

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: Friday 23rd February 2018

Venue: Room 128, Shire Hall, Cambridge

Time: 10.00am – 12.55pm

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

Apologies: Councillor Hay

81. DECLARATIONS OF INTEREST

There were no declarations of interest.

82. MINUTES AND ACTION LOG OF THE COMMERCIAL AND INVESTMENT COMMITTEE HELD 26TH JANUARY 2018

The Committee resolved to approve the minutes of the Committee meeting held on 26th January 2018.

Members noted the following updates to the Action Log:

55(2)/CHIC workshop – a date had not been set and would be arranged as a matter of urgency. **Action required.**

70/Programme Highlight Report – the consultation had commenced in Soham, and this included a mailshot to Soham residents, street surveys, and a meeting had been arranged for w/c 26/02/18.

77(2)/it was clarified that in accounting terminology ‘surplus assets’ were assets likely to be retained for more than a year before being disposed, whilst ‘assets held for sale’ were those which an organisation plans to sell within a year.

68/County Farms Working Group – whilst the OFR had been considered at the last Committee meeting, only the first phase had been completed, so the Working Group was still required. It was confirmed that dates would be circulated shortly. **Action required.**

It was resolved to note the Action Log.

83. SALE OF PORTFOLIO OF PROPERTIES TO CAMBRIDGESHIRE HOUSING AND INVESTMENT COMPANY

The Committee considered a report on properties identified as surplus, recommending their disposal sale to Cambridgeshire Housing & Investment Company (CHIC), and to confirm the associated financing arrangements.

Officers advised of a number of small changes to the recommendations:

- Cambridgeshire Housing & Investment Company (CHIC) had recently changed its name to “This Land”, so references to CHIC needed to be updated accordingly;
- following a correction to the valuation of one of properties, an amended discount had been applied, which changed the loan facility total from £11.005M to £11.130M, and the Equity value from £0.551M to £0.557M.

Savills had been appointed to carry out independent “Red Book” valuations of the sites, taking into account known liabilities and the prospects for obtaining planning consent. To date 13 valuations had been obtained from Savills, 10 of which are included in the confidential appendix. These external valuations had been undertaken and accepted by both parties, but would inevitably change on those sites where permission had not yet been granted. Valuations were previously obtained from a different supplier for Milton Road, Russell Street and the former Highways Depot at March.

The Council would be making a 5% equity investment alongside any loan financing, and would therefore receive a capital receipt to the value of 95% of the land. In addition, the Council would receive interest payments with respect to the loan issued to This Land. If This Land was to default on the loan, the Council would have the priority registered charge on the properties, which significantly mitigated the risk on the loans. In addition, This Land was wholly owned by the Council.

Members discussed the affordability issues, suggesting that there needed to be some more discussion on exactly what ‘affordability’ entailed. It was confirmed that this would vary from site to site, but in line with the This Land Business Plan, it would be policy compliant on affordable housing, subject to viability. Affordable levels already agreed have been 40% in South Cambridgeshire, 25% in Burwell and none at the former highways depot in March site. It was stressed that this was no different to the choices faced by other developers. Some Members commented that the difference was that This Land was wholly owned by the County Council, so it had a big impact on the Council’s reputation, and the Council also had objectives such as “developing the local economy for the benefit of all”. A Member remarked that

the This Land brochure heavily featured upmarket images which suggested that affordability was not one of their main drivers. The Chairman pointed out that the point of the proposals/housing vehicle was to generate as much income to support services for vulnerable residents as possible.

In response to a Member question, it was confirmed that the three other subsidiary companies registered were all wholly owned subsidiary companies of This Land, therefore they were in turn ultimately wholly owned by the Council.

A Member commented that the mitigation table in the report was lacking in the assessment of key risks, such as 'Building Cost escalation' and 'Significant planning consents not obtained': the Member felt these may get worse, and there should be greater risk assessment of the level of risk after the mitigation had taken place. Officers responded that they were comfortable with the risk assessment and mitigation information presented, which acknowledged that costs would increase, but accepted that these risks needed to be presented in a more developed way.

Noting that some of the first sites were valued by a different supplier to Savills, a Member asked whether there was a comparison with Savills i.e. whether a separate valuation was carried out for any of the sites. Officers confirmed other that their own 'sense check', as experienced professional chartered surveyors and valuers, there were no second valuations on any sites. Savills provided a respected valuation service, and all valuations had been undertaken on an independent "Red Book" basis, a globally recognised standard. Undertaking an additional valuation would cost in the region of £1500 per site.

Members debated the merits of obtaining a second valuation at length. A number of Members said that they were satisfied that the Savills valuations would be accurate, and could see no advantage to carrying out additional valuations, and although the cost was quite low, it was questionable whether this was a good use of taxpayers' money. It was also pointed out that the sales were not being made to an external body, and that the process of obtaining one valuation was in accordance with the policy agreed by the Committee last summer. Officers pointed out that some of the early sites, valued by a different valuer to Savills, were very similar to sites subsequently valued by Savills, and had been given a very similar value, e.g. Russell Street was very similar to Malta Road.

Two Members felt strongly that given the comparative low cost of undertaking second valuations, a spot check should be carried out, which would assure both Members and the public that this was being considered seriously.

Another Member agreed, saying the second valuation would give everyone confidence that Savills were undertaking their role effectively and reliably. It was further suggested that this need not delay the current process, i.e. valuations did not have to be carried out for those sites already being progressed, but for some of the sites coming forward. It was acknowledged that valuations were unlikely to be identical, but they should be within a reasonable range.

The Deputy Chief Executive observed that the only way to see if the valuation was truly accurate would be to value them on the open market. It was agreed that outside the meeting, officers would review how they looked to assess valuations for future sites, and this would be reported back. **Action required.**

In response to a Member question, it was noted that there was an error in the report at paragraph 2.4 of the report, which incorrectly listed Litlington and Burwell as some of the 13 sites under consideration for disposal: these would be considered in the report to be presented to the March meeting.

A Member asked what would happen if a planning application was turned down i.e. a site was not viable. It was confirmed that the procedure set up for buying back those sites still stood, and that the interest accrued would be paid by This Land.

A Member queried whether This Land had the authority to change its name, or whether that should have been a decision for the County Council as the shareholder. The Monitoring Officer confirmed that the company was entrusted with the day to day running of the company, and whilst there were various reserved rights for shareholders i.e. powers that cannot be exercised, change of name of the company was not one of them – the Board of Directors had the authority to change the name. As Directors, the Monitoring Officer and Deputy Chief Executive had agreed to the change of name. Moreover, Committee Members had all been invited to the rebranding event, and whilst there had been comments around the name, at no point had Members given any indication that they had strong objections to the change.

A Member commented that the Committee was being asked to agree to the transfer of very substantial assets to a company when Members do not fully understand the reporting and governance arrangements: a workshop on these issues has been promised but had not happened. The Committee was unaware of the name change/ rebranding until the invitation to the relaunch event. The Member suggested that the decision be deferred pending the workshop being carried out. Another Member agreed, saying that this proposal was effectively being presented as a fait accompli, and she

reiterated her concerns on the Risk Register and mitigation of the risks presented.

The Monitoring Officer and Deputy Chief Executive reassured Members that they took their roles very seriously, especially in ensuring the governance of the organisation was carried out in an appropriate way. Operational issues were the responsibility of the This Land Board: the Committee was not running the company. The Committee had appointed the Managing Director and shareholder representatives. Whilst the workshop on governance and reporting processes had not yet taken place, the Committee had had a workshop on the processes involved in the portfolio transfer, and there was no lack of transparency or openness on how that process was taking place.

In response to a Member question, it was confirmed that the Committee did not normally have the right to the commercially confidential minutes of the Board of Directors, but the Directors and Managing Director would be happy to talk to Members as shareholders.

A Member noted that whilst one of the recommendations was to declare the properties listed in the confidential Appendix 1 to the report as surplus, but there was no information provided on why those properties were surplus. In terms of process and audit trail, this information was required. Officers pointed out that the schedules and reports on these properties had been presented to the Committee over the course of the last 18 months.

A Member highlighted that the Committee was in uncharted territory, and whilst This Land clearly had a clear business plan, there was nothing to compel them to realise their objectives, and the company had no mission statement, vision or values. The Deputy Chief Executive commented that those issues had been set out in their Business Plan, specifically about how the company sought to differentiate itself. He stressed that the Council's role as shareholder meant that they could not compel the company to deliver a certain percentage of affordable housing – if the Council did that, the dynamic would change, and the relationship would become contractual, which would have implications for the company's ability to operate in a commercial environment.

With regard to the valuations, Members noted that planning consent had been agreed subject to a Section 106 agreement, a 15% discount had been applied to the value, and where planning consent had not been obtained, discounts of up to 70% had been applied to reflect the risk involved in obtaining the consent. 'Overage' clauses are included when sites are sold so that as much of the discount can be recovered as possible, once planning permission had

been obtained, and a Section 106 agreement had been reached, subject to the costs of obtaining these consents being deducted by This Land.

A number of Members commented that they were uncomfortable about agreeing the portfolio sale before the workshop on governance and reporting arrangements had been carried out, and it was agreed that the workshop would be arranged as a matter of urgency. **Action required.** The Chairman commented that the arrangements with This Land had not changed since the company was set up.

A Member asked (i) if the recommendation requesting that the Committee draw down part of a loan facility was in line with what the Committee had already agreed to; (ii) if the transfer of properties was in line with a set of policies that had already been agreed by the Committee; and (iii) the governance arrangements of the organisation that the properties were being transferred to had already been agreed by the Committee. Officers confirmed that all three points were correct. Another Member commented that whilst these three points may be true, it had been assumed that there would be a parallel process in which certain things would happen in terms of Member engagement, and that had not proceeded as rapidly as expected. The Chairman acknowledged the Member's concerns but stressed that he was keen to progress with the process, so that houses could be delivered – including affordable housing – and the benefits in terms of financial returns to maintain services to vulnerable communities could be realised.

Councillor Nethsingha proposed that the Committee defer the official decision on this portfolio transfer until the committee had had its workshop, and then hold a special meeting to consider this report. This was seconded by Councillor Jenkins. On being put to the vote, proposal was lost.

It was resolved, by a majority, to:

- 1) approve the disposal of the properties identified in the schedule (Appendix A to the report) to This Land at 'best consideration';
- 2) delegate the final terms of the disposal to the Deputy Section 151 officer in consultation with the Chairman of the Committee;
- 3) that the Committee receive feedback on the effectiveness of the process at a future meeting;
- 4) that £11.130m of the loan facility agreed in principle by the Committee in December, now be confirmed as available to This Land in relation to the properties listed in the schedule at Appendix A to the report (in line with section 3 of the report);

- 5) that equity to the value of £0.557m is invested by the Council into This Land alongside the foregoing loan finance arrangements.

84. TRANSFER OF FREEHOLD OF CROMWELL MUSEUM BUILDING TO HUNTINGDON TOWN COUNCIL

The Chairman advised that since the recommendation went against what had previously been agreed by full Council, he was recommending a deferral on this item, to enable further discussions to take place with Huntingdon Town Council, and to ensure all Members were fully briefed.

A meeting with Huntingdon Town Council would be arranged as soon as possible. **Action required.**

It was resolved unanimously to defer the report.

85. FINANCE AND PERFORMANCE REPORT – DECEMBER 2017

The Committee considered a report on the financial and performance information relating to the areas within the Commercial and Investment Committee's remit. In presenting the report officers drew attention to the forecast overspend on revenue budgets of £650K, and a programme underspend on capital budgets of £47.338M.

Arising from the report, it was noted:

- that the additional budget of £171K required for the Shire Hall relocation project needed to be recommended to the General Purposes Committee (GPC), which related to initial project work, feasibility studies, etc. It was confirmed that this was capitalisation of expenditure that had already taken place, which had been commissioned by the Shire Hall Working Group;
- Housing schemes had not progressed as quickly as originally anticipated, hence the £47M capital underspend – this reflected a change in timing, not the overall scheme detail;
- the report recommended that the Committee request that GPC approves an additional budget of £328k for the capitalisation of Corporate Redundancies budget within Corporate Services and Transformation;

- that the difference between the £47.209M and £47.338M was that the former included just housing schemes;
- that the £80K Cambridgeshire Music Reserve related to the CREATE project that was being held in abeyance. It was confirmed that there would still be £80K at the end of the financial year and the reserve schedule would be amended; **Action required.**
- that the “revised budget for 2017/18” figures in Appendix 6 to the report (Capital Expenditure Summary 2017/18) reflected one year of multiple year budgets i.e. the total scheme costs were not just those costs incurred in 2017/18, but included future years. The overall budget was not expected to change;
- that the loan arrangements were on track for Housing Investment in Appendix 2, following the decision made earlier in the meeting;
- that the substantial decrease in staffing due to some team members leaving (ICT Service (Education) in Appendix 2) related to vacancies held pending a service restructure: in terms of deliverables lost, officers would need to check with the Service. **Action required.**

Officers agreed to check an anomaly in the figures in Appendix 6 relating to County Farms investment, which appeared to imply that £197K additional investment would produce £55K additional revenue. **Action required.**

It was unanimously resolved to:

1. review, note and comment upon the report in the appendix;
2. acknowledge the impact on the level of borrowing required within the Commercial and Investment Committee capital programme if General Purposes Committee approve additional budget of £328K for the capitalisation of Corporate Redundancies budget within Corporate Services and Transformation;
3. recommend to General Purposes Committee the approval of £171K additional budget in relation to the Shire Hall Relocation project, to be funded from borrowing;
4. note the change in funding profile for the Housing Schemes to reflect the assumptions approved as part of the 2018/19 Business Plan.

86. PROGRAMME HIGHLIGHT REPORT

The Committee considered the Programme Highlight Report.

Members received updates on the following schemes:

- Russell Street (Cambridge) – the application had been refused, and it was likely that This Land would appeal. In response to a question, a Member was advised that This Land should be approached about the grounds for that appeal;
- Dubbs Knoll, Cambridge – formal refusal had not been received but was likely;
- Parsonage Farm, Whittlesford – the application has been refused, and This Land would be appealing the decision;
- Soham Eastern Gateway – the consultation had commenced;
- East Barnwell Community Centre – the proposal had depended on the adjoining site being purchased, which looked less likely now, so the focus would be on the part of the site which was owned;
- Rampton Road, Cottenham – a planning appeal would be taking place on 14/03/18, for a smaller application for 125 homes had been withdrawn after South Cambridgeshire District Council (SCDC) had indicated that permission would be refused. A second planning application was registered on 10/10/17 which had been withdrawn as SCDC had advised that they would refuse the application after obtaining Counsel's opinion on the wider five year housing supply.

With regard to Soham Northern Gateway, it was confirmed that this site may be subject to a Commons land claim, and Counsel's opinion had been sought.

At a Member's request, it was agreed to move in to private session:

It was resolved 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).

It was resolved to:

Note the Programme Highlight report.

(the meeting returned to public session)

87. COMMITTEE AGENDA PLAN AND APPOINTMENTS TO OUTSIDE BODIES

Members considered the forward agenda plan for Commercial & Investment Committee.

Changes to the Agenda Plan were noted. The Chairman suggested that items/dates could provisionally be included in the Training Plan for possible events in the next 12-18 months.

It was resolved to:

- (i) note the Agenda Plan, including the updates provided orally at the meeting;
- (ii) note the Training Plan.

88. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved 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).

89. CAMBRIDGESHIRE CATERING AND CLEANING SERVICE

The Committee considered a report on the rationale and implications for the proposal to exit the school's catering and cleaning market together with a proposed exit strategy.

It was resolved, by a majority to agree:

- 1) the closure of the Catering and Cleaning Service with the proposed exit strategy;
- 2) to delegate, to the Deputy Chief Executive, operational oversight of the exit strategy within the boundaries outlined in the paper;

3) that the Catering and Cleaning Service be moved back into the business (from the Transformation Team) to manage the close-down process.