposing to enhance its customer base by setting up a trading arm. This proposal had been agreed by the ESPO Management Committee on 20/09/17, on the proviso that the proposal needed to be agreed by each Member authority.

Members noted the proposed structure and operation of the new company, and that each shareholding authority would subscribe for an equal number of shares (600 x £1) which would be the limit of their liability. In terms of risk, ESPO has a number of loyal customers who are attracted by the current ESPO ethos, and the change in customer base could change the perception

of ESPO to those customers. There was also possible reputational and financial risk of trading with potentially unreliable clients.

A change to the original recommendation was tabled. It was noted that this provided a more simplified version of the lengthy recommendations on the original report.

Arising from the report, individual Members asked the following questions:

- Asked where the ESPO dividend was reported in the Council's accounts. Officers advised that this was included in a Miscellaneous category in the LGSS Managed budget. There was a debate as to whether this should be classed as Commercial Income – if this was the case, it should fall with the Commercial & Investment Committee's income: Officers agreed to explore bringing ESPO within the remit of this Committee. **Action required;**
- Asked what provision was being made for bad debts. Paul White agreed to provide Cllr Shellens with this information. **Action required.** It was suggested that the nature of the business, being focused on high volume/low cost transactions, was such that the nature of bad debts would be more manageable;
- Queried the lack of detailed figure work. Officers explained that these were with the detailed confidential Business Case for the proposal, which had been discussed at great length at the ESPO Management Board, which included representatives from all Member authorities. It was also confirmed that the expansion of business would be done within existing resources – no further staff would be employed;
- With reference to the governance arrangements of the Board of Directors, it was confirmed that each category of director must be present for the Board to be quorate. It was also confirmed that Non-Executive Directors had voting rights;
- Expressed concern over the tone and implications of the statement in the report that *“ESPO Trading Ltd is a cornerstone to ward off decline...”* and also queried the risk and resource implications of getting involved in a more risky pool of potential customers. Whilst it was suggested that those new customer would share ESPO's “public sector ethos”, no definition was provided as to what a “public sector ethos” involved. Other Members shared similar concerns, pointing out that it was suggested that a £6M surplus would be achieved without

further resources, which did not sound credible. It was therefore agreed that as many concerns related to the strategy and detail set out in the Business Case, that the Business Case would be circulated on a confidential basis to Committee Members for their comments. Members would be asked to feed back any comments or concerns once they had considered it. **Action required;**

- Noting that one of the objectives of setting up the Trading Company was to achieve a £6M surplus, a Member observed that this was contrary to the ESPO objective of keeping costs low, and queried what the main driver was, i.e. achieving a surplus, or keeping costs low?
- Suggested that the Risk Register should include RAG ratings;
- One Member observed that the report was essentially focused on the governance model. Whilst Committee Members needed to be confident, through reviewing the Business Case, that the model proposed was credible, it was ultimately the responsibility of the ESPO Board to run the business, it was not the job of a Committee of one of the shareholding authorities. The Member suggested that whilst the information flows needed to be right, it would be wrong for the Committee to oppose the proposal due to vague unease regarding the business model;
- Noted how ESPO reports to its member authorities currently, through the nominated representatives and officers. It was confirmed that ESPO Joint Committee agendas and report were publically available, but papers for other meetings were not public documents;
- Noted that the current ESPO structure was different to the governance structure being proposed in the report. The investment being requested changed the relationship, between the Council as a shareholder, and ESPO. As a shareholder the Committee should consider what management information it would receive. It was agreed that Paul White and Cllr Bates would look at how the new trading company would report back to its constituent authorities **Action required;**
- A Member commented positively of her professional experience of ESPO over the years as a teacher purchasing supplies, but also pointed out that there had been significant changes in the way such procurement now takes places, and suggested that the ESPO business model may be out of date;

- A Member commented that the risk of the proposed company being unable to pay its suppliers, as set out in the Risk Assessment section of the report, and observed that this was a reputational risk to the County Council, by association.

It was clarified that the Business Case would be circulated, and subject to the Committee finding it be satisfactory, the Committee was content to proceed with the proposals.

It was resolved to:

- a. note the ESPO Joint Committee recommendation, following its meeting of 20 September 2017, to establish a new trading company 'ESPO Trading Limited';
- b. approve the establishment of a new trading company ESPO trading Limited' on the basis outlined in this report; and
- c. authorise the Chief Executive in consultation with the S151 Officer and Monitoring Officer to sign and complete on behalf of the Council such indemnities, agreements and documentation as shall be required to enable the Council to become a shareholder in ESPO trading Limited, subject to distribution of the ESPO Trading Ltd business case to Committee Members, and Members feeding back comments to the Chairman, Vice-Chairwoman or S151 Officer.

## **59. SERVICE COMMITTEE REVIEW OF THE DRAFT 2018-19 CAPITAL PROGRAMME**

The Committee received an overview of the draft Business Plan Capital Programme. Members noted the changes that had been made since the last Capital programme had been presented, specifically (i) Shire Hall relocation, (ii) addition of Sawston Community Hub from Corporate and Managed Services, and a -£2.6M variation budget to take into account those two changes. In addition, the housing model was currently undergoing extensive review and refinement, including the timing of sales. The results of this work would be included in the report submitted to the December Committee.

During discussion, the following points were made:

- Noting the recent update on Sawston Community Hub, the Chairman asked which Committee had responsibility for this scheme. It was confirmed that the original costings were approved by GPC. It was suggested that it was Commercial & Investment Committee's responsibility

as it had a property aspect, as had Barnwell, but it was noted that Barnwell had a strong commercial element, whereas the main component of Sawston Community Hub was a library. It was pointed out that the County Council's Constitution clearly stated that the Commercial and Investment Committee had delegated authority to make decisions relating to the Council's property and assets, and considering the potential commercial value of property assets was one of the Committee's key roles;

- Discussing the apparent conflict between Shire Hall disposal and ongoing maintenance of Shire Hall, it was noted that the proposed disposal was not until 2020, so maintenance was required in the intervening period;
- A Member commented that the suggested date for the Brampton Meadow View planning decision (January 2018) was very ambitious;
- It was confirmed that no change was proposed to the £3M net revenue from County Farms, although the Country Farms estate was the subject of an Outcome Focused Review;
- A Member commented that paper copies of Appendix 1 were only issued shortly before the meeting, which was unsatisfactory;
- A Member requested a breakdown of the £184M housing schemes. Officers agreed to provide this for the next meeting. **Action required.**

It was resolved unanimously:

- a) Note the overview and context provider for the 2018-19 Capital Programme;
- b) Comment on the draft proposals for the Committee's 2018-19's Capital Programme, and endorse their development.

## **60. FINANCE AND PERFORMANCE REPORT – SEPTEMBER 2017**

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

Members' attention was drawn to the revenue overspend figure in paragraph 2.2 of the report: it was noted that this should read £245K. There was one significant variance (over £500K) to report on capital funding for September, which was Sawston Community Hub.

Noting that the Revenue budget included service recently transferred in to the Committee's remit (i.e. Traded Services), a Member asked that future reports to separate out those items, so that Members could distinguish between pressures within the original budget and those from new service areas. Officers agreed to review the formatting of the report. **Action required.** It was confirmed that those Traded Services had been transferred to this Committee following a meeting of the General Purposes Committee in September. It was confirmed that the recommendations of the Outcome Focused Reviews on those areas would come back to this Committee.

It was resolved unanimously to review, note and comment on the report.

## **61. PROGRAMME HIGHLIGHT REPORT**

The Committee considered the Programme Highlight Report. It was proposed that a large number of properties would be transferred across to CHIC in March. It was also noted that as Members had requested at the last Committee meeting that all disposals be accompanied by Valuations, this added a delay into the reporting process.

The following items were highlighted:

- Russell Street (Cambridge) – the determination date had passed;
- Guilden Morden - this was expected this to go to the South Cambridgeshire District Council Planning Committee in January;
- Papworth Everard - discussions were ongoing with planners;
- Barnwell - the Planning application submission date had moved to January, with the City Council planners asking for further information;
- Soham Eastern Gateway – this was being withdrawn to allow for further public consultation;
- Cottenham – the application had been resubmitted.

A Member asked if a covering paper could be included in this report, noting and highlighting new additions, old schemes that had been removed, and any other points officers wished to draw to Members' attention. It was also agreed that the "Declaring Surplus Status" header across three of the columns should be removed. **Action required.**

It was resolved to:

note the Programme Highlight report.

**62. COMMITTEE AGENDA PLAN AND APPOINTMENTS TO OUTSIDE BODIES**

Members considered the forward agenda plan for Commercial & Investment Committee. A number of changes to the December agenda were noted, including the additional report on the CREATE project mentioned earlier in the meeting.

With regard to the Outcome Focused Review (OFR) recommendations being presented to the January Committee, officers agreed to confirm whether or not the OFRs for service areas such as Cambridgeshire Music would be presented to the Commercial & Investment Committee. **Action required.** It was confirmed that the oversight and operation of all property related service functions came under the remit of this Committee.

A Member requested that the Committee receive a Committee Training Plan, covering not only training but also the numerous Committee working groups and workshops. **Action required.**

It was resolved unanimously to note the agenda plan.