

COMMERCIAL AND INVESTMENT COMMITTEE



Date: Friday, 23 November 2018

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:00hr

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Room 128

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

CONSTITUTIONAL MATTERS

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at <http://tinyurl.com/ccc-conduct-code>
2. **Minutes of the Commercial & Investment Committee meetings held 5 - 20**
on 10th and 19th October 2018 and Action Log
3. **Petitions and Public Questions**

KEY DECISIONS

4. **A demonstrator project for low carbon community heat in 21 - 36**
Swaffham Prior

OTHER DECISIONS

5.	The use of the site at Burwell for the procurement of the Care Home development project	37 - 42
6.	MS2 Report for the Alconbury Weald Hub - Cambs 2020 Programme	43 - 50
7.	Cambs 2020 Governance	51 - 56
8.	Finance and Performance Report - September 2018	57 - 82
9.	Land Promotion Agreements	83 - 88
10.	Commercial and Investment Committee Agenda Plan, Training Plan and appointments to Outside Bodies	89 - 94
11.	Exclusion of Press and Public	

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains 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)

12. Rural Asset Outcome Focused Review (OFR)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Commercial and Investment Committee comprises the following members:

Councillor Josh Schumann (Chairman) Councillor Anne Hay (Vice-Chairwoman)

Councillor Ian Bates Councillor Lorna Dupre Councillor John Gowing Councillor David Jenkins Councillor Linda Jones Councillor Lucy Nethsingha Councillor Terence Rogers and Councillor Tim Wotherspoon

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Dawn Cave

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COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 10 October 2018

Time: 2:00 – 3.25pm

Venue: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors J Schumann (Chairman), A Hay (Vice Chairman), I Bates, L Dupré, J Gowing, D Jenkins and L Jones

Also present: Cllrs L Harford and M Shellens (part meeting only)

155. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence or declarations of interest.

156. EXCLUSION OF PRESS AND PUBLIC

There was a discussion on the exclusion of Press and Public. Whilst acknowledging that most of the discussion needed to take place in private, a number of Members suggested that it would be useful to have a discussion, specifically the appointment to be made and the criteria that was being used. Whilst acknowledging that This Land was a separate entity, it was pointed out that the County Council was the company's only shareholder, and the performance of that company was critical for the future financial health of the Council.

The Chairman advised that the Managing Director of This Land had been invited to the meeting to make a statement on his management team's views on the potential candidates at the start of the private session. He would then be asked to withdraw from the meeting. The post had been advertised, so the Job Description and Person Specification were publically available.

It was resolved, by a majority, to:

- i. exclude the press and public from the meeting on the grounds that the following reports 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 business or affairs of any particular person (including the authority holding that information).

157. RESOLUTIONS FOR THIS LAND EXTRAORDINARY GENERAL MEETING

The Managing Director of This Land presented, at the Chairman's request, a brief statement of the This Land senior management team's views on the two very strong candidates who had applied for the post of Chairman to the company.

Following an extensive debate, it was agreed to move to the vote for Chairman. There was a request for a recorded vote on the Chairmanship. Five Members voted

in favour of Steven Norris (Councillors Bates, Gowing, Hay, Rogers and Schumann) and three members voted in favour of the other candidate (Councillors Dupré, Jenkins and Jones). It was therefore resolved to appoint Steven Norris as Independent Chairman and as an Independent Non-Executive Director, in relation to Ordinary Resolutions 04 and 05 respectively.

It was resolved, by a majority, to agree the following resolutions:

- i. Special Resolution 01
- ii. Special Resolution 02
- iii. Ordinary Resolution 01
- iv. Ordinary Resolution 04
- v. Ordinary Resolution 05

Chairman

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 19 October 2018

Time: 10.00am-12.25pm

Venue: Room 128, Shire Hall, Cambridge

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

Apologies: Councillor D Jenkins (substituted by M Shellens)

158. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were presented on behalf of Councillor Jenkins (Councillor Shellens substituting). There were no declarations of interest.

159. MINUTES OF THE MEETING ON 14 SEPTEMBER 2018 AND ACTION LOG

The minutes of the meeting on 14 September 2018 were approved as a correct record.

An updated Action Log was circulated.

The following items were discussed:

Action 131 – circulate information to Committee on whether This Land would pay for the access construction road – it was agreed to check that this had been done. **Action required.**

Action 145 (NPV) – it was clarified that this related to the challenge on variable options: Chris Malyon to pick up with Cllr Boden. **Action required.**

Action 150 – it was agreed that the training session on Finance and KPIs would be circulated as a matter of urgency. **Action required.**

160. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

161. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING PROPOSALS FOR 2019-20 TO 2023-24

The Committee considered a report on the draft Business Plan Revenue Proposals for services within its remit. All local authorities were facing major challenges of increasing demand for services set against reducing funding, whilst the costs of those services was

increasing due to inflationary and demographic pressures. The Council was going in to the next year with a £21M funding gap.

As the scope for traditional efficiencies diminishes, the focus was increasingly on more fundamental changes to the way the Council works, focusing on the following key themes:

- Income and commercialisation;
- Strategic partnerships;
- Demand management;
- Commissioning;
- Modernisation.

Many local authorities were increasing their focus on investment and commercial activities to support their services. The business planning proposals focused on three main areas:

- Contract management, market shaping and entrepreneurial procurement – i.e. contract efficiency;
- Increasing contribution from current service delivery; and
- An ambitious acquisitions and investment strategy.

It was stressed that it was crucial to understand the cost of generating income, i.e. the net contribution or return to the Council, to establish whether the activity was worthwhile. A Commercial Strategy was being developed, which would be presented to the next meeting of the Committee.

It was indicated that there was significant opportunity for savings through reviewing existing contracts and commencing re-procurement activities at earlier stages. It was noted that there were nearly 100 contracts coming up for renewal, and most of these were at the lower end of the contract register in terms of value, so were often the ones getting less scrutiny and attention.

A Member pointed out that the target on contract efficiency last year had not been met. Officers advised that most of that saving had been achieved but recorded within the individual service directorates. Officers had a great deal of confidence in the information that lay behind the proposals for savings in contract renewal.

A portfolio of investments and acquisitions was being developed to enable annual revenue receipts. This portfolio would be closely aligned with the emerging new Commercial Strategy, and a fit-for-purpose commercially focussed team developed to ensure that the Commercial Investment objective was met. It was noted that there had been an allocation from this Committee previously for an advertising/sponsorship post, which had been difficult to recruit to. There was a need to ensure that all opportunities for sponsorship were grasped.

Arising from the report:

- a Member noted that paragraph 3.1 referred to “savings or additional income of £33.0M” but the ‘Total Savings Requirement in the accompanying chart stated £38.509M. Officers advised that the difference between the two figures was the anticipated overspend in the current year, and this should be reflected in the narrative. **Action required;**

- a Member queried the contract efficiency of £200K, included as a potential saving, despite only 'medium confidence'. Officers advised that the total quantum of contracts was above £200K, this was the proportion that officers had confidence could be delivered. The Member also pointed out that in the appendix, for contract savings in 2020-21, there was high confidence £4.36M yet the report only mentioned "savings above a million". Officers explained that the report reference was to the latest tranche of contract savings, but the £4.36M included all contract savings i.e. the total quantum of contracts;
- with regard to the reference to "*the reviewed target of £1,000K during 2019-20*" it was confirmed that this was based on sales, and the value was very similar to what was included in the original business plan. This sum was believed to be deliverable in terms of sales, having reviewed to total amount across two financial years (2018-19 and 2019-20). A £5M investment return was still predicted, but it had been profiled in a different way;
- in response to a question on the 'other mechanisms' for commercial investments, officers explained that this included schemes such as investment in SMEs and Life Sciences, and different types of property investments. It was noted that a contract portfolio manager would be appointed, and that the person specification for that role was currently being developed;
- with regard to the proposal for 'Further returns from existing schemes', there was no sum identified or business case attached to that proposal. A Member commented that this made it difficult for Members to evaluate. Officers responded that as this was the start of the process, it was not possible to quantify currently, as further work was required;
- a Member observed that the Looked After Children (LAC) budget had been repeatedly underestimated in the Business Plan for a number of years. It was pointed out that the demand for the LAC budget was subject to many unknowns, and a great deal of proactive work had been done by Children's Services, which should eventually feed through in terms of reduced demand. More generally, whilst there had been a budget overspend (Council wide) last year, and the same was anticipated for 2018-19, historically there had been an overall underspend against the Council's budget. Another Member commented that historically there had been overspends in the Adult Social Care budget, but this had been fundamentally reviewed and set at a more realistic level. However, an overspend was again likely in that budget this year;
- a Member commented that if contracts were renegotiated down, this meant that the Council would get less for its money. The Chairman and officers countered that there was evidence that because contracts had not been monitored closely in some cases, and the opposite may be true i.e. services were being short-changed as contractors were not delivering all that they were commissioned to deliver, so there may well be a performance *increase* as a result of closer contract monitoring and the development of closer relationships with contractors. The Member responded that he still had concerns on the authority's ability to effectively manage contracts;
- the Chairman observed that the Commercial Investments Business Case included some complex issues e.g. changes to the borrowing powers of local

authorities, and it was suggested that the Commercial Investment Working Group explore these and report back to the Committee. **Action required;**

- a Member observed that there was a commitment in last year's Business Cases to learn from missing targets, and she asked how this would be taken forward, acknowledging that some factors were internal, and some were external. The Chairman responded that this information had been reported back on an ad hoc basis, but agreed that it would be useful to formalise this in one document;
- a Member requested a list of contracts across the Council. It was noted that the Contracts Register was available on the Council's intranet site, and a list could also be emailed to Members. **Action required.** It was confirmed that in addition to the Commercial & Investment Committee's savings proposals on contracts, other Service Committees would be considering contract savings in their Business Planning processes, but care would be taken that such savings were not double counted. In addition, there would be dialogue between the relevant experts in the respective teams, who in turn welcomed the support provided on good contract management;
- there was a query about the 0% inflation assumption. It was confirmed that 'standard' inflation was set to zero, but key inflation indices were applied to budgets, as set out in the report e.g. pay. It was further noted that in 2018-19 the assumption was that nothing was raised automatically;
- a Member queried the "*...update of establishment information in the Autumn*" in relation to the increase in the National Living Wage. It was confirmed that this related to the base budget being updated for known factors as the Business Planning process progressed, e.g. any change to the National Minimum Wage, final figures on the closure of CCS, etc;
- noting the recent announcement that staff above a certain grade would have to take three days unpaid leave over Christmas this year, a Member asked if this was likely to be repeated in 2019/20. Officers advised that it been necessary to trigger the collective agreement this year as the overall financial position deteriorated, but stressed that this was for one year only. It was not being applied in the 2019-20 Business Plan, as the intention was to find another mechanism to achieve savings;
- It was confirmed that the table on forecast inflation (paragraph 2.4) was in £'000s.

A Member commented that whilst she was happy to note and comment on the report, as per the recommendations, this did not mean that she supported all of the proposals in the report.

It was resolved to:

- a) note the overview and context provided for the 2019-20 to 2023-24 Business Plan revenue proposals for the Service;
- b) comment on the draft revenue proposals that are within the remit of the Commercial and Investment Committee for 2019-20 to 2023-24.

162. SERVICE COMMITTEE REVIEW OF THE DRAFT 2019-20 CAPITAL PROGRAMME

The Committee considered an overview of the draft Business Plan Capital Programme for the Commercial and Investment Committee.

Proposed capital expenditure for Commercial and Investment Committee in 2019-20 was £116.5M, funded mainly through capital receipts and prudential borrowing. The budget for housing schemes had been rephased to reflect the timing of investment.

Arising from the report:

- a Member highlighted presentational changes required to the appendices to the report; **(action required)**
- with regard to the headquarters relocation, it was noted that some changes were required to reflect variations in requirements. A full milestone report would be presented to the next Committee meeting. On the subject of the headquarters relocation, a Member commented that there was a misconception that “all Shire Hall staff would be relocating to Alconbury Weald”, which was not the case, as the Cambs 2020 project’s focus was very much the hub and spokes model. It was agreed that this point needed to be made clear at every opportunity;
- Members were pleased to note the predicted revenue returns from the energy schemes, and commented favourably on the value of these schemes;
- noting the reference to the Older People’s Accommodation Strategy, Councillor Rogers, the Committee’s representative on the Working Group for that Strategy, advised that the last two meetings of the Working Group had been cancelled. Officers confirmed that there was considerable impetus behind this project, so that would be followed up. **Action required;**
- a Member commented that there had been an excellent presentation by the Energy Projects team at the Committee training session on 18th October, but it was regrettable that so few Members had been able to attend. It was agreed that it would be useful to circulate a copy of the presentation and if possible include an abbreviated version of the presentation at a Member Seminar. **Actions required.**

It was resolved to:

- a) note the overview and context provided for the 2019-20 Capital Programme for Commercial & Investment;
- b) comment on the draft proposals for Commercial and Investment Committee’s 2019-20 Capital Programme and endorse their development.

163. LOANS TO NOT FOR PROFIT ORGANISATIONS

The Committee considered a draft policy for the provision of loans to third parties and not for profit organisations. Members were asked to propose any refinements prior to the consideration of the policy at the General Purposes Committee, as part of the revised Treasury Management Strategy in January.

Members noted:

- that 1% above the borrowing rate (i.e. PWLB) was the rate consistently applied to loans;
- that State Aid must be taken into account whenever public money was given to an organisation that undertakes commercial operation. Any such loan would need to go through a separate process;
- that the Maximum Loan Value in the report should read £99,999.

Arising from the report:

- a Member queried why Members were not included in the initial assessment of requests for loans. Officers advised that the initial assessment was not a 'sifting' but ensuring that the request complied with the criteria for loans;
- noting "*guarantees will be called upon if the lending organisation falls into arrears of more than twelve months*", a Member suggested that recovery actions should be triggered much more quickly. Officers stressed the difference between debt management and triggering the guarantee, and it was confirmed that actions would be taken much more quickly against any organisation in arrears;
- Members debated whether Commercial and Investment Committee or Communities and Partnership Committee was the most appropriate Committee to scrutinise loans. It was noted that the purpose of granting the loans was not to make money, but to cover costs and risks, and provide a facility to organisations who may not be able to secure such funding through other means;
- noting that these decisions could be delegated to the Deputy Chief Executive in discussion with the Committee Chairman, a Member asked what would happen if there was a perceived interest in the Chair's division. It was noted that in such cases, the Vice-Chair would make the decision. Whilst this was widely understood to be the case, it was agreed that this point should be made explicit in the policy.
Action required;
- it was agreed that a report on loans granted would be provided on an annual basis to Committee. **Action required;**
- Members discussed at length the minimum and maximum loan amounts. It was suggested that a range of £50,000 to £100,000 would be more appropriate;
- a Member suggested that the policy should have a defined set of criteria which loan applications be judged against e.g. supporting communities. Following discussion, it was agreed that the introductory paragraph, which referred to "*support the delivery of front-line services*", should be enhanced to reflect the expectation that applications were in line with the Council's corporate priorities and support its outcomes. **Action required;**
- a Member commented that the fact that applicants could not obtain competitive loans elsewhere suggested that they may be high risk.

Following a vote, it was agreed, by a majority, to retain the limits (£10,000-£250,000) set out in the report. Refinements included in the Policy would be as set out above, (i) clarity on governance (Vice Chairman agreeing loans if the Committee Chairman was conflicted); (ii) provision of an annual report on loans granted; and (iii) more emphasis on the types of organisations/projects that would be supported.

It was agreed that the Deputy Chief Executive would circulate the revised draft before it was submitted to General Purposes Committee. **Action required.**

It was resolved unanimously to:

- a) consider the Policy Framework as set out in the Appendix to the report;
- b) agree refinements to the draft policy;
- c) recommend the Policy Framework, as amended if appropriate, to General Purposes Committee as part of the Treasury Management Strategy in January.

164. FINANCE AND PERFORMANCE REPORT – AUGUST 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 August 2018.

Arising from the report, Members noted:

- the £3.1M overspend in commercial activity, an increase of £0.7M from the previous forecast, mainly due to lack of sufficiently appealing opportunities being secured. A Member suggested that rather than describing the £3.1M as an overspend, it could more accurately be described as an underachievement of expectation, or similar wording;
- that housing investment was forecasting an overspend of £1.5M overspend at year end, an increase of £1M from the previous forecast. Expectations of interest receivable continued to be remodelled and reprofiled based on loans advanced;
- Traded Services to Schools and Parents was forecasting an increase of £250K;
- Cambridgeshire Catering & Cleaning Services were forecasting an overspend of £1.266M in 2018/19;
- an in year variance of £36M was predicted, exceeding the Capital Programme Variations budget by £2M;

A Member commented that some of the wording was confusing, especially as there was some information in the covering report and some in the appendices. It was suggested that one approach to address this would be combining the covering report and the appendix in to one document. It was agreed that this would be further discussed at the training session on Finance and KPIs. **Action required.** On the subject of KPIs, it was noted that many of the KPIs would relate to the Commercial Strategy that would be presented to Committee in November.

At a Member's request, officers explained the Income and Expenditure table in paragraph 2.1 of Appendix A. It was noted that whilst this information was slightly confusing, due to the timing of the income flow, but for consistency this table was included in all Service Committee reports. It was suggested that a better explanation in the narrative of the report may be the best way forward. **Action required.**

It was resolved unanimously to:

- a) review, note and comment on the report;
- b) consider and recommend to GPC to approve £84k of capital funding for Smart Energy Grid projects at Trumpington and Babraham Park & Ride sites;
- c) consider and recommend to GPC to approve the rephrasing of £41.1m of the Housing Schemes budget consider and recommend to GPC to approve the rephrasing of £17.2m of the Capital Programme Variations budget.

It was agreed to take the following agenda item first.

165. AGENDA PLAN, TRAINING PLAN AND APPOINTMENTS TO OUTSIDE BODIES

Members noted the Agenda Plan. The Clerk advised that the item on Smart Energy Grids for Trumpington and Babraham Park and Ride sites would now be considered in February (Babraham P&R) and June (Trumpington P&R), the latter following the GCP's consultation.

With regard to the Training Plan, it was agreed that the date for the Finance and KPIs training session would be circulated as a matter of urgency. **Action required.**

It was resolved to:

- a) note the Agenda Plan;
- b) note the Training Plan.

166. REVISED PROPOSED BUSINESS CASE TO FUND THE ROOF WORKS REQUIRED AT THE MARWICK CENTRE, MARCH PE15 8PH

The Committee considered a report on the strategy to fund the repair to the roof at the Marwick Centre in March. Regrettably, Members had received a previous version of the report, and the correct version of the report, with some minor changes, was tabled. It was noted that the key change to the report previously circulated was recommendation (b), which sought to recover the costs of the works through increased lease charges. The meeting adjourned for several minutes so that Members could consider the updated report.

Members noted the comments of one of the Local Members, Councillor Count, supporting the proposal.

Arising from the report:

- a Member asked what would happen if the costs escalated. Officers advised that they had been working closely with the contractors to ensure that the costs were accurate. It was further noted that it would cost around £300,000 to completely

remove and replace the roof, whereas the recommended £113,350 would repair the roof;

- in response to a question, it was confirmed that if FACET terminated the lease on the building before the 21 year repayment schedule had finished, they would be required to pay the outstanding 50% of the costs of repair;
- officers clarified the complex position with the various leases, and the reasons why the lease had not been updated since 2009: when the new lease was finalised, its starting date would be 2014;
- it was agreed that any issues with the arrangement would be reported back to Committee.

It was resolved unanimously to:

- a) approve that in consideration for Cambridgeshire County Council paying for the roof works of £113,350 plus VAT, Fenland Area Community Trust (FACET) will pay back 50% of the costs over the duration of the lease
- b) that 50% of the costs of this works, plus interest, will be recovered through an increase in the lease payment by Fenland Area Community Trust (FACET);
- c) that General Purposes Committee be requested to approve an increase in the 2018/19 capital programme of this Committee to cover the cost of the roof repairs.

Chairman

COMMERCIAL & INVESTMENT COMMITTEE

Minutes-Action Log



Agenda Item no. 2

Cambridgeshire
County Council

Introduction:

This is the updated action log as at **13th November 2018** and captures the actions arising from the most recent Commercial & Investment Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 22nd June

125.	Programme Highlight report – progress of sales to This Land	tbc	It was agreed that it would be interesting for the Committee to visit a site in the future.	tbc	
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Minutes of 20th July

131.	This Land financing arrangements, portfolio sale and construction financing	Tom Kelly/ This Land	Identify whether This Land would pay for the construction of the access road.	Details to be circulated to Committee	
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Minutes of 14th September

145.	Loan to Estover Playing Field Community Interest Company	Chris Malyon/ Tom Kelly	<i>“A Member commented that it would be helpful for officers to look at how net present value was calculated for the Authority”</i>		
147.	Update on Building Inspections	John Macmillan	Request the Regional Schools Inspector supports the Council in asking Academies to provide details of their building inspections.	Meeting proposed with Legal, Education and Property to establish best course of action.	In progress

147.	Update on Building Inspections	John Macmillan	Future leases of property to Academies should require them to provide the Council with inspection reports on a specified basis.	Meeting proposed with Legal, Education and Property to establish best course of action	In progress
147.	Update on Building Inspections	John Macmillan	Circulate note responding to the points raised during the discussion.	Will follow on from meeting with Legal, Education and Property.	In progress
150.	Committee Agenda Plan, Training Plan and Appointments to Outside Bodies	Amanda Askham/ Tom Kelly/Ellie Tod /Dawn Cave	Reschedule training on Finance and Performance Indicators	Scheduled for 03/12/18 (1pm)	Completed.
153.	Rural Estates Outcome Focused Review	John Macmillan	Review how Rural Estates was provided (i.e. external/in-house)	This will be part of a paper going to Committee in November.	Completed.
154.	Land Promotion Agreements	Chris Malyon/ Dawn Cave	Arrange Training Session on Members' duties and obligations in considering Promotion Agreements.	Training session arranged for 02/11/18 (12.30pm)	Completed.
154.	Land Promotion Agreements		Consult Local Members where Council leading on developments or promotions.		Ongoing

Minutes of 10th October 2018

157.	Resolutions for This Land EGM	Chris Malyon	Officers to revisit a number of points in the Articles, including the termination of directors' appointments, and having a quorum of three rather than two (including at least one Non-Executive Director).		
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Minutes of 19th October 2018

161.	Service Committee Review of draft revenue Business Planning proposals for 2019-20 to 2023-24		Commercial Investment Working Group to explore Commercial Investments Business Case and report back to the Committee.		
161.	Service Committee Review of draft revenue Business Planning proposals for 2019-20 to 2023-24	Amanda Askham	Contracts Register to be emailed to Committee.	Emailed to Committee 07/11/18.	Completed.
162.	Service Committee Review of the draft 2019-20 Capital Programme		Last two meetings of the Older People's Accommodation Strategy Working Group had been cancelled.	Issue raised with Jackie Galwey/Shaula Torrance – awaiting response.	In progress.
162.	Service Committee Review of the draft 2019-20 Capital Programme	Sheryl French/ Dawn Cave	Re-run the Energy Projects team presentation (presented to C&I Committee on 18/10/18) at a Member Seminar.	Scheduled for November (16 th) Member Seminar.	Completed.
163.	Loans to Not for Profit organisations	Chris Malyon	Include in the policy a statement that if the Committee Chairman was conflicted (e.g. Local Member), decisions would be delegated to the Vice-Chair.	Included in policy revisions.	Completed.
163.	Loans to Not for Profit organisations	Chris Malyon	A report on loans granted to be provided on an annual basis to C&I Committee.		
163.	Loans to Not for Profit organisations	Chris Malyon	Enhance the introductory paragraph of the Policy to reflect the expectations that applications were in line with the Council's corporate priorities and should support its outcomes.	Included in policy revisions.	Completed.
163.	Loans to Not for Profit organisations	Chris Malyon	Chris to circulate revised draft of Policy before it is submitted to GPC.	Chris emailed Committee on 12/11/18	Completed

164.	Finance and Performance Report – August 2018	Ellie Tod	Enhance the narrative accompanying the Income and Expenditure table in para 2.1 of Appendix A.	Now included.	Completed.
165.	Agenda Plan, Training Plan and Appointments to Outside Bodies	Dawn Cave	Circulate date for Finance and KPIs training session/workshop.	Electronic invitation sent to Committee on 23/10/18 for session on 03/12/18 (1pm)	Completed

A DEMONSTRATOR PROJECT FOR LOW CARBON COMMUNITY HEAT IN SWAFFHAM PRIOR

To: Commercial and Investment Committee

Meeting Date: 23 November 2018

From: Graham Hughes, Executive Director - Place and Economy

Electoral division(s): Burwell, All

Forward Plan ref: 2018/063 **Key decision:** Yes

Purpose: To propose working in partnership with the Swaffham Prior Community Land Trust to develop a detailed business case for a community low carbon heat scheme, using the Council's land to help facilitate the delivery of the Scheme.

Recommendation: Members are asked to:

- a) support the submission of an application to Government requesting a total project development grant of £290,000 to bring forward a detailed business case and implementation plan for a low carbon community heat scheme for Swaffham Prior;
- b) agree a Council development budget of £95,700, which constitutes a match funding contribution of 33% to the project to draw down the £194,300 government grant;
- c) approve detailed consideration of the use of the County Farm Estate land at Swaffham Prior, currently identified in the local plan for commercial development, to host an energy centre for the benefit of the community and the Council;
- d) undertake detailed discussions between the Council, the Swaffham Prior Community Land Trust, Cambridgeshire and Peterborough Combined Authority, the Government's Heat Network Delivery Unit and others to identify delivery models for the community heat scheme;
- e) approve the use of materials produced and lessons learned from this Project to support other communities to move from oil based heating systems, to more sustainable, low carbon options.

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Sheryl French	Name: Joshua Schumann
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Tel: 01223 728552	Tel: 01353 723 925/ 07841 524007

1. BACKGROUND

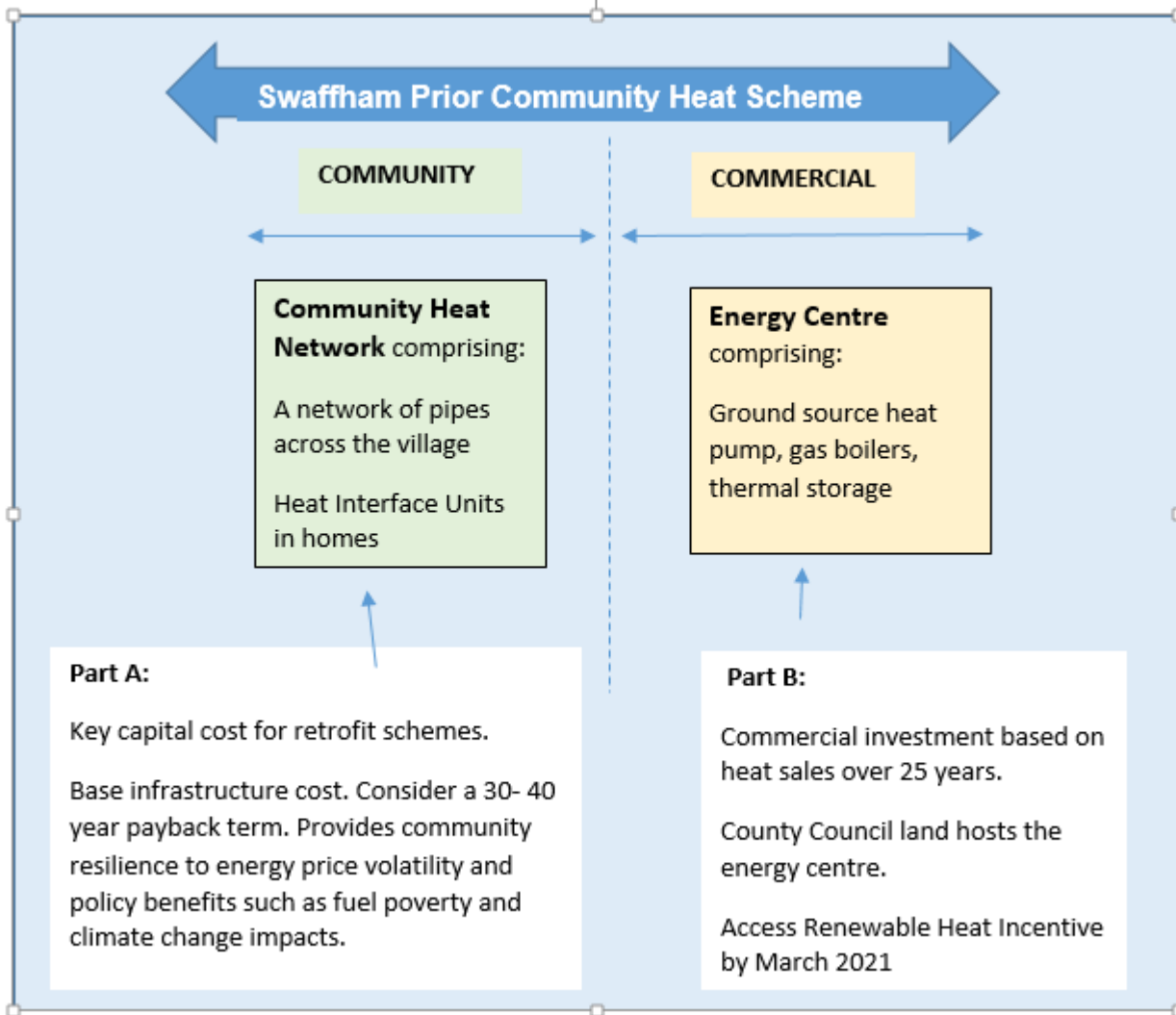
- 1.1. In March 2017, the Council approved its Corporate Energy Strategy. The strategy includes a vision to help *“build energy resilient communities through aligning the Council’s assets and the potential for energy generation with local needs”*. A key objective of the strategy is to *“work with all partners and the local community to identify and facilitate low carbon energy projects using the Council’s assets to bring benefits to all partners.”*
- 1.2. The Department for Business, Energy and Industrial Strategy (BEIS) sponsored the development of a Local Energy Investment and Delivery Strategy. Cambridgeshire is covered by this strategy, which identifies that working with communities on heat networks is a key area for development.
- 1.3. The Council’s energy work to date has focused on reducing energy consumption in its offices and schools and developing larger energy projects on its land assets to generate income. More recently, its bid submission to Innovate UK to deliver a smart energy grid for Cambridge has looked to facilitate transformational change in the way energy is generated, stored and managed locally and to deliver Government ambitions for Clean Growth and Smart Cities. However, a key area of work, yet unexplored by the Council until now, is how to support our rural communities to positively adapt and change in the face of a new low carbon and smart energy agenda. Exploring how to do this and working with a proactive community to bring about change, is the subject of this report. This is an opportunity for the Council to think differently about the use of its assets, develop new partnership business models with the community and bring financial, social and environmental benefits to both the community and the Council.
- 1.4. In December 2017, Swaffham Prior Community Land Trust (SPCLT) approached the Energy Investment Unit to share a feasibility study for a community heat scheme for the village and to request support to submit a grant application to BEIS’s Heat Network Delivery Unit (HNDU). The details of the initial feasibility study along with the results of an energy survey with Swaffham Prior residents can be found here <http://www.swaffham-prior.org.uk/pc/CLT/study.pdf>
- 1.5. The Council and SPCLT was awarded, BEIS Round 7 funding of £40,200 in March 2018 with the requirement to secure match funding of £19,800 to make a total budget of £60,000. The Cambridgeshire and Peterborough Combined Authority agreed to provide the initial match funding on the understanding that this work can be replicated to benefit other communities keen to take this new energy journey. The aim of the grant and match funding was to develop a techno- economic study for the community heat scheme and develop heat supply template agreements. The latter would facilitate engagement and interest in the scheme with Swaffham Prior residents.

- 1.6 In August 2018, the Council and SPCLT commissioned Bouygues Energies and Services to deliver the techno-economic study using the County's Refit 3 procurement. Lawyers, Sharpe Pritchard LLP were procured in October 2018 to develop the template heat supply agreements in partnership with the community. Both Bouygues and Sharpe Pritchard LLP are scoping the next stage of financial, technical and legal work to inform a second, Round 8 grant application to HNDU, by 30 November 2018.
- 1.7 Swaffham Prior is a village of just over 300 homes in South East Cambridgeshire. Its main heating fuel for homes is oil and residents are seeking to move away from oil onto more sustainable and cleaner fuels for heating whilst also seeking to manage the cost of their energy bills.

2. MAIN ISSUES

- 2.1 The techno-economic study conducted by Bouygues Energies and Services Ltd covered the following:
- A review of the assumptions and outputs from the initial feasibility study commissioned by the Swaffham Prior Community Land Trust in 2017 for a heat network with a significant ground source heat pump;
 - Energy modelling for the village, to understand the heat demand of the homes plus the application of different technology options to determine the best fit for the scheme. Please see Appendix B, a RAG status of the technology combinations;
 - Building a finance model for the scheme in accordance with HNDU templates to inform a further application for BEIS Round 8 HNDU funding; and
 - Scoping of key risks and significant tasks to inform the Round 8 funding submission. Please see Appendix C.
- 2.2 As a result of the financial modelling, there is consensus between the SPCLT, the Council and BEIS HNDU that there is a potential investment case for Option 1 in Appendix B which merits further exploration. Option 1 comprises a 1500KW ground source heat pump with gas boilers, a thermal store and heat network. The heat network comprises underground pipes carrying hot water at 70 degrees Celsius (°C) from the energy centre to homes via a heat interchange unit. Appendix A sets out the proposed energy centre location and diagrams representing the main technologies for the community heat scheme.
- Please see the letter of support from BEIS attached as Appendix D.
- 2.3 The capital costs for the scheme can be broken into two key areas. Broadly, the heat network could cost up to £3million and the energy centre £2.5 million. Please see Diagram 1 below. The broad intention will be that the heat network seeks to recover costs and the energy centre is funded on a commercial basis to benefit from Renewable Heat Incentive (RHI).

Diagram 1



- 2.4 The HNDU supports the development of a project through four key stages of development. See below. These stages can access grant support provided they demonstrate a viable project at each stage. Once a project is ready for investment the HNDU will consider gap funding under the 'Heat Networks Investment Project' if schemes pass at least one of the additionality tests. These tests include the case where project financials are positive but are not attractive enough to enable funding or where, additional technical or commercial features come with capital costs that create a barrier.

Stage	Detail	Swaffham Prior Community Heat Scheme
Heat mapping and master planning	Identification of heat network opportunities	✓ via the initial feasibility study
Feasibility Study	Technical feasibility and options appraisal for a scheme plus detailed energy and financial modelling	✓ Successful Round 7 grant application
Detailed Project Development	Development of the business/commercial model and financing options, scheme design, procurement strategy and detailed business case	Applying for Round 8 grant funding to be submitted by 30 November 2018
Commercialisation	For example, development of customer agreements, tariff structures and land access arrangements.	

2.5 Heat supply contracts. On 22 October 2018, a small focus group of Swaffham Prior residents met with the Council and lawyers, Sharpe Pritchard LLP. The aim of the session was to understand residents' concerns signing up to a community heat supply agreement and becoming early adopters of the scheme.

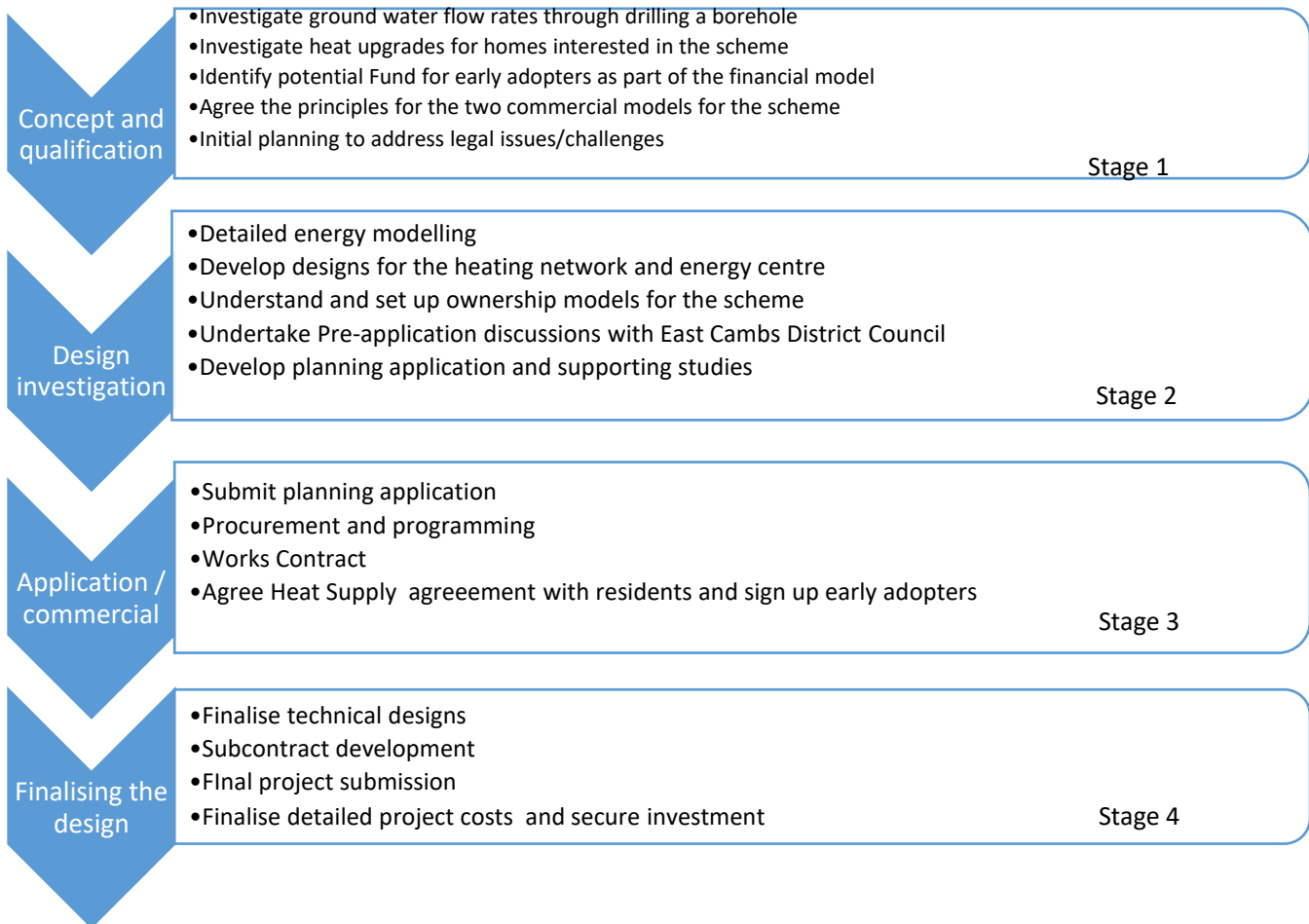
2.6 Three key areas of concern were raised by residents including:

- **Contract term.** The heat supply agreement is likely to be a long-term contract. Residents expressed initial concern at signing up to a long-term contract with a heat supplier in a monopoly position who had the ability to change prices throughout the term. Sharpe Pritchard LLP explained that an appropriate cost comparator would need to be developed to give residents comfort as to the transparency and appropriateness of their bills. Further development of who the heat supplier will be will also assist this analysis and residents felt comforted that the intention was for there to be some level of community involvement. This is an area that will be explored formally in the next stage of the project but initial discussions have been encouraging.
- **Upgrades of home heating systems and their ongoing maintenance.** Residents were concerned at the potential cost of upgrades to their home heating systems to connect them to the heat network. This issue was identified as a priority for the next stage of development and, in particular, it was identified that it was critical to understand the scale of this issue and its cost. The intention of the scheme is to supply heat at 70°C to reduce the likelihood of significant internal reworks.

- **Incentives to fix the scheme if things go wrong.** Residents felt that the template heat agreement should include significant penalties for the heat supplier if the scheme is not operational due to unplanned breakdowns as a mechanism to incentivise the scheme to be fixed as quickly as possible.

3.0 Next steps

- 3.1 To progress the proposed community heat scheme a project development budget is required. This will provide the opportunity to assess key risks and develop the detailed business case for the scheme.
- 3.2 HNDU Round 8 project development grant is now open for bid applications. (September – November 2018). Match funding of 33% of the total cost is required to draw down the development grant. The project has a potential commercial interest for the Council and therefore it is proposed that the Council match funds this work.
- 3.3 The application will look to request a total of £290,000 project development, of which £95,700 must be match funding. The project development will cover the following:
- the assessment and selection of where a test borehole is drilled, planning for and drilling a borehole, to assess groundwater flows (1x borehole @£30,000). This is a key priority and first step for the project.
 - an assessment of residents homes to identify the scale of upgrades required to connect to the heat network and to inform the finance model (approximate value £5,000);
 - development of a detailed business case for the heat network and energy centre including archaeology investigations and securing planning permission (approximately £190,000);
 - legal advice for the set-up of different ownership models for the two commercial models that make up the district heat scheme (approximately £30,000);
 - external finance support, including the commissioning of a Market Economic Operators Report (MEOP) (estimate £20,000); and
 - project management of the scheme and engagement with Swaffham Prior residents (Approximate £15,000).
- 3.4 Our development approach will be to split the 'Project Development' into four phases as described in Diagram 2 below. The intention is to obtain the maximum level of certainty and security at the earliest stage, providing gateways to the next stage based on the findings. This will limit our cost exposure on the development budget.



4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

Communities reliant on oil-based heating systems, will, over time, pay more for their heating costs compared to homes on clean energy and gas. The Swaffham Prior district heat scheme will provide a better opportunity for the village and its residents to manage future heat costs. It will also provide a blueprint for other communities to work together and move away from oil heating.

4.2 Helping people live healthy and independent lives

Utilising Council's assets to help the community to reduce greenhouse gas emissions and improve local air quality for residents.

4.3 Supporting and protecting vulnerable people

Without a strong focus on upgrading energy infrastructure for rural communities and developing local energy markets, the cost of energy will become unaffordable putting more homes and people into fuel poverty.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

Should the Round 8 funding be approved, the Council's match funding will be needed to draw down the grant monies.

Project management capacity is included in the grant submission to cover the delivery aspects of the scheme.

The project development grant must be continually assessed for compliance with HNDU grant conditions.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The Council procured Bouygues Energies and Services Ltd during 2017 as part of a mini-competition under the Greater London Authority and Local Partnerships Refit 3 Framework. The Council has used this procurement to develop the BEIS HNDU techno-economic study as this area of work falls within the remit of the procurement.

5.3 Statutory, Legal and Risk Implications

State Aid compliance will need to be assessed and agreed with HNDU for grant funding. Section 3.3 above includes the development of a MEOP to support these discussions.

Ownership/delivery/corporate models for the community heat scheme will be explored in partnership with the SPCLT and local residents.

Risks identified in Appendix D including legal and financial risks will be managed through our development approach described in Diagram 2.

5.4 Equality and Diversity Implications

There are no significant implications in this category. Local residents are engaging in the scheme as they could benefit from more sustainable and cleaner fuel for heating, and from improved local air quality. This project could have a positive impact on people in rural locations relying on oil-based heating seeking to manage the cost of their energy bills. The learning from this project will be shared with all communities and guidance provided to other communities looking to set up district heat schemes.

5.5 Engagement and Communications Implications

A project Board has been established comprising Members of the SPCLT, Cambridgeshire and Peterborough Combined Authority and County Council officers from the Rural Estates team and Energy Investment Unit. HNDU provides guidance to

the Board on the conditions of the Round 7 grant and provides best practice guidance and support from their experience working with other projects across the UK, developing community heat schemes.

Local residents have been engaged through social media, a newsletter and requests to provide energy bills and photos of their heating systems. More recently, a joint presentation from the SPCLT, Bouygues and County Council was given to the community on 2 October 2018, to share initial scheme ideas and assumptions. This offered residents the opportunity to ask questions about the community heat scheme. As a result, a small group of residents agreed to work with Sharpe Pritchard LLP, see 2.5 and 2.6 above.

5.6 Localism and Local Member Involvement

The Local Member for Swaffham Prior has been briefed on the project and the Parish Council has been engaged in the project via the SPCLT with updates provided at meetings in September and one planned for December 2018.

5.7 Public Health Implications

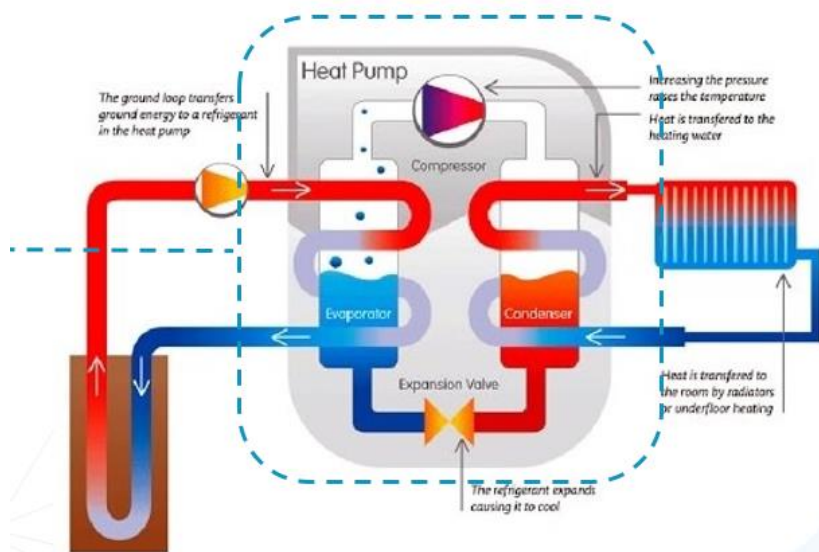
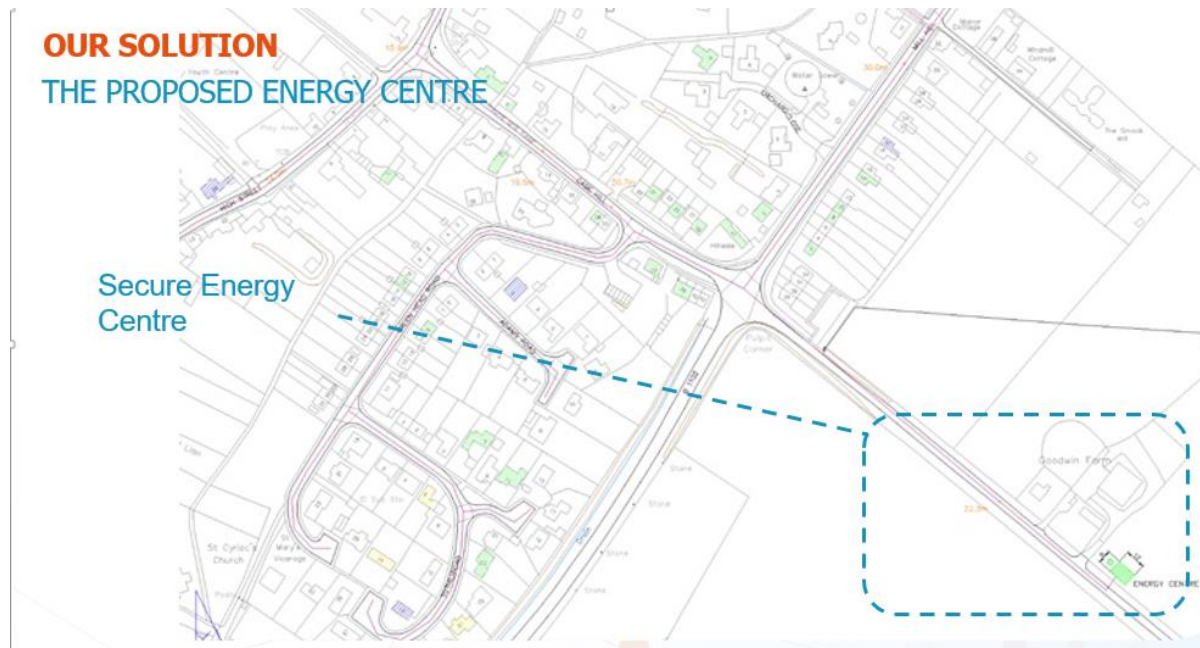
This project will help mitigate climate change, improve local air quality in the home and should provide more cost effective heating for homes over the longer term providing long term health benefits to the community.

Source Documents	Location
The Council's Corporate Energy Strategy	https://www.mlei.co.uk/section-1/ccs-energy-strategy/
Swaffham Prior District heat scheme, Feasibility Study, December 2017, Bioregional and Carbon Alternatives	http://www.swaffham-prior.org.uk/pc/CLT/study.pdf
Memorandum of Understanding with BEIS, HNDU for Round 7 grant funding	EIU network folders
Delivering Financial Support for Heat Networks, Heat Networks Investment Project	https://www.gov.uk/guidance/heat-networks-overview
Proposal for a Community Heat Scheme for Swaffham Prior, Community Presentation and FAQ, 2 nd October 2018	http://www.swaffham-prior.org.uk/pc/CLT/study-FAQ2.pdf
Draft techno-Economic Study for the Swaffham Prior Community Heat, October 2018	EIU network folders

Tri-LEP, Local Energy Investment and Delivery Strategy, October 2018	EIU network folders
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Implications	Officer Clearance
Have the resource implications been cleared by Finance?	YES Name of Financial Officer: Sarah Heywood
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Debbie Carter-Hughes
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Joanna Shilton
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer:
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Stuart Keeble

Appendix A: Proposed Energy Centre on Council's land and diagrams representing the main technologies for the community heat scheme and residents homes



Ground source heat pump



Appendix B

Table 1: Modelling of four technology combinations

Technology models (all include the community heat network)	Technical feasibility	Commercial viability	Constr'n risks	Operation al risk	Decrease in CO2 reductions	Overall RAG status
1. 1500KW ground source heat pump, gas boilers and thermal store	A	A	A	G	G	A
2. 600KW ground source heat pump, gas CHP, gas boilers and thermal store	A	R	A	G	G	R
3. 260KW ground source heat pump, gas CHP, gas boilers and thermal store	A	R	A	G	G	R
4. Commercial air source heat pump, gas boilers and thermal store	G	R	A	A	G	R

Key points:

Technical feasibility includes an assessment of (i) modelled groundwater flow rates for the heat pump (ii) whether sufficient and consistent heat can be supplied at peak demand to dwellings

Commercial viability was assessed on the basis of whether the techno-economic modelling identified a positive IRR for the project. The key issue for option 4 is that commercial air source heat pumps attract a lower level of RHI which impacts commercial viability.

Construction risk includes the challenges of working in an area of historic and landscape interest as well as managing traffic flows through the village whilst progressing works.

Operational risk includes ongoing management of health and safety of the heat scheme. For example, commercial air source heat pumps use ammonia for heating and cooling as it achieves high energy efficiency due to its thermophysical properties. However, ammonia is a toxic fluid and requires strict standards for the construction and operation of ammonia mainly to prevent uncontrolled ammonia emissions.

Decrease in CO2 emissions is measured simply against the 'do – nothing' scenario. The RAG status does not differentiate which of the technology models 1-4 reduces the most CO2.

Overall RAG status – if commercial viability is red the overall RAG is assessed as red.

Appendix C: The key technical risks associated with the community heat scheme

Key technical (T), financial (F) and legal (L) Risks	Mitigation strategy
T1. Insufficient ground water flow rates in the Greensand Aquifer to supply the heat demand in the village	Test boreholes are drilled to establish flow rates early in the next steps. Once confirmed, options include planning for additional boreholes and/or greater capacities of backup heat from the gas CHP/boilers dependent on the findings.
T2.Costs and delays incurred due to artefacts of archeological and historical interest being found whilst drilling boreholes or digging trenches.	Archeological evaluation work will be required at pre-planning phase for the vertical ground source heat pump and energy centre to understand what is likely to be there and to consider mitigation as part of the design of the scheme.
F1. The finance model for the scheme is not workable.	BEIS has set up 'The Heat Network Investment Project' (HNIP) to provide gap funding support for eligible heat projects. This support is conditional on the successful completion of the Project Development Phase and the agreement of the financial viability of a technical solution with the HNIP.
F2.Insufficient homes sign up early and commit to the district heat scheme	50% of all homes must commit upfront to join the scheme with additional connections reaching 298 homes by year 5 of the operation of the scheme to secure its viability. It is proposed that (i) the SPCLT recruits community champions to work alongside themselves to support residents to understand the benefits of the scheme; and (ii) early adopters are incentivised to sign up through no upfront upgrade and connection charges (later adopters to pick up own upgrade and connection costs.)
F3.Costs of upgrades to existing radiators and pipework in homes to connect to the scheme is a barrier to participation in the scheme	An assessment of all homes will be undertaken to identify upgrade requirements for individual properties to commit to the project. In addition, the finance model will look to consider whether a Fund allocation per home to support radiator and pipework upgrades for early adopters can be developed.
F4. Costs of decommissioning and disposal of oil boilers and tanks impacts project viability	Identify specialist contractors to undertake this work and get costs for removal and disposal. Apply for BEIS/HNDU grants or other finance options to cover all or part of the removal and disposal costs.
L1.Undertaking works to Consumers' Properties	The mitigation under F3 will assess the upgrade requirements for homes. This will also allow solutions as to how to provide upgrades to homes to be developed. Options include (but are not limited to) setting up call off contracts for residents to support the works required in their homes.
L2.Minimum duration of the Heat Supply Agreement and Consumer's ability to terminate	Continue dialogue with Swaffham Prior residents to agree the minimum duration of a contract and still comply with Consumer rights. This links with F2 above as the investment challenge is securing a sufficiently stable customer base.
L3.Consumer selling their property	Develop options including whether the connection to the heat scheme can be tied to a property and not a person, subject to consumer rights.
L4. Future changes in law which create technical challenges	It is likely that additional regulation of district heat networks is imminent. Continued engagement with BEIS is essential to help mitigate any risks regulation could bring to the project.

Appendix D: Support letter for the Swaffham Prior community Heat Project from BEIS



Department for
Business, Energy
& Industrial Strategy

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Commercial and Investment Committee
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

Our ref 104211_FES

05 November 2018

To the Commercial and Investment Committee,

The Department for Business, Energy and Industrial Strategy (BEIS) recently published the Clean Growth Strategy, setting out how the UK can continue its economic growth and prosperity whilst meeting our legally binding decarbonisation targets.

We've made huge progress on the transformation of our power sector and recognise that heat is the next big challenge, accounting for almost half of energy use and around a third of carbon emissions. With millions of homes and businesses across the UK and a need for heat to be close to zero carbon by 2050 to meet these targets, we recognise the scale of the challenge.

The Clean Growth Strategy makes it clear that heat networks will play a vital role in the long-term decarbonisation of heating. It demonstrates a strong commitment to significantly expanding the sector. In each of the Strategy's three illustrative pathways to 2050, heat networks could meet 17% of heat demand in homes and up to 24% of heat demand in non-domestic buildings. The Strategy also has an ambition to phase out the installation of high carbon fossil fuel heating in new and existing off gas grid residential buildings (which are mostly in rural areas) during the 2020s.

Heat networks are one of the most cost-effective ways of reducing carbon emissions from heating. They present an opportunity to exploit larger scale renewable and recovered heat sources, can mean lower bills for consumers and have an increasing role in playing a part in our dynamic energy system.

To help Local Authorities across England and Wales understand the opportunity for heat networks in the local area, identifying the benefits which could be delivered to local residents and businesses and the role of local government, BEIS formed the Heat Networks Delivery Unit in 2013. The team consists of technical, commercial and financial specialists who have provided support and funding of over £17m to a third of Local Authorities.

The village of Swaffham Prior in Cambridgeshire has an exciting opportunity to develop a heat network utilising heat available from groundwater in their area. Efficient heat pumps would be used to elevate the temperature of the water to a level assessed to be suitable for residents, thus requiring less intrusive retrofit requirements to existing buildings. The scheme should bring a number of important outcomes:

- Radically decarbonise the village, moving residents from oil to highly efficient electric heating benefiting from heat available in the groundwater;
- Act as catalyst project that we hope could be replicated for other similar rural off-gas grid villages;
- Significantly reduce the cost of heating (both space heating and domestic hot water) for residents; and potentially
- Provide residents the opportunity to be co-investors in their own local energy resilience.

There are certainly challenges ahead but I believe that this project has the potential to be an exemplar to other off-gas grid rural villages faced with the very pressing challenge of affordably decarbonising homes whilst remaining resilient to future changes in energy prices.

I very much hope that you will support the application to BEIS by agreeing to provide match funding for the project should the application prove successful.

Kind regards,

George Robinson
HNDU Investment and Finance
george.robinson@beis.gov.uk

**THE USE OF THE SITE AT BURWELL FOR THE PROCUREMENT PROCESS OF
THE CARE HOME DEVELOPMENT PROJECT**

To: Commercial and Investment Committee

Meeting Date: 23rd November 2018

From: Executive Director: Place and Communities

Electoral division(s): Burwell

Forward Plan ref: N/a **Key decision:** No

Purpose: To consider the use of the site at Burwell for the next stage of the procurement process.

Recommendation: To recommend that the site at Burwell can be used for the next stage of the procurement process and subsequent development of a business case

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Shauna Torrance	Name:	Councillor Joshua Schumann
Post:	Acting Head of Commissioning for Adult Social Care	Post:	Committee Chairman
Email:	Shauna.torrance@cambridgeshire.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk
Tel:	01223 714697	Tel:	01223 706398

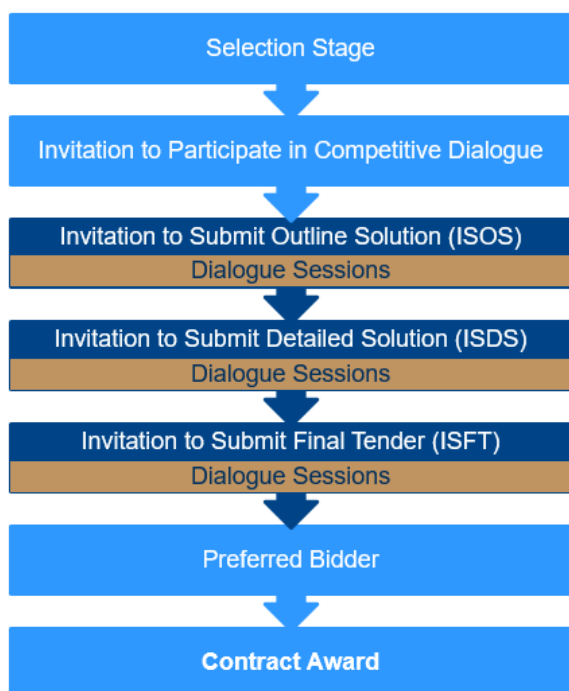
1. BACKGROUND

- 1.1 The Council commenced a review of care home provision in Cambridgeshire from November 2017 with the aim of increasing the capacity of affordable, sustainable high quality care home provision across the county. Through this review, a current shortfall of 150 quality, affordable beds which could be directly commissioned by the Council was identified. As demand increases, this position will worsen if no action is taken.
- 1.2 The Council are addressing this shortfall through taking a more innovative approach to intervening in the local market in order to generate additional capacity. Through a competitive dialogue procurement approach, the Council intend to procure a strategic partner to design, build and run a number of care homes on Council owned land under a lease arrangement in return for high quality, affordable provision.
- 1.3 This report will provide an overview of process to date as well as a recommendation relating to the selection of the first site for development.

2. MAIN ISSUES

- 2.1 A review of current capacity and demand has indicated that the Council holds a current shortfall in the Cambridgeshire Care Homes market of 150 affordable, council commissioned beds. The shortfall is made up of 25 Residential Dementia Beds and 125 Nursing Beds (nursing beds made up of 2/3 nursing and 1/3 Nursing Dementia). This has an impact on limited choice and affordability for people needing care, and creates pressures in the broader system, for example with Delayed Transfers of Care (DTC). Particular lack of local provision has been identified in the following districts:
 - Nursing and Nursing Dementia in East Cambridgeshire
 - Nursing and Nursing Dementia in Huntingdonshire
 - Residential Dementia in South Cambridgeshire.In order to provide the required number of beds, it is envisaged that approximately 4 to 5 care homes in total will need to be constructed over the period of the overarching service agreement.
- 2.2 Lack of capacity is also placing significant financial pressure on Council budgets within this area, with the average spot price of placements increasing year on year. The average weekly cost of spot nursing and nursing dementia placements has risen by 19% since 2016/17. The average weekly cost of spot residential and residential dementia placements has increased by 16% and 9% respectively across the same period.
- 2.3 In East Cambridgeshire, where the need for more beds is greatest, the average weekly cost of spot nursing placements has increased by 34% since 2016/17, while the average weekly cost of spot residential and residential dementia placements has increased by 42% and 19% respectively across the same period.
- 2.4 The competitive dialogue process being used to address this shortfall is a flexible procurement approach which aims to draw on the skills, expertise and feedback and bidders to build a fit for purpose and tailored solution which can be delivered and meet the expectations and requirements of the Council. Three bidders passed the initial stage and will also progress to the final detailed solution design stage before the contract is awarded.

2.5 The competitive dialogue process is being progressed using a three stage approach:



2.6 As part of the ISDS Stage of the procurement process, the Council are required to identify a site to work with the bidders in developing an outline business case to support development. This will allow the Council to test the expertise and experience of each of the bidders and will also support swift progress on award of the contract.

2.7 Current timescales for contract award are outlined below:

PROCUREMENT STAGE	DATE
Legal and Commercial Dialogue	1 st November 2018
Invitation to Submit Detailed Solutions (ISDS) issued	16 th November 2018
ISDS Dialogue Session (if required)	TBC
ISDS Return Date	4 th January 2019
(Second) ISDS Dialogue Session	W/C 18 th February 2019
Close Dialogue	W/C 4 th March 2019
Invitation to Submit Final Tender	W/C 4 th March 2019
ISFT Return Date	W/C 1 st April 2019
Contract Award	May/ June 2019
Phased Approach to Build	July 2019

2.8 Site Selection / Legal Framework / Financial Implications

An initial high level review of the County Council's property assets, initially focusing on the

districts of East Cambridgeshire and Huntingdon, has been undertaken. The search criteria was land of 1.5 acres minimum; within or abutting a substantial village/town in order to provide local amenities and integration within the local community; and good transport links within the local and to/from the wider area. Two green field sites have been initially identified; Slade Farm, Burwell and Meadowview Farm, Brampton. Further detailed investigation of both of these sites is required to determine the suitability of these sites for a care home development. Slade Farm, Burwell is the site which has been prioritised for the next ISDS stage of competitive dialogue.

- 2.9 It is proposed that each site will be leased to the preferred bidder on an agreement to lease and lease basis. The terms and conditions of the lease will be dependent on the preferred model of delivery for the contract. Currently, between the three bidders, two different models of delivery have been proposed. The agreement to lease and lease for each site will be tied to an individual service contract. There will be an overarching partnership agreement.
- 2.10 It is anticipated that the site at Burwell will provide a minimum of 1/3 affordable and 2/3 self-funder places, with the potential for 50% affordable. The model for the home is likely to be 80 beds, therefore between 27 and 40 beds will be affordable. There is currently a significant shortfall in capacity within East Cambridgeshire for nursing and nursing dementia placements and it is likely that the first site could provide up to 40 nursing placements of the 125 total required in Cambridgeshire.
- 2.11 Currently both of the sites identified above are agricultural land and have not been allocated for any alternative uses under the current Local Development Framework. However, due to the location of these site, it must be highlighted that both of these sites could be promoted for higher alternative uses e.g. residential, through the normal local development framework consultation process or through opportunities such as the current housing shortfall under the current East Cambridgeshire District Council Local Plan.
- 2.12 Were the sites to be sold at this point in time, their value would be that of agricultural land with the possibility for development, which is dependent on the site, the potential for higher value use at the point of sale and other market factors. In assigning these sites for the development of care homes, the council would be foregoing the possible income from a sale.
- 2.13 The land at Brampton is a retained part of a site that is earmarked for sale to This Land. It is estimated that its value would be in the region of £350k if it were to be sold to This Land along with the rest of the site, but this would be a time-limited opportunity. The Burwell site has not been valued at this time.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

3.2.1 The following bullet point sets out details of implications identified by officers:

- Creating greater choice and affordability in the care home market will provide direct financial benefits to users of services and their carers

3.2 Helping people live healthy and independent lives

- 3.2.1 This work is part of a wider strategy developed in partnership with a broad range of services including housing and public health aimed at supporting people to live independently for longer. Where there are opportunities to provide complimentary services that support independence, such as health and community services, these will be incorporated into development plans.

3.3 Supporting and protecting vulnerable people

- 3.3.1 The purpose of taking this forward is to provide greater choice and affordability for services that are aimed at supporting the most vulnerable residents of Cambridgeshire.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

- 4.1.1 The following bullet point sets out details of significant implications identified by officers:
- In order to reduce the future financial risk to the Council, capital assets are utilised to provide long term revenue benefits.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

Source Documents	Location
None	

MS2 REPORT FOR THE ALCONBURY WEALD HUB: CAMBS 2020 PROGRAMME

To: Commercial and Investment Committee

Meeting Date: 23 November 2018

From: Chris Malyon (Deputy Chief Executive)

Electoral division(s): All

Forward Plan ref: N/a **Key decision:** No

Purpose: Consider the information contained regarding milestone two (initial design phase) and consider additional funding requirements

Recommendation: It is a recommendation that the Committee:

a) Approves the detail contained within the milestone two information and to progress to milestone three (scheme design level/planning application stage) which will begin on 26th November

b) Requests General Purposes Committee to approve the additional funding required from the Council's Capital funding budget

c) Approves that delegated authority is given to Chris Malyon (Deputy Chief Executive and Chief Finance Officer) to sign off the milestone two report

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Chris Malyon Post: Deputy Chief Executive & Chief Finance Officer Email: Chris.malyon@cambridgeshire.gov.uk Tel: 01223 699796	Name: Cllr Joshua Schumann Post: Chair of Commercial & Investment Committee Email: Joshua.schumann@cambridgeshire.gov.uk Tel: 01223 706398

1. BACKGROUND

- 1.1 In May 2018 Full Council agreed to support the Hub and Spokes model and disposal of the Shire Hall site, choosing the new Civic Hub to be built in Alconbury Weald.
- 1.2 In June 2018 Faithful and Gould were appointed as the Project Management function for the new build in Alconbury Weald via the Council's existing Education Framework. They scored highest on cost and quality and the Council were therefore able to directly award the contract within procurement guidelines.
- 1.3 RG Carter were appointed as the Construction Company and AHMM as the architects (in a joint bid) through a full procurement process in August.
- 1.4 A high level design brief for the new building was developed in consultation with staff, Members and key technical expertise within the organisation. Since this point, the programme team have worked closely with Faithful and Gould, RG Carter and AHMM to bring the brief to life and have run a series of design workshops with various stakeholders, developing the designs each time in line with requirements.
- 1.5 The intention of this report is to provide an overview as to how the scheme has developed and how these changes have impacted the overall budget.

2. MAIN ISSUES

2.1 Project Brief

- 2.1.1 Throughout the MS2 process the project brief has developed following consultation with the core team members and key stakeholders. The project brief can be confirmed as below:

- **Total Gross Internal Floor Area (GIFA):** 3600sq.m
- **Reception:** To be provided
- **Office Floor:** Open Plan
- **Floorplan/Zoning Requirements:** Zones will be identified using colour, materials or furniture. This is to be investigated further during Milestone 3.
- **Breakout Spaces:** On each floor
- **Number of desks:** 350
- **Council Chamber:** 90-person occupancy room which can be split into three smaller meeting rooms if required
- **Political Party Rooms:** A total of six rooms - four Political Group Rooms (the lead party room includes an additional meeting room attached) and a Chairperson's Office – this was an additional request not provisioned for in the original business case
- **Meeting Rooms:** 17 in total of various sizes (not including the Council Chamber)
- **Kitchen Areas (Tea Points):** Two on each floor
- **Toilet Facilities:** Unisex superloos to be provided
- **Post Room:** May not be delivered within the Hub but this is to be confirmed. Area has been allocated for this facility within the building for the MS2 design
- **Data Centre:** Will not be required
- **Food & Drink:** Options appraisal to be carried out in MS3

- **External Landscaping:** Provide external spaces for staff to utilise

2.2 Concept Design

- 2.2.1 The architects (AHMM) have progressed the design in MS2 in line with the Project Brief and the wider site masterplan parameters. Additionally, through the appointed project team, a series of design workshops have been held with key CCC staff and Members together with input from a number of focus groups. The feedback received from these stakeholder events has been reviewed and incorporated where appropriate into the updated concept design proposals. An extract from the latest MS2 design proposals is included as part of this report.
- 2.2.2 The current proposals provide a two-storey building solution, which is shallow in plan (see latest design proposals attached) and sits at the front of the proposed site with car parking to the rear. This proposal has been developed in line with the wider masterplan and design code criteria together with responding to the key criteria in the project brief. The design has been developed to allow for flexibility and potential expansion on the proposed site, should this be required in the future - the two-storey solution provides an efficient footprint, it maximises natural daylighting throughout the building floor plans and takes up minimal area on the overall site. The two-stories also creates presence within the wider development and in relation to its neighbours including the listed Watch Tower building opposite. This reduced building footprint also provides a more cost efficient solution (reduced groundworks and roof covering works) in order that it can be delivered within the overall project budget.
- 2.2.3 The building will provide 350 desks along with flexible breakout areas and more formal meeting rooms. The office area floor plans are designed to be open plan and facilitate the brief requirement for 'hot desking'. It also provide dedicated spaces for democratic functions such as a multi-purpose Council Chamber, Political Group Rooms and a public reception area. Externally, the project will provide for around 175 car park spaces together with external amenity space for staff, cycle shelters will also be provided.

Appendix A shows the current external design of the building.

2.3 Key Risks

As with all projects of this nature, scale and complexity the Civic Hub scheme has risks attached to it. The most significant of the risks are listed below:

- Construction costs exceed the agreed budget
- Delay to land purchase/size of plot to be purchased
- Delivery of temporary and permanent utility connections (electricity, gas, water, drainage)

- Delay in agreement of design parameters for the building with planners lead to significant difficulties in progressing design and planning process
- Planning issues relating to Ecology, Archaeology requirements, Stakeholders etc result in delay in planning process
- Widening scope of planning application
- Obstructions in ground/poor ground conditions not reasonably established during design phase
- Hazardous materials/contaminated land discovered during site activities which could impact cost/programme
- Scope creep/change in the Project Brief
- Delay to the overall build leading to staff not being able to move out of the Shire Hall site within the agreed timescale as planned

Risks will be closely managed throughout the lifecycle of the project and removed or mitigated where possible in accordance with the current project financial and programme contingencies.

2.4 Costs

2.4.1 At the beginning of MS2, Cambridgeshire County Council's agreed capital budget for the build totalled £16.606 million including the land purchase. This included the following allocations:

- | | |
|---|----------------------------|
| • Feasibility Studies (original estimate) | £0.171m |
| • Construction Budget | £11.7m (inc Cat B fit out) |
| • ICT/FFE Budget | £1.75m |
| • Land Purchase | £0.8m |
| • Other (contingencies etc.) | £2.185m |
| • Total | £16.606m |

2.4.2 Following the stakeholder engagement, it was requested that the Political Group Rooms are replicated within the new Hub building. These spaces did not form part of the original brief and therefore will come at an additional cost to the project. In addition, the Council have now confirmed that they will be purchasing 4 acres of land (@£400k/acre). The original

project cost only allowed for 2 acres of land (a total cost of £800k), however the purchase of 4 acres will increase this to £1.6m.

2.4.3 Faithful and Gould have drafted a cost estimate to reflect these amendments and to capture the design development to date. The costs below reflect this update:

• Feasibility Studies (actual cost)	£0.137m
• Construction Budget	£12.2m (inc Cat B fit out)
• ICT/FFE Budget	£2m
• Land Purchase	£1.6m (4 acres)
• Other (contingencies etc)	£2.4m
• Total Overall Project Cost	£18.337m
• Budget difference:	£1.731m

2.4.4 **The reason for the change in budget is due to the following factors:**

- The addition of Political Group Rooms (six in total, including a Chairperson's Office) were not originally included in the design scope and have subsequently been added, increasing the construction costs and associated professional fees due to the increase in floor area. The construction budget is therefore required to increase by a total of **£580k**, based on a budget cost per square metre.
- The original brief factored a total land purchase of 2 acres, and 4 acres are required (adding a total of **£800k**)
- Due to the size of the building increasing, associated budgets for ICT, FF&E, fees and contingency allowances have pro-rotta increased to reflect this (adding an additional **£385k**)
- Reduction in feasibility costs (previously estimated at £0.171m and these actuals were £0.137m, saving **+£34k**)

Agreement is therefore required for the £1.731m increase in budget.

2.5 Key Programme Dates

2.5.1 The key programme dates are as follows:

• Conclude MS2	23 November 18
• MS3 (up to planning application)	End Nov 18 – End March 19
• MS4 (Detailed Design/Contract Sum)	April 19 – Oct 19
• MS5 (Finalise Contract Documents)	October 19
• MS6 (Construction)	Nov 19 – End Dec 20

The programme team will report back to Commercial and Investments Committee prior to MS3 sign off and the planning application being submitted for political agreement (estimated February/March 2019).

3. ALIGNMENT WITH CORPORATE PRIORITIES

The Cambs 2020 Programme is an opportunity to change the ways and places we deliver services to support the Council in the delivery of its corporate objectives by providing fit for purpose infrastructure, technology and workforce to face the organisational challenges that lie ahead.

3.1 Developing the local economy for the benefit of all

Through the distribution of services across the county, the Council will support economies in a more disbursed manner than at present.

3.2 Helping people live healthy and independent lives

Placing services in the heart of the communities they support will facilitate more citizens living independent lives by keeping them in their own homes with appropriate support networks wrapped around them.

3.3 Supporting and protecting vulnerable people

As above.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

A separate request for funding from the Transformation budget has been submitted to General Purposes Committee in November.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications arising directly from this report.

4.3 Statutory, Legal and Risk Implications

The risks associated with not funding the additional budget required would mean the removal of the Political Group Rooms, and potential value engineering required meaning a smaller space or lower quality materials.

4.4 Equality and Diversity Implications

There are no significant implications arising directly from this report. As part of the engagement process representatives from the Equality and Diversity network have been invited to the design workshops and provided valuable feedback which has been incorporated into the design of the building.

4.5 Engagement and Communications Implications

There are no significant implications arising directly from this report.

4.6 Localism and Local Member Involvement

There are no significant implications arising directly from this report. The Local Member was invited to a visit to Alconbury Weald (along with all Members) for an update on the overall development and the current design plans for discussion.

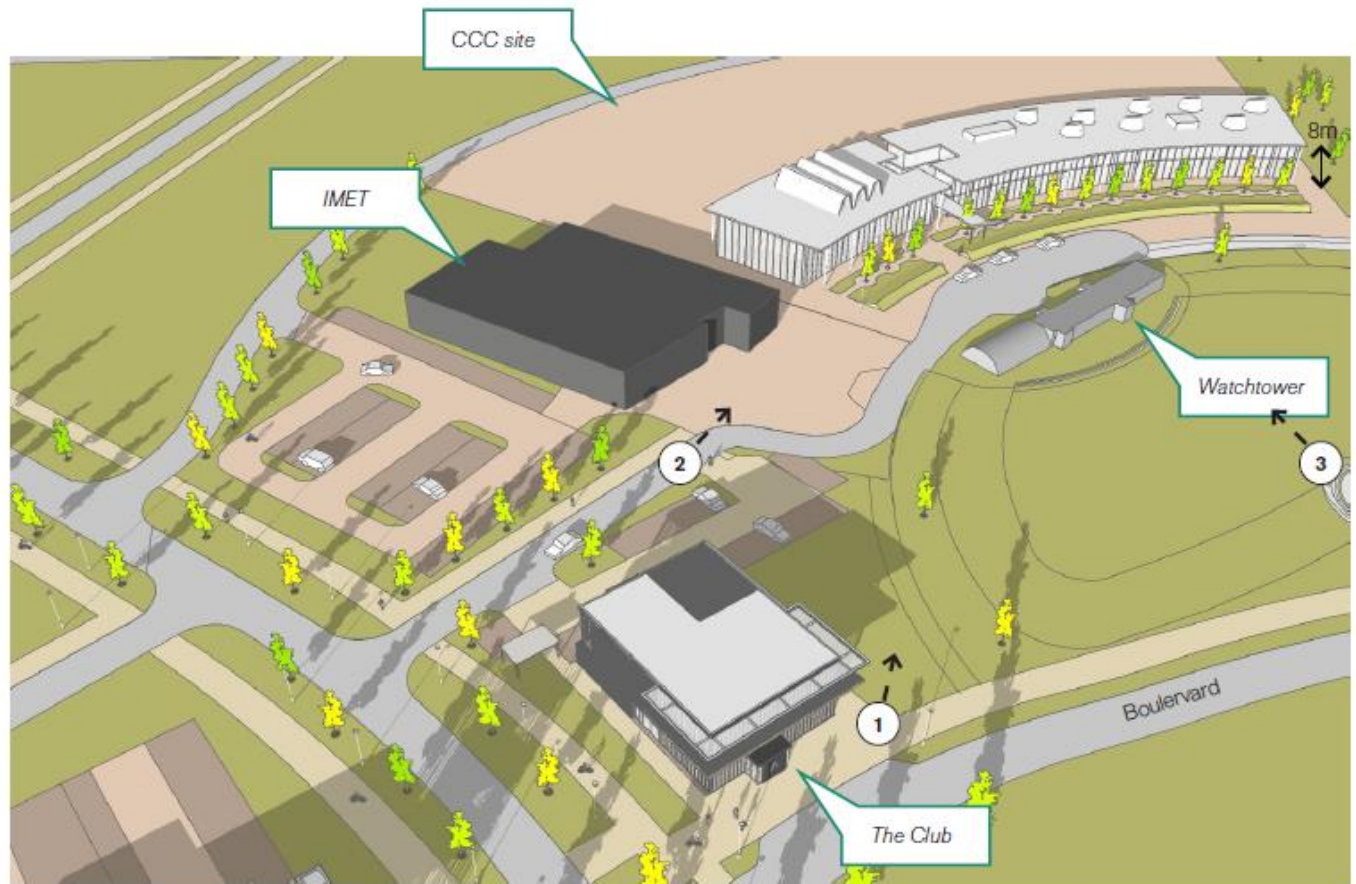
4.7 Public Health Implications

There are no significant implications arising directly from this report.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Jon Collyns
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Marc Mageean
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
Cambs 2020 Governance report at C&I April 2018	Link

Appendix A – External view of the current building design



Aerial View

CAMBS 2020 GOVERNANCE

To: **Commercial & Investment Committee**

Meeting Date: **23 November 2018**

From: **Deputy Chief Executive**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To consider the governance of the spokes element of the Cambs 2020 Programme and the continuation or not of the Member Working Group.**

Recommendation: **It is recommended that the Committee:**

- a) Notes the content of this report;**
- b) Supports the transfer of responsibility for the ‘spokes’ element of the Cambs 2020 Programme to the Communities and Partnerships Committee;**
- c) Considers the comments and observations regarding the changing nature of the programme, and resolves to disband the Member Working Group in light of the evolution of the Programme.**
- d) Agree how the Programme Board and Communities and Partnerships Committee will update C&I.**

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Chris Malyon	Name:	Cllr Joshua Schumann
Post:	Deputy Chief Executive & Chief Finance Officer	Post:	Committee Chairman
Email:	Chris.malyon@cambridgeshire.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk
Tel:		Tel:	01223 706398

1. BACKGROUND

- 1.1 The Cambs 2020 Programme has been gathering pace and evolving significantly during 2018. The programme has rightly changed from one about bricks and mortar to one that is focussed on how the Council can work with communities to deliver sustainable services for the future. This Committee agreed a governance structure at the start of the Programme, however given the evolution of the Programme to a wider focus on communities, partnership working, and culture of the organisation it is appropriate to revisit these arrangements.

2. GOVERNANCE

- 2.1 To date the Cambs 2020 Programme has operated within the direct remit of Commercial and Investments Committee. This was largely as a consequence of the original business case which focussed on the property elements of the opportunity of moving out of the expensive Shire Hall facilities to a lower cost facility outside of Cambridge.
- 2.2 However since that point the Programme has re-focussed and now, whilst the disposal of Shire Hall is still vitally important to the Programme, focus is moving to how the Programme can support a new model of community service delivery.
- 2.3 The development of a network of points of engagement with our communities is primarily about service provision and a re-focus of the Council's modus operandi and culture. Whilst the property portfolio will obviously support the delivery of this model it is the means to the end rather than the end itself. There are a number of key Council-wide programmes that will play a pivotal role in this element of the programme, including the Positive Adults Challenge Programme and the Children's Change Programme.
- 2.4 Given this change in focus it has been suggested that this element of the Programme would better sit within the democratic overview from the Communities and Partnership Committee (C&P). Given the respective roles of the two committees there is a lot of logic in disaggregating the asset related matters from operational and cultural matters. Clearly there will always be a degree of overlap between the two but the key aspects can be quite neatly separated in this case.
- 2.5 The Committee is therefore asked to consider whether it supports the democratic disaggregation of the Programme with this Committee retaining responsibility for Shire Hall disposal and Civic Hub development, and C&P Committee taking responsibility for the Spokes and culture/partnerships element of the Programme.

3. THE SHIRE HALL WORKING GROUP

- 3.1 Given the size and diversity of the Programme a governance structure was approved by this Committee. This set out the type of decisions that would be taken through the

democratic process, those that were delegated subject to consultation with, and those that were operational and within the responsibility of officers.

- 3.2 Many of the key decisions regarding the disposal of Shire Hall and the construction of the Hub are well progressed. Some further key decisions over the disposal of Shire Hall will need to be made by this Committee and it is planned to have a briefing for all C&I Members before the report is presented. Following the Committee's consideration of these matters, the vast majority of future decisions will relate to the operational and culture elements of the Programme, rather than the Hub or Shire Hall.
- 3.3 The Programme Board will be producing regular updates in order to keep all Members and staff up to date on progress, for example there will be a monthly Cambs 2020 newsletter aimed at SMT and Members. Related papers and minutes from C&P Committee will be publicly available, and Members will also have direct access to the project portal and can therefore monitor progress at their convenience.
- 3.4 Given the issues highlighted above it is appropriate and timely to review the value of retaining the Member Working Group. There are administrative costs associated with maintaining working groups which, whilst being opportunity costs rather than external costs, are a drain on resources. It is therefore appropriate to consider the value of maintaining this Group if the democratic responsibility for significant elements of the future Programme are transferred from this Committee. Any decision should be predicated on the added value that the Working Group can provide rather than it being a monitoring process which can be provided far more cost effectively through wider Member and staff engagement processes, as detailed above.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

There are no significant implications within this category.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

5.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

5.4 Equality and Diversity Implications

There are no significant implications within this category.

5.5 Engagement and Communications Implications

There are no significant implications within this category.

5.6 Localism and Local Member Involvement

There are no significant implications within this category.

5.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	No
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	No
Have the equality and diversity implications been cleared by your Service Contact?	No
Have any engagement and communication implications been cleared by Communications?	Yes or No Name of Officer:
Have any localism and Local Member involvement issues been cleared by your Service Contact?	No
Have any Public Health implications been cleared by Public Health	No

6. SOURCE DOCUMENTS

Source Documents	Location
Report from C&I April 2018 on Cambs 2020 governance	Link

FINANCE AND PERFORMANCE REPORT – SEPTEMBER 2018

To: **Commercial and Investment Committee**

Meeting Date: **23th November 2018**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a**

Key decision: **No**

Purpose: **To present to Commercial and Investment (C&I) Committee the September 2018 Finance and Performance Report for C&I Committee.**

The report is presented to provide C&I Committee with an opportunity to comment on the projected financial and performance outturn position, as at the end of September 2018.

Recommendation: **The Committee is asked to:**

- **review, note and comment upon the report**
- **consider and recommend to GPC to approve £105k of capital funding for Closed Landfill Energy projects at Stanground and Woodston**

<i>Officer contact:</i>		<i>Member contacts:</i>	
Name:	Eleanor Tod	Cllrs Schumann and Hay	
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		anne.hay@cambridgeshire.gov.uk	
Tel:	01223 715333	01223 706398	

1. BACKGROUND

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance and Performance Report at all of its meetings, where it will be asked to review, note and comment on the report and to consider and approve recommendations as necessary, to ensure that the budgets and performance indicators for which the Committee has responsibility remain on target.

2. MAIN ISSUES

- 2.1 Attached as **appendix A**, is the September 2018 Finance and Performance report.
- 2.2 **Revenue:** At the end of September, Commercial and Investment Committee is forecasting an overspend of £6,177k on revenue budgets. There are no new significant forecast outturn variances by value (over £100,000) to report.
- 2.3 **Capital:** At the end of September, Commercial and Investment Committee is forecasting an underspend of £-7,294k on the capital programme budget. There are 2 new forecast outturn variances to report (please see 3.4 of Appendix A for further details).

In addition, Commercial and Investment Committee is asked to recommend to GPC to approve:

- **£105k of capital funding for Closed Landfill Energy projects at Stanground and Woodston (please see 3.5 of Appendix A for further details).**

- 2.4 There are no Commercial and Investment Committee **performance indicators** reported for August 2018.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

This report sets out details of the overall financial position for Commercial and Investment for this Committee.

4.2.1 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.3 Equality and Diversity Implications

There are no significant implications within this category.

4.4 Engagement and Consultation Implications

There are no significant implications within this category.

4.5 Localism and Local Member Involvement

There are no significant implications within this category.

4.6 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	N/A
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	N/A
Are there any Equality and Diversity implications?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Are there any Localism and Local Member involvement issues?	N/A
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
C&I Finance & Performance Report (September 18)	1 st Floor, Octagon, Shire Hall, Cambridge

Commercial and Investment

Finance and Performance Report – September 2018

1. SUMMARY

1.1 Finance

Previous Status	Category	Target	Current Status	Section Ref.
Red	Income and Expenditure	Balanced year end position	Red	2.1 – 2.4
Green	Capital Programme	Remain within overall resources	Green	3.2

2. INCOME AND EXPENDITURE

2.1 Overall Position

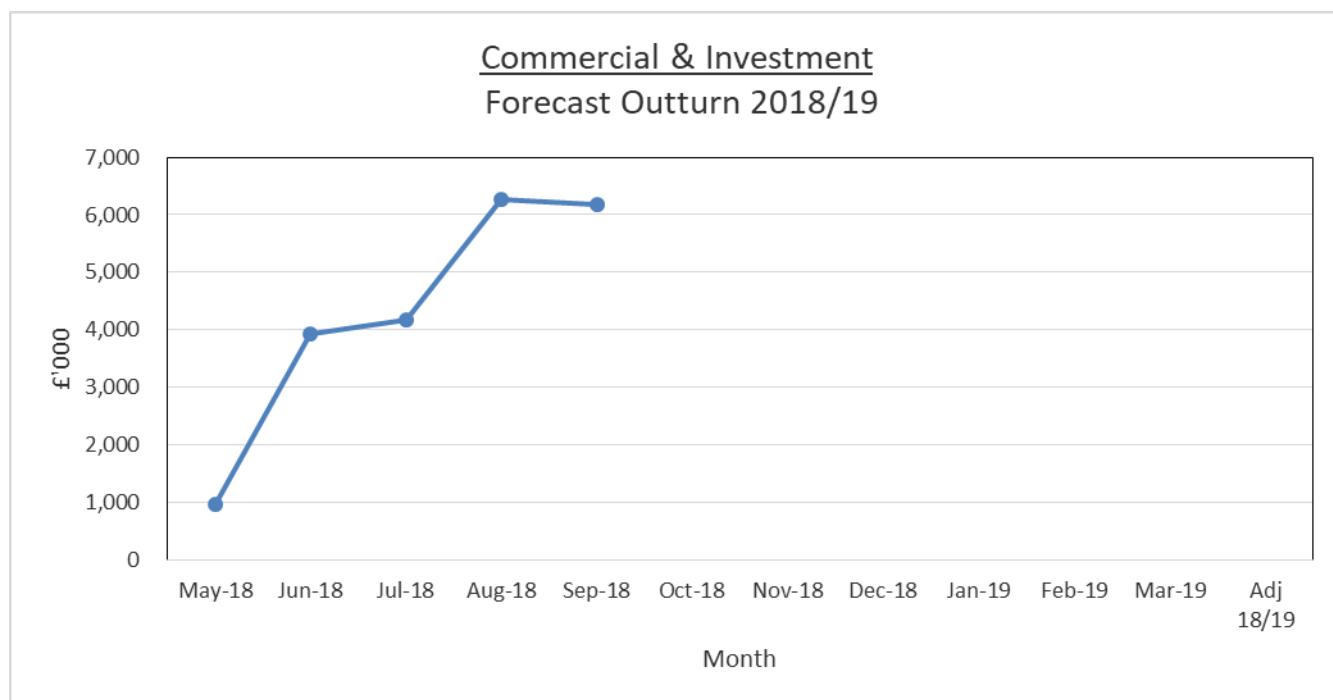
To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each F&PR. The same format is also applied to the Integrated Resources and Performance Report (IRPR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

Outturn Variance (Aug) £000	Directorate	Budget £000	Actual £000	Outturn Variance (Sept) £000	Outturn Variance (Sep) %
4,700	Commercial Activity	-9,446	348	4,700	49.8%
-36	Property Services	6,037	2,595	-109	-1.8%
-54	Strategic Assets	-4,098	-857	-22	0.5%
1,653	Traded Services to Schools and Parents	-1,200	651	1,607	133.9%
6,264	Total	-8,707	2,738	6,177	70.9%

Commercial and Investment (C&I) has a negative budget as it has an income target for 2019-20 of -£8,707k. As such, the outturn variance of £6,177k means that C&I is expecting to achieve a net income position of -£2,530k by year-end.

The service level budgetary control report for Commercial and Investment for September 2018 can be found in [C&I Annex 1](#).

Further analysis of the results can be found in [C&I Annex 2](#).



2.2 Significant Issues – Commercial and Investment

At the end of September 2018, Commercial and Investment is forecasting an underachievement of income of £6.2m in 2018/19. This represents a decrease of £87k from the previous forecast, due to underspends in County Offices and the underachievement of income in Traded Services to Schools and Parents being less than expected.

There are no new significant variances to report this month.

2.3 Additional Income and Grant Budgeted this Period (De minimis reporting limit = £30,000)

No new items were recorded during September 2018.

A full list of additional grant income for Commercial and Investment can be found in [C&I annex 3](#).

2.4 Virements and Transfers to / from Reserves (including Operational Savings Reserve) (De minimis reporting limit = £30,000)

The following virements have been made this month to reflect changes in responsibilities.

	£000	Notes
Non material virements (+/- £30k)	0	

A full list of virements made in the year to date for Commercial and Investments can be found in [C&I annex 4](#).

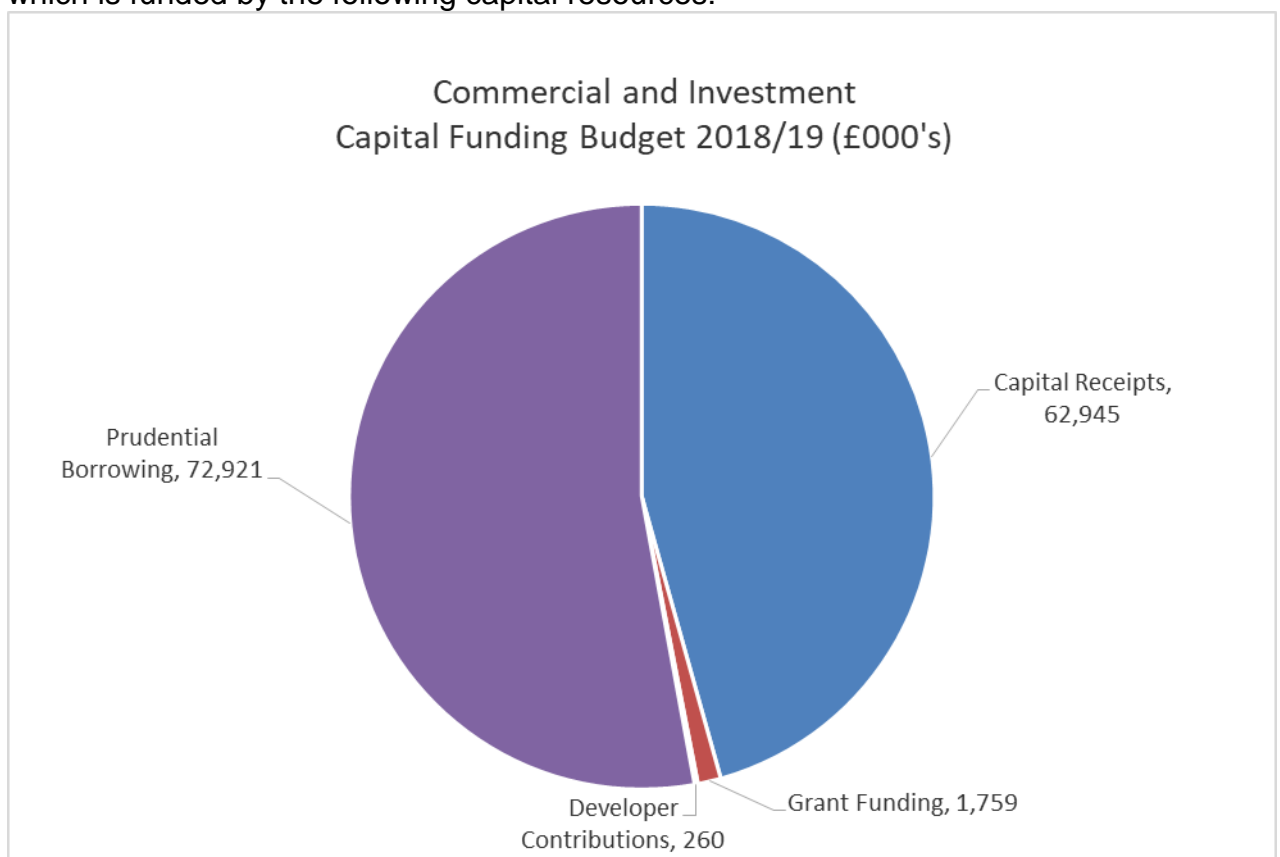
3. **BALANCE SHEET**

3.1 **Reserves**

The Commercial and Investment reserves contain various earmarked reserves and funds held for specific purposes, and capital reserves. The schedule of these reserves can be found in [C&I annex 5](#).

3.2 **Capital Expenditure and Funding**

Commercial and Investment Committee has a capital budget of £138m in 2018/19, which is funded by the following capital resources:



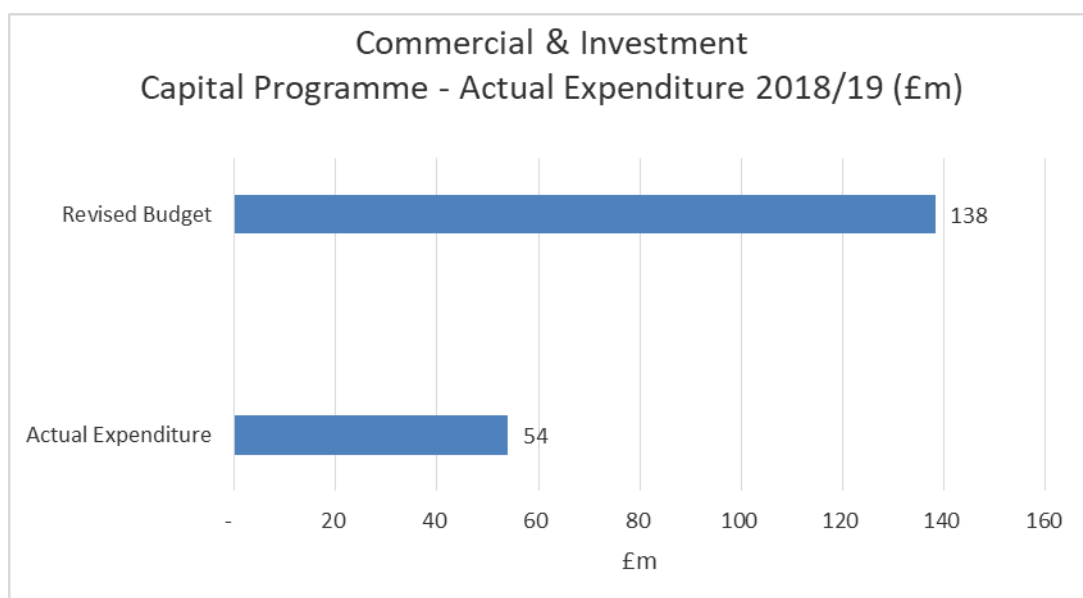
3.3 **Variations Budget**

A summary of the use of capital programme variations budget is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (September) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (September) £000
C&I	-33,805	-41,099	-33,805	100%	-7,294

3.4 Expenditure

Commercial and Investment Committee has expenditure of £54m to date on the Capital Programme, against a revised budget of £138m:



An in-year variance of £41.1m is predicted, which exceeds the Capital Programme Variations budget of £33.8m. Therefore there is a forecast underspend of £7.3m on the capital programme for 2018/19. Total scheme variances of £147k underspent are expected over the lifetime of the schemes.

An underspend of £1.8m is forecast on East Barnwell Community Hub in 2018/19. Options for the use of this site are being assessed, and an application for planning permission is currently being made, and as a result the majority of the expenditure on this project is expected to take place in future years.

An underspend of £3.3m is forecast on St Ives Smart Energy Grid in 2018/19. Construction is expected to start at the end of this financial year, so the majority of the expenditure on this project will take place in future years.

3.5 Funding

Commercial and Investment Committee has capital funding of £138m in 2018/19.

A separate report on the Cambs 2020 Programme is being taken to C&I Committee in November. As part of that report, it is recommended that C&I Committee requests General Purposes Committee to approve additional funding of £1.7m for Shire Hall Relocation, and a rephasing of that budget to move £2.5m budget from 2019/10 into 2018/19. This is to be funded from prudential borrowing, and will therefore increase the prudential borrowing requirement in 2018/19 by £2.5m. The remaining changes to this budget, including the recommendation to increase the overall budget, will be dealt with as part of the business planning process.

Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £105k will be spent in 2018/19. Additional budget for future years is being dealt with as part of the business planning process. This will be funded from prudential borrowing.

As reported above, East Barnwell Community Hub is forecasting an underspend of £1.8m in 2018/19. This will rephase anticipated developer contributions of £260k and prudential borrowing of £1.6m from 2018/19 to 2019/20, thereby reducing the in-year prudential borrowing requirement.

As reported above, St Ives Smart Energy Grid is forecasting an underspend of £3.3m in 2018/19. This will rephase grant funding of £1.8m and prudential borrowing of £1.5m from 2018/19 to 2019/20, thereby reducing the in-year prudential borrowing requirement.

A detailed explanation of the position for Commercial and Investment Committee can be found in [C&I annex 6](#).

4. PERFORMANCE

- 4.1** Performance data for Commercial and Investment Committee is not currently available as performance indicators have not yet been set for the committee; work to review all indicators is still ongoing. As the committee starts to undertake commercial investment, relevant indicators will be developed in conjunction with the committee and subsequently exceptions will be reported against these.

C&I ANNEX 1 – Commercial and Investment Budgetary Control Report

The variances to the end of September 2018 for Commercial and Investment are as follows:

Forecast Outturn Variance (Aug)		Budget 2018/19	Actual Sep 2018	Forecast Outturn Variance (Sep)	
£000's		£000's	£000's	£000's	%
Commercial Activity					
3,150	Commercial Investments	-5,100	425	3,150	62%
1,550	Housing Investment (This Land Company)	-4,346	-77	1,550	36%
4,700	Commercial Activity Total	-9,446	348	4,700	50%
Property Services					
0	Building Maintenance	1,093	687	0	0%
-24	County Offices	4,096	1,520	-98	-2%
0	Property Services	645	340	0	0%
-12	Property Compliance	203	48	-11	-5%
-36	Property Services Total	6,037	2,595	-109	-2%
Strategic Assets					
0	County Farms	-4,905	-510	32	1%
-54	Strategic Assets	807	-347	-54	-7%
-54	Strategic Assets Total	-4,098	-857	-22	1%
Traded Services to Schools and Parents					
250	Traded Services to Schools and Parents	-408	51	250	61%
0	ICT Service (Education)	-200	-883	0	0%
0	Professional Development Centres	-71	-62	0	0%
0	Cambridgeshire Music	5	723	0	0%
137	Outdoor Education (includes Grafham Water)	-77	360	147	191%
1,266	Cambridgeshire Catering & Cleaning Services	-449	463	1,210	270%
1,653	Traded Services Total	-1,200	651	1,607	134%
6,264	Total	-8,707	2,738	6,177	71%

C&I ANNEX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

Service	Current Budget	Forecast Outturn Actual	Forecast Outturn Variance	
	£000	£000	£000	%
Commercial Investments	-5,100	-1,950	3,150	62%
<p>Commercial Investments is forecasting an underachievement of income of £3.2m at year end. Although there has now been a commercial acquisition of £38m the expected income in the remainder of the year has been recalculated. The Council considers investment opportunities as they arise and has not been successful on all occasions; investments are made when the yield is in line with the Council's acquisitions strategy. In due course it is anticipated that this budget will deliver to target once sufficient financially appealing opportunities have been secured.</p>				
Housing Investment (This Land Company)	-4,346	-2,796	1,550	36%
<p>An underachievement of income of £1.6m is reported on Housing budgets, due to the assessed value of properties at the point of transfer to This Land, which reflects progress through the planning system (and therefore market value) to date. Expectations of interest receivable continue to be remodelled and reprofiled based on loans advanced. Loan values are constrained by the value of property at disposal (dependent on planning) alongside ensuring the Council has sufficient collateral as lender.</p>				
County Offices	4,096	3,998	-98	-2%
<p>County Offices budgets are forecast to underspend by £98k at year-end 2018/19. This is mainly due to the following favourable variances which were first reported during the last financial year:</p> <ul style="list-style-type: none"> • £180k surplus following a reassessment of historic business rates liabilities for children's centres. • £350k saving due to the reduction in rates liability for Shire Hall, £114k of which has been applied to meet the £200k savings target set for Property Services in Business Planning. • £65k saving due to The Meadows, St Ives having been vacated; this is based on the annual budget of £115k less £10k running costs and an estimate of £40k for dilapidations. <p>However, these are partly off-set against the following overspends:</p> <ul style="list-style-type: none"> • There is a predicted £32k shortfall in 2018/19 against the planned savings from the Children's Centre Review, due to delays in vacating the premises; it is anticipated that this shortfall will be mitigated by staff vacancies within P&C Committee. • £150k pressure due to new security systems required in County Offices. 				

Service	Current Budget	Forecast Outturn Actual	Forecast Outturn Variance	
	£000	£000	£000	%
Traded Services to Schools and Parents	-408	-158	250	61%
<p>A pressure of £250k is being reported against Traded Services to Schools and Parents. This is due to only half of an additional £500k income target being expected to be achieved in 2018/19. Work is being undertaken to improve the position for future financial years and mitigating actions will be sought in-year to offset the under-recovery.</p>				
Outdoor Education	-77	70	147	191%
<p>Outdoor Education is currently reporting a £147k overspend. This is mainly a combination of an anticipated £30k under-recovery of income at Stibbington and an ongoing structural pressure of £107k at Grafham Water.</p> <p>The Grafham Water budget includes an internal loan of £95k in 2018/19 relating to building and improvement works carried out a number of years ago. Although prices have been increased for all user groups and the centre is running at high capacity, the centre is currently unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £42k over-recovery.</p> <p>The pressures at both centres are being addressed as part of the ongoing Outdoor Centres Outcome Focussed Review, and in-year mitigations are being sought.</p>				
Cambridgeshire Catering & Cleaning Services	-449	761	1,210	270%
<p>Cambridgeshire Cleaning and Catering Services is to close during 2018/19, following a decision in 2017/18 based on the long term decline in prospects for the service and an increasing cost base driven by rising salaries. As the service winds down, approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure therefore represents the non-delivery of a full-year service as well as one-off costs related to closing the service. There is potential for this figure to increase as the one-off costs of closure are further refined and temporary 'diseconomies of scale' come to fruition.</p>				

C&I ANNEX 3 – Grant Income Analysis

The table below outlines the additional grant income, which was not built into base budgets.

Grant	Awarding Body	Expected Amount £000	Reported
Grants as per Business Plan		783	
One Public Estate	Cabinet Office	515	May 18
Total Grants 2018/19		1,298	

C&I ANNEX 4 – Virements and Budget Reconciliation

	£000	Reported
Budget as per Business Plan	-8,188	
Transfer of Traded Services salary and recharge budgets to C&I	-74	May 18
Transfer of P&C ICT SLA budget to Director of Education from Head of Traded Services	-134	May 18
Transfer of ESPO dividend budget from LGSS Managed to C&I	-200	May 18
Transfer balance of Cleaning Contract saving from C&I to Corporate Services.	-26	May 18
Transfer Cleaning Contract saving from C&I to Corporate Services budgets.	-36	June 18
Rent income budget for Grand Arcade Shop transferred from Libraries.	-50	August 18
Current Budget 2018/19	-8,707	

C&I ANNEX 5 – Reserve Schedule

1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Balance at 30 September 2018	Forecast Balance at 31 March 2019	Notes
	£'000		£'000	£'000	
<u>Equipment Reserves</u>					
The ICT Service (Education)	680	-626	54	0	1
subtotal	680	-626	54	0	
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	468	105	573	573	2
Cambs Music Reserve	84	0	84	84	3
subtotal	552	105	658	657	
<u>Capital Reserves</u>					
General Capital Receipts	0	29,925	29,925	0	4
subtotal	0	29,925	29,925	0	
TOTAL	1,232	29,404	30,636	657	

Notes

- 1 ICT Equipment Reserve will to be used to replace critical equipment in 2018-19
- 2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 Annual reserve agreed by GPC to develop and support the Cambridgeshire Music CREATE program which will look to create new purpose-built accommodation.
- 4 Capital Receipts received during 2018/19 will be used to fund the capital programme at year-end.

C&I ANNEX 6 – Capital Expenditure

1. Capital Expenditure Summary 2018/19

Commercial & Investment Capital Programme 2018/19						TOTAL SCHEME	
Original 2018/19 Budget as per BP £000	Scheme	Revised Budget for 2018/19 £000	Actual Spend 2018/19 £000	Forecast Spend - Outturn £000	Outturn Variance 2018/19 £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
76,000	<u>Commercial Activity</u>	76,000	39,463	40,000	(36,000)	100,000	-
43,086	Commercial Investments	85,259	14,070	85,259	-	148,172	-
119,086	Housing Schemes	161,259	53,533	125,259	(36,000)	248,172	-
	<u>Property Services</u>						
-	Office Portfolio	184	119	184	-	345	-
	Rationalisation						
600	Building Maintenance	1,471	105	1,471	-	6,290	-
550	Shire Hall Campus	100	10	100	-	4,791	-
1,150		1,755	234	1,755	-	11,426	-
	<u>Strategic Assets</u>						
100	Local Plans	100	-	100	-	618	-
	Representations						
300	County Farms	362	189	362	-	4,820	-
	Investment						
-	Renewable Energy	117	-	117	-	9,994	(87)
	Soham						
100	MAC Joint Highways	100	-	100	-	5,198	-
	Project						
1,919	Community Hubs - East	1,919	-	100	(1,819)	1,950	-
	Barnwell						
-	Shire Hall Relocation	2,506	5	2,506	-	18,326	-
3,330	St Ives Smart Energy	3,330	-	50	(3,280)	3,645	(60)
	Grid						
-	Babraham Smart Energy	54	-	54	-	11,393	-
	Grid						
-	Trumpington Smart	30	-	30	-	6,970	-
	Energy Grid						
-	Stanground Closed	62	-	62	-	62	-
	Landfill Energy Project						
-	Woodston Closed	43	-	43	-	43	-
	Landfill Energy Project						
-	Other Committed	-	-	-	-	-	-
	Projects						
5,749		8,623	194	3,594	(5,099)	61,299	(147)
53	Capitalisation of Interest	53	(0)	53	-	-	-
(2,764)	Budget						
	Capital Programme	(33,805)	-	-	33,805	(36,971)	-
	Variations Budget						
123,274	TOTAL	137,885	53,961	130,601	(7,294)	283,926	(147)

2. Reported Amendments – Capital Expenditure Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Housing	43,086	85,259
This reflects approval in July C&I of both the roll forward of £83m underspends from 2017/18 into 2018/19 and then subsequently in August C&I -£41.1m of rephasing to future years, to reflect the timing of investment.		
Office Rationalisation	-	184
Carry forward of £184k funding from 2017/18 into 2018/19 was approved, for work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Butts Grove, Scott House/Stanton House and Meadows closure.		
Shire Hall Building Maintenance	550	100
In July C&I Committee approved carry forward of £261k funding from 2017/18 into 2018/19, being required to support the general building maintenance programme. In addition to the carry forward of funds, the September C&I Committee also approved a virement of £711k from Shire Hall Building Maintenance budget to the Countywide Building Maintenance budget, comprising the £261k roll forward, plus a further 450k of the 2018/19 budget.		
Building Maintenance	600	1,471
<p>The budget comprises £160k carry forward from 2017/18 into 2018/19, funding a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services.</p> <p>In addition to the carry forward of funds, the September C&I Committee also approved a virement of £711k from the Shire Hall Building Maintenance budget to the Countywide Building Maintenance budget. This reflects where work is required as an outcome of the conditions surveys undertaken across the whole property portfolio.</p>		
County Farms Investment	300	362
C&I Committee approved carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
Renewable Energy - Soham	-	117

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
The budget comprises the carry forward of £117k funding from 2017/18 into 2018/19 to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.		
Shire Hall Relocation	-	2,506
A report on the Cambs 2020 Programme is being taken to C&I Committee in November. As part of that report, it is recommended that C&I Committee requests General Purposes Committee to approve the rephasing of the Shire Hall Relocation budget to move £2.5m budget from 2019/10 into 2018/19. This is to be funded from prudential borrowing, and will therefore increase the prudential borrowing requirement in 2018/19 by £2.5m.		
Babraham Smart Energy Grid	-	54
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been developed further, C&I Committee approved additional capital expenditure of £54k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Trumpington Smart Energy Grid	-	30
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been developed further, C&I Committee approved additional capital expenditure of £30k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Stanground Closed Landfill Energy Project	-	62
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £62k will be spent on the Stanground project in 2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Woodston Closed Landfill Energy Project	-	43
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £43k will be spent on the Woodston project in		

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Capital Programme Variations Budget	-2,764	-33,805
<p>In June Capital Programme Variations budgets were recalculated following the rephasing exercise to take account of budgets carried forward from 2017/18. The C&I Capital Programme Variations budget was adjusted by £-14m to £-16.7m. This has reduced the prudential borrowing requirement by £14m.</p> <p>The C&I capital programme variations budget for 2018/19 has not previously included the Housing Schemes, but in light of the above change in funding profile the C&I capital variations budget has now been revised to include this, resulting in a -£17.2m budget change. The revised C&I capital variations budget has also now been split between prudential borrowing and capital receipts in proportion to the associated funding sources of the C&I schemes.</p>		

3. Reported Amendments - Total Scheme Expenditure Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Babraham Smart Energy Grid	-	54
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been developed further, C&I Committee approved additional capital expenditure of £54k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Trumpington Smart Energy Grid	-	30
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been developed further, C&I Committee approved additional capital expenditure of £30k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Stanground Closed Landfill Energy Project	-	62

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £62k will be spent on the Stanground project in 2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Woodston Closed Landfill Energy Project	-	43
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £43k will be spent on the Woodston project in 2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		

4. Reported Exceptions – Capital Expenditure 2018/19

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
Commercial Investments	76,000	40,000	-36,000
An underspend of £36m is forecast on Commercial Investments in 2018/19. The Council considers investment opportunities as they arise and has not been successful on all occasions; investments are made when the yield is in line with the Council's acquisitions strategy. The commercial acquisitions strategy is under review, taking account of latest government guidance. It is advantageous to the Council to coincide commercial investments with capital receipts, which are predominantly related to land values for sites transferred to This Land.			
Community Hubs – East Barnwell	1,919	100	-1,819
An underspend of £1.8m is forecast on East Barnwell Community Hub in 2018/19. Options for the use of this site are being assessed, and an application for planning permission is currently being made, and as a result the majority of the expenditure on this project is expected to take place in future years.			
St Ives Smart Energy Grid	3,330	50	-3,280

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
An underspend of £3.3m is forecast on St Ives Smart Energy Grid in 2018/19. Construction is expected to start at the end of this financial year, so the majority of the expenditure on this project will take place in future years.			

C&I ANNEX 7 – Capital Funding

1. Capital Funding Summary 2018/19

Commercial and Investment Capital Programme 2018/19				
Original 2018/19 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2018/19 £000	Forecast Spend £000	Forecast Variance £000
78,833	Capital Receipts	62,945	42,833	(20,112)
1,759	Grant Funding	1,759	-	(1,759)
260	Developer Contributions	260	-	(260)
42,422	Prudential Borrowing	72,921	87,758	14,837
123,274	TOTAL	137,885	130,591	(7,294)

2. Reported Amendments – Capital Funding Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Housing – Prudential Borrowing	43,086	85,259
As reported above, this reflects the roll forward of £83m underspends from 2017/18 into 2018/19 and then subsequently -£41.1m of rephasing to future years, to reflect the timing of investment.		
Office Rationalisation – Prudential Borrowing	-	184
As reported above, carry forward of £184k funding from 2017/18 into 2018/19, for work on office rationalisation, moves and co-location projects.		
Shire Hall Building Maintenance – Prudential Borrowing	550	100
As reported above, carry forward of £261k funding from 2017/18 into 2018/19, being required to support the general building maintenance programme. In addition, a virement of £711k from the Shire Hall Building Maintenance budget to the Countywide Building Maintenance budget, comprising the £261k roll forward, plus a further 450k of the 2018/19 budget.		

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Building Maintenance – Prudential Borrowing	600	1,471
As reported above, carry forward of £160k funding from 2017/18 into 2018/19, funding a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services. In addition, a virement of £711k from the Shire Hall Building Maintenance budget to the Countywide Building Maintenance budget. This reflects where work is required as an outcome of the conditions surveys undertaken across the whole property portfolio.		
County Farms Investment – Prudential Borrowing	300	362
As reported above, carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
Renewable Energy – Soham – Prudential Borrowing	-	117
As reported above, carry forward of £117k funding from 2017/18 into 2018/19 to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.		
Shire Hall Relocation – Prudential Borrowing	-	2,506
As reported above, it is recommended that C&I Committee requests General Purposes Committee to approve the rephasing of the Shire Hall Relocation budget to move £2.5m budget from 2019/20 into 2018/19. This is to be funded from prudential borrowing.		
Babraham Smart Energy Grid – Prudential Borrowing	-	54
As reported above, additional capital expenditure of £30k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Trumpington Smart Energy Grid – Prudential Borrowing	-	30
As reported above, additional capital expenditure of £30k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Stanground Closed Landfill Energy Project – Prudential Borrowing	-	62

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
As reported above, C&I Committee has approved additional capital expenditure of £62k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Woodston Closed Landfill Energy Project – Prudential Borrowing	-	43
As reported above, C&I Committee has approved additional capital expenditure of £43k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Capital Programme Variations – Prudential Borrowing	-2,764	-17,917
<p>As reported above, the Capital Programme Variations budgets were recalculated following the rephasing exercise to take account of budgets carried forward from 2017/18. The C&I Capital Programme Variations budget was adjusted by £-14m to £-16.7m which has reduced the prudential borrowing requirement by £14m.</p> <p>The C&I capital programme variations budget for 2018/19 has not previously included the Housing Schemes, but in light of the above change in funding profile the C&I capital variations budget has now been revised to include this, resulting in a -£17.2m budget change. The revised C&I capital variations budget has also now been split between prudential borrowing and capital receipts in proportion to the associated funding sources of the C&I schemes.</p>		
Capital Programme Variations Budget – Capital Receipts	-	-15,888
As reported above, the revised C&I capital variations budget has also now been split between prudential borrowing and capital receipts in proportion to the associated funding sources of the C&I schemes.		

3. Reported Amendments - Total Scheme Funding Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Babraham Smart Energy Grid	-	54
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been		

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
developed further, C&I Committee approved additional capital expenditure of £54k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Trumpington Smart Energy Grid	-	30
Outline Business Cases for Smart Energy Grids for Trumpington and Babraham Park and Ride sites were approved by Commercial and Investment Committee in May, including support for £150k to develop the proposals. Now the proposals have been developed further, C&I Committee approved additional capital expenditure of £30k in 2018/19, funded by prudential borrowing (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Stanground Closed Landfill Energy Project	-	62
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £62k will be spent on the Stanground project in 2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		
Woodston Closed Landfill Energy Project	-	43
Outline Business Cases for Closed Landfill Energy Projects in Stanground and Woodston were approved by C&I Committee in September 2018, including support for £150k to develop the proposals. Of this, £43k will be spent on the Woodston project in 2018/19 (the remainder of the budget for 2019/20 onwards will be approved as part of the business planning process).		

4. Reported Exceptions – Capital Funding 2018/19

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
Commercial Investments – Capital Receipts	76,000	40,000	-36,000
As reported above, an underspend of £36m is forecast on Commercial Investments in 2018/19. As this budget is funded by capital receipts, a -£36m variation is being reported against capital receipts.			

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
Community Hubs – East Barnwell	1,919	100	-1,819
As reported above, an underspend of £1.8m is forecast on East Barnwell Community Hub in 2018/19. Of this underspend, £260k relates to developer contributions and £1,559k relates to prudential borrowing.			
St Ives Smart Energy Grid	3,330	50	-3,280
As reported above, an underspend of £3.3m is forecast on St Ives Smart Energy Grid in 2018/19. Of this underspend, £1,759k relates to grant funding and £1,521 relates to prudential borrowing.			
Capital Programme Variations Budget – Capital Receipts	-15,888	-	15,888
As reported above, the revised C&I capital variations budget has also now been split between prudential borrowing and capital receipts in proportion to the associated funding sources of the C&I schemes. As such, because -£15,888k of the variations budget relates to capital receipts, £15,888k of the variations budget variance is being reported against capital receipts.			
Capital Programme Variations Budget – Prudential Borrowing	-17,917	-	17,917
As reported above, the revised C&I capital variations budget has also now been split between prudential borrowing and capital receipts in proportion to the associated funding sources of the C&I schemes. As such, because -£17,917k of the variations budget relates to prudential borrowing, £17,917k of the variations budget variance is being reported against prudential borrowing.			

LAND PROMOTION AGREEMENTS

To: Commercial and Investment Committee

Meeting Date: 23rd November 2018

From: Deputy Chief Executive & Chief Financial Officer

Electoral division(s): All

Forward Plan ref: Not applicable **Key decision:** No

Purpose: This report provides the Committee with an overview of the background to the use of Promotion Agreements and provides details of two specific proposals for the Committee to consider.

Recommendation: It is recommended that the Committee;

- a) notes the content of this report;
- b) determines whether it wishes to enter in to either of the two promotion agreement proposals as set out in Appendix A or B;
- c) subject to the outcome of recommendation b) authorises the Deputy Chief Executive to enter in to detailed discussions with the 'promoting organisations' and agree commercial terms in consultation with the Chairman of the Committee.

Officer contact:	Member contacts:
Name: Chris Malyon Post: Deputy Chief Executive & Chief Finance Officer Email: Chris.malyon@cambridgeshire.gov.uk Tel: 01223 699796	Name: Joshua Schumann Post: Chair of Commercial & Investment Committee Email: Joshua.schumann@cambridgeshire.gov.uk Tel: 01223 706398

1. BACKGROUND

- 1.1 Typically a land promotion agreement provides that the promoter (usually a developer or specialist planning consultancy) will, at its own cost, apply for and use reasonable endeavours to obtain planning permission. Once planning permission has been obtained, the land will be marketed for sale and the landowner will be obliged to sell. The promoter will then receive a fee out of the sale proceeds – usually a percentage of the net proceeds plus reimbursement of the promotion costs which it has incurred.
- 1.2 Promotion agreements are often preferred by landowners as they do not usually require the landowner to sell the land to the developer. Instead, after planning permission has been obtained, the promotion land must be marketed for sale and sold in the open market for the best price reasonably obtainable. The net sale proceeds are divided between the landowner and the 'promoter'. This does mean that the purchase price for the land will have been market tested - which does not happen in the case of an option agreement. The 'promoter' is less likely to agree to unreasonable planning gain costs with a local planning authority, since this will impact on its share of the proceeds of sale.

2. PROMOTION AGREEMENT CONTENTS

- 2.1 There are a number of important provisions which a promotion agreement should contain, including those set out below.
- 2.2 A list of promotion objectives - which the developer should be obliged to use reasonable endeavours to achieve.
- 2.3 Various planning obligations on the developer - a well advised landowner will require a degree of control in relation to planning matters and the right balance will need to be struck in order to ensure that both parties' interests are safeguarded and neither party feels exposed.
- 2.4 Various obligations on the landowner - such as to enter into any required planning agreement, to sign promptly any contract and execute any transfer in order to achieve a sale of the promotion land and not to transfer, lease, charge or deal with the property in any way.
- 2.5 Provisions dealing with the marketing and sale of the promotion land - a landowner may wish to consider including minimum purchase price provisions.
- 2.6 Provisions dealing with costs, including planning costs, land costs and infrastructure costs - a well advised landowner will want to ensure that all costs incurred by a developer are reasonable and may wish to have the ability to approve such costs or to impose a cap on such costs. The parties will need to be aware that the carrying out of infrastructure works may trigger a liability to pay the community infrastructure levy.
- 2.7 Provisions dealing with how the sale proceeds are to be distributed between the landowner and the developer - the parties will need to be aware that VAT will be payable on the developer's share of the net proceeds of sale and the landowner will not be able to recover any VAT unless he has 'opted to tax'.

- 2.8 Provisions dealing with the duration of the promotion agreement - the promoter will not want the promotion agreement to terminate if, at the expiration of the promotion period, a satisfactory planning permission has been granted and the promotion land or part of it remains to be sold.
- 2.9 Provisions dealing with security and the protection of the developer's interest in the promotion agreement.

3. ADVANTAGES OF PROMOTION AGREEMENTS

- 3.1 A land promotion agreement can have certain advantages for both parties over a more traditional option for the developer to buy the land, which are as follows:-
- From the developer's point of view, they do not have to buy the land in order to achieve a profit.
 - There is more flexibility about the timing of a sale once permission is obtained – the parties may, for example, agree to delay a sale if market conditions are likely to improve.
 - If the land is marketed properly, then the landowner can be sure that they will obtain the best price reasonably achievable for the land.
 - The promoter and landowner should both have a common interest of achieving the best price. This is in contrast to an option agreement where the landowner will argue for the highest possible price while the developer will seek the lowest price, which can lead to a great deal of time being spent arguing about "market values".

4. RISKS ASSOCIATED WITH LAND PROMOTION AGREEMENTS

- 4.1 Length of the agreement:
This is important as during the agreement the landowner is not permitted to pursue other disposal opportunities. Note that there is usually provision for the original period of the agreement to be extended if there is a pending planning decision/appeal at the end of that time, which allows for a further period to achieve a sale. It may therefore be quite some time before the landowner receives any money.
- 4.2 Planning process:
A landowner will usually want to have some input into the planning application. If the application is not for the whole site it makes the application and any subsequent sale much more complicated. The agreement should also provide that the promoter should appeal against a planning refusal if there is more than, say, a 60% chance of such appeal succeeding.
- 4.3 Sale process:
It is very important that the landowner is happy with how this is to be handled as any lack of clarity can result in litigation. The promotion agreement should therefore make it clear:-
- Whether a sales agent is to be appointed and, if so, who that will be or whether there will be a tender process.
 - Whether a minimum price can be included as a "safety net" for the landowner.
 - Whether the landowner is obliged to accept a sale in tranches or with some deferred consideration.

- If the landowner has retained land, whether rights for access or services to the retained land be included in the sale transfer.
- If applicable, whether the landowner can retain a ransom strip between any adjoining third party land that may be developed in the future.

4.4 Promotion costs:

These can be extensive given that these will be speculative developments. In order to ensure that costs do not become excessive relative to the value of the opportunity a landowner will usually want to include a cap on costs. Alternatively, the parties may agree that the promoter is not reimbursed their promotion costs but receives a greater percentage of the sale proceeds.

4.5 Vacant possession/third party rights:

This could be a risk given that any agreement is likely to involve tenanted farms. The agreement will need to provide that the landowner must be able to sell the land with vacant possession once permission has been obtained. Any tenancies must therefore be properly documented as farm business tenancies or similar arrangements which include provisions for the landowner to regain possession within a reasonable notice period.

4.6 Fees:

The promoter will not usually pay the landowner a fee for entering into the agreement but will usually be responsible for the landowner's legal and agent fees in connection with the agreement. It is important therefore that the landowner takes proper professional advice before signing the agreement – it will be too late to argue about these points once planning permission has been obtained.

4.7 Competition:

The landowner may wish to include a provision that the promoter will not seek to promote other sites in the immediate vicinity, otherwise an unscrupulous developer could use a promotion agreement to prevent a landowner from putting forward a scheme which may prejudice one of its existing potential developments.

5. APPROACHES RECEIVED

- 5.1 The Council have received two approaches to enter in to promotion agreements and the contents of these proposals are set out in **Appendices A and B** that are attached to this report.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

There are no significant implications for this priority

6.2 Helping people live healthy and independent lives

There are no significant implications for this priority

6.3 Supporting and protecting vulnerable people

There are no significant implications for this priority

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

No significant implications

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications

7.3 Statutory, Legal and Risk Implications

Risks are as detailed in section 4.

7.4 Equality and Diversity Implications

No significant implications

7.5 Engagement and Communications Implications

No significant implications

7.6 Localism and Local Member Involvement

Local Members have been informed of the proposals.

7.7 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Officer: Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Officer: Mickaela McMurtry
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Chris Malyon
Have any engagement and communication implications been cleared by Communications?	No
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Chris Malyon
Have any Public Health implications been cleared by Public Health	No

8. SOURCE DOCUMENTS

Source Documents	Location
None	

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 1st November 2018
Updated on 15th November 2018



Cambridgeshire
County Council

Notes

Committee dates shown in bold are confirmed.

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.

* indicates items expected to be recommended for determination by full Council.

+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.

The agenda dispatch date is six clear working days before the meeting.

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log;
- Finance and Performance Report;
- Agenda Plan, Appointments to Outside Bodies and Training Plan;

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
23/11/18	A demonstrator project for low carbon community heat in Swaffham Prior	Sheryl French	2018/063	14/11/18	15/11/18
	MS2 Report for the Alconbury Weald Hub: Cambs 2020 Programme	Kim Davies/ Andy Preston			
	The use of the site at Burwell for Care Home Development	Zoe Paice/ Shauna Torrance			
	+ Rural OFR	Alan Scott			
	Cambs 2020 Governance	Chris Malyon			

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Land Promotion Agreements	Chris Malyon/ John Macmillan			
14/12/18	Outline Business Case for Solar Farm on Rural Estate Land at Mere Farm	Sheryl French Cherie Gregoire	2018/039	05/12/18	06/12/18
	St Ives Football club – ransom strip benefit for CCC	John Macmillan			
	St Luke's Barn	Chris Malyon			
18/01/19	Smart Energy Grid, Power Purchase Agreement	Sheryl French	2017/030	09/01/19	10/01/19
22/02/19	Results of the first phase project development into the smart energy project at Babraham Park and Ride	Cherie Gregoire		13/02/19	14/02/19
	First phase results of energy projects on Closed Landfill sites	Cherie Gregoire			
22/03/19				13/03/19	14/03/19
26/04/19				15/04/19	16/04/19
24/05/19				15/05/19	16/05/19
21/06/19	Trumpington Park & Ride Smart Energy Grid			12/06/19	13/06/19
12/07/19				03/07/19	04/07/19
16/08/19				07/08/19	08/08/19
13/09/19				04/09/19	05/09/19
18/10/19				09/10/19	10/10/19
22/11/19				13/11/19	14/11/19

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
13/12/19				04/12/19	05/12/19
17/01/20				08/01/20	09/01/20
21/02/20				12/02/20	13/02/20
20/03/20				11/03/20	12/03/20
24/04/20				15/04/20	16/04/20
22/05/20				13/05/20	14/05/20

To be programmed: Oasis Centre, Wisbech (Hazel Belchamber); Outline business case for battery storage project (Cherie Gregoire); Property Services OFR (Paul Tadd)

COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	<i>To be confirmed – provisional training session</i>		26 th April 2019 (12:00)		C&I
2.	<i>To be confirmed – provisional training session</i>		17 th January 2019 (10:00)		C&I
3.	Finance/KPIs		3 rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
4.	Commercial Strategy		9 th November 2018 (12.30pm)	Amanda Askham	C&I
5.	Members' duties and obligations in considering Promotion Agreements.		2 nd November 2018 (12.30pm)	Chris Malyon	C&I
6.	Future Smart Energy Systems Demonstrator Project		18 th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
7.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
8.	This Land Performance Workshop		12 th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
9.	Asset & Risk Workshop	<ul style="list-style-type: none"> • Asset Strategy • CHIC • Risk approach and risk register • Site tenure mix and retention of rental housing • Affordable housing • Community Land Trusts 	20 th October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I
10.	Business Planning Session		15 th September 2017	Chris Malyon/ James Wilson	C&I
11.	CHIC Workshop		27 th June 2017	Chris Malyon/ David Gelling/ David Bethell/ John Macmillan	C&I

12.	Introductory Session for the Commercial & Investment Committee	The Committee's remit, focus on work areas e.g. CHIC, Strategic Estates, Facilities Management and Horizon Scanning	26th May 2017	Chris Malyon/ John Macmillan	C&I
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