

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

Date: Friday 20<sup>th</sup> October 2017

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 12:15pm

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

Apologies: Chris Malyon (Tom Kelly substituting)

### **45. DECLARATIONS OF INTEREST**

Councillor T Wotherspoon declared a non-pecuniary interest in the Programme Highlight Report as a Member of both Cottenham Parish Council and South Cambridgeshire District Council.

### **46. MINUTES AND ACTION LOG OF THE ASSETS AND INVESTMENT COMMITTEE HELD 15<sup>TH</sup> SEPTEMBER 2017**

The Committee resolved to approve the minutes of the Committee meeting held on 15<sup>th</sup> September 2017, and note the Action Log.

Discussing the Action Log, Members noted the following items:

Item 56 – it was confirmed that the first meeting of the County Farms Estate Strategic Review Working Group had already taken place.

Item 86 – officers were in the process of setting up a workshop for Committee Members on improving the presentation of Finance & Performance reports.

Item 89 – the workshop being held after the Committee meeting would look at the Community Land Trust model.

Item 19 – officers agreed to check whether a letter had gone to the Rural Payments Agency on late payments. **Action required.**

Item 22 – officers to chase up background information on how energy and related costs had been apportioned historically. **Action required.**

**47. SALE OF MILTON ROAD LIBRARY SITE, CAMBRIDGE TO CAMBRIGESHIRE HOUSING & INVESTMENT COMPANY**

A report was presented that sought to declare the Milton Road Library site as surplus, and agree the disposal by sale to Cambridgeshire Housing and Investment Company (CHIC).

Members were advised that the Council had obtained planning consent to redevelop the existing library to provide a new ground floor Library and Community Area and seven residential flats. The Council was proposing to dispose of the freehold site at best consideration, with a 25 year lease back of the ground floor community and library areas. It was confirmed that the lease of the library by the Council would be at market rent rates, reviewable every five years. The disposal to CHIC would also be at independently determined market rates.

It was clarified that the acronym "FRI" stood for *Full repairing and insuring*.

A number of Members commented that when these reports recommending disposal were submitted to the Committee, they should provide full figures e.g. valuations, otherwise there was insufficient information on which Members could make their decisions. It was noted that such valuations were not always available, but in the case the capital value of the site was £1.82M, and the rent of the library would be £13,668 per annum. Another Member commented that the Committee was taking officers' advice that the package of capital value and market rent was at best consideration largely on trust. It was confirmed that officers had had discussions with their colleagues in the Libraries team, who were happy with the proposed arrangements.

A Member observed that the inclusion of detailed figures in reports could be difficult if the reports were considered in public, as they would then be made known to other developers. The Chairman suggested that the detailed figures could be the subject of a confidential appendix.

One Member commented that the rental charged to the Library should not be at market rates, as it was a community facility. The Chairman commented that that option was available to the Committee later in the process, but the first stage was the decision to transfer the asset to the company. Officers also reminded Members that CHIC was a company wholly-owned by the County Council, and the purpose of the company was to generate income for community benefit.

One Member commented that this was a complex 'hybrid' decision, involving both a capital disposal and a lease back, and this had not been fully explained clearly in the report.

It was noted that the development did not meet the City Council's threshold for affordable housing, which was ten homes. The decision on whether to sell or rent the properties would be down to the developer. A Member commented that many developers proposed scheme just under the affordable housing threshold, and whilst this was understandable, such an approach should not be the deliberate policy of the Council. In terms of the tenure mix, officers advised that the scheme had been through a number of iterations over the last couple of years, and whilst originally there were more units, there were fewer now, partly as a result of the community consultation.

It was confirmed that the lease back arrangements were covered in the recommendation under the term "*final terms of the disposal*".

It was resolved, by a majority, to:

- 1) Approve the disposal of land and property at Milton Road Library, Cambridge to CHIC at 'best consideration';
- 2) Agree that the final terms of the disposal be delegated to the Deputy Chief Executive in consultation with the Chair of the Committee.

**48. SALE OF BARE LAND, DUBBS KNOLL ROAD, GULDEN MORDEN, TO CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY**

The Committee received a report that sought to declare Council-owned bare land on Dubbs Knoll Road in Guilden Morden surplus, and agree the sale of the land to Cambridgeshire Housing and Investment Company (CHIC). It was noted that the County Council had put forward this land in previous Local Plans, but it had not been allocated.

In discussion, Members raised the following concerns:

- (i) the lack of financial information on which Members could make their decision;
- (ii) some inconsistencies in the report, particularly relating to the number and type of homes proposed.

Given these concerns, the Committee agreed to defer the report.

Councillor Shellens, in his capacity as Chairman of the Audit & Accounts Committee, advised that he would also be speaking to both Internal and External Auditors on these the information required in disposal reports more generally i.e. recommendations based on valuations where some or all financial information was unknown.

#### **49. ELY ARCHIVES CENTRE UPDATE**

The Committee considered an update on the Ely Archive project, which provided information on the rise in construction costs, and work undertaken by officers to bring the project within budget.

The agreed budget for the project was £5.180M. In July 2017, officers were verbally informed by the contractors managing the projects that subcontractor costs were higher than expected. The estimate submitted by the subcontractors in August was £5.607M, which was £427,000 over the agreed budget. This was largely due to an uplift in construction costs across the region.

Work had been undertaken by both officers and the contractors to minimise the overspend, and the areas of savings were detailed in the report. Despite the £427,000 opening pressure, this had been managed downwards such that the additional expenditure now requested was £66,000, for specific changes in the scope of the project. Specifically, the report recommended some additional spending (£20,000) to provide suitable landscaping as a result of the proposal to relocate the Registration service to the Archive building. It was anticipated that those costs would be offset to some extent by income from the Pay & Display car park, and a reduction of £23,000 per annum from not having to rent the current Ely Registration building. The decision to move the Registration Office had been taken by the Council's Highways & Community Infrastructure Committee.

In response to a question on of the nitrate storage for photographic negatives, it was noted that the original flammable nitrate photograph negatives would be stored at the National Conservation Service in Oxfordshire, where the large collection would be gradually digitised. It was noted that the digitisation process would take time, but individual images could be digitised on request, and would be provided within a few working days.

It was resolved unanimously to:

- a) note the increase in construction costs and the work done by officers and contractors to bring the project back within budget;

- b) agree to a change in project scope to exclude the photographic nitrate store;
- c) agree to a change in the project scope to include improvements to the car park, making it fit for purpose as a pay and display facility;
- d) agree to reinstate an element of external landscaping in order to enhance the building, particularly for the purposes of registration;
- e) agree to support the additional expenditure of £66k for c) and d) above, and refer it to General Purposes Committee for approval;
- f) note the remaining risks to the project budget.

## **50. CAPITAL PROJECT – CREATE**

The Committee considered a report on current status of the Centre for Research and Engagement in Arts, Technology and Education (CREATE) project.

At the July meeting of the Committee, Members asked officers to explore the possibility of a joint venture with the neighbouring site, as well as continue work on the original proposal where possible.

Following exploratory work with the developer of the neighbouring site over the last month, he had indicated that he felt it would be difficult to create a financially viable joint development that could meet the requirements of both the project and his own scheme. The developer had made a cash offer for the County Council's site and had been advised that the Council believed the value of the site was considerably higher. It was noted that the developer's site had been rejected by the City Council for residential development.

In parallel, it had been agreed with the Arts Council for England that the income generation timeline could be extended to December 2018. Both the neighbouring school and Church Schools Trust had agreed to cease their assertion of ownership of the access route if the CREATE project was progressed.

Officers detailed the benefits of the CREATE project, which was in line with many local and national initiatives, and would be key to the development of digital culture. It would also provide resilience for the Service by providing new income streams. The main risks remained access and financial risk, although the Arts Council funding of £1M had been confirmed, and many

other public and private investments/grants had been agreed either in principle or were under discussion.

It was noted that the recommendation of the report set out two alternative options – either progressing the CREATE project, or declaring the site surplus to requirements and negotiating a cash sale.

In debating the report:

- favouring the CREATE project, a Member commented that it represented a great opportunity for children and young people across the county to access cultural and broader educational benefits. As the neighbouring developer did not have Planning Permission for his site, any cash offer was likely to be quite low, and rejecting the CREATE project would result in much private sector investment being lost: if the scheme had the wholehearted backing of the County Council, it would be easier to get the necessary private sector investment, reducing the amount the Council has to contribute to this exciting development;
- one Member noted the comment in the introduction to the report that *“no funding is committed by CCC until all funding is secured for the project”*. However, most of the potential income sources listed in the report were “under discussion”. Officers advised that these were mainly commercial and therefore confidential discussions, which had been progressing until May 2017, but had then tailed off once the Committee’s lack of commitment to the future of the scheme become apparent. It was confirmed that in addition to the Arts Council funding, there were two sources of funding which were approaching a firm commitment;
- it was confirmed that the Arts Council funding was conditional on the project being undertaken on the current site. The attractions of the site were outlined, which included its location – in the city of Cambridge, but also in a deprived area with fewer facilities - and the relationships and partnerships already built up with cultural partners in the area;
- a number of Members commented that there would be great benefit in locating such a centre outside the city, especially as it was a digitally based project, and therefore location was less important. Another Member responded that the location, in Cambridge, was absolutely critical to this project going forward, as that was where the relevant individuals (musicians, technology experts, etc) were – they were very unlikely to travel out to a site elsewhere in the county;

- in response to a question as to why there had been no progress with potential investors and sponsors since May, officers advised that they had been told to stop work on the project by senior colleagues at the end of May: although recommencing work a few weeks later, this hiatus had effectively stalled discussions, and it was difficult to rebuild those discussions;
- the Committee noted that alternative sites that had been considered when the scheme was first being developed;
- a Member commented that they had visited the site and were greatly concerned about the access constraints and the suitability of the building. Whilst the Access Strategy concluded that it was technically feasible, the two options set out meant cutting land off the sports field, and there were also safeguarding issues, given the location next to the Primary School. Whilst the project itself was hugely exciting, the Member commented that the practical delivery of the project at this location seemed unworkable;
- one Member stressed the significant funding (£1M) being offered by the Arts Council, which was conditional on the current location. Another Member highlighted the broader positive benefits of the scheme e.g. to health;
- a Member reminded the Committee that at the General Purposes Committee meeting in March 2017, Members committed to non-repayable capital investment plus an additional, repayable, loan. This significant funding had been conditional on “...*no draw down unless full funding identified from external sources*”. That Committee had also agreed to the establishment of a Member Working Group, which had never been progressed. He suggested that the choice was therefore between a well-developed, well-defined project, versus a potential sale to a developer for an unknown sum;
- a Member commented that this was a digital facility which did not have to be constrained to a particular site, and there were plenty of examples of those in creative arts being willing to travel to venues across the county. The site should be in a location where there would be maximum enjoyment and benefit by as many people as possible – it was not the case that this was the only option that would ever be available, and there was plenty of time to explore alternative avenues;
- a number of Members observed that the site was not suitable due to the very narrow access, and highlighted the lack of progress on any firm funding commitments since May. It was further suggested by those with experience of the Arts Council that they would be willing to keep the project going independent of any decision taken on this site today.

It was resolved, by a majority, to:

- a) Designate the site as “surplus to requirements” and pursue a negotiated cash purchase of the site;
- b) Establish a Member/officer liaison group to pursue funding opportunities for alternative projects.

**51. SERVICE COMMITTEE REVIEW OF THE DRAFT REVENUE BUSINESS PLAN PROPOSALS 2018-19 TO 2022-2023**

The Committee considered the draft 2018/19 Capital Programme for the Commercial and Investments Committee.

The report outlined the scale of the challenges the county faced in terms of increasing demand for services against reducing income. The ability of the Council to find new income streams and opportunities were therefore crucial going forward. One approach would be the “Outcome Focused Reviews” which had been commissioned in priority areas, to look at in detail areas where savings or income opportunities existed.

Noting Business Case F/R.7.111 (External Funding), a Member commented that there had been a request in May for a list of all County Council assets, by electoral division. **Action required (Tom/John).**

A number of Members commented that there was inadequate information provided for a number of the Business Cases, particularly in terms of financial information and risk. Officers advised that these were not the final Business Cases, and they would be further developed before the final versions were presented in December. It was acknowledged that there were particular resource issues across the Council and around the work areas covered by Commercial & Investment Committee in particular, and Members needed to be engaged in the process and regard the information presented very much as a “work in progress”. A Member commented that it was vital to have the mechanisms to resource projects e.g. transformation projects where there were potentially significant returns to be realised.

With regard to the table showing the total level of savings necessary for each of the next five years (paragraph 3.1 of the report), a Member suggested including a total on the overall saving requirement. **Action required.**



There was a discussion around the government's resistance to local authorities borrowing and making commercial decisions, with the suggestion that this may be tempered in future: whilst acknowledging this was a risk, it was true for all authorities across the country. One Member commented that the authority should raise Council Tax to the level expected by government to reduce the need for income generation.

It was resolved to:

- a) note the overview and context provided for the 2018-19 to 2022-23 Business Plan revenue proposals for the Committee;
- b) comment on the draft revenue proposals that are within the remit of the Commercial and Investment Committee for 2018-19 to 2022-23;
- c) make the following appointments to Outcome Focused Reviews:
  - Professional Centre Services (PCS); Councillor A Hay
  - Property Services: Councillor J Schumann
  - County Farms: Councillor R Hickford
  - CCS: Councillor T Wotherspoon

## **52. EXEMPT INFORMATION**

The Committee considered a report on the requirements and factors to consider for the exemption of information within Commercial and Investment Committee meetings under Schedule 12A of the Local Government Act 1972.

Before deciding to exclude the press and public, the Committee needed to determine that an exemption should be engaged, and which of the seven categories of exemption was relevant: for the Commercial and Investment Committee, this was most likely to be (3) *information relating to financial or business affairs*. Members should then consider whether the public interest in maintaining the exemption outweighed the public interest in the information to be disclosed when the item was being considered. Appended to the report was a protocol for application of commercial sensitivity exemption, which included factors in favour of disclosing and not disclosing that needed to be taken into consideration, and determining the relevant weighting.

Members were reminded that the Committee may take a decision to exercise an exemption, but information in the report could then be disclosed following a Freedom of Information request at a later stage.

The Chairman thanked officers for their report, and commented that the report and appendices would be particularly helpful to those officers who produced reports for the Committee, especially those in Asset Management, when disaggregating the information they were preparing for Committee. He also stressed the importance of having as much information in public wherever possible.

It was confirmed that exemptions agreed at previous meetings still stood.

A Member thanked Councillor Jenkins for his perseverance on this issue.

It was resolved unanimously to:

Note the contents of the report.

### **53. FINANCE AND PERFORMANCE REPORT – AUGUST 2017**

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

An overspend of £165K on revenue budgets was forecast at the end of August, which was an adverse movement of £266K compared to the previous month, reflecting the transfer of CCS (Cambridgeshire Catering & Cleaning Services) which was previously managed within the People & Communities directorate. CCS continued to report a forecast surplus contribution of £183K.

The Chairman commented that when GPC agreed to take over CCS, he was unaware this included taking on that Service's overspend prior to that decision. Officers advised that the Service had a structural overspend that needed to be dealt with, and it would be difficult to set a precedent of separating out that historic overspend and allocating it elsewhere.

It was noted that the mothballed C3 was a warehouse/depot facility operated as part of a previous arrangement with the Northamptonshire Catering Service "Nourish", and this facility had a potential £500K dilapidations cost to resolve before the lease could be ended, and £80K per annum ongoing costs until then. It was noted that dilapidations were always a risk, and the decision resulted from Northamptonshire Schools' decision to withdraw from Nourish.

A Member asked if the capitalisation of Local Plan representations was standard practice. Officers explained that representations were essential to create further development opportunities i.e. flagging up potential sites which

may then appear in future Local Plans. It was confirmed that any unsuccessful representations were brought back in to the Revenue budget.

It was resolved unanimously to:

review, note and comment upon the report.

Members considered an addendum to the report that had been tabled, requesting a £2.8M loan facility for CHIC. In response to a query it was outlined that the Council had previously received advice it could typically charge around 3–3.5% in excess of its own borrowing costs when loaning onto CHIC, given a range of commercial considerations for both the Council and the company. Without giving details on this specific agreement, that advice remained relevant.

It was resolved, by a majority, to:

authorise a loan facility to Cambridgeshire Housing and Investment Company for up to £2,800,000 for operating and overhead costs. The Chief Finance Officer, in consultation with the Chairman of the Committee, is authorised to agree the terms and content of the loan agreement, including repayment and interest charging arrangements.

#### **54. EXCLUSION OF PRESS AND PUBLIC**

It was agreed that there was no need to exclude the press and public, as the following item could be considered in public session.

#### **55. PROGRAMME HIGHLIGHT REPORT**

Members were presented the Programme Highlight Report. Members praised the improved format of this report, especially the “exception update for C&I” column.

The following items were discussed:

- Brampton Meadow View – officers were asked to check that the correct Local Member was listed. **Action required;**
- a Member observed that as this process progresses, more sites would be declared surplus for disposal. She asked what the protocol would be for those sites to come back to Committee e.g. the Committee

agreed to dispose of Russel Street in September – once sold to CHIC, what happened in terms of reporting? Officers commented that the submission of a planning application was only the first part of the process. The Chairman advised that there would be a workshop on how the reporting back from CHIC would work in practice. **Action required;**

- a Member commented that there was still an issue that the Council was acting in a way that could bring it into disrepute. He used the Cottenham applications as an example, where the County Council was pressing on with its development plan, irrespective of the views of the community as expressed by the Parish Council and through the Neighbourhood Plan that was being developed. With regard to the Cottenham developments, officers advised that an appeal had been launched with regard to the Rampton Road development, and he outlined the circumstances of the original application. Officers also advised that the Neighbourhood Plan carried no statutory weight in the planning process. As the application had been submitted under the “housing shortfall” criteria, there was a limited window for resubmission. Whilst acknowledging these points, the Member commented that the County Council was supposed to be working in partnership with other authorities, and if the Parish Council had expressed its opposition, the County Council should not be going ahead in defiance of local opinion, as continuing to do so could bring the Council in to disrepute. Other Members noted that the site was in the Local Plan, and that as a result of discussions between the Parish and County Councils on 09/08/17, certain elements had been withdrawn. It was further suggested that by the time the appeal was heard, there would be a change in the circumstances of the five year land supply;
- whilst recognising they would be of limited use, a Member asked if “total” columns could be included at the bottom of the table. He added that it would also be helpful to include the previous report’s total;

In response to comments raised by Members, the Chairman commented that the Committee had previously made clear that it wanted to take a commercial approach to development. When outline planning permission had been agreed, there was flexibility to introduce other benefits for communities. However, the overriding direction was to take a commercial approach. With regard to Cottenham Parish Council, he had offered to meet with the Chairman of that Parish Council to address their concerns.

In response, Councillor Jenkins commented that the County Council has other priorities, notably “developing the economy to the benefit of all”, not simply maximising income. Councillor Jenkins proposed an amendment to pause both Cottenham developments, and this amendment was seconded by Councillor Nethsingha. On being put to the vote, the amendment was lost.

It was resolved to:

note the Programme Highlight report.