

## **ASSETS AND INVESTMENT COMMITTEE: MINUTES**

Date: Friday 21<sup>st</sup> October 2016

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 12.55pm

Present: Councillors Boden, Bullen (Vice-Chairman), Dent, Harford, Hickford (Chairman) and Jenkins

Apologies: Councillor Sales

### **40. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **41. MINUTES AND ACTION LOG OF THE ASSETS AND INVESTMENT COMMITTEE HELD 16<sup>TH</sup> SEPTEMBER 2016**

The Committee resolved to approve the public minutes of the Assets and Investment Committee held 16<sup>th</sup> September 2016, and note the Action Log. It was agreed that the confidential minutes would be recirculated and considered for approval at the November meeting, as not all Member had had the opportunity to read them.

In response to a query from Councillor Jenkins about whether any subsequent meetings had been arranged with regard to the Cottenham development, it was agreed that this would be followed up outside the meeting. **Action required.**

With regard to the Action Log action relating to the CFO making enquiries about HDV (Housing Development Vehicle) staffing, it was confirmed that recruitment consultants had been selected and the work was ongoing. It was agreed that for clarity, future references to the HDV/Housing Development Vehicle would instead refer to CHIC.

### **42. ELY ARCHIVES BUILDING**

A report was presented on the options and updated costs to convert the former Strikes Bowling Alley in Ely to accommodate an Archives Centre. The report also included the report and recommendations of the Highways

&Community Infrastructure (H&CI) Committee that had considered the costs and options at their meeting on 11<sup>th</sup> October.

Officers advised that in October 2015, a proposal to convert the bowling alley to a compliant Archives Centre had been approved, at a cost of £4.2M. Whilst the project brief and specification from the Service had been clear from the outset, recent detailed work showed that the original cost estimate fell short of the amount required, by over £800,000. The reasons for the increase in costs were detailed in the report. All involved were very frustrated about that position. A lot of work had been undertaken by the LGSS Property team to identify why the potential for escalation in costs had not been identified earlier, and to learn lessons so that this would not happen again. Further design work had been undertaken subsequently to ensure the archives function would be compliant with relevant legislation/guidelines, and the County Council met legal and corporate responsibilities and the building represented best value for money.

Three options had been presented to the H&CI Committee on 11<sup>th</sup> October 2016, and that Committee was recommending Option 3 to be progressed by this Committee. H&CI Committee had also recommended that the timeline and programme were clarified, and this was included in the report presented. The building itself was fundamentally suitable for an Archives Centre, and the National Archives continued to positively support the scheme. Even at increased cost, the project represented good value for money, especially when compared to similar projects across the country.

The Chairman outlined his observations on this issue, how the original cost of establishing an Archives Centre at this location had been £2.5M, and how this had increased to £4.2M, but it had been anticipated that the project would come in below cost. He made specific queries on the following points in the report:

- queried the “...*lack of detailed information about the building, which resulted in an insufficient amount of money being placed within the budget to deal with the risk*” (para 2.1.2 of the report);
- asked why the cost of removal of equipment from the building was now included in costs. It was noted that agreeing to remove the equipment had led to a corresponding reduction in the costs of purchasing the building;
- queried the veracity of the statement “*the present data from BCIS indicates negative inflation over the next periods, and forecast costs to be only back to present day levels around midpoint of 2020.*”;
- noted that the H&CI report stated that new build had been ruled out because of timescales, yet National Archives appeared to be happy to extend the current project’s timescales. The Chairman suggested that it

could have been, and may still be possible, to negotiate an extension with National Archives on a new build scheme;

- noted that the original report to H&CI in October 2015 had included options including moving Ely Registration Office and CFA offices to the new Archives Centre, but Members had rejected that proposal. He sought assurance that those additions were not trying to disguise extra costs. Officers confirmed that had other Services been accommodated, a second storey would have been required, which increased costs significantly, and was why the Committee had rejected options including those Services.

The Vice-Chairman observed that the project was now over 50% over budget from the original estimate. He suggested that it required thorough investigation, and proposed that it should be considered by the Audit & Accounts Committee as soon as possible. He also suggested that the Council should cut its losses with the current site, especially as it was on a floodplain and he was not convinced by the assurances given on flooding mitigation measures, and look for a new site, preferably a new build site. It was confirmed that the current site had not been valued recently but would probably be worth in the region of £1.1M, which was the price the Council had paid for it.

A Member commented that there were two separate issues which required the Committee's attention on this disappointing issue. The first issue was whether the Archives Centre should be progressed at the current proposed site, and the second was to carry out a fundamental assessment of the Council's ability to manage this type of scheme at all. Whilst the Member did not like seeing huge amounts of public money spent, he said he would reluctantly support Option 3, which would provide an Archives Centre that was built to last, rather than building a second rate archives facility. On the second issue, he felt there needed a fundamental review of processes of the development of such schemes, including the decision making and member involvement. This would be useful if future major development schemes were evaluated, to ensure such events did not happen again. He added that fundamentally reviewing processes was always useful, given that practices change, and lessons could always be learned.

Another Member commented that whilst being extremely disappointed, she had come to the conclusion that Option 3, despite being the most costly, was the only way forward. Whilst acknowledging the points raised by the Vice Chairman regarding flooding risk, she felt that this could be substantially and satisfactorily mitigated.

A Member commented that the options set out in the report were not comprehensive as there were at least two other options not included: the "do

nothing” option, and also the option of the current site being sold on, and the search for an alternative site commenced. Officers advised that these options had been explored previously. National Archives would de-approve the Council as an archive if the “do nothing” option was taken. It was noted that the original proposal had been for a site in Cambridge, shared with the University, at a cost of £12M (shared between the two partners), with PFI funding. Although the original cost of the Ely site was £2.5M, that estimate had drastically underestimated the actual costs of this specific project. Despite the increase in costs, the current scheme still represented extremely good value for money compared to recent archives centres built in Carlisle, Gwent and Dudley. If the timescales changed beyond the current April 2018 completion date, officers would need to enter into negotiations with the National Archives.

The Chairman commented that the costs of the Archives Centre had originally been challenged by the Leader of the Council and reduced significantly in response to that challenge. Officers replied that initial costs had been based on estimates from a surveyor, and it was acknowledged that such estimates needed to be more robust and realistic in future. It was also confirmed that to start from scratch again, and look for a new site, would take a long time, and it was possible that the National Archives would look at sanctions, i.e. withdrawing archives and charging the Council.

Members asked officers if they could bring a report back to the November Committee on whether it would be feasible to look at alternatives. Officers advised that it would not be possible for them to bring back a fully developed report on robust alternative options in such a short timeframe. It was suggested that a report to the January meeting would be more realistic. Members noted what would actually be happening between now and January, which mainly related to the procurement process and finalising the design. It was confirmed any contracts could be deferred until after the January meeting, but that this would put pressure on the delivery programme i.e. completion by April 2018.

Officers confirmed that there was no contingency built into the programme in terms of timescales. A complete stop on activities at this stage would mean the delivery date would not be met. As long as the contract was signed before February, the sums involved would stay the same. In response to a question from the Chairman, it was confirmed that tens of thousands of pounds would be spent between now and February, although it was not possible to be more specific without going back to the cost plan. A Member suggested that dialogue was needed with the National Archives as soon as possible, explaining Members’ concerns on the viability of the scheme currently under discussion, and securing their agreement to extend the

deadline, if required. Officers confirmed that they had been in regular dialogue with the National Archives, who had been very supportive. Officers were happy to discuss with the National Archives the possibility of deferring. On the subject of de-approval, it was noted that this was unprecedented, no Council had ever had its archives taken away, and such a scenario would pose a huge reputational risk, in addition to being very costly.

In response to a Member question on the prospect of identifying suitable alternative sites, officers advised that the likelihood of finding a cheaper and more suitable building, which not only fit the archives requirements but also the accessibility requirements, was very low. The latter had proved a particular challenge in the original search, and the proximity to public transport of the current site was a particular advantage.

The Vice-Chairman commented that even in his own Division, he was aware of sites that would probably be suitable: the basic brief was for a climate controlled warehouse, which would not be overly expensive.

Another Member commented that although she had strong concerns about how this situation had been reached, she was keen to proceed with the proposal. However, there was a very real potential reputational risk, and the suitability of the current site and building needed to be thoroughly re-examined. Other Members expressed concerns that putting the current project on hold could lead to long term delays in the new Archives Centre being completed.

The Vice-Chairman proposed an amendment, which was seconded by Councillor Dent:

*“Propose that the current proposal is stopped, the current site is sold and other options are investigated and reviewed.”*

On being put to the vote, the amendment was lost.

In discussion, whilst the majority of Members opposed abandoning the current site and scheme, and did not want to introduce lengthy delays, some voiced concerns that they should not unreservedly progress with the current scheme without first double checking that they were on the right track, and it was suggested that this was achievable before the contract was signed. The Chairman, seconded by Councillor Jenkins, put forward the following amendment:

*“request officers investigate and bring back any viable alternative schemes to the January Assets & Investment Committee”*

On being put to the vote, the amendment was carried unanimously. The Chief Finance Officer indicated that he would ensure that there was sufficient officer resource to action this requirement.

The Committee then turned to the H&CI recommendation that Option 3 should be progressed. Following a show of hands, the majority of Members voted in favour of that option.

In response to Member questions on what the difference was between the two funding options put forward in the report, officers advised that the £300,000 Adult Learning Reserve was a revenue balance, not a budget i.e. it was a sum held on a balance sheet, that was no longer required. Members were very conscious that Service Committees were currently considering saving proposals, and many Committee had asked for savings lines to be removed from the list, so there was a clear need for additional revenue elsewhere. With this in mind, Members voted on the two funding options, and the majority voted in favour of increasing the total borrowing by £860,000, which would cost £53,000 per year (over 25 years) in debt charges.

Members agreed that it was appropriate for another Committee to scrutinise the officer processes that had led to this situation, and the internal lessons learned. A further amendment was proposed by the Vice-Chairman, and seconded by Councillor Harford:

*“refer the issue of officer process to the Audit & Account Committee”.*

On being put to the vote, this amendment was carried unanimously.

It was agreed that the report back to Assets & Investment Committee would be as soon as was practicable, as it could have huge implications on the decisions of this Committee in future. The Committee also agreed to give the Chairman discretion to discuss this matter with the Chairman of the Audit & Accounts Committee as he saw fit.

It was resolved to:

1) agree with the following decision made by the Highways & Community Infrastructure Committee at their meeting on 11th October 2016:

- (a) agree Option 3 should be progressed and recommended to Assets & Investment Committee;
- (b) Request officers work with East Cambridgeshire District Council on parking issues.

- 2) request officers investigate and bring back any viable alternative schemes to the January Assets & Investment Committee;
- 3) agree to increase the total borrowing by £860,000, which would cost £53,000 per year (over 25 years) in debt charges;
- 4) refer the issue of officer process to Audit & Accounts Committee.

#### **43. VALUE FOR MONEY FOR EDUCATION CAPITAL PROJECTS**

The Committee considered a report on the work undertaken by the Children, Families and Adults and Property Services teams to make improvements to the delivery arrangements of the Education Capital Programme.

Issues had been raised in the Education Capital Programme Board about costs. Benchmarking had shown that Cambridgeshire was well above the median in some areas, and further analysis had been undertaken. Education Capital was currently the largest element of the overall capital programme.

It was noted that the recommendation on renewable energy was identified as an issue from Economy, Transport & Environment (ETE) – it was suggested that it would be more appropriate for this to be considered by the Assets & Investment Committee. The Section 151 Officer agreed this was a good challenge, and advised that Economy & Environment Spokes had recently received a draft Energy Strategy. It was agreed that some, but not all, of the Energy Investment team's work would sit more appropriately with the Assets & Investment Committee, and this needed to be reviewed. Currently these issues were raised with the Head of Service (0-19 Place Planning and Organisation) and the Property team, and reported back to the Education Capital Programme Board.

With regard to the treatment of contingencies, it was agreed that the Employers' contingency should be held in a central pot managed by the service client, and it was appropriate for the Committee to monitor that pot.

It was suggested that the instruction to *“resist extending existing buildings and build stand-alone new build blocks as an alternative”* had broader relevance e.g. to the Archives centre, where a new build would have been preferable to adapting an existing building, as did some of the other points raised in the report.

A Member commented that given it was the 50<sup>th</sup> anniversary of the Aberfan disaster, any shortcuts or efficient from the public sector which could possibly have implications for safety/risk to children should always be resisted.

It was resolved to note the content of the report.

#### **44. REVIEW OF THE MEMBER ENGAGEMENT PROTOCOL**

The Committee considered a report on the current Member Engagement Protocol in relation to the work under the Property Portfolio Development Programme. This report had been requested at the September meeting. A correction to the report was noted: Freehold disposal (Special Purchaser) should read "All sales over £500K require GPC approval".

The Chairman explained that there was anecdotal evidence from Local Members that they were not being informed of assets and investment related activities in their Divisions. He agreed with officers' view that having a fixed protocol would potentially put Council proposals at risk in some situations, and that the current discretionary approach should continue. However, it was more difficult to identify when this approach was not working. Officers commented that the Programme Status Report gave the Committee an opportunity to identify potentially sensitive cases. The Chairman agreed, saying it was the responsibility of committee members to channel information to their group, and he would additionally feedback to the Independent Group, who did not have a representative on the Committee.

A Member commented that there appeared to be an unrealistic expectation among local people that the County Council as a developer should have more stringent standards applied to it than other developers, so it was vital that the Council separated out its responsibilities in this regard. All planning guidance and legislation placed the onus on developers to work as closely as possible with communities on potential developments at the earliest possible stage. It was therefore important for each case to be taken on its merits, but the Council should lead the way in good practice, in terms of consultation. It was noted that once CHIC was established, the separation would be clearer. In discussion, the Committee agreed that if officers were uncertain about whether they should share information with a Local Member, they should seek the advice of the Chairman.

Noting the proposed Member engagement in the appendix to the report, there was a discussion as to whether five days' notice to the Local Member was sufficient (for freehold disposal on the open market or to a special purchaser; leasehold disposal [long lease], granting a short lease,



lease renewal, granting licences and options). It was agreed that the wording should be changed to “*at the earliest opportunity, and at least eleven working days*”. Members also urged officers to contact Local Members prior to officers looking around sites in their Divisions.

It was resolved to note the current Protocol and provide guidance as to whether any revisions to the Protocol are required.

**45. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING**

Members considered a report which provided an overview of the draft Business Plan Revenue proposals for assets and investments which were within the remit of the Committee.

Members noted the increasing difficulty of delivering a balanced budget each year. It was also noted that the savings proposals were predicated on a 2% increase in Council Tax. The only new or changed proposal specific to assets and investment related to investment in the Telecommunications hosting policy, specifically exploring the opportunities to generate revenue income from hosting telecoms equipment on Council land and property assets.

It was also noted that as at the beginning of October 2016, Property and Strategic Estates functions had been demerged from LGSS back to Cambridgeshire County Council, and the associated budgets would be transferring. This would result in an additional significant annual cost of approximately £150,000 per annum needing to be met from with the Assets & Investment budgets.

It was resolved that:

- a) It is requested that the Committee note the overview and context provided for the 2017/18 to 2021/22 Business Plan revenue proposals for the Service;
- b) It is requested that the Committee comment on the draft revenue savings proposals that are within the remit of the Assets and Investments Committee for 2017/18 to 2021/22.

**46. FINANCE AND PERFORMANCE REPORT – AUGUST 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 August 2016. At the end of August, those areas were forecasting a year-end underspend on revenue of £96,000, and an overspend on capital of £195,000, the latter due to the phasing of schemes.

It was noted that the demerger of Property and Strategic Estates from LGSS was not reflected in the report, as the report reflected the situation at the end of August.

A Member queried the rental income from Bellerbys buildings on the Manor Schools site, which was being held to offset demolition costs when the lease expired in 2021. Officers agreed to email the Committee clarification of this issue. **Action required.**

It was resolved to:

- a) review, note and comment upon the report;

#### **47. COMMITTEE AGENDA PLAN**

The Committee noted the agenda plan, with the following additions raised under previous items:

Ely Archives Centre (January meeting)

Lesson learned from Ely Archives Centre (November meeting)

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

**St Ives Bridge Chapel** – Councillor Bullen, as Vice Chairman and one of the Local Members for St Ives, outlined some recent issues regarding the chapel on St Ives bridge, which was a County Council asset which came under the responsibility of the Highways team, as it was technically part of the bridge. Negotiations were taking place with the Norris Museum in St Ives to take over the day to day running of the chapel. It was agreed that a briefing paper would be presented to the November Committee meeting. **Action required.**

#### **48. 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.

**49. PROGRAMME HIGHLIGHT REPORT**

Members considered a number of information/update papers.

The Committee agreed to note the report.

Chairman