

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 12 July 2019

Time: 10:00-11.45am

Venue: Room 128, Shire Hall, Cambridge

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

In attendance: Councillors S Bywater and P Hudson

Apologies: None

249. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

No apologies for absence or declarations of interest were received.

250. MINUTES OF THE MEETING HELD ON 21 JUNE 2019 AND ACTION LOG

The minutes of the meeting held on 21 June 2019 were approved as a correct record.

The following items were discussed:

Item 162/Older People's Accommodation Strategy – an update had been circulated following publication of the agenda. Members and officers were still working on this issue.

Item 209/This Land shareholder update – a date had not yet been confirmed. Members stressed the importance of this meeting, and the Chairman agreed to contact the Managing Director, stressing the urgency and highlighting the concerns raised by the Committee. **Action required.**

Item 235(2)/officers representing the Cambridgeshire Music Service had been invited to the meeting to explain the significant variance at the end of the financial year. It was noted that Cambridgeshire Music had had a lower level of sales than expected during the 2018/19 financial year and had been unable to flex the overhead, as around 85% of costs were staffing. There has been a balancing act over recent years and until 2018/19, a balanced budget had been achieved. Steps were being taken through the Outcome Focused Review process, looking at the whole structure of Cambridgeshire Music and alternative delivery models. Many schools were now choosing self-employment options, but there were questions nationally as to whether this was compliant with HMRC employment practice. There were also different models operating in Peterborough City and Cambridgeshire County Councils. A lot of time was being spent analysing costs, identifying pressures, and removing turmoil from the Service.

The instrumental tuition element was the main issue as it changed from year to year, with many schools now choosing to take cheaper options. It was noted that Councillors

Hudson and Every, members of the Outcome Focused Review, had visited a number of services recently to see how they operated.

A Member asked if there was a danger of 'mission drift', as fewer schools took up the service, and this was compensated by pursuing more commercial opportunities. Officers reassured Members that they had a very clear idea of the Service's objectives, and this was reinforced by their major funder, Arts Council England. A new National Music Education Plan was being developed, but there was still demand for music lessons – the focus was generally on interventions that impacted on the majority of pupils.

In response to a query about sales in 2018/19, it was noted that organisational income was around £300K (against £776K budgeted), whilst income from individuals stood at around £490K (against £349K budgeted), which gave an indication as to the direction of the music education sector. It was noted that there had been discussions with the Transformation team about assessing social value, but this had not been concluded. A Member suggested that this needed to be completed as a matter of some urgency. It was confirmed that demand had been increasing from individuals, and this income stream could be further grown as long as staff with sufficient competency could be recruited – the recruitment sector for music education was not as robust. However, the Service was cautious about taking on more staff, and there was a discussion around the appetite for risk.

In response to a Member question, it was noted that in terms of timescales, a report on the options appraisal would be presented to the Commercial & Investment Committee in September. A significant piece of work was required to examine the business case, legal and employment models of proposals going forward. By that date, there should also be a better idea of school take up in the coming year. It was likely that Arts Council England would roll over the current grant funding process for another year, given that the outcome of the national studies would not be known until later in the year. Generally, it was likely that school sales would continue to decline, but probably at slower rate. Individual income had the potential to increase but the right employment structure needed to be in place. Additional projects were being put in place to attract more funding, but staffing would need to flex to accommodate change. It was agreed that the report presented to the September meeting would provide the necessary detail on Social Value.

It was noted that the Arts Council England (ACE) grant was around £800K, and funded approximately 50% of the Cambridgeshire Music service.

The Committee sought reassurance that there was a robust process going forward, and officers gave that assurance, and that the work required would be undertaken over the summer.

The Chairman concluded by thanking officers for attending, but observed that when the Service's deficits had been reported in year as part of the Finance & Performance report, it had been suggested that these deficits would be recovered by year end, but those mitigating measures had clearly failed. It was vital that traded services were proactive in keeping the Committee updated in such circumstances.

Item 242(2)/it was confirmed that the next meeting of the Commercial Board would review scaling of contracts/engagement with smaller businesses alongside KPIs.

Item 242(3)/it was confirmed that a report on the Commercial Team would be considered at the September meeting.

Item 244/Babraham Smart Energy Grid (Biomedical campus) – officers confirmed that they had had discussions with Addenbrookes who were interested in a Power Purchase Agreement, and a meeting had been scheduled for the end of July with their chief engineers.

Item 244/Babraham Smart Energy Grid (electric buses) – an update would be circulated to the Committee. **Action required: Cherie Gregoire.**

It was resolved to note the action log.

251. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

252. WATER PROCUREMENT

The Committee received a report on the procurement of water and sewerage services. Members noted that the retail market for non-households was deregulated in 2017, and that Crown Commercial Service (CCS) in conjunction with ESPO (Eastern Shires Purchasing Organisation) and other purchasing organisations had established a framework contract. It had been considered prudent to wait for the market to mature before appointing a supplier.

ESPO had previously suggested that they had plans to run a secondary procurement exercise in the form of a bulk aggregated further competition, but had subsequently advised that they were no longer planning to do this. Ofwat was in the middle of its five yearly Price Review, which would set wholesale prices to 2020 to 2025. This would set the wholesale price limits which accounted for the largest share of the costs.

In addition to potential financial savings, the benefits of appointing water and sewerage supplier would critically include improved water data and customer service. Since margins overall in this market were narrow, the greatest benefits came from cutting water consumption. In response to Member questions, it was noted that existing water data was not great, and only separate bills were available for each site, making analysis and insight difficult. A particular point of interest would be identifying where consumption dramatically increased, indicating a leak.

With regard to ESPO abandoning their plans to run a secondary procurement exercise, no real reason had been given for this. Councillor Bates advised that he and Councillor Howell were the County Council's ESPO representatives, and he undertook to raise this question with ESPO. **Action required.**

There was a discussion regarding the practicalities of staff at smaller sites monitoring water meter readings, and that in practice a corporate resource would be required to undertake this task, at a cost. It was confirmed that this procurement applied to 160 County Council sites, which excluded schools.

Councillor Shellens declared an interest as a former employee of Anglian Water.

In response to a Member question, it was confirmed that water consumption at the majority of sites was insufficient to justify installing data loggers on to meters, and that unlike electricity, there were no “smart meters” for water. However, moving to the proposed procurement option would mean that discussions could take place on better reporting: when entering in to a contract, more frequent meter readings could be stipulated. Billing could also be consolidated so that all sites appeared on one list. It was confirmed that there had been no water consumption campaigns run by the EIU, and that a new contract may open up the option of water efficiency audits by the providers.

It was resolved unanimously to:

Proceed with a water services procurement in early 2020 (Option B from this report) using ‘Lot 3’ of the CCS framework contract with a 3-year term including the option of a further 1-year extension.

253. ELECTRICITY PROCUREMENT FOR 2020-2024

The Committee considered a report on the strategy for the procurement of an electricity supply contract for 2020 to 2024.

Both the County Council and Peterborough City Council were significant consumers of electricity, for their buildings, street lighting, traffic signals, etc. The current cost was around £6.2M per annum (excluding schools) for the two Councils combined, Cambridgeshire’s share being around £3.4M. Cambridgeshire’s current electricity contract would expire on 30/09/2020, and two options to purchase through a purchasing body, either ESPO or Crown Commercial Services (CCS) were being considered. This approach represented good value for money, and not using a purchasing body would be incredibly difficult, costly and risky. Electricity markets were very complex and trading directly would be undesirable. The current electricity provider was Total’s ‘Pure Green’ electricity tariff, which gives the Council zero net greenhouse gas emissions for electricity for a small additional cost, in line with the Council’s Corporate Energy Strategy and the Environment Motion passed by full Council in May 2019.

Having compared the ESPO and CCS options, the joint officer working group had concluded that ESPO offer the better value option, so it was recommended that the renewed electricity supply contract for 2020-2024 was with ESPO.

Arising from the report:

- A Member queried why the energy costs were unknown for both ESPO and CCS. Officers explained that electricity markets fluctuate constantly, due to wholesale energy markets and non-commodity costs, e.g. charges for transmission and distribution. Whilst the Council had no influence over wholesale markets, traders in purchasing organisations could achieve the best prices;
- Members noted that the County Council and Peterborough City Council were both members of ESPO, but Peterborough were currently using CCS. Peterborough had agreed to move over to ESPO and synchronise the contractual timeline with Cambridgeshire;

- Members noted the focus on reducing consumption and introducing energy efficiency measures;
- A Member observed that Cambridgeshire and Peterborough collectively generate more electricity (from Cambridgeshire's Solar Farm and Peterborough's Energy Recovery Facility) than they consume. Officers explained that because these sites were in different physical locations to where the electricity was consumed, it had to go through the Grid, which had costs. The possibility of the Council selling electricity to itself had been explored in depth, but for the majority of consumption this could not be done directly, it had to go through the Grid. Therefore the strategy for the next four years was to buy at the best possible price, and sell at the best possible price, optimising against the sets of parameters on both sides.

The Chairman thanked officers for both this and the Water Procurement report, commenting that it was refreshing to see both reports, helping the Committee meet its objective on savings as well as income.

It was resolved unanimously to:

- a) Approve renewing Cambridgeshire County Council's electricity supply contract for 2020-2024 with ESPO.

254. CAMBRIDGESHIRE OUTDOORS

Members considered the conclusions and recommendations following completion of the Outcome Focused Review (OFR) process of the Cambridgeshire Outdoors service. The Chairman reminded Members that the appendices were confidential, and that the Committee would need to move in to confidential session if Members wished to discuss the detail of those appendices.

Introducing the report, Councillor Bywater reminded Members of the different options for the Council's three Outdoor Centres previously explored by the Committee. Whilst the Outdoor Centres would never generate significant income, other aspects of the services provided needed to be considered, including the Social Value of this service. The proposed solution would reduce subsidies, with a potential for creating a surplus position, and upskilling existing staff. The value that the Centres gave in terms of the County Council's outcomes, including Public Health, children with disabilities and Looked After Children were noted.

Arising from the report:

- A Member thanked Councillor Bywater for sight of previous drafts of the Cambridgeshire Outdoors OFR reports. She queried the objective of upskilling existing staff, but noted that the Business Improvement Plan only referred to staff models and not staff development. She also queried the Value For Money and Unique Selling Point aspects of the Business Improvement Plan. In response, it was noted that the Working Group would be looking at those areas;

- In response to a Member question about the wide divergence in costs for residential courses, Members were advised that this was dependent on what was being offered e.g. water sports had a higher cost. The key point was to ensure that all Centres offered affordable day and residential opportunities.
- A Member stressed the importance of assessing Social Value;
- A Member suggested that the governance of this Outcome Focused Review should remain with the Commercial & Investment Committee rather than CYP Committee. Following discussion, especially on the Social Value aspects, it was agreed that future governance should be through the CYP Committee;
- Members discussed how the different scenarios in the appendices would result in a surplus position as more efficiency savings were achieved.

Councillor Bywater paid tribute to officers for all their hard work on this matter, and his comments were echoed by the Chairman.

It was resolved unanimously to note the research, options appraisal and conclusion of the OFR process and approve the officers' recommendation to:

- a) Retain the three Outdoor Centres recognising that short term subsidies will be required in order to continue to deliver the positive outcomes for our young people;
- b) Approve the next phase of work and set up governance arrangements as described in paragraph 4.1, to be overseen by Children and Young People Committee (CYP); and
- c) Agree that officers should develop a business improvement plan in line with the governance arrangements above and to deliver the efficiency savings as part of the ongoing improvements to the Centres (described in paragraph 2.8 and Appendices 3 and 4 of the report).

255. INVESTMENT GRADE PROPOSAL (IGP) STAGE 1 UPDATE ON THE DEVELOPMENT OF THE NORTH ANGLE SOLAR FARM

The Committee considered an update on Stage 1 of the Investment Grade Proposal development process for this project and seek approval to proceed to Stages 2-3. The report outlined progress made on the site, previously known as Mere Farm, and sought approval to continue with the project. It was acknowledged that Phase 1 not complete e.g. the seasonal survey work needed to be done. A Grid connection option been secured with UK Power Networks (UKPN), but the indicative cost was higher than originally forecast. Pre-application Planning advice had been sought, and the potential issues around a full Environmental Impact Assessment (EIA) were noted: a similar project adjacent to the site did not need an EIA, but the quantum of the projects in this area may result in an EIA being required.

It was confirmed that the planning application would be dealt with under Regulation 3 i.e. it would be dealt with by the County Council's own Planning Committee. Joint Interim Assistant Director (Environment and Commercial) advised that the County's Planning team were working with East Cambridgeshire District Council colleagues, and looking to source an officer to second to the project. With regard to the EIA, there was a strong recommendation from Historical England, and also the Council's own Historical Environmental team, so a precautionary approach would probably be taken on Historical Environment and Landscape issues. Acknowledging these points, the Chairman commented that scoping of any EIA would be important.

Noting that progress had not been as advanced as anticipated, that capital costs had increased by £5M, and that there were still potential issues around the Grid connection, a Member suggested that the third report recommendation be amended, to approve progress *subject to consideration by the Energy Investment Programme Member Working Group*.

It was resolved unanimously to:

- a) note the findings of the Stage 1 work; and
- b) note the risks around grid connection costs; and
- c) approve the progression to Stage 2 and 3 of the Investment Grade Proposal (IGP) development, subject to consideration by the Energy Investment Programme Member Working Group.

256. SECOND QUARTERLY MONITORING REPORT, MOBILISING LOCAL ENERGY INVESTMENT

The Committee considered the second quarterly monitoring reporting on the four energy investment programmes.

The Energy Efficiency Fund was a four year fund with the funding needing to be spent by March 2020. Due to some delay in delivering LED lighting projects, it was unlikely to meet this deadline. 25 projects had been scoped and quoted but were on hold pending approval from the Cambs 2020 Board, who requested the delay in order to complete the 'Spokes' work before deciding which priorities to invest in. The Committee was therefore asked to approve a one year extension.

The Environment Motion was made at full Council in May, and acceptance that the Council was facing a climate and environmental emergency. There were also legislative requirements, e.g. new buildings not being connected to gas network. To date most the most cost effective mechanism of replacing boilers in schools has been more efficient gas boilers. Work has commenced with Comberton Village College to pilot a ground source heat pump. The challenge was the business case and how it would work for schools: schools may not want ownership of those assets, the asset may need to be owned by the Council and the heat sold back to the school. It was confirmed that this would be on a lease agreement, not as an energy provider, but the regulation of the Heat industry was changing so tighter controls were anticipated. There was a discussion on the vision for community based ground source heat pumps based at schools.

The development of a Smart Energy Grid project Trumpington Park & Ride (P&R) had been delayed, as the Greater Cambridge Partnership were looking to develop a second P&R site on the western side of the M11 agreed. Additionally, the existing Park & Ride site was identified as a potential development site in the forthcoming Cambridge City/South Cambridgeshire Local Plan, although it was clarified that this was very much a long term possibility. A Member commented that the long term nature of this proposal should be made clear in reports.

It was unanimously resolved to:

- a) approve the second quarterly report;
- b) note the key challenges and risks delivering the programmes;
- c) approve a one year extension to the Energy Efficiency Fund as set out in paragraph 2.3 of the report.

257. FINANCE AND PERFORMANCE REPORT – MAY 2019

The Committee considered a report on the financial and performance information relating to the areas within the Commercial and Investment Committee's remit, for the period ending 31st May 2019.

At the end of the period, an overspend of £626K was forecast on revenue budgets. There was one significant forecast outturn variance by value, which related to an underachievement of income of £475K on Housing Investment. This related to interest received on loans made to This Land, resulting from delays in issuing further loans.

The Capital budget was currently forecasting a balanced position. The Committee was asked to recommend to General Purposes Committee for approval the carry forward of funding from 2018/19 to 2019/20, for a number of schemes.

It was noted that references to 2018/19 in the graph at 2.1 in the appendix should read 2019/20.

It was noted that Key Performance Indicators had been developed for the Committee, in line with the development of the Commercial Strategy. However, the mechanism for reporting these was being reviewed across the Council. The July Finance and Performance report reported to Committee in September should include the first quarter's performance.

In response to Member questions, it was confirmed that:

- two major property acquisitions had been completed, and three other were in the pipeline;
- the £88K variance for Outdoor Education related to Grafham Water.

It was resolved unanimously to:

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

- 2) recommend to the General Purposes Committee for approval the changes to the capital programme budgets from the 2019-20 Business Plan as summarised in Section 3.5 of Appendix A of the report.

258. COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN AND TRAINING PLAN

Members considered the Agenda Plan, including a number of change since publication, and the Training Plan. It was agreed to cancel the provisional Committee training session scheduled for 16th July, and also cancel the Committee meeting scheduled for 16th August.

It was resolved to note the agenda plan and training plan.

Chairman