ASSETS AND INVESTMENT COMMITTEE: MINUTES

Date: Friday 16th September 2016

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 12.35pm

Present: Councillors Boden, Dent, Divine (substituting for Cllr Bullen), Harford, Hickford (Chairman), Nethsingha (substituting for Cllr Jenkins) and Sales

Apologies: Councillors Bullen and Jenkins

The Committee agreed to reorder the agenda so that the item on Smart Energy was taken further down the agenda, before the Exclusion of Press and Public.

30. DECLARATIONS OF INTEREST

There were no declarations of interest.

31. MINUTES AND ACTION LOG OF THE ASSETS AND INVESTMENT COMMITTEE HELD 22ND JULY 2016

The Committee resolved to approve the minutes of the Assets and Investment Committee held 22nd July 2016, and note the Action Log.

It was noted that the glossary of terms, requested at the informal meeting on 16/08/16, was included in one of the later reports, and that the information on Right to Buy (Item 22) had been emailed to the Committee.

32. CLEANING RE-TENDER OF CONTRACT FOR CAMBRIDGESHIRE COUNTY OFFICES

A report was presented on the retendering of the cleaning contract for County offices. It was noted that the contract excluded schools, and that bidders were being strongly encouraged to offer two pricing models, for individual lots or jointly (in the event that the successful bidder was successful for both).

It was noted that three years plus one was the maximum length of contract under current legislation, and that the contract included a three month break clause. It was confirmed that the current cost was £1.1M per annum, with the increase of 5.7% being due to the introduction of the National Living Wage, Auto Enrolment Pension and New Government Apprenticeship Levy.

Members noted that the current Corporate Capacity Review included a review of property functions, and that soft market testing was being undertaken to see if there was a viable alternative model. If that route was taken, the current property contracts would be integrated into that i.e. the contract could be novated to the incoming provider, or there could be negotiations with the existing provider so that the two things were coterminous.

A Member queried the terms and conditions of the workers i.e. whether they would be self employed, on a zero hours contract, etc, and suggested that this should be referred to in the tender document. Another Member commented that Multi Tier Supply Chain Management models were a notoriously expensive way of managing a contract, and the review looking at Outsourcing approaches sounded like an attractive alternative. It was confirmed that the responses from the soft marketing testing would be available by 23/09/16.

Although it was acknowledged that the timescales were tight, the Committee agreed to defer the decision on this item, pending the outcome of the soft market testing on the Outsourcing options. It was agreed that a revised report would be presented to the October meeting, giving both options i.e. Multi Tier Supply Chain Management and Outsourcing.

It was resolved to defer the item to the next meeting, so that Outsourcing review options can be collated, reviewed and considered.

33. COUNCIL'S APPROACH TO DEVELOPMENT FOR VALUE OF SURPLUS LAND ON ACADEMY SITES

The Committee considered a report on options for a policy approach to cases where Academies were considering using surplus land for development, where the Council still has a residual freehold land ownership interest in the sites. Currently, such instances were dealt with on a case by case basis, but it was agreed that it would be useful to have a policy in place. Four potential options were set out in the report, covering a range of options from default positions where there was either a presumption in favour or against consent being given when Academies seek to develop surplus land, and the use of any capital gains arising from such developments.

Cllr Reeve, who was unable to attend the meeting, had submitted written comments on this report, expressing a preference for option 2.4.4 (presumption against development) with particular reference to the Abbey

College site. Officers explained that they were not asking the Committee to make a decision about that particular application, but seeking to discuss the preferred policy and strategy position.

The Committee considered the four options presented. It was noted that Academies could identify surplus land, could make a planning application and gain planning permission, but consent was required from the Council, which effectively held a ransom over the opportunity for development. Usually negotiations took place, and agreement was reached on what percentage of the value generated that the Council would take, which was generally in the region of 25-50%. One of the issues was that in many cases, Academies were using this as a way to generate much needed funds, and there was pressure on the Council to release all the value to the Academy and not take a share itself. Members suggested that the default position should be favourable to the Council, with an option to negotiate in individual circumstances. It was also suggested that the policy should be reviewed every two years, to reflect and revise the policy if necessary.

In terms of setting the percentage, officers cautioned against setting the percentage too high, as this could disincentivise Academies from bringing good proposals forward, as they would not see such proposals as being worthwhile financially. However, there was the question as to whether development on school land should be encouraged at all, given the long term issues around planning school places and possibility of expansion schools in future – ultimately the onus for providing schools and school places was on the Council, not individual Academies, whilst it could be in Academies' interest to sell off land. A balance needed to be struck so that the Committee could ensure their assets were utilised efficiently and effectively.

It was clarified that "enhanced value" in this context related to either a percentage of the land value or a percentage of the enhancement in value realised. Because of the differences involved in valuing schools, officers suggested that it was probably preferable to have a straight percentage of the development value. It was clarified that when a school became an Academy, the Academy has a 125 year lease on the school and site whilst the Council remained the freeholder. If the Council refused to consent to permission on a site, there was no right to appeal, as the Council was the freeholder.

The following amendment was proposed by Councillor Nethsingha, and seconded by Councillor Dent, *"Presumption against consent unless the academy can demonstrate that the development is not required for educational provision in the future, and if consent is granted, a fixed rate of 50% of any development value or receipt be returned to the Council to be reinvested in wider council services across the County."*

Following a vote, the amendment was carried unanimously.

It was resolved that:

> the Council should adopt Option 2.4.4 as its policy when agreeing the disposal of land subject to leases granted pursuant to the Academies Act 2010, amended as follows:
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> "Presumption against consent unless the academy can demonstrate that the development is not required for educational provision in the future, and if consent is granted, a fixed rate of 50% of any development value or receipt be returned to the Council to be reinvested in wider council services across the County."

34. SERVICE COMMITTEE REVIEW OF THE DRAFT 2017-18 CAPITAL PROGRAMME

Members considered an overview of the draft Business Plan Capital Programme, specifically the areas relating to the Assets & Investment Committee's remit.

Members noted that considerable work had been undertaken to forecast the likely investment and returns for investment in housing schemes in future years, but the work to refine these figures was ongoing.

A Member queried the significant sums in the *Variation* budget, which allows for slippage in the Capital Programme. She observed that there were also significant sums allocated to the *Local Plans – representations* budget heading. Officers advised that as discussed at previous meeting, the programme would always incur slippage, and this needed to be acknowledged by marrying revenue with borrowing cost. It was confirmed that slippage was not a saving but a deferral to future years. With regard to the Local Plans, this was seen as an investment in identifying sites that could feed into the housing programme. This budget had existed in previous years, but had been a function of the Strategic Assets team. Whilst that team would still be doing some of this work, there would be clear delineation between that team and the Housing Development Vehicle. Looking ahead, as programming became more refined, there would be further breakdown on the detail of those budget headings.

A Member queried *Borrowing (Repayable)* in para 4.2 of the report, defined in the footnote as "…nets off to zero over the life of each scheme and issued to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it". Officers explained that the cost implications of the programme were reflected in the revenue budget, and they were comfortable with the revenue parameters they had set – the bigger the capital programme, the more that needed to be borrowed, and the growth in this capital programme was the main way in which the Council's financial challenges were been tackled. It was acknowledged that future borrowing rates rising was a risk, but there was no indication that interest rates would increase for some time.

It was resolved to:

a) note the overview and context provided for the 2017-18 Capital Programme for Assets and Investments Committee;

b) comment on the draft proposals for Assets and Investments Committee's 2017-18 Capital Programme and endorse their development.

35. FINANCE AND PERFORMANCE REPORT – JULY 2016

Members received a report setting out financial and performance information relating to the areas within the Assets & Investment Committee's remit as at the end of July 2016.

The Committee was asked to approve £455,000 of additional funding in 2016/17 for building maintenance costs at Shire Hall and other County Council sites. This represented the roll forward of funding approved for 2015/16 that was not spent in year due to unavoidable delays in completing condition surveys, meaning that works earmarked for 2015/16 could not be completed. A Member asked how confident officers were that there would not be further slippage into 2017/18. Officers confirmed that they did have some reservations, and briefly outlined the background to this issue, agreeing to bring back a more detailed report to the next meeting. It was confirmed that the same figure was being carried forward, i.e. no inflationary uplift was factored in, but it was acknowledged that the ongoing issues were eroding purchasing power.

Approval was also sought for additional funding of £700K in 2016/17 for the Soham Eastern gateway Pratt Street Access Road Phase 1 works, which included reconfiguration of several features (notably parking), professional fees and the planning application. Members expressed surprise at the scale of the additional funding required, especially as the housing scheme did not yet have planning permission. Officers gave further detail on what was involved, and whilst confirming that planning permission had not been given for the housing scheme, pointed out that that housing development at this site was included in the Local Plan. Members also asked whether the Council was doing anything other developers would not do e.g. incur this expense in advance of planning permission. Officers confirmed that the Council, was not using any Council powers other than those of a landowner to secure any statutory advantage. The Chairman asked officers to provide him with a breakdown of cost outside the meeting. **Action Required.**

With regard to Appendix 7 (Performance Scorecard), a Member asked for the Key Performance Indicators to be report to the November meeting to include a detailed report on Farm Income. **Action required.**

It was resolved to:

a) review, note and comment upon the report;

b) consider and approve the funding changes detailed in 2.5 to 2.7 of the report.

36. COMMITTEE AGENDA PLAN

The Committee noted the agenda plan.

The following items were confirmed for the October meeting:

- Cleaning Re-tender of contract for Cambridgeshire Council offices (Chris Malyon/Catherine Kimmet)
- Ely Archives Centre (Roger Moore/Christine May – Key Decision)
- Wisbech Castle update
- Value for Money for Education Capital Projects (information paper)

The Right to Buy information paper had already been circulated to Members as part of an action from the previous meeting, so there would be no report to the October meeting.

With regard to the Care Homes item scheduled for the December meeting, it was confirmed that this would need to go through the Adults Committee first, and it was acknowledged that the timeframe was challenging.

It was resolved to note the agenda plan, including the oral updates provided at the meeting.

37. SMART ENERGY GRID DEMONSTRATOR PROJECT, ST IVES PARK & RIDE OUTLINE BUSINESS CASE

Members considered a report on a proposal to build a 1MW smart energy grid on the County Council owned Park and Ride site at St Ives. Members noted the detail and background to the proposal. They also noted the significant challenges connecting into the local grid, the mechanisms that needed to be in place to directly buy and sell energy to local customers, and the benefits that could be shared with local businesses. Based on the Outline Business Case (OBC), the total project cost was £2.5M, and it was envisaged that 50% would be funded through European Development funding, 50% from the Council. Members noted that the OBC identified a payback period of 17.43 years, with overall revenue of £806K over 25 years, net of costs.

The Chairman reminded Members that if they wished to discuss the confidential appendix to the report, the meeting would need to move into private session.

In response to Member questions:

- it was confirmed that initially Trumpington Park & Ride site was the original site for the proposal 18 months ago, and work started on the European Regional Development Fund bid last December. The initial ERDF bid was unsuccessful, which was why the proposal had not been brought before Members previously. Significant additional work with the LEP, providers and stakeholders to strengthen the bid had taken place;

- officers outlined how the scheme had been time managed and the issues encountered;

- the expected cost of the scheme was identified as £2.5M from soft market testing but in the paper it was highlighted that supply chain uncertainties on costs could bring the costs of the scheme to £2.9M as a maximum. £2.9M was a maximum figure, but generally figures were coming in at below estimate. It was confirmed that if the actual figure was nearer £2.9M, experience suggested that additional ERDF could be applied for to cover the additional capital costs provided there was a good reason for the additional costs;
- outlined the timescales in terms of project evaluation and potential approval by the ERDF. If the proposal did not gain ERDF funding, other funding sources would be identified and applied for;

- explained that the estimates to date had been produced on the basis of site visits, performance modelling and a desktop exercise. Bouygues have undertaken this work to date at risk. The next step for the project is to develop the Investment Grade Proposal and Members have previously agreed a development budget of £100K from operational savings which will facilitate the next development stage.

Members discussed energy costs generally, and the wide range of unknowns looking forward e.g. how energy costs would change, the rate of technological change and uptake on electric vehicles, battery storage costs. Officers confirmed that the expectation was that market changes would be in the Council's favour on this project. The Chairman asked officers to find out how much battery costs had reduced over the last five years, and how much further it was anticipated they would fall. **Action required.** The value of the Demonstrator project both locally and nationally was also commented upon by some Members.

It was resolved unanimously to:

a) approve the outline business case and

b) delegate the final decision to enter into a contract for the construction of a smart energy grid at the St. Ives Park and Ride site to the Chief Finance Officer in consultation with the Chairman of Assets and Investment Committee, subject to the project meeting the minimum financial returns set out in this report in paragraph 2.5 or appendix C to the report.

38. EXCLUSION OF PRESS AND PUBLIC

It was resolved unanimously that the press and public be excluded from the meeting during the consideration of the following reports on the grounds that it is likely to involve the disclosure of exempt information under paragraph 3 of Schedule 12A of the Local Government Act 1972 as it refers to information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

39. PROGRAMME HIGHLIGHT REPORT

A number of papers were presented identifying progress and issues with sites, plus two papers requested by the Committee on (i) financial projections and (ii) the investment criteria used to evaluate projects.

It was resolved to note the report.