COMMERCIAL AND INVESTMENT COMMITTEE

Cambridgeshire County Council

Date:Friday, 22 February 2019

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

10:00hr

Kreis Viersen Room
Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

CONSTITUTIONAL MATTERS

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

Clerk Telephone: 01223 699178

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COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 18 January 2019

Time: 10.00-11.30am

Venue: Room 128, Shire Hall, Cambridge

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

Apologies: Councillors Dupré (Cllr Wilson substituting)

Also present: Councillor M Shellens

188. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were presented on behalf of Councillor Dupré (Councillor Wilson substituting).

Councillor Schumann declared a non-pecuniary interest in item 191 as Chairman of East Cambridgeshire District Council's Planning Committee.

189. MINUTES OF THE MEETINGS HELD ON 14 DECEMBER 2018 AND ACTION LOG

The minutes of the meeting held on 14^{th} December 2018 were approved as a correct record.

The following Action Log items were discussed:

Action 125 – The Chairman asked if it would be possible to visit the Milton Road Library site, and officers confirmed that providing the relevant Health & Safety precautions were taken, this could be arranged. The Deputy Chief Executive agreed to pick this up at the This Land Board meeting on 22/01/19. **Action required.**

Action 182 – Energy project updates – it was noted that updates were now scheduled for the March meeting, and quarterly thereafter.

Action 183 – Disposal of St Ives ransom strip – this item had been deferred to a future meeting, as officers were looking in more detail at issues relating to possible school expansion.

On a general point, it was noted that "in progress" suggested that there was a defined end point; whilst "ongoing" was where there was no fixed end point but the issue was being monitored.

It was resolved to note the Action Log.

190. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

191. OUTLINE BUSINESS CASE FOR SOLAR FARM ON RURAL ESTATE LAND AT MERE FARM

The Committee considered a high level assessment for a 37MW solar farm to be sited at North Angle Farm, Soham, adjacent to the Council's established solar farm at Triangle Farm in Soham. The proposal had been developed by the Council's Service Provider, Bouygues Energies & Services. The proposed site covered 76 hectares (approximately 200 acres). It was noted that the site had previously been referred to as "Mere Farm", but would more accurately be referred to as "North Angle Farm" going forward.

A development budget of £600K was requested, and the detail of the business case was noted. The intention was to return to the Committee with a report at the end of the first phase of the investment proposal, and then at the end of the third phase, assuming the project was still viable. Whilst there were a number of challenges with the project, e.g. around access to the constrained grid and UKPN, there were clear advantages of the site given its proximity to the existing solar farm. It was confirmed that the £600K covered the total commitment for development costs, including all internal costs, external consultant fees and planning fees. Whilst there were risks in the proposal, these were lower than would be expected for a project of this size, and needed to be set against the benefits, which were considerable. Risks included currency risks (i.e. fall in the value of Sterling), as the solar panels were sourced from overseas. It was noted that the site was currently tenanted, but that officers had been unable to contact the current tenant, who was abroad.

It was noted that the first solar farm (Triangle Farm) had been developed under the previous funding regime, and had effectively been subsidised. These subsidies were no longer available, but costs had reduced significantly, so the capital costs were much lower and the anticipated revenue was similar to that of other solar farms.

Written comments from the Local Member, Councillor Hunt were noted:
"Since I am on both County and District Planning Committees, I do not intend to commit myself at this stage as I keep an open mind. I note, however:

- *The land is mainly Grade 3 which is of low agricultural value;*
- *I assume 80 hectares is about 195 acres (this is a measurement I better understand and it would be helpful if both hectares and acres were used);*
- *I assume that fair proper conversations have been held with tenant farmer;*
- *Enough power will be created to supply 9000 homes".*

Arising from the report:

- a Member queried why there was no control point between the first £70K of expenditure and the remaining £530K. It was pointed out that at the conclusion of the second stage, officers should have identified whether the project stacked up financially and obtained planning permission, and it would be difficult to understand what the benefit would be to bring it back to Committee at that stage. Additionally, there would be regular quarterly updates to Committee on all energy projects, and any issues could be picked up at that stage;

- a Member asked who the Crown Commercial Service was and what their role was in the project. Officers explained that Crown Commercial Service was the developer of the framework, and as users of the refit framework, the Council had to pay fees. Those fees were considerable because they scaled with the capital cost. The framework would ensure that the contracts for each part of the project complied with all the relevant requirements;

- a Member asked what the HLA benchmarks were, which were not specified in the report. Officers explained that the contractual terms defined the performance parameters – the Council would have a contractual arrangement with Bouygues, but if Bouygues did not meet the benchmarks set, the Council would not pay the £430K IGP fees if it chose not to continue with the project;

- noted that State Aid was not an issue as the whole project was being done on a commercial basis;

- in response to a Member question, it was confirmed that the £36K expenditure for the project included in the Finance & Performance report related to the proportion of the £70K that was profiled for expenditure in the current financial year;

- one Member commented that it was clearly a very good project, and he looked forward to it to going ahead and being successful. He was particularly pleased to note that it was completely free of subsidy or State Aid;

- a Member queried why a Net Present Value (NPV) rate of 5.73% had been chosen. Officers confirmed that this was a combination of expected RPI plus the current Public Works Loan Board rate for a 25 year loan. The assumed inflation rate was 2.75%;

- a Member commented that the most critical issue for cashflow calculations was usually the selling price, and asked what assumptions the calculations were based on. He also suggested that it would be helpful to have a sensitivity table reflecting issues such as reductions in wholesale energy prices. Officers advised that an interest rate of 2.9% had been assumed and inflation of 4.07% as on energy prices, based on BEIS statistics up to 2035. Energy prices were going up at a faster rate than regular inflation due to the costs of government programmes supporting the energy market and network charges increasing. The team was aware of exchange rate risk and managed this carefully. The Member commented that it would be helpful if future reports included more narrative on the robustness of the cashflow;

- a Member noted that the Service Provider being used was the same as for the adjacent solar farm, which had raised an additional 5% ahead of projections. In addition, the ground conditions were very similar to the adjacent solar farm. Based on the performance of the previous project, he suggested that this was a very promising prospect. Another Member queried if the increased return on the existing solar farm resulted from the unusually hot summer weather in 2018. Officers explained that this was a technical calculation and was over and above the increased returns resulting from the hot weather;

- in response to a question about the tenant, it was noted that the current tenancy agreement expired in 2020, and it was not anticipated therefore that the existing tenant would be paid compensation, as it was unlikely that this project would have reached the construction phase by that point;

- it was confirmed that all figures provided were estimates, based on Bouygues' view of the likely cost, but the actual cost could not be ascertained until Bouygues puts the individual bits of equipment out for tender, and that would not happen until there was more certainty about the scheme going ahead.

It was resolved unanimously to:

a) agree the outline business case;
b) provide in-principle support for a budget of £600,000 (as set out in Table 3 of the report) to fund the development costs of an Investment Grade Proposal (IGP); and
c) approve work commencing on the first phase of the IGP.

The Committee agreed to defer the "Land at Mill Road, Over", which had a confidential appendix which Members wished to discuss, and consider it in the confidential session later in the meeting.

192. FINANCE AND PERFORMANCE REPORT – NOVEMBER 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 November 2018.

At the end of the period, a forecast overspend of £6.135M was forecast. The underspend on the capital budget remained unchanged at £7.277M. An additional £36K of capital funding was requested for the development costs for the solar farm project which had been agreed in the previous report.

Arising from the report:

- a number of Members commented generally on the format of the report, stating that there was an element of repetition in the report and appendix, and occasionally text was not updated between monthly reports. Officers acknowledged these points and advised that the format and presentation of the report was being reviewed to make it more transparent;

- a Member asked officers how confident they were that the capital budget would meet the revised budget target of £138M before year end. Officers confirmed that they were confident as there were significant loans that This Land would be drawing down before the end of March. The loans process had taken longer than anticipated, partly driven by This Land's construction needs, but the Council was contractually obliged to sell two parts of the portfolio in the Spring. In future a more even pattern of loans to This Land was anticipated, rather than loaning in large tranches.

It was resolved unanimously to:

a) review, note and comment upon the report;

b) consider and recommend to GPC to approve £36K of prudential borrowing for the Renewable Energy – North Angle Solar Farm project.

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

Members considered the Committee's Agenda Plan and Training Plan.

It was agreed that following the meeting, Members would discuss how to schedule in This Land business plan items on to future agendas.

It was agreed that provisional dates for training days in 2019/20 would be identified and circulated. **Action required.**

Members were advised that the Member Development Panel had asked officers to schedule an all-day training session on commercialisation for all Members in March. It was noted that there would be a more in-depth session for Committee Members. The Committee felt that a whole day session would be poorly attended and suggested an alternative approach, such as two half days, was taken. **Action required.**

The following items were suggested for the training session on April 26th: Profit and Loss account, baselining of traded services and Measuring Social Value.

It was resolved to:

a) note the Agenda Plan;

b) note the Training Plan.

194. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved to:

exclude the press and public from the meeting on the grounds that the following report 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).

195. LAND AT MILL ROAD, OVER

The Committee considered a report on a site owned by the County Council in Over.

In 2012, the County Council's Cabinet had agreed an option with a private developer for this site. The developer obtained reserved matters planning approval for 53 residential units on the land in June 2018, with a 40% affordable housing stipulation. The developer was not seeking to develop the land, so it had been offered to This Land prior to being marketed openly. This Land had confirmed its wish to acquire and develop the site, and they would need loan and equity investment from Council. The business case for the site was viable, and gave the Council the dual advantage of both a capital receipt and income from the loan.

(the Deputy Chief Executive withdrew from the meeting)

It was resolved to delegate to the Deputy Section 151 Officer, in consultation with the Chairman of the Committee, the authority to:

a) agree disposal of the site described in Section 1 of the report to This Land, further to a decision of Cabinet in 2012, and in accordance with the arrangements described in Section 2 of the report;

b) agree to provide loan financing and equity investment to This Land, to enable the acquisition , in line with arrangements described in the appendix to the report.

(the Deputy Chief Executive rejoined the meeting)

196. CAMBRIDGESHIRE CATERING AND CLEANING SERVICE

The Committee considered an update on the arrangements for schools previously using CCS for catering and cleaning services, and also the latest financial position.

It was resolved:

a) to note the update on final outcome including:
   1) closure position and the financial impact to Cambridgeshire County Council;
   2) impact on staff and number of staff made redundant;
   3) impact on schools.

b) to keep Members updated on the final financial implications of the closure.

Chairman

COMMERCIAL & INVESTMENT COMMITTEE

Minutes-Action Log

Cambridgeshire County Council

Introduction:

This is the updated action log as at **14th February 2019** 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.	Deputy Chief Executive agreed (at 18/01/19 Committee) to pick this up with the This Land Board.	
Minutes of 14th September					
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 between Compliance, Education, Legal and Property took place on 16/11/18 and a programme of inspections is being prepared.	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.	As above.	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

154.	**Land Promotion Agreements**		Consult Local Members where Council leading on developments or promotions.	Report deferred at November meeting.	Ongoing
		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.	Ongoing action relating to the Acquisitions Strategy.	Ongoing
162.	**Service Committee Review of the draft 2019-20 Capital Programme**	Jackie Galwey/ Shauna Torrance	Last two meetings of the Older People's Accommodation Strategy Working Group had been cancelled.	Issue raised with Jackie Galwey/Shauna Torrance – awaiting response.	In progress.
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.	To be presented as part of an Annual Report on the Treasury Management Policy in April.	In progress
		Minutes of 14th December 2018			
182.	**Commercial and Investment Committee Review of draft Revenue and Capital Business Planning proposals for 2019-20 to 2023-24**	Sheryl French	It was agreed that Sheryl French would be asked to provide an update to the Committee on current progress with all major projects.		
183.	**Disposal of ransom strip at St Ives**	John Macmillan	The ownership of different parts of the site to be fully detailed in the revised report.	Report scheduled for May 2019 Committee.	
183.	**Disposal of ransom strip at St Ives**	John Macmillan	Requested that the planning application for the residential development be included in the future report.	Report scheduled for May 2019 Committee.	

Minutes of 18th January 2019					
193.(1)	**Agenda Plan, training Plan and Appointments to Outside Bodies**	Dawn Cave	Identify and circulate provisional 2019/20 training dates.		
193.(2)	**Agenda Plan, training Plan and Appointments to Outside Bodies**	Amanda Askham	The Committee felt that a whole day session (for all Members on Commercialisation) would be poorly attended and suggested an alternative approach, such as two half days, was taken.	Commercialisation training day arranged for 26/04/19.	
196.(1)	**Cambridgeshire Catering and Cleaning Service**	Emma Fitch	Data not available from all suppliers to confirm the various accreditations. Officers agreed to provide further information to the Member on this point.	Victoria Stacey contacting the suppliers in question and once we have a collation of all the information this will be supplied by e-mail.	
196.(2)	**Cambridgeshire Catering and Cleaning Service**	Emma Fitch	It was agreed that as the end of the process was approaching, Members would be kept updated on the final financial implications of the closure by email.	Kerry Newson will provide this information in two stages, the first will be the final year-end figures taking account of the final redundancy costs, and the second will be the costs of the C3 Unit once the break lease clause information and costs are known. This information will be supplied by e-mail once available.	

Agenda Item No: 4

ESTABLISHMENT OF A JOINT VENTURE WITH THE UNIVERSITY OF CAMBRIDGE TO DEVELOP AND MARKET FIBRE ASSETS ON A COMMERCIAL BASIS

To:	**Commercial & Investment Committee**
Meeting Date:	**22nd February 2019**
From:	**Chris Malyon, Deputy Chief Executive** **Graham Hughes, Executive Director Place and Economy**
Electoral division(s):	**All**
Forward Plan ref:	**N/a** *Key decision:* **No**
Purpose:	**To seek endorsement from Committee to establish a Joint Venture Company with the University of Cambridge to further develop digital infrastructure across Cambridgeshire.**
Recommendation:	**The Commercial & Investment Committee is recommended to:** **a) Endorse the approach for the commercial development of the Council's assets to facilitate improvements to the digital connectivity infrastructure in Cambridgeshire** **b) Approve in principle the creation of a joint venture company between the Council and the University of Cambridge, subject to the Committee's final approval to proceed following further development of the business plan.**

	Officer contact:	***Member contact:***
Name:	Noelle Godfrey	Councillor Joshua Schumann
Post:	Connecting Cambridgeshire Programme Director	Chairman, Commercial & Investment Committee
Email:	Noelle.godfrey@cambridgeshire.gov.uk	Joshua.shumann@cambridgeshire.gov.uk
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1. BACKGROUND

1.1 *“Digital connectivity is now a utility, and modern life is increasingly impossible without it. Connectivity drives productivity and innovation, and is the physical underpinning of a digital nation”* UK Government Digital Strategy 2017

The UK Government’s 2017 strategy sets out in detail why connectivity is a vital element of the nation’s digital strategy which provides a foundation for economic strength, thriving communities and successful localities. Following the conclusion of its *Future Telecoms Infrastructure Review* in the summer of 2018 the government has restated and refined its ambitions – underlining the importance of full fibre connectivity in supporting better connectivity and facilitating the development of next generation mobile 5G services for a world leading digital economy.

The County Council, along with Peterborough City Council, set up the joint Connecting Cambridgeshire programme in late 2011, with a primary purpose of addressing the lack of commercially delivered “Superfast broadband” services (defined as 24mbps and up), which in 2010 covered less than 60% of homes and businesses in Cambridgeshire and Peterborough.

The remit was broadened to encompass all aspects of digital connectivity infrastructure, including mobile coverage and public access Wi-fi. In August 2018 the Council’s Economy and Environment Committee endorsed the expansion of the programme and approved a partnership approach with the Cambridgeshire and Peterborough Combined Authority (CPCA) with additional funding to support new targets for mobile and full fibre coverage.

The Department for Digital, Culture, Media and Sports (DCMS), alongside its delivery arm Broadband Delivery UK (BDUK) is responsible for UK government digital policy and associated intervention and support funding. The Local Full Fibre Networks Programme (LFFN) was set up in 2017 to disperse funding to support the UK’s full fibre targets on a competitive basis to local areas. The Council was successful in the initial round of funding with a £4m bid.

The LFFN programme encompasses several interlinked funding streams to support “gigabit capable” infrastructure delivery, including:

1. Connectivity vouchers for small businesses and associated residential communities (known as the Gigabit Voucher Scheme - run as part of a national scheme by DCMS).
2. Support for full fibre connectivity for public sector buildings (known as LFFN PSBU – public sector building upgrades)
3. Support for the development of public sector digital connectivity assets, including fibre ducting (known as LFFN PSAR – public sector asset re-use).

The Connecting Cambridgeshire LFFN bid encompasses both PSBU and PSAR. The LFFN PSBU will provide funding for fibre upgrades to over 150 public buildings across Cambridgeshire, primarily in parts of Huntingdonshire, East Cambs and Fenland in areas where there is currently a lack of full fibre available to support gigabit capable services. This work stream will dovetail with the recent procurement exercise for collaborative public sector connectivity (known as Eastnet) which the County Council led on behalf of the sub region, for which the contract was awarded to MLL Telecom in 2018.

It is the second work stream, LFFN PSAR which is the main subject of this paper.

2. MAIN ISSUES

2.1 Introduction

There are two discrete sections of the Cambridgeshire Guided Busway, comprising of the Northern section, from Milton Road in Cambridge through to St Ives and the Southern section from Cambridge central station through to Trumpington Park and Ride, with a spur to the Addenbrookes Biotech Campus.

When construction of the Cambridge Guided Busway was started in 2007, fibre ducting was incorporated into the design, potentially providing digital connectivity across Cambridge and out towards the rural areas. However the fact that the two sections of busway are not linked and do not have any capacity to offer “break-out” chambers means that the two sections of fibre ducting are essentially “stranded”, and are currently providing limited connectivity for the busways own operational management.

The LFFN PSAR bid is focused on the development of the Council’s fibre duct assets in the Northern and Southern sections of the busway. It includes plans to link and extend the ducts in the busway by deploying additional fibre ducting and access chambers as part of the Chisholm Trail and the Linton Greenway walking and cycling scheme to provide a 40km fibre corridor from St.Ives to Linton. See **Appendix One** for infographic with further details.

LFFN PSAR funds of up to £800k are available to support the development of the Council’s assets, provided certain criteria are met. These include the requirement to market the assets on a commercial basis in a manner which is state aid compliant. In order to meet these criteria and to provide a more commercially viable offering, the PSAR project includes a proposition to build on recent collaborative working with the University of Cambridge. This will link the University’s 60km fibre network with the County’s assets and establish a commercial joint venture to market the fibre ducting for use on a wholesale basis by local telecommunications providers and provide “dark fibre” services directly to businesses.

Making these assets available on a commercial basis will offer a range of benefits, which include:

a. Contributing to the increased full fibre targets for the area and improving connectivity for residents, businesses and public services.

b. Providing a long term commercial return to the Council from assets which are currently underused.

c. Helping to deliver “connected transportation routes” which will provide digital infrastructure to underpin anticipated developments in autonomous vehicles and infrastructure to vehicle, infrastructure to infrastructure and vehicle to vehicle communications over the next decade or two.

2.2 University Network

The Granta Backbone Network (GBN) is the collegiate University’s privately owned optical fibre network. It consists of a series of underground ducts, mounted cable tray and optical fibre cables, which are used to distribute the numerous University and College IT networks around the University’s city campuses. The University’s network team have developed and run the 60km

Granta Backbone Network (GBN) over the last twenty-five years, delivering high speed, high availability network services to over 40 colleges, institutions and research bodies linked to the University. The University are increasingly being asked to provide network connectivity and interfaces between the burgeoning bio-tech and high tech industries in the Greater Cambridge area and University based research and academic institutes. However they do not currently have a commercial vehicle to do so. A conceptual “tube map style” schematic of the GBN is at **Appendix Two** *Granta Backbone Network*.

2.3 Partnership Approach

Cambridgeshire County Council and the Network Team at the University’s Information Service (UIS) have been working in a collaborative manner since the inception of the Connecting Cambridgeshire Programme when a representative from the University joined the multi-agency Connecting Cambridgeshire Delivery Group in 2012.
The collaboration was extended in 2014 when the University, working with the Connecting Cambridgeshire Programme provided a high-speed public access Wi-Fi service along key sections of the route of the Tour de France depart in Cambridge. The solution included rolling out more than 20 wireless access points in open spaces, hosted on Council owned lampposts, buildings and CCTV poles to provide both public and academic Wi-Fi services. The University continues to provide public access Wi-Fi in open spaces in Cambridge and now also provides “Internet breakout” services to the Cambridgeshire schools network via their data centre in Cambridge.

These experiences have highlighted the mutual interests and complementary infrastructure/assets of the University and the County Council. It has also demonstrated that although the core purpose of both institutions are very different, they have a symbiotic interest in both the short and long term economic and academic success of the Cambridge area.

2.4 State Aid Considerations

As the County Council is a public body there is a key risk in relation to contravening state aid rules with a venture of this nature. The detailed position is set out in further detail in **Appendix 3**. In summary the Council must demonstrate a commercial approach, as set out in the European Commission’s Market Economy Operator Principle (MEOP) and must take steps to validate this approach via the provision of a MEOP report.

The LFFN programme incorporates a number of assurance gateways following on from the initial announcement of success in the bidding process. The County Council has successfully passed the first two gateways (A and B) and needs to pass Gateway C in order to proceed with a funding agreement. DCMS have confirmed that they expect the MEOP approach to be followed as part of the PSAR project and will require evidence of compliance in the form of a MEOP report to be included as part of the Gateway C assurance process.

2.5 Joint Venture

In order to operate in a MEOP compliant, commercial manner (see **Appendix 3** for further details) it is necessary to establish a formal company structure to operate the joint venture between the Council and the University. This requires a number of steps, including agreeing the articles of association, devising a formal company structure, creation of a shareholders agreement and registration of a company name.

An outline business plan has been developed with two products envisaged initially:

a. Duct Access - Access to ducts for others to use to pull/blow their own fibre.

b. Point to Point Dark Fibre - Dark fibre available on a point to point basis for a customer which they light.

An overview of the joint proposed joint venture structure is summarised below, with further details in **Appendix 4 Joint Venture Structure**.

I. The company will be set up with 50/50 ownership and equal control and each party will offer their assets under licence to the joint venture, with full ownership retained.

II. Profits are anticipated to be modest, but appreciable given the long term value of the assets. This is expected to be a long term venture, with a small number of customers.

III. Given the anticipated life of the infrastructure assets and underlying fibre technology it is expected that the term of joint venture term could extend to between 20-30 years.

IV. All profits will be returned to the company for further development of the fibre assets for the first five years. Thereafter the shareholders will review whether to withdraw up to 50% of profit as a dividend or invest 100% of returns in further development of the network.

V. Income to the joint venture from all assets will be equally shared and assets jointly developed using profits derived by the joint venture will be joint owned on a 50/50 basis.

VI. The company will not directly employee any staff, and all resources will be provided by the parent organisations.

VII. The company name is expected to be Cambs UniFibre.

2.6 Risk Management Approach

Although the Council and the University are very different organisations there is a shared view of the guiding principles in the design of the joint venture, which seek to operate on a commercial basis whilst minimising financial exposure or reputational risk to either party. Accordingly it is proposed that several provisions are included as “reserved matters” (which must be signed off by the company board and approved by both shareholder representatives). These include confirmation that the company will not enter into any borrowing without explicit and unanimously agreed approval from both shareholders and that additional shareholders will not be accepted without explicit and unanimously agreed approval from both shareholders. This will ensure that the joint venture operates appropriately within the governance context of the parent organisations.

Further detail about the planned provisions, including exit/termination clauses, insurances and liabilities and reserved matters are in **Appendix 4** *Joint Venture Structure*

2.7 Funding

The majority of the costs associated with the PSAR project (c£800k) will be provided via a government grant through the LFFN programme. The remaining set-up costs, which are estimated to be between £60-80k in addition to staff resources are covered within the existing Connecting Cambridgeshire Programme delivery budget. Therefore the C&I Committee are not asked to allocate any additional Council funding to the project. Given these circumstances, and the nature of the assets being utilised/developed by the joint venture a conventional return on investment calculation has not been undertaken to date. However a full business plan is being developed as part of the establishment of the joint venture which will demonstrate the anticipated return on investment over the duration of the arrangement.

2.8 Timescales and Next Steps

The timing of the establishment of the joint venture is significant because the Chisholm Trail and other infrastructure schemes are due to commence during 2019, and therefore it is important to have the LFFN PSAR grant agreement in place before ducting costs are incurred as part of the scheme. In addition the LFFN programme is time limited and all LFFN (PSAR & PSBU) funds have to be spent by March 2021 at latest.

The next DCMS assurance gateway review (Gateway C, which is the precursor to the LFFN grant agreement and which is contingent on the establishment of the joint venture) is currently scheduled for end March 2019.

Following approval in principle, the key steps over the next month will be to:

I. Develop the detailed business plan for the joint venture
II. Commission a draft MEOP report to validate the state aid approach
III. Develop the legal structure for the joint venture company, including draft articles of association and shareholders agreement.

The University of Cambridge are currently working through their own governance processes and the joint venture proposals are due to be considered at the relevant sub-committee and main committees during February and March 2019.

Following on from the establishment of the joint venture it is anticipated that the Council's Economy and Environment Committee, as the overseeing committee for the Connecting Cambridgeshire programme, will monitor the progress of the LFFN programme delivery and the operation of the joint venture.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

The report above sets out the implications for this priority in Section 1 above

3.2 Helping people live healthy and independent lives

The report above sets out the implications for this priority in Section 1 above

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 *Statutory, Legal and Risk* – Legal input is being obtained in relation to the State Aid considerations and are ensuring compliance with MEOP. Further the formal creation of a company and its associated documents will provide some protection, and reassurance to the Council on how the company will operate. Any risks associated with the venture have been carefully considered and addressed as part of the Joint Venture Structure. Legal advice will continually be sought throughout the process to ensure that all statutory processes and requirements are met.

Source Documents	Location
Future Telecoms Infrastructure Review	https://www.gov.uk/government/publications/future-telecoms-infrastructure-review

Appendix One Digital Infrastructure Assets

Connected Futures: Digital Innovation Corridor for Cambridgeshire

Bringing fibre connectivity to homes and businesses in proximity, improving mobile coverage and offering a testbed for 5G pilot and trials.

Cambridge Railway Stations

- Cambridge Station is the busiest railway station in the East of England – used by almost 11.5 million passengers in 2016/17.
- Cambridge North Railway Station opened May 2017 – used by over 75,000 passengers in first 6 months and growing.

Smart Cities Programme

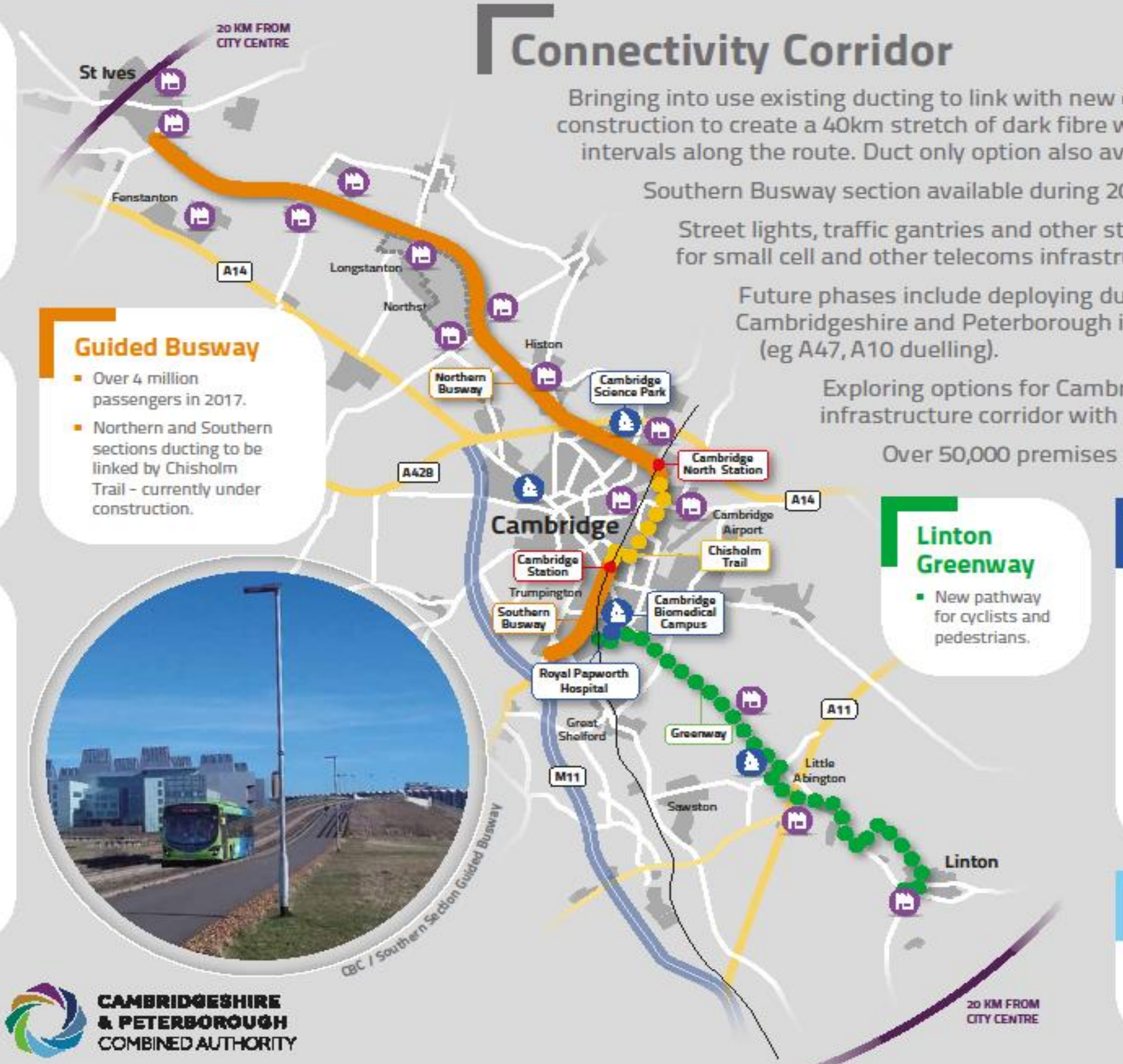
- Autonomous Shuttle trials on Southern section of the Busway.
- Linking to Rapid Mass Transit proposals.
- Mobility as a Service (MaaS) plan.

Cambridge Biomedical Campus (CBC)

- Addenbrooke's site expanding rapidly with new Papworth Hospital opening on site September 2018, AstraZeneca from December 2018 and Abcam in 2019.
- 26,500 visits to the Campus every day from staff, patients, academics, scientists and visitors.
- 17,250 employees currently. Campus will have 22,000 working on the site by 2021 increasing to >30,000 by 2031.

Guided Busway

- Over 4 million passengers in 2017.
- Northern and Southern sections ducting to be linked by Chisholm Trail - currently under construction.



Connectivity Corridor

Bringing into use existing ducting to link with new ducts in routes under construction to create a 40km stretch of dark fibre with breakout points at regular intervals along the route. Duct only option also available.

Southern Busway section available during 2018, further sections from 2019.

Street lights, traffic gantries and other street furniture available for small cell and other telecoms infrastructure deployment.

Future phases include deploying ducting with other Cambridgeshire and Peterborough infrastructure schemes (eg A47, A10 duelling).

Exploring options for Cambridge – Oxford digital infrastructure corridor with rail & road schemes.

Over 50,000 premises within 1km of corridor.

Linton Greenway

- New pathway for cyclists and pedestrians.

Technology and Life Science Clusters

- Babraham, Research Campus – 60 bioscience organisations, employing 1200 people, expanding labs and offices by 2019.
- Cambridge Science Park – over 100 companies from small start-ups and spin-outs to subsidiaries of multinational corporations.
- Granta Park – 20 life science companies, employing 2,500 people, expanding to 4,000 by 2020.

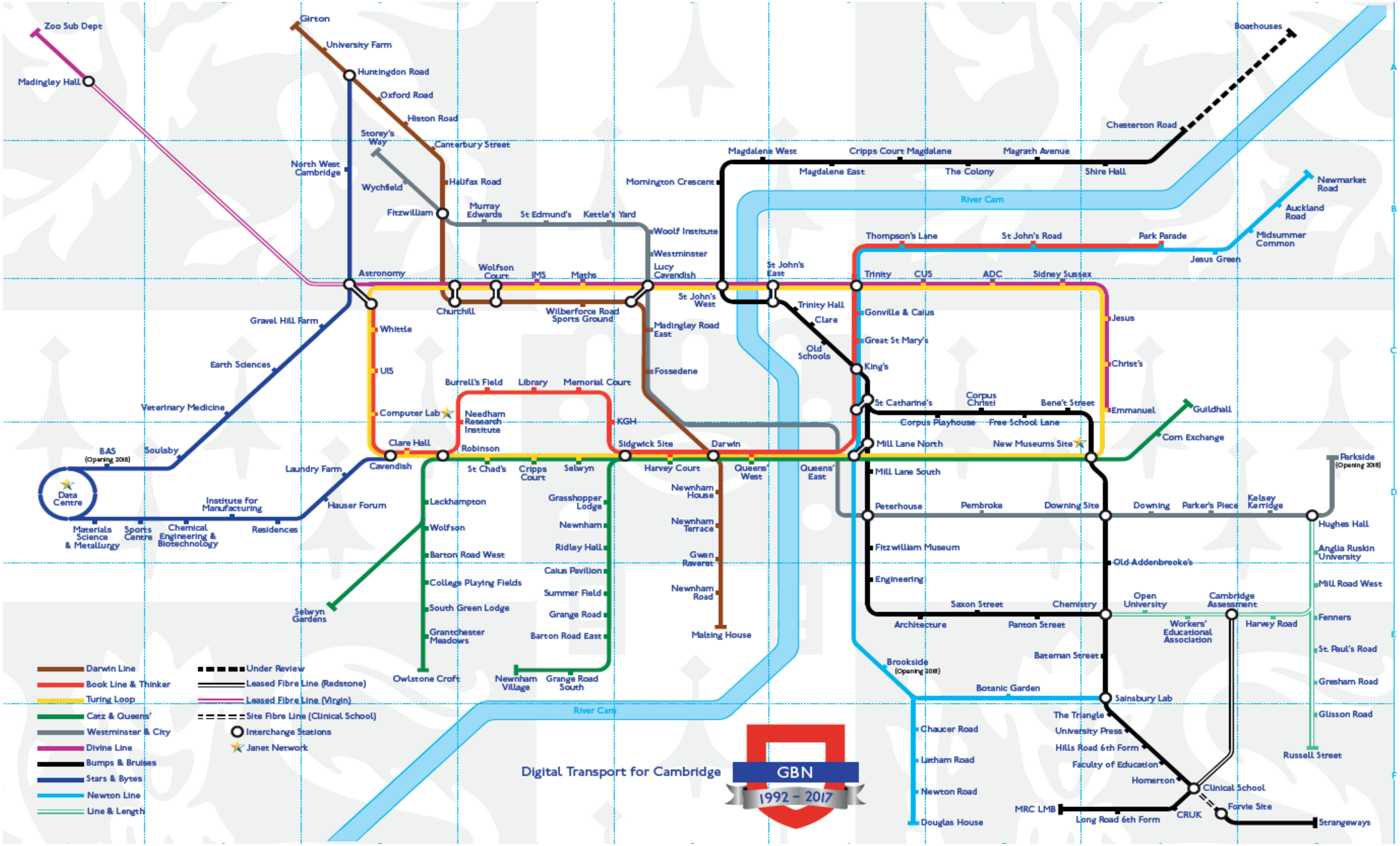
Cambridge City Region

- >8million visitors per year, with footfall of >147,000 on a Saturday.
- Population set to grow by up to 30% by 2030 across Greater Cambridge.

connecting CAMBRIDGESHIRE

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Appendix Two Granta Backbone Network



Appendix 3 – State Aid Considerations

The University of Cambridge is not deemed to be a public body in terms of state funding as the majority of its funding is derived from private sources. However as Cambridgeshire County Council is a public body consideration must be given to state aid. Under EU rules state aid is defined as any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU). This is particularly important because the Government's LFFN programme has been designed on a "no aid" basis".

Under article 107 of the Treaty on the Functioning of the European Union, public funding, investment or other aid triggers the State aid rules if it:

- Is granted from state resources;
- Is selective in nature;
- Favours an economic undertaking; *and*
- Has an effect on competition and on trade between Member States of the EU.

Public investments are only deemed to constitute state aid if ***all four*** conditions are met. The EU has developed a test for determining whether an economic undertaking will confer advantage (aid) which is known as the Market Economy Operator Principle (MEOP). In essence this states that financial activities carried out by a public body do not constitute state aid if they are done so in line with normal market conditions – in other words if a private investor operating in normal market conditions is likely to have made a similar investment. If MEOP can be demonstrated in relation to a commercial endeavour then no aid is conferred and therefore no contravention of state aid rules.

This approach is very different from the Superfast Broadband work streams in the Connecting Cambridgeshire programme, which incorporate gap funding investment to deliver digital infrastructure to remedy market failure. In the Superfast Broadband programme *a state aid exemption* (administered by DCMS on behalf of the European Commission) was granted as a consequence of demonstrable market failure.

There is a direct commercial benefit to the University and the Council in pursuing the development of digital connectivity infrastructure and no evidence of market failure in relation to fibre availability in the Cambridge city area. The joint venture is predicated on a purely commercial "no aid" basis and therefore the County Council is obliged to demonstrate that MEOP applies in order to ensure that it is acting legally and will consequently be able to draw down the Government's LFFN funding to develop the County Council's digital infrastructure assets.

As outlined in the main report, the LFFN programme incorporates a number of assurance gateways following on from the initial announcement of success in the bidding process. The accepted manner of demonstrating MEOP compliance is through the compilation of an economic evaluation comparable to that which a rational market operator would have carried out in similar circumstances, based on objective criteria carried out by an individual or body with specialist knowledge of the market. DCMS have confirmed that they expect the MEOP approach to be followed as part of the PSAR project and will require evidence of compliance in the form of a MEOP report to be included as part of the Gateway C assurance process.

Specialist market analysis has already been sought. MEOP advice, including the provision of a MEOP report to validate the "no aid" approach, has been investigated and is currently being procured.

Appendix 4 - Joint Venture Company Structure

The University has commissioned external legal advice from telecoms specialists at Bristow's to support the development of the formal structure of the joint venture. The following areas have been agreed to date:

a. The planned name for the company is Cambs UniFibre

b. The County and the University will be 50/50 shareholders with the company set-up on a deadlock basis (equal control).

c. Ownership of assets will be retained by the originating organisation and will not transfer into the company. A "licence to use" will be granted in relation to all assets and each parent organisation will have a right of veto about which assets will be available to Cambs UniFibre.

d. All assets developed using capital originating from the University or the Council (including LFFN funding) during the life of the joint venture will continue to be owned by the originating organisation and will be made available under licence to the joint venture.

e. Income to the joint venture from all assets will be equally shared and assets jointly developed using profits derived by the joint venture will be joint owned on a 50/50 basis.

f. There will be an equal number of directors from each organisation, with no casting vote for the Chair which will rotate on an annual/biennial basis.

g. One director from each organisation will also act as the shareholder representative on the board.

h. The University wish to field three directors (Director of IT, Head of Networks and a representative from the central Finance team). Proposed Council directors are: Finance representative (name TBC), Connecting Cambridgeshire Programme Director, Connecting Cambridgeshire Programme Manager.

i. The addition of one or two (voluntary) non-exec directors to the company board is being considered to provide an independent view, possibly providing dispassionate advice with experience from the telecoms sector.

j. The anticipated life of the joint venture is up to 20-30 years (fibre ducting has an anticipated longevity of at least this duration – both in terms of physical characteristics and technology application).

k. Exit, termination and dispute resolution provisions (including buyout/licence to use clauses for jointly created/owned assets) are currently being drawn up by the legal team and are in active discussion between the University and the Council. Colleagues from LGSS Law are advising on the Council's position.

l. The Council's point of escalation in the event of a dispute which cannot be resolved by the Board will be the Executive Director for Place and Economy.

m. The joint venture will not directly employ staff and all staff resources will be seconded to the joint venture on a part time basis.

n. Reserved matters (i.e. those items which must be signed off by the board and approved by both shareholder representatives) are currently being discussed and will include matters which could have significant financial or reputational impact. Restrictions on borrowing and additional shareholders have been agreed to date.

o. An outline business plan has been developed with phased objectives for the first five years. Two products are envisaged initially: Duct Access (Access to ducts for others to use to pull/blow their own fibre) and Point to Point Dark Fibre (Dark fibre available on a point to point basis for a customer which they light).

p. All profits will be returned to the company for further development of the fibre assets for the first five years. Thereafter the shareholders will review whether to withdraw up to 50% of profit as a dividend or invest 100% of returns in further development of the network.

q. The University network team will provide the TDA (Technical Design Authority) function which includes network strategy, standards development and quality control.

r. Over the first two years (during the life of the LFFN PSAR project) resources from the Council and the University will be made available to Cambs UniFibre on a non-chargeable basis. A review point at 2 years will consider whether staff time will be recharged to reimburse the parent organisations.

s. The University will lead on contract negotiation and first-line customer engagement for the first two years, with the Council expected to lead on marketing, secretariat support and possibly (chargeable) finance and invoice processing.

t. The Council will also contribute project management resources, in particular to support delivery of the LFFN PSAR work stream which will develop further assets which will be commercially available via the joint venture.

u. The number of customers is envisaged to be small in the first two years (target of between1-5) whilst the assets are developed and the network is extended to provide additional links.

v. Once fully developed it is anticipated that the customer base will remain modest and the profits small but appreciable. The geography and nature of the assets means even when assets are developed more extensively across Cambridgeshire the b2b market for fibre and ducting assets will remain small. At maximum it is unlikely that the joint venture will attract more than 25 individual customers.

Agenda Item No: 5

POOLED PROPERTY FUND INVESTMENT

To:	**Commercial and Investment Committee**
Meeting Date:	**22 February 2019**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**N/a** *Key decision:* **No**
Purpose:	**To receive information about a pooled property fund investment, for treasury management purposes**
Recommendation:	**The Committee is invited to:**

- **Note a direction by the Chief Finance Officer, under the auspices of the treasury management strategy, to invest up to £16.5m in the CCLA property fund**

	Officer contact:		***Member contact:***
Name:	Tom Kelly	Names:	Councillor J Schumann
Post:	Head of Finance	Post:	Chairman
Email:	Tom.Kelly@cambridgeshire.gov.uk	Email:	Joshua.Schumann@cambridgeshire.gov.uk
Tel:	01223 703599	Tel:	01223 706398

1. BACKGROUND

1.1 The Commercial & Investment Committee, through its Commercial Board and Investment working group, oversees appraisal of commercial property investments. This activity is stepping up, with ambitious targets set within the business plan for re-investment of the £90m-£100m capital receipts expected to be generated from sales to This Land (the Council's wholly owned housing development companies).

1.2 Since late 2016, a number of sites located throughout the East of England and Midlands have been considered by the County Council for potential acquisition. There has been one significant purchase to date (Brunswick House), which also aligns with inward economic investment objectives, and other proposals are under consideration. However, it will take time to build up a balanced commercial property portfolio directly owned by the Council; on a number of properties considered so far the Council has either been outbid or declined acquisition on the basis of yield and risk.

1.3 At the same time, guidance issued to local authorities during 2018 from the Ministry of Housing, Communities and Local Government, as well as CIPFA, has strongly cautioned against "borrowing in advance of need" specifically for investments with a purely commercial return. Individual property investments outside of the local area require the Council to have a clear funding source, established powers to invest in that way and/or asserting a conscious disregard to the statutory guidance.

1.4 In this context of a restricted and competitive local market of appealing potential property acquisitions and a tightening regulatory framework, this report updates the Committee on a specific pooled property fund investment which the Council now intends to advance alongside the acquisition of specific properties: CCLA. Investment in this pooled property fund offers important diversity in investment, a proven track record of yield and return to other local government bodies as well as accounting advantages.

2. CCLA LOCAL AUTHORITIES PROPERTY FUND

2.1 CCLA (originally standing for Charities, Churches and Local Authorities) is a large UK fund manager, particularly focused on public and third sector investors. The Local Authorities Property Fund, operated by CCLA, has close to £1.1bn invested in property across a broad range of sectors (from offices and hotels to industrial/logistics) and throughout the regions of the UK. Unlike the Council's direct acquisitions approach described in paragraph 1.2, investment in the fund does not confer ownership of specific properties, instead all of the investors receive the combined risk and reward of all of the fund's assets collectively. This spread enables the fund to hedge risk and optimise the return, over the long term, to investors. **Appendix 2** is the factsheet published by the fund. **Appendix 1** is the Key Information Document published by the fund.

2.2 The income element of the return has been consistently paying around 5% per annum since 2010. The fund deducts a management charge of 0.65% from this gross return. This compares to the interest rate currently achieved by the Council in instant access money market funds of 0.75% and typical medium to long-term investment rates of 1.5%.

2.3 Any investment needs to be viewed as being for the medium to long-term. There is a spread of 8.3% between the bid and offer price of each unit purchased in the fund, reflecting costs of property transactions. To be sure of recovering this and overcoming any short-term fluctuations in market property values, the investment needs to be considered as likely to be held for a minimum of 3-5 years.

2.4 The spread between the bid and offer price would immediately reduce the Council's holding value by £83k for every £1m invested. The annual growth in the capital value of the fund in the past 12 months has been 3.08%. Should this rate of growth continue and apply evenly, it would overcome the spread between the bid and offer price within 3 years, with opportunities for further growth in the underlying value of the investment thereafter (hence the minimum suggested duration outlook of 3-5 years). This is however only an estimate of future growth based on evidence from the past so should be treated with caution. Future growth will depend on how property markets and the fund assets perform. The Council's priority is a predictable revenue income stream which the CCLA fund delivers in the short term, meaning that recovery of the capital value can take place over the longer term.

2.5 234 local authorities and similar bodies currently invest in this fund. This includes the Council's LGSS partners Milton Keynes Council, who invested £15m in two tranches (£10m in March 2015 and a further £5m in February 2016). The first tranche recovered the spread between the bid and offer price in 30 months, the second tranche is yet to recover the initial spread but is projected to do so within the next 6 months. Northampton Borough Council undertook its first investment in the fund of £8m in November 2018.

3. TREASURY MANAGEMENT STRATEGY AND ACCOUNTING CONSIDERATIONS

3.1 One of the major advantages of CCLA is that it has been designated, in England, as a Local Authority Investment Scheme by HM Treasury under section 11 of the *Trustee Investments Act 1961*, and there is therefore an option not to treat it as capital expenditure under regulation 5 of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2010. CCLA has this advantage as its trustee is ultimately controlled by representative bodies of local authorities (including the Local Government Association) amongst other "for-more-than-profit" organisations. It is the only property fund with such a designation.

3.2 In short, the Council receives the same financial benefits from CCLA under a treasury management treatment but without needing to finance this through the capital budget. It does not need to utilise capital receipts nor does it require a justification of additional borrowing under the statutory guidance on investments.

3.2 This enables the Council to make investments in CCLA for treasury management rather than capital purposes. This is to say it is treated as part of the overall management of the Council's investments, cash flows and transactions rather than as a capital scheme, creating or maintaining an asset, for its own sake. From this perspective, it may be sensible for the Council to align its investment with cash-backed amounts held on the balance sheet that it expects to remain there in the medium to long term. An investment approaching £16.5m, for instance, could be equated to the Council envisaging it will always target holding general fund reserves at least at that level – this is the Medium Term Financial Strategy planning basis. It should be stressed that this is an illustrative link and rationale, and that investing in a pooled property fund would not compromise the Council's ability to draw on the general fund, and access cash, due to in-year overspends or in response to sudden or unexpected events.

3.3 Investing in the CCLA for the medium to long-term in this way does effectively reduce the amount of funds available as internal borrowing for capital schemes and will bring forward the need to undertake additional borrowing. For both cash management and accountancy purposes this will be worthwhile as long as the yield from CCLA exceeds the cost of additional borrowing and/or compares favourably to alternative treasury management investment products. Interest on a fixed five year loan from PWLB is currently around 1.7%. Investing in money market funds (a highly liquid treasury management instrument) returns a yield of less than 0.75%. Our external treasury management advisor has also suggested the Council consider transferring some funds to less liquid and better yield investments (such as CCLA) and away from money markets, and that it can comfortably do so without compromising its cash position.

4. DECISION MAKING AND APPRAISAL

4.1 The Council's existing Treasury Management Strategy (section 8 – investment criteria) has permitted investment by the Council in property funds for some time. The Council has stated that it will consider property fund investments on an individual basis, invest a maximum of £20m in any single fund.

4.2 The Treasury Management Strategy (section 5 – investment position), adopted by Full Council at the budget meeting earlier in February 2019 included a revision to another indicator which now paves the way for investment in CCLA. Until that revision, the Council had also specified that the maximum sum that could be invested for longer than 364 days is £0 (nil). The Council would need to enter CCLA with an investment perspective exceeding 364 days. Taking account of similar limits in place at other Councils [Oxfordshire £150m, Gloucestershire £200m, Milton Keynes £50m, Peterborough £10m for instance] the limit agreed for the year ahead at CCC has been raised from zero to £50m.

4.3 Given this policy revision, a sub-group of the Committee, comprising Cllrs Schumann, Rogers, Jenkins and Jones met with the LGSS Treasury Manager and the Chief Finance Officer to receive a presentation from representatives of CCLA. The presentation from CCLA included discussion of:

- The fund's approach to "active management" of the property portfolio, with examples across asset classes and around the country of increasing value
- Diversity of rental income and expiry dates
- Low risk tenant ratings
- Annualised total returns (across revenue and capital) of 10.44% on a five year basis (fund competitors = 10.2%), 8.7% over 10 years (competitors = 7.47%)
- Medium term economic risks, and how the fund was positioned to respond to these.

4.4 Treasury management is delivered according to the treasury management strategy agreed by Full Council, with a delegation to the professional judgement of officers as to operational implementation. Further to the prospectus and presentation received from CCLA, the positive feedback from Members in response, and after taking account of the advantages and risks of this fund summarised in this report, the Chief Finance Officer has directed that the LGSS Treasury Team take steps to begin investment into the CCLA Property Fund in the coming weeks. To manage possible property value fluctuation risk, investment will be managed across two tranches together totalling up to £16.5m before further review: two thirds in the first tranche (£11m) with the remainder at an appropriate point thereafter.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

The resource implications are set out within the main body of the report, comparing favourably to treasury management alternatives.

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

As set out in paragraph 3.1, the fund has unique accounting advantages, due to its designation and the role of the Local Government Association within the trustee.

6.3 Statutory, Legal and Risk Implications

The CCLA property fund carries a comparatively low level of risk as a form of property investment because the pool contains a wide portfolio of assets in different location and different commercial sector. Economic downtown affecting one sector will be mitigated by holdings in other sectors. The income generated by the Fund has, however, remained consistent over time and the capital value has increased over the long-term.

Whilst an increase in property values would have a positive impact, changes in accounting practice (IFRS9) would mean that the impact of changes in underlying property values could be reflected in a direct charge to the Council's revenue accounts based upon a point in time valuation. Following consultation, MHCLG have introduced a mandatory statutory override requiring local authorities to reverse out unrealised movements resulting from pooled investment funds. This is effective from 2018 and will apply for five years. The Government will keep use of the override under review. Should the override be withdrawn, the Council will consider the impact of a direct charge to the Council's revenue accounts.

6.4 Equality and Diversity Implications

There are no significant Equality and Diversity implications.

6.5 Engagement and Communications Implications

There are no significant Engagement and Communications implications.

6.6 Localism and Local Member Involvement

This is an investment in a national property fund, with no direct local implications.

6.7 Public Health Implications

There are no significant Public Health implications.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Tom Kelly, *Head of Finance* Carl Oliver, *Treasury Manager*
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	n/a
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	n/a
Have the equality and diversity implications been cleared by your Service Contact?	n/a
Have any engagement and communication implications been cleared by Communications?	n/a
Have any localism and Local Member involvement issues been cleared by your Service Contact?	n/a
Have any Public Health implications been cleared by Public Health	n/a

Source Documents
www.ccla.co.uk

Appendix 1

KEY INFORMATION DOCUMENT

CCLA

Purpose

This document provides you with key information about this investment product. It is not marketing material. This information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

Fund Name	The Local Authorities' Property Fund (the "Fund")
Income Units (ISIN)	GB0005216642
Name of manufacturer	CCLA Fund Managers Limited (the "Manager")
Website	http://www.ccla.co.uk
Client Services	0800 022 3505

The Manager is authorised and regulated by the Financial Conduct Authority.

As of 1 October 2018.

What is this product?

Type

The Fund is an open-ended unregulated collective investment scheme. The Fund is an alternative investment fund and managed by the Manager in accordance with the Alternative Investment Fund Managers Directive (2011/61 EU), the Alternative Investment Fund Managers Regulations 2013 (SI2013 No. 1773) and the Commission Delegated Regulation (EU) 231/2013.

Objectives

The Fund aims to provide investors with a high level of income and long-term capital appreciation. The Fund provides investors with exposure to an actively managed portfolio, principally invested in UK commercial properties although it may invest in other assets. For certain purposes set out in the Scheme Information document, and with the prior written approval of the Trustee, the Manager may borrow up to the limit of 50% of the net asset value of the Fund.

Intended retail investor

The Fund is restricted to local authority investors who should have the ability to bear losses. It may not be appropriate for those with an investment horizon of less than five years.

The Fund does not have a fixed duration. If the Trustees holds the opinion that winding-up the Fund is in the interests of investors then, after due notice, the Trustees will realise the property of the Fund and distribute the net proceeds to investors on a pro-rata basis.

What are the risks and what could I get in return?

Risk indicator

Lower risk ← → Higher risk

Typically lower rewards — **Typically higher rewards**

1	2	3	4	5	6	7

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. The risk indicator assumes you keep the product for the recommended holding period of five years. Property is recognised as an illiquid asset and is thus most suited to long-run investment. The risk of the Fund may be significantly higher than the one represented in the summary risk indicator where the Fund is not held for the recommended holding period.

The Fund should be considered illiquid as it is not admitted to trading on a secondary market, and no alternative liquidity facility is promoted by the Manager or a third party.

We have classified this product as 2 out of 7, which is a low risk class. This rates the potential losses from future performance at a low level, and poor market conditions are very unlikely to impact the capacity of the Manager to pay you.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information document, which is available on the Manager's website or by request.

This product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section 'what happens if we are unable to pay you'). The indicator shown above does not consider this protection.

Performance scenarios

Investment scenarios		1 year	3 years	5 years
Stress scenario	**What you might get back after costs** Average return each year	£9,072 -9.28%	£11,380 4.40%	£13,415 6.05%
Unfavourable scenario	**What you might get back after costs** Average return each year	£9,497 -5.03%	£10,896 2.90%	£12,672 4.85%
Moderate scenario	**What you might get back after costs** Average return each year	£10,018 0.18%	£12,003 6.27%	£14,380 7.54%
Favourable scenario	**What you might get back after costs** Average return each year	£10,675 6.75%	£13,355 10.12%	£16,483 10.51%

This table shows the money you could get back over the next five years, under different scenarios, assuming that you invest £10,000. The scenarios shown have been prepared as required under EU regulatory rules and illustrate how your investment could perform. You can compare them with the scenarios of other products.

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies and are not an exact indicator. As future returns are unlikely to mirror the last five years, investors should treat these illustrations with caution. What you get will vary depending on how the market performs and how long you keep the product.

The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

The figures shown include all the costs of the product itself but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if the Manager is unable to pay out?

The assets of the Fund are held for the benefit of investors by an independent Trustee, HSBC Bank Plc, and so are held separately from those of the Manager.

The Fund is not an authorised unit trust within the meaning of the Financial Services and Markets Act 2000, which means it is not covered by the Financial Services Compensation Scheme (FSCS).

Investors may however be eligible for compensation under the FSCS if they have claims against the Manager, Depository or other service provider of the Fund which is unable or likely to be unable to pay claims against it (for example where the firm has stopped trading and has insufficient assets to meet claims). Further details are available at https://www.fscs.org.uk

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the Fund itself, for three different holding periods. The figures assume you invest £10,000. The figures are estimates and may change in the future.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

Investment of £10,000			
Scenario	If you cash in after 1 year	If you cash in after 3 years	If you cash in after 5 years
Total costs	9.26%	11.18%	13.10%
	For an investment of £10,000, £926	For an investment of £10,000, £1,118	For an investment of £10,000, £1,310
Impact on return (RIY) per year	9.26%	3.73%	2.62%
	For an investment of £10,000, £926	For an investment of £10,000, £373	For an investment of £10,000, £262

The table below shows the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period and the meaning of the different cost categories:

This table shows the impact on return per year			
One-off costs	Entry costs	6.75%	The impact of the costs you pay when entering your investment. These are already included in the price.
	Exit costs	1.55%	The impact of the costs you pay when exiting your investment. These are already included in the price.
Ongoing costs	Portfolio management costs	0.22%	The impact of the costs of us maintaining underlying investments for the product.
	Other ongoing costs	0.74%	The impact of the costs that we take each year for managing your investments including custody costs.
Incidental costs	Performance fees	N/A	The impact of performance fees on your investment.
	Carried interests	N/A	The impact of carried interests on your investment.

How long should I hold it and can I take money out early?

Recommended holding period is at least five years.

The Fund is intended for long term investors with an investment horizon of five years or more. This reflects the investment policy, the strategies likely to be used by the Manager and the costs of dealing in the asset class. The fund has no minimum holding period however and investors can request redemption at any time without penalty.

The Fund deals on the last business day of the month. Redemption requests must be received no later than on the business day prior to the dealing day.

Investors are reminded that commercial property can be an illiquid asset class and the Manager has the discretion to defer redemptions if it believes so doing is in the interest of investors and the good management of the Fund.

How can I complain?

Complaints concerning the Fund and/or Manager should be referred to Client Services CCLA at Senator House, 85 Queen Victoria Street, London EC4V 4ET or emailed to client.services@ccla.co.uk

Complaints regarding the Trustee should be addressed to The Compliance Officer, HSBC Bank plc, Corporate Trustee of the COIF Charity Funds, 8 Canada Square, London E14 5HQ.

If you were advised on investing into the Fund, any complaints regarding that advice should be taken up with the party who provided it.

Other relevant information

Income is paid in respect of the Fund for the preceding quarter at the end of January, April, July and October.

The minimum initial investment is £25,000; the minimum subsequent investment is £10,000.

CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Scheme Information document for the Fund. We strongly recommend you seek independent professional advice prior to investing.

The Local Authorities' Property Fund

Fund Profile – 31 December 2018

A unique, specialist Property Fund available only to Local Authority Investors

Price at 31.12.18	Net asset value
Income units	308.53p (xd)
Gross dividend yield	4.21%*

* Based upon the net asset value and historic gross annual dividend of 12.9794p. Distribution for the most recent quarter has been estimated.

Strong governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT). LAMIT is controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund to represent unitholders. As fully independent trustee, LAMIT approves the investment strategy and the risk profile of the portfolio and reviews performance.

Meeting your needs

Suitable for Local Authorities, the Fund aims to provide investors with a high level of income and long-term capital appreciation.

The Property Fund is designed to achieve long term capital growth and a rising income from investments in the UK commercial property sector.

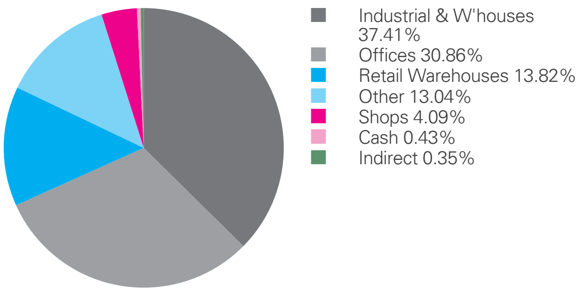
The portfolio is actively managed with a focus on asset selection. The intention is to boost returns by lease and tenant management and property improvement.

The Fund has a broad sector spread, with prudent diversification to keep risks under control.

Sector strategy

The portfolio favours industrial assets and well placed offices. The allocation to hotels has been increased. Traditional shop exposures are low, there are no holdings of shopping centres.

Asset allocation at 31 December 2018



The Fund has credit facilities which, at quarter end, were not utilised

Fund size: £1,099 million

Property portfolio details

Top 5 properties = 21.2 % of the portfolio

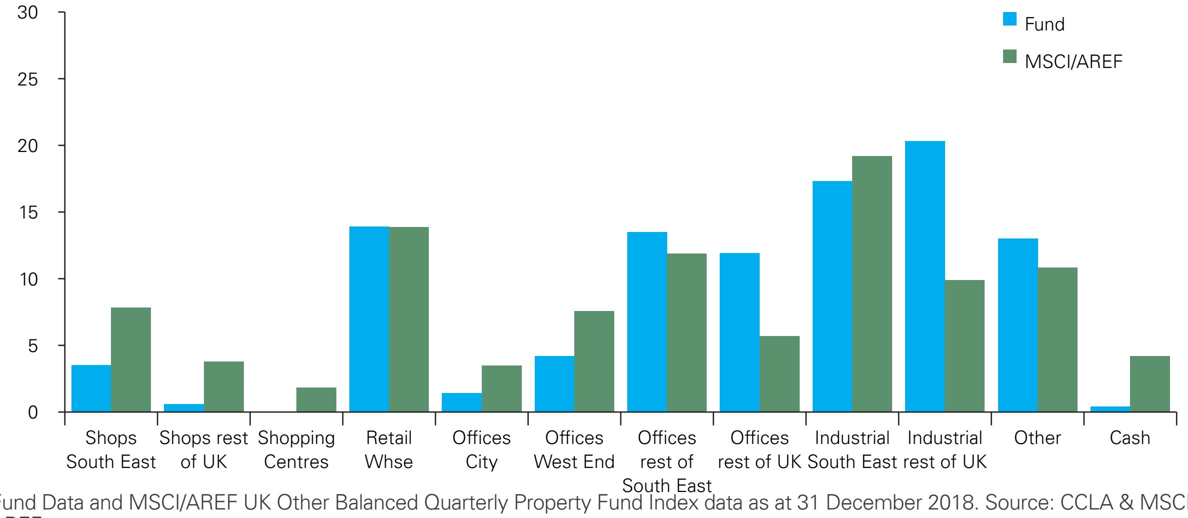
Top 5 tenants = 18.1% of rental income

Weighted unexpired lease term years 7.0 yrs

Void rate excluding developments in progress 3.9%

Void rate including developments in progress 6.6%

Asset allocation by region and category 31 December 2018



Fund Data and MSCI/AREF UK Other Balanced Quarterly Property Fund Index data as at 31 December 2018. Source: CCLA & MSCI/AREF

Top ten property holdings – total 34.97%

London, Kingsway
London, Beckton Retail Park
London, Goodman's Yard
London, Stockley Park, Longwalk
Elstree, Centennial Park
Leeds, Park row
Bracknell, The Arena
Coventry, Torrington Avenue
Bristol, Gallagher Retail Park
Brighton, West Street

Market update

The prime focus of our strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to both capital and income returns. This is supported by an active approach to sub-sector weightings which are biased to reflect our view of long-term prospects. At present, this means a relatively high weighting to industrial and office assets and a low exposure to retail. Recent activity has resulted in an increase of holdings in the 'other' sector, a grouping which includes hotels and car showrooms.

Fund activity

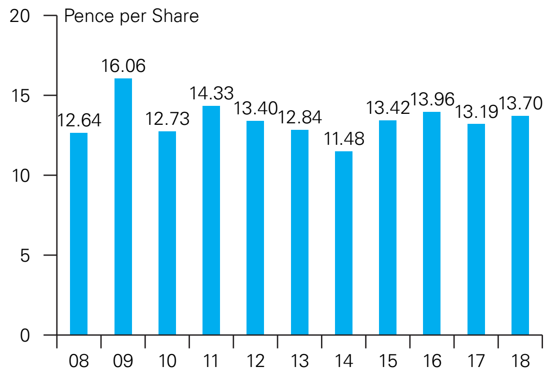
Cash flows into the Fund continued with just over £36m received during the period. Three assets were acquired, the largest a warehouse in Northampton at a cost of around £19.4m. The other two buys, a Glasgow office and an industrial asset in Aberdeen, augmented existing holdings. They are attractive in their own right, but provide the potential for added value from development. Lease management activity continued at a high level, the key lettings were of the Blythswood Square office in Glasgow and at Kingsway in London. As a result of these changes, the void rate fell to around 7% from 8.9% at the end of September. The Fund is not materially affected by the spate of store closures and CVA issuance in the retail sector. Similarly, exposure to standard retail units is low and there are no holdings in shopping centres.

Outlook

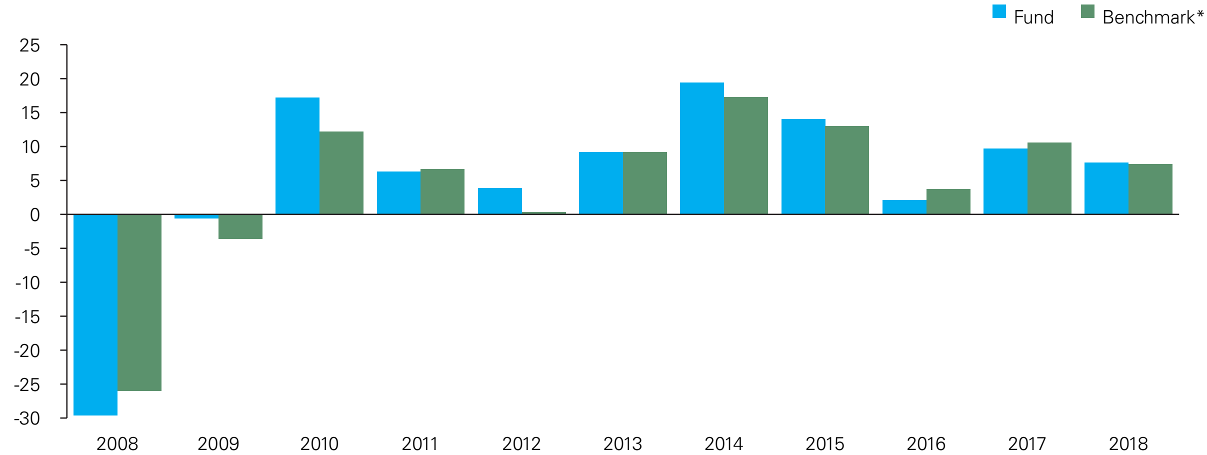
In the near term Brexit uncertainties will continue to depress transaction volumes. Underlying this, the sub-sector trends evident in 2018 are likely to continue; sources of secure income such as industrial assets and others, including hotels will remain in favour, conventional retail will stay under pressure. Overall capital values are expected to decline, but we expect total returns to stay positive reflecting the sector's high yield.

Dividend history of The Local Authorities' Property Fund

Years to 31 March

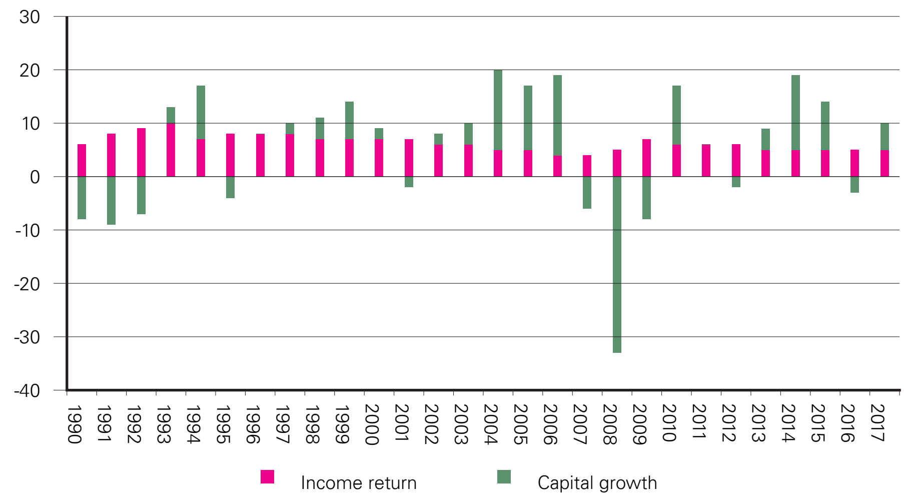


Calendar performance versus the benchmark (net)

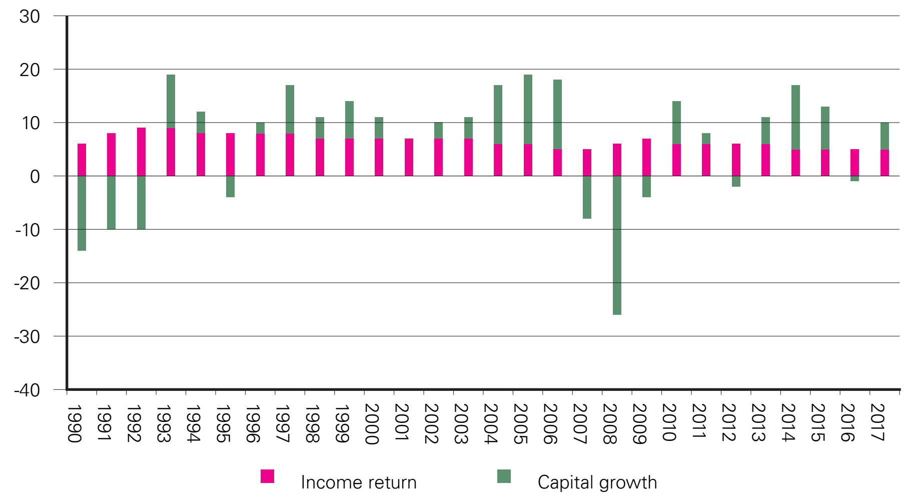


* The benchmark is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index.
Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.
Source: CCLA & MSCI/AREF
Note: Fund calendar performance refers to total return whereas investment returns (shown below) splits the total return between income and capital. A small difference arises as a result of the compounding on the income and capital components.

The Local Authorities' Property Fund investment returns (after expenses)



MSCI/AREF UK Annual Property Digest returns (before expenses)



Source: CCLA & MSCI/AREF
Income from Property and the Fund has been consistent even in downturns, a reflection of its contractual basis.

Long-term performance

Total return performance (net) 12 months to 31 December

	2018	2017	2016	2015	2014
The Local Authorities' Property Fund	+7.60%	+9.68%	+2.12%	+14.09%	+19.50%
Benchmark	+7.43%	+10.58%	+3.66%	+12.97%	+17.34%

The benchmark is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index.
Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.
Source: CCLA & MSCI/AREF

Costs and charges

Our policy is always to keep costs and charges low - we believe that high costs and charges have a very damaging cumulative effect on investor returns. We negotiate to keep expenses low and monitor dealing costs closely. We have no entry or exit fees, the only income taken by the investment manager is the annual charge of 0.65%.

Key facts

Dealing day	Month end valuation day*
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dividend payment dates	End January, April, July & October
Annual management charge	0.65% (deducted from income)
Unit types available	Income
Sedol number	0521664
ISIN number	GB0005216642

Income payments are now made gross of tax.
Any outstanding historic tax reclaims should be addressed to:

Glynis Free
Specialist Repayment Team
7 South
Ty - Glas
Cardiff CF14 8HR
Telephone 03000 580618 9.30am - 1pm

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a Bank Holiday the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/ Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosures

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund. For information about how we obtain and use your personal data please see our Privacy Notice at https://www.ccla.co.uk/our-policies/data-protection-privacy-notice.

Agenda Item No: 6

INDEPENDENT NON-EXECUTIVE DIRECTOR NOMINATIONS – THIS LAND

To:	**Commercial & Investment Committee**
Meeting Date:	**22 February 2019**
From:	**Non-Executive Chairman – This Land Limited**
Electoral division(s):	**All**
Forward Plan ref:	**N/a** *Key decision:* **No**
Purpose:	**To consider the three nominees for non-executive directorships at This Land.**
Recommendation:	**That the Committee, acting as shareholder of This Land, adopt ordinary resolutions 1, 2 and 3, as specified in paragraph 2.2 of this report, in order that three non-executive directors join the board of the company.**

	Officer contact:		***Member contacts:***
Name:	Tom Kelly	Names:	Cllr Joshua Schumann
Post:	Head of Finance	Post:	Chair of C&I
Email:	Tom.Kelly@cambridgeshire.gov.uk	Email:	Joshua.schumann@cambridgeshire.gov.uk
Tel:	01223 703599	Tel:	01223 706398

1. NOMINATION OF INDEPENDENT DIRECTORS

1.1 The Articles of Association of This Land require that all Board appointments are agreed by the Shareholder. The Commercial and Investment Committee perform the role of Shareholder of This Land on behalf of the County Council.

1.2 Pursuant to Article 17, the Committee has received a letter dated 6 February 2019 from the Chairman of This Land nominating individuals as non-executive directors following a recruitment and selection process. That letter is reproduced in the annex to this item, and appends a biographical professional summary of each of the nominees.

1.3 This Land received advice on these appointments from their retained recruitment consultant, Technical Moves, as well as MacDonald & Company a leading international property recruitment agency. At the commencement of the process the Executive Directors briefed Members of the Committee on the aspiration to attract non-executives with the connections, skill-set, personal attributes and gravitas that will enable the company to grow and deliver on its goals. A targeted online campaign was undertaken along with a number of direct approaches before candidates were interviewed and scored against the role specification. Efforts were made to balance the board by considering candidates who are female and from ethnic minorities, for instance This Land report that eight direct approaches that were made to female candidates mindful that women are often underrepresented in senior roles in the property industry.

2. RESOLUTIONS AND APPOINTMENT

2.1 Jeremy Miller was approved by the shareholder as a non-executive director of This Land by Ordinary Resolution 5 of October 2018.

2.2 The Committee, acting as shareholder, is now invited to resolve:

- **Ordinary resolution 1: that the company is hereby authorised to appoint Susan Freeman as an independent non-executive director**
- **Ordinary resolution 2: that the company is hereby authorised to appoint Richard Steer as an independent non-executive director**
- **Ordinary resolution 3: that the company is hereby authorised to appoint David Meek as an independent non-executive director.**

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
There are no significant implications within this category.

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
Paragraph 1.3 records attention was given to equality and diversity implications during the recruitment process.

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
There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Tom Kelly
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?	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	No

Service Contact?	
Have any Public Health implications been cleared by Public Health	No

5. SOURCE DOCUMENTS

Source Documents	Location
Detailed Curriculum Vitae for each candidate were shared with Lead Members for this Committee, with these to be circulated to all Members of the Committee.	via Corporate Finance on request

this Land.™
A DEVELOPMENT BUSINESS

Compass House
Vision Park
Histon
Cambridge
CB24 9AD

T: 01223 257660
E: hello@this-land.co.uk
www.this-land.co.uk

This Land Limited - Shareholder
Commercial and Investment Committee
Cambridgeshire County Council
Shire Hall
Castle Street
Cambridge
CB3 0AP

6 February 2019

Dear Shareholder,

Re: This Land Limited – Independent Non-Executive Directors

I write regarding the nomination of Independent Non-Executive Directors for appointment to the Board of Directors of This Land Limited.

As our shareholder the County will need to be assured that corporate governance is taken extremely seriously by the Board and supervised by the Independent Non-Executives. To that end I am keen to appoint experienced, independent non-executive directors to the company as soon as practicable, and I therefore nominate the following four individuals for appointment to the Board. Biographies and full CVs for the nominated individuals are appended to this letter.

- Susan Freeman
- David Meek
- Jeremy Miller
- Richard Steer

As per the matters reserved for the shareholder under the shareholder agreement I ask that you consider these nominated individuals to be appointed as a result of a shareholder vote, after which the Board will formally appoint the Independent Non-Executives under Article 17 of the recently amended Articles of Association for This Land Limited.

Yours faithfully
Steven Norris

On behalf of the Board of Directors of This Land Limited

Steven Norris
Independent Chair

this Land.™

A DEVELOPMENT BUSINESS

BIOGRAPHIES

Susan Freeman

Susan Freeman has spent over 35 years as a Senior Partner in leading London law firms, most recently at Mishcon de Reya, where she was head of the business development team. Her many and varied achievements and the level of Susan's influence in the property sector are recognised by her ranking in Bisnow's 'The 51 Most Influential Women in UK Real Estate' which is a huge accolade for Susan and a welcome asset for This Land™ who are actively promoting gender equality in the property industry and have a 50-50 gender split in the current team.

A graduate of the prestigious London Business School Sloane Masters Programme, Susan serves as Chairman of Bee London Property Group (a central London Business Improvement District) and Chairman of the FUTURE PropTech Advisory Board. She is an active member of a number of other influential property forums, including the London Chamber of Commerce Property & Construction Committee.

Susan is regularly called upon to write and speak on property industry topics to a wide range of audiences, having recently chaired the FT Commercial Property Conference and participated in the MIPIM UK panel event on Diversity in Real Estate and a Profile panel on social media in business. She regularly organises thought leadership debates bringing together industry and government to explore the key issues facing the property sector.

David Meek

David Meek has a 30 year track record in global finance, markets and technology; providing fiscal, strategic and operational leadership and corporate governance across multiple lines of business and geographies.

Prior to joining This Land™, David has held the position of Managing Director for a number of global corporations in London, including: JP Morgan, Mizuho International and Citigroup. At JP Morgan he led the bank's regional strategic initiatives, upgrading technology and improving infrastructure across the platforms, enhancing both the client experience and operational efficiency.

David is a dynamic, innovative and results driven leader whose global connections and networks across the industry will help facilitate the fast-paced growth of This Land™. He is currently enrolled in the Financial Times Non-Executive Director Diploma, supplementing his existing experience as a non-executive director for National Commercial Bank, Saudi Arabia's largest bank.

Jeremy Miller

Jeremy Miller is a highly experienced Non-Executive Director and Chairman, having performed the role of Senior Non-Executive Director for Countryside Properties (top 10 UK housebuilder), Chairman for the green technology start-up Bio-Bean, and Chairman of the National Merchants Buying Society. Jeremy also has 35 years of experience in executive roles, most recently as the London Chief Operating Officer for Centerview Partners where he transformed the business from a start-up to a 40+ team with revenues of $100m.

Jeremy has a long track record as a trusted advisor to a plethora of FTSE100/250 companies, with direct experience of urban and land planning, finance and valuation. He is more than qualified to act as an advisor to This Land™ having pursued a highly successful career and contributing significantly to the growth of many businesses.

Richard Steer

Richard Steer has held the position of worldwide Chairman at Gleeds since 1999, helping to grow the property and construction consultancy into a leading global brand, as well as significantly increasing the company's UK turnover from £31m to £200m, all achieved without the assistance of external investment. These successes were recognised in 2017 when Richard was named Building Magazine's Personality of the Year.

Richard has a vast array of professional qualifications and honours, including being a Fellow of the Royal Institution of Chartered Surveyors, Fellow of the Association for Project Managers, honorary Fellow of the Royal Institute of British Architects and special Honorary Fellow of the Chartered Institute of Building.

As a key opinion leader for the property industry, Richard regularly contributes to industry publications and sits on the editorial board of Building Magazine, having written a regular column for the publication for the past 12 years. He is also a regular contributor to Property Week.

One of Richard's special interests is contributing to the development of Building Information Modelling (BIM) at the RICS, which is in the process of revolutionising the built environment. His passion, knowledge and experience in the industry will be a huge asset to This Land™.

FINANCE AND PERFORMANCE REPORT – DECEMBER 2018

To:	**Commercial and Investment Committee**
Meeting Date:	**22nd February 2019**
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 December 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 December 2018.**
Recommendation:	**The Committee is asked to:** • **review, note and comment upon the report**

	Officer contact:	*Member contacts:*
Name:	Eleanor Tod	Cllrs Schumann and Hay
Post:	Group Accountant	Chairman and Vice-Chairwoman
Email:	Eleanor.Tod@cambridgeshire.gov.uk	Joshua.schumann@cambridgeshire.gov.uk 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 December 2018 Finance and Performance report.

2.2 **Revenue:** At the end of December, Commercial and Investment Committee is forecasting an overspend of £6,758k on revenue budgets. There are three new significant forecast outturn variances by value (over £100,000) to report (please see 2.2 of Appendix A for further details).

2.3 **Capital:** At the end of December, Commercial and Investment Committee is forecasting an underspend of £-16,929k on the capital programme budget. There are three new significant forecast outturn variances to report on capital expenditure and funding.

2.4 There are no Commercial and Investment Committee **performance indicators** reported for December 2018, however these are currently being developed in conjunction with Committee.

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 (December 18)	1st Floor, Octagon, Shire Hall, Cambridge

Commercial and Investment

Finance and Performance Report – December 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

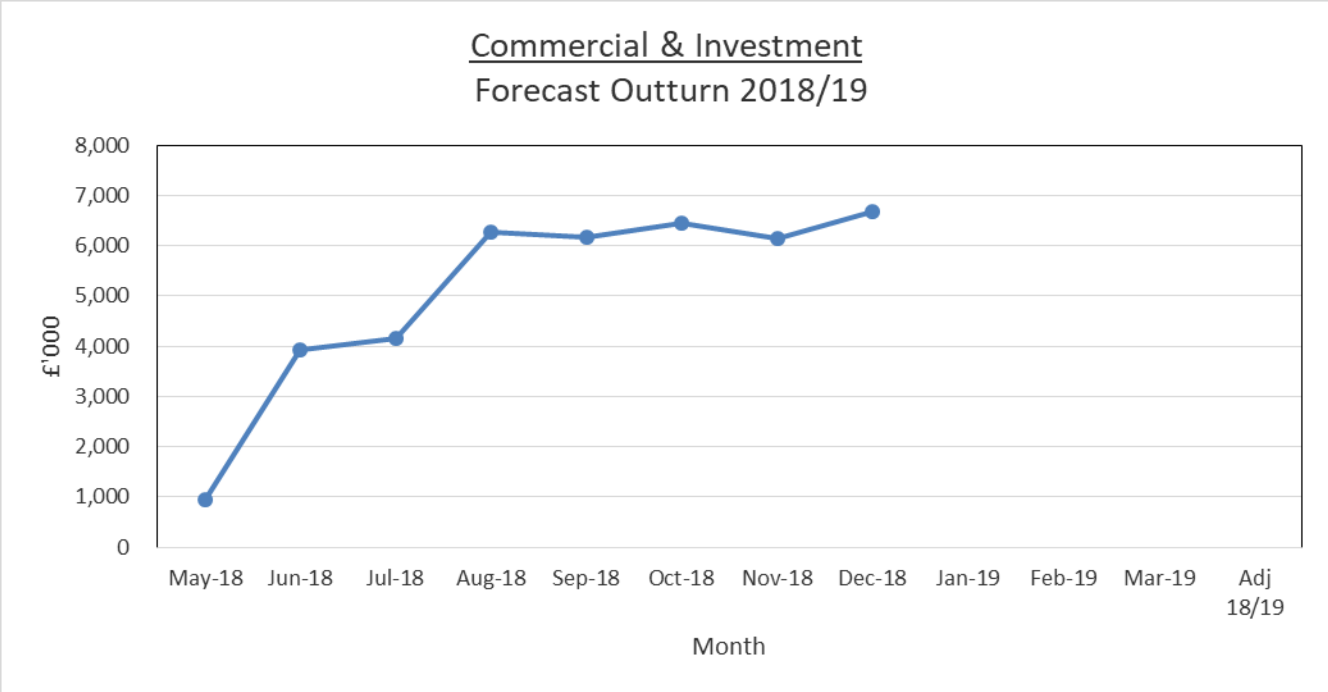
To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each F&PR. The same format is also applied to the Integrated Resources and Performance Report (IRPR) 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 (Nov) £000	Directorate	Budget £000	Actual £000	Outturn Variance (Dec) £000	*Outturn Variance (Dec) %*
4,421	Commercial Activity	-9,536	-393	4,762	49.9%
-89	Property Services	6,037	5,232	0	0.0%
-44	Strategic Assets	-4,098	-2,865	-41	1.0%
1,847	Traded Services	-1,200	919	2,037	169.7%
6,135	**Total**	**-8,797**	**2,892**	**6,758**	**76.8%**

Commercial and Investment (C&I) has a negative budget as it has an income target for 2019-20 of -£8,797k. As such, the outturn variance of £6,758k means that C&I is expecting to achieve a net income position of -£2,039k by year-end.

The service level budgetary control report for Commercial and Investment for December 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 December 2018, Commercial and Investment is forecasting an underachievement of income of £6.8m in 2018/19.This represents an increase of £539k from the previous forecast, due to increases in the forecasts for Housing Investment, Building Maintenance and Cambridgeshire Music.

Commercial Activity
At the end of December 2018 Housing Investment (This Land Company) is forecasting an underachievement of income of £2.5m, which is an increase of £430k from the previous forecast. The underachievement of income on this budget is largely 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. Loan values are therefore constrained by the value of property at point of disposal, alongside ensuring the Council has sufficient collateral as lender.

However, expectations of interest receivable also continue to be remodelled and reprofiled based on loans advanced and loans still to be negotiated. A bridging loan to This Land has recently been agreed; a construction loan and a loan for Cottenham, Rampton Rd remain subject to negotiation. As such, the timescales for completing these have been revised. In addition, there was initially an expectation that within the remaining loans to be issued during 2018-19, a loan would be made with respect to overage (uplift in value) for sites that have previously been sold without planning permission. Planning permission has not yet been granted for any of these sites, therefore the revised assumption is that this loan will now not need to be made until 2019-20.

At the end of December 2018 Commercial Activity Financing is forecasting an underspend of £989k, which is an increase of £89k from the previous forecast. This represents the apportionment of an appropriate element of the reduced costs of borrowing, as a result of the delay in opportunities to invest/loan.

Building Maintenance
At the end of December 2018 Building Maintenance is forecasting an overspend of £293k, which is an increase of £125k from the previous forecast. This is mainly due to additional reactive work required in the year on repairs to buildings, particularly in the area of electrics and mechanicals (e.g. boilers). This work is required to ensure that corporate buildings are compliant with required standards.

Traded Services
At the end of December 2018 Cambridgeshire Music is forecasting an overspend of £170k, which is an increase of £170k from the previous forecast. Sales predictions for the academic year beginning September 2018 have been lower than initially anticipated. The service is continuing to analyse expenditure and income commitment to further mitigate the current deficit position. The service is also looking at the possibility to develop additional work streams within current staff capacity without increasing overheads. This will be pursued in January once schools return.

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

No new items were recorded during December 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)

No new items were recorded during December 2018.

A full list of virements made in the year to date for Commercial and Investments can be found in C&I Annex 4.

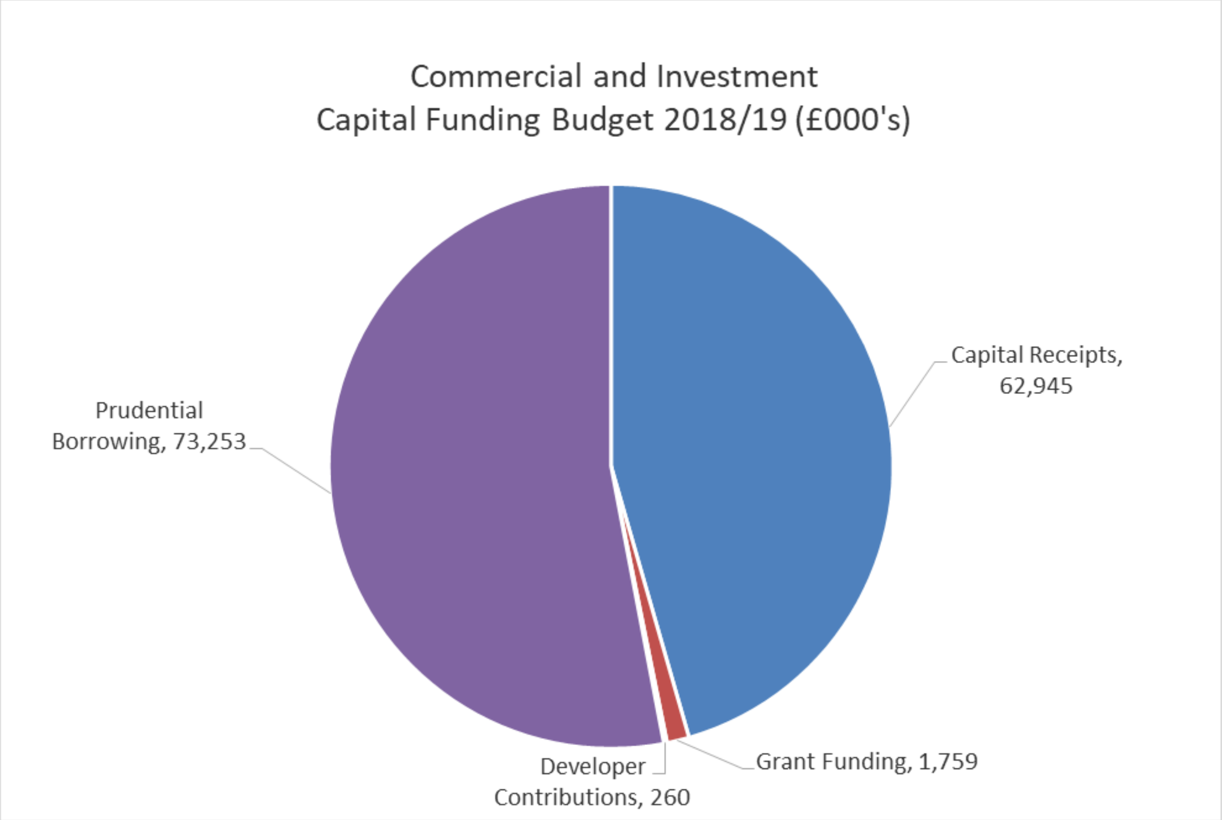
3. BALANCE SHEET

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:



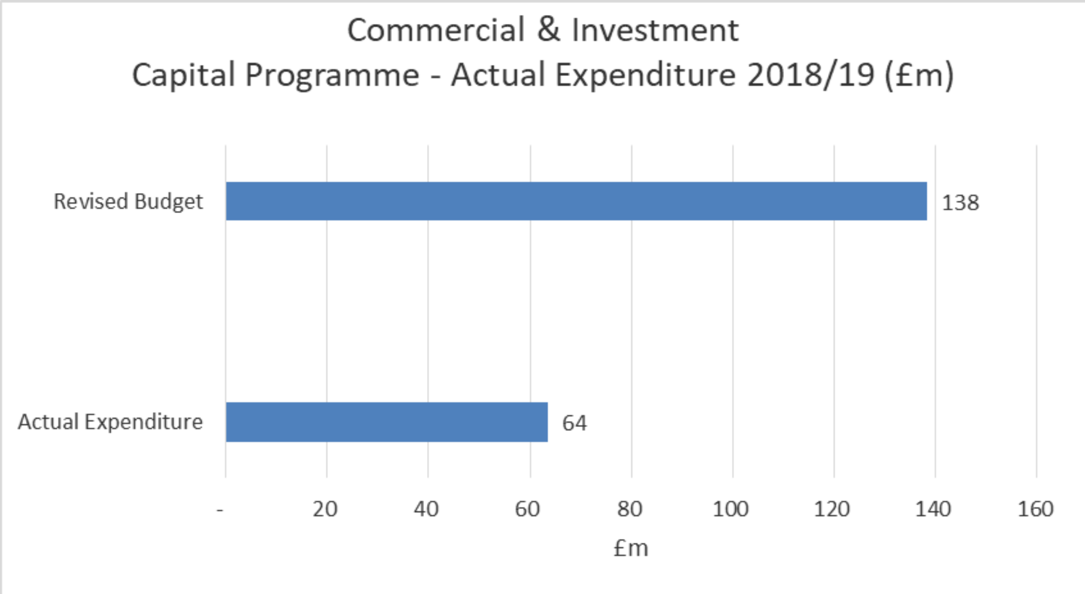
3.3 Variations Budget

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 (December) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (December) £000
C&I	-33,805	-50,734	-33,805	100%	-16,929

3.4 Expenditure

Commercial and Investment Committee has expenditure of £64m to date on the Capital Programme, against a revised budget of £138m:



An in-year variance of £50.1m is predicted, which exceeds the Capital Programme Variations budget of £33.8m. Therefore there is a forecast underspend of £16.9m on the capital programme for 2018/19. Total scheme variances of £147k underspent are expected over the lifetime of the schemes.

Commercial Activity
Housing Schemes are forecasting an underspend of £9.7m in 2018/19. As with the revenue budget, this reflects the level of progress through the planning system (and therefore the value of loans to be issued). There was an expectation that within the remaining loans to be issued during 2018-19, a loan would be made with respect to overage (uplift in value) for sites that have previously been sold without planning permission. Planning permission has not yet been granted for any of these sites, therefore the revised assumption is that this loan will now not need to be made until 2019-20.

3.5 Funding

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

The forecast for use of Capital Receipts has increased by £4.0m. This is to show the expenditure on Housing Schemes in relation to equity being funded from This Land Capital Receipts, rather than borrowing.

A revised forecast for General Capital Receipts has been produced based on both expected sales of land in 2018/19 (outside of the This Land sales) and the revised call on the use of capital receipts to fund transformational activity in both People & Communities and Corporate Services (under the Flexible Use of Capital Receipts direction). This has reduced the amount of capital receipts funding available to fund the general C&I programme by £2.5m.

It is now forecast that a total of £44.3m of Capital Receipts will be available to fund the C&I capital programme. This is a net increase of £1.5m from the previous forecast and will therefore reduce the prudential borrowing requirement by that amount.

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. Relevant indicators are in the process of being established in conjunction with committee and in line with the development of the Council's Commercial Strategy; once these are in place, exceptions will be reported against these.

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

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

Forecast Outturn Variance (Nov)		Budget 2018/19	Actual Dec 2018	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
	Commercial Activity				
3,450	Commercial Property Investments	-4,900	210	3,450	70%
-169	Shareholder Company Dividends	-290	-526	-169	-58%
2,040	Housing Investment (This Land Company)	-4,346	-77	2,470	57%
-900	Commercial Activity Financing	0	0	-989	0%
4,421	**Commercial Activity Total**	**-9,536**	**-393**	**4,762**	**50%**
	Property Services				
168	Building Maintenance	1,093	502	293	27%
-241	County Offices	4,096	4,085	-277	-7%
0	Property Services	645	554	0	0%
-16	Property Compliance	203	90	-16	-8%
-89	**Property Services Total**	**6,037**	**5,232**	**0**	**0%**
	Strategic Assets				
10	County Farms	-4,905	-2,726	13	0%
-54	Strategic Assets	807	-139	-54	-7%
-44	**Strategic Assets Total**	**-4,098**	**-2,865**	**-41**	**1%**
	Traded Services				
500	Traded Services - Central	-408	80	500	122%
0	ICT Service (Education)	-200	-743	0	0%
0	Professional Development Centres	-71	-85	0	0%
0	Cambridgeshire Music	5	547	170	3227%
147	Outdoor Education (includes Grafham Water)	-77	368	147	191%
1,200	Cambridgeshire Catering & Cleaning Services	-449	751	1,220	272%
1,847	**Traded Services Total**	**-1,200**	**919**	**2,037**	**170%**
6,135	**Total**	**-8,797**	**2,892**	**6,758**	**77%**

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 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000	%
Commercial Property Investments	**-4,900**	**-1,450**	**3,450**	**70%**
Commercial Investments is forecasting an underachievement of income of £3.5m at year end. There has been a commercial acquisition of £38m, however the expected income for the remainder of the year has been recalculated on the assumption of no further acquisitions 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. In due course it is anticipated that this budget will deliver to target once sufficient financially appealing opportunities have been secured.				
Shareholder Company Dividends	**-290**	**-459**	**-169**	**-58%**
A total rebate of £459k is due to be received from ESPO, which exceeds the £200k budgeted for income from ESPO. This is partially offset by the budget for a dividend from LGSS Law which will not be received.				
Housing Investment (This Land Company)	**-4,346**	**-1,876**	**2,470**	**57%**
An underachievement of income of £2.4m 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. A bridging loan to This Land has recently been agreed and a construction loan remains subject to negotiation.				
Commercial Activity Financing	**-**	**-900**	**-989**	**0%**
As a result of the pressures reported elsewhere in this section of the Commercial and Investment domain connected to one-off delays in the mobilisation of property acquisitions and loan advances, a review is underway to identify mitigating adjustments that this area can put forward on a one-off basis to offset the position reported until further progress is made. At this stage, favourable changes are anticipated in this way as a result of: • A review of revenue expenditure under the Committee's purview on equipment (the ICT service). This has been funded by a replacement reserve held in revenue, however a case				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000	%
could be made to charge this to capital resources available in 2018-19, in substitution for the revenue reserve, which would then be available to offer up. (£400k) • Apportioning an appropriate element of the reduced costs of borrowing, as a result of the delay in opportunities to invest/loan (£589k)				
Building Maintenance	**1,093**	**1,386**	**293**	**27%**
An overspend of £293k on building maintenance is forecast due to additional unplanned maintenance costs in the year. This work is required to ensure that corporate buildings are compliant with required standards. These are partially offset by underspends in County Offices.				
County Offices	**4,096**	**3,819**	**-277**	**-7%**
County Offices budgets are forecast to underspend by £277k at year-end 2018/19. This is mainly due to the following favourable variances which were first reported during the last financial year: • £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. These are partially offset by some overspends elsewhere in the service.				
Traded Services – Central	**-408**	**92**	**500**	**122%**
Traded services to Schools and Parents is forecasting a £500k pressure. These services were set a stretch target as part of this year's Business Plan in the sum of £500k. This was not allocated to any specific service lines but retained as a general target across all traded services. This target has not been delivered and no plans to achieve have been brought forward either by the services or as a result of the Outcome Focussed Reviews that have taken place. Moving forward, £150k of this target has been removed from the 2019-20 Business Plan – the remaining £350k is being assigned appropriately between the individual traded services.				
Cambridgeshire Music	**5**	**175**	**170**	**3,227%**
Sales predictions for the academic year beginning September 2018 have been lower than initially anticipated. The service is continuing to analyse expenditure and income commitment to further mitigate the current £170k deficit position. The service is also				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000	%
looking at the possibility to develop additional work streams within current staff capacity without increasing overheads. This will be pursued in January once schools return.				
Outdoor Education	**-77**	**70**	**147**	**191%**
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. 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. 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.				
Cambridgeshire Catering & Cleaning Services	**-449**	**771**	**1,220**	**272%**
Cambridgeshire Cleaning and Catering Services has closed, 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 winded down, approximately 33% of SLAs were 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.				

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
Income budget for dividend from LGSS Law transferred to CCC.	-90	October 18
Current Budget 2018/19	**-8,797**	

C&I ANNEX 5 – Reserve Schedule

1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Balance at 31 December 2018	Forecast Balance at 31 March 2019	Notes
	£'000	£'000	£'000	£'000	
Equipment Reserves					
The ICT Service (Education)	680	-654	26	0	1
subtotal	680	-654	26	0	
Other Earmarked Funds					
North Cambridge Academy site demolition costs	468	105	573	573	2
Cambs Music Reserve	84	0	84	0	3
subtotal	552	105	658	573	
Capital Reserves					
General Capital Receipts	0	36,379	36,379	52,590	4
subtotal	0	36,379	36,379	52,590	
TOTAL	**1,232**	**35,830**	**37,062**	**53,163**	

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. The annual reserve agreed by GPC to develop and support the Cambridgeshire Music CREATE program which will look to create new purpose-built accommodation is now being used to offset overspends in year.
4. General Capital Receipts received during 2018/19 will be used to fund the capital programme at year-end, whereas This Land Capital Receipts will be used for Commercial Investment and any balance held over to be used in 2019/20.

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
	Commercial Activity						
76,000	Commercial Investments	76,000	39,463	40,000	(36,000)	100,000	-
43,086	Housing Schemes	85,259	23,126	75,607	(9,652)	148,172	-
119,086		161,259	62,589	115,607	(45,652)	248,172	-
	Property Services						
-	Office Portfolio Rationalisation	184	119	184	-	345	-
600	Building Maintenance	1,471	367	1,471	-	6,290	-
550	Shire Hall Campus	100	10	100	-	4,791	-
1,150		1,755	497	1,755	-	11,426	-
	Strategic Assets						
100	Local Plans Representations	100	-	100	-	618	-
300	County Farms Investment	362	287	362	-	4,820	-
-	Renewable Energy Soham	117	117	117	-	9,994	(87)
100	MAC Joint Highways Project	100	-	100	-	5,198	-
1,919	Community Hubs - East Barnwell	1,919	-	100	(1,819)	1,950	-
-	Shire Hall Relocation	2,506	13	2,506	-	16,606	-
3,330	St Ives Smart Energy Grid	3,330	-	50	(3,280)	3,645	(60)
-	Babraham Smart Energy Grid	54	-	76	22	54	-
-	Trumpington Smart Energy Grid	30	-	25	(5)	30	-
-	Stanground Closed Landfill Energy Project	62	-	62	-	147	-
-	Woodston Closed Landfill Energy Project	43	-	43	-	143	-
-	North Angle Solar Farm	36	-	36	-	36	-
-	Manor Farm, Girton house extension	183	-	183	-	183	-
-	Marwick Centre Roof Repairs	113	-	113	-	113	-
-	Other Committed Projects	-	-	-	-	-	-
5,749		8,955	417	3,873	(5,082)	43,537	(147)

53	Capitalisation of Interest Budget	53	(0)	53	-	-	-
(2,764)	Capital Programme Variations Budget	(33,805)	-	-	33,805	(36,971)	-
123,274	**TOTAL**	**138,217**	**63,503**	**121,288**	**(16,929)**	**266,164**	**(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, Buttsgrove, 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**
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. 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.		
County Farms Investment	**300**	**362**

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
C&I Committee approved carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
Renewable Energy - Soham	**-**	**117**
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**
C&I Committee agreed in November committee as part of a separate report to recommend to 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 (and reduce it for 2019/20).		
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).		

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
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).		
North Angle Solar Farm	**-**	**36**
Commercial and Investment Committee is asked in January committee to recommend to GPC the approval of £36k of additional capital funding in 2018/19 for the North Angle Solar Farm project. This project is to construct a solar farm on 200 acres of rural estate property. It will be funded from prudential borrowing and is expected to generate a substantial revenue return. Additional budget for future years will be dealt with as part of the business planning process.		
Manor Farm, Girton house extension	**-**	**183**
Commercial and Investment Committee in December recommended to GPC the approval of £183k of additional capital funding in 2018/19 for the Manor Farm, Girton House Extension project. GPC agreed the additional funding on the 18th December. This project is to extend the house at Manor Farm, and the tenant has agreed to pay an annual 7% improvement charge on the total cost. This project will be funded from prudential borrowing.		
Marwick Centre Roof Repairs	**-**	**113**
General Purposes Committee in November approved £113k of additional capital funding for roof repairs to the Marwick Centre. The Council owns the freehold of the Marwick Centre in March which is currently occupied by Fenland Area Community Trust (FACET), a registered charity who provide training and day care to adults with learning disabilities. Roof repairs are required to the centre following storm damage but FACET are unable to pay the full cost of the work. At the October Commercial & Investment (C&I) Committee meeting, the C&I Committee approved that in consideration for CCC paying for the roof works of £113,350 plus VAT, FACET will pay back 50% of the costs over the duration of the lease, which has approximately 21 years remaining. The 50% of the costs of the works plus interest will be recovered through an increase in the lease payment by FACET. The CCC insurers recovery team will continue to seek a claim against the original roof contractor. The scheme will be funded by prudential borrowing in the first instance.		

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Capital Programme Variations Budget	**-2,764**	**-33,805**
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. 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.		

3. Reported Amendments - Total Scheme Expenditure Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Babraham Smart Energy Grid	**-**	**54**
As reported above.		
Trumpington Smart Energy Grid	**-**	**30**
As reported above.		
Stanground Closed Landfill Energy Project	**-**	**62**
As reported above.		
Woodston Closed Landfill Energy Project	**-**	**43**
As reported above.		
Renewable Energy – Mere Farm, Soham	**-**	**36**
As reported above.		

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Manor Farm, Girton house extension	**-**	**183**
As reported above.		
Marwick Centre Roof Repairs	**-**	**113**
As reported above.		

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.			
Housing Schemes	**85,259**	**75,607**	**-9,652**
The forecast expenditure on Housing Schemes reflects expected loans to be made to This Land. As with the revenue budget, this reflects the level of progress through the planning system (and therefore the value of loans to be issued). There was an expectation that within the remaining loans to be issued during 2018-19, a loan would be made with respect to overage (uplift in value) for sites that have previously been sold without planning permission. Planning permission has not yet been granted for any of these sites, therefore the revised assumption is that this loan will now not need to be made until 2019-20.			
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			

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
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**
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	44,285	(18,660)
1,759	Grant Funding	1,759	-	(1,759)
260	Developer Contributions	260	-	(260)
42,422	Prudential Borrowing	73,253	77,003	3,750
123,274	**TOTAL**	**138,217**	**121,288**	**(16,929)**

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.		
Office Rationalisation – Prudential Borrowing	**-**	**184**
As reported above.		
Shire Hall Building Maintenance – Prudential Borrowing	**550**	**100**
As reported above.		
Building Maintenance – Prudential Borrowing	**600**	**1,471**
As reported above.		
County Farms Investment – Prudential Borrowing	**300**	**362**

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
As reported above.		
Renewable Energy – Soham – Prudential Borrowing	**-**	**117**
As reported above.		
Shire Hall Relocation – Prudential Borrowing	**-**	**2,506**
As reported above.		
Babraham Smart Energy Grid – Prudential Borrowing	**-**	**54**
As reported above.		
Trumpington Smart Energy Grid – Prudential Borrowing	**-**	**30**
As reported above.		
Stanground Closed Landfill Energy Project – Prudential Borrowing	**-**	**62**
As reported above.		
Woodston Closed Landfill Energy Project – Prudential Borrowing	**-**	**43**
As reported above.		
Renewable Energy – Mere Farm, Soham – Prudential Borrowing	**-**	**36**
As reported above.		
Manor Farm, Girton house extension – Prudential Borrowing	**-**	**183**
As reported above.		
Marwick Centre Roof Repairs – Prudential Borrowing	**-**	**113**

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
As reported above.		
Capital Programme Variations – Prudential Borrowing	**-2,764**	**-17,917**
As reported above. This is the proportion of the variation budget funded by Prudential Borrowing.		
Capital Programme Variations Budget – Capital Receipts	**-**	**-15,888**
As reported above. This is the proportion of the variation budget funded by Capital Receipts.		

3. Reported Amendments - Total Scheme Funding Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
Babraham Smart Energy Grid – Prudential Borrowing	**-**	**54**
As reported above.		
Trumpington Smart Energy Grid – Prudential Borrowing	**-**	**30**
As reported above.		
Stanground Closed Landfill Energy Project – Prudential Borrowing	**-**	**62**
As reported above.		
Woodston Closed Landfill Energy Project – Prudential Borrowing	**-**	**43**
As reported above.		
Renewable Energy – Mere Farm, Soham – Prudential Borrowing	**-**	**36**

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
As reported above.		
Manor Farm, Girton house extension – Prudential Borrowing	**-**	**183**
As reported above.		
Marwick Centre Roof Repairs – Prudential Borrowing	**-**	**113**
As reported above.		

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.			
Housing Schemes – Prudential Borrowing	**85,259**	**71,646**	**-13,613**
As reported above, an underspend of £9.7m is forecast on Housing Schemes. As this budget is funded by prudential borrowing, a -£9.7m variation is being reported against borrowing. In addition, £4.0m of the expenditure on Housing Schemes relates to expenditure on equity in This Land, which is funded from capital receipts. This increases the use of capital receipts funding by £4.0m and reduces the prudential borrowing requirement by this amount.			
Housing Schemes – Capital Receipts	**-**	**3,961**	**3,961**
As reported above, £4.0m of the expenditure on Housing Schemes relates to expenditure on equity in This Land, which is funded from capital receipts.			

Capital Scheme	Current Budget 2018/19 £000	Forecast Outturn Actual £000	Forecast Outturn Variance £000
Community Hubs – East Barnwell – Developer Contributions and Prudential Borrowing	**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 – Grant Funding and Prudential Borrowing	**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.			
General Capital Receipts Funding	**2,833**	**324**	**-2,509**
A revised forecast for General Capital Receipts has been produced based on both expected sales of land in 2018/19 (outside of the This Land sales) and the revised call on the use of capital receipts to fund transformational activity in both People & Communities and Corporate Services (under the Flexible Use of Capital Receipts direction). This has reduced the amount of capital receipts funding available to fund the general C&I programme by £2.5m.			

COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN	Published on 1st February 2019 Updated on 14th February 2019	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
22/02/19	Establishment of a joint venture with the University of Cambridge to develop and market fibre assets on a commercial basis	Noelle Godfrey		13/02/19	14/02/19
	Pooled Property Fund investment	Tom Kelly			
	This Land Non-executive Director nominations	Tom Kelly			
22/03/19	Babraham Smart Energy Grid – IGP Stage 1 update	Cherie Gregoire		13/03/19	14/03/19

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Establishment of a joint venture with the University of Cambridge to develop and market fibre assets on a commercial basis	Noelle Godfrey			
	+Cambridgeshire Outdoors – Update	Victoria Stacey/ Emma Fitch			
	Land acquisitions (phase 2) and loan arrangements with This Land	Tom Kelly	2019/033		
	Commercial Strategy	Amanda Askham	2019/034		
	Mobilising Local Energy Investment – Development of a Transformation Bid	Sheryl French/ Matthew Rathbone			
	Nearly zero energy buildings Policy: Implications for new Public Sector Buildings	Sheryl French/ Sarah Wilkinson			
	Energy Investment Projects: Quarterly finance and progress update	Sheryl French			
	Civic Hub Milestone Update	Andrew Preston			
	+Shire Hall disposal	Chris Malyon	2019/016		
	Closed landfill energy projects (Stanground and Woodston)	Chris Parkin			
26/04/19	ICT future delivery	Zoe Paice/ John Chapman		15/04/19	16/04/19
24/05/19	Smart Energy Grid, Power Purchase Agreement	Sheryl French	2019/027	15/05/19	16/05/19
	St Ives Football club – ransom strip benefit for CCC	John Macmillan			
	Energy Investment Projects: Quarterly finance and progress update	Sheryl French			
21/06/19	Trumpington Park & Ride Smart Energy Grid			12/06/19	13/06/19
	Cambridgeshire Outdoors OFR Stage 3 - recommendations	Victoria Stacey/ Emma Fitch	2019/031		

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
12/07/19				03/07/19	04/07/19
16/08/19				07/08/19	08/08/19
13/09/19	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		04/09/19	05/09/19
18/10/19				09/10/19	10/10/19
22/11/19				13/11/19	14/11/19
13/12/19	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		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	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		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); Property Services OFR (Paul Tadd)

COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

Ref	Subject	Desired Learning Outcome/Success Measures	Date	Responsibility	Attendance by:
1.	Provisional training slot		24th April 2020 (12-3pm)	Tbc	C&I
2.	Provisional training slot		24th January 2020 (10am-1pm)	Tbc	C&I
3.	Provisional training slot		18th October (12-3pm)	Tbc	C&I
4.	Provisional training slot		16th July 2019 (1-4pm)	Tbc	C&I
5.	Commercialisation training (all Members)		26th April 2019 (13:00)	Amanda Askham	All Members
6.	Finance/KPIs		3rd December 2018 (1pm)	Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace	C&I
7.	Commercial Strategy		9th November 2018 (12.30pm)	Amanda Askham	C&I
8.	Members' duties and obligations in considering Promotion Agreements.		2nd November 2018 (12.30pm)	Chris Malyon	C&I
9.	Future Smart Energy Systems Demonstrator Project		18th October 2018 (13.30)	Sheryl French/Emily Bolton	C&I
10.	Finance/Performance Indicators		tbc	Tom Kelly/Ellie Tod	C&I
11.	This Land Performance Workshop		12th March 2018	David Gelling/David Bethell /Chris Malyon/John Macmillan	C&I
12.	Asset & Risk Workshop	• Asset Strategy • CHIC • Risk approach and risk register • Site tenure mix and retention of rental housing • Affordable housing • Community Land Trusts	20th October 2017	Chris Malyon/Stephen Conrad/ David Gelling	C&I
13.	Business Planning Session		15th September 2017	Chris Malyon/ James Wilson	C&I

14.	CHIC Workshop		27th June 2017	Chris Malyon/ David Gelling/ David Bethell/ John Macmillan	C&I
15.	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

Updated 14/02/19