

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 26 April 2019

Time: 10:00-12.35

Venue: Kreis Viersen Room, Shire Hall, Cambridge

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

In attendance: Councillor P Hudson

Apologies: Councillor Jenkins (Cllr Nethsingha substituting) and Shellens

218. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were presented on behalf of Councillors Jenkins (Councillor Nethsingha substituting) and Shellens.

Councillor Schumann declared a non-pecuniary interest in item 225 as a Trustee of the charity Viva.

219. MINUTES OF THE MEETINGS HELD ON 22 MARCH 2019 AND ACTION LOG

The minutes of the meeting held on 22nd March 2019 were approved as a correct record.

With regard to the Older People's Accommodation Strategy Working Group, a Member expressed concern that there had been no progress on this issue to date, and it was agreed that it should be kept on the Action Log until the Working Group was up and running.

It was resolved to note the Action Log.

220. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

221. COMMERCIAL STRATEGY

The Committee considered a report which gave an overview of the proposed Commercial Strategy for 2019-21.

Members were reminded that at the previous Committee, a number of changes had been requested. One of those changes was to reflect that the Committee would monitor its Key Performance Indicators (KPIs) through the regular Finance and Performance Reports. Each of the three commercial themes would have its own annual action plan with associated objectives, targets and KPIs.

Arising from the report:

- a Member thanked officers for adding in a section defining Social Value, but noted that it was still a complex matter. Officers indicated that they were happy to go through examples of Social Value with Members;
- a Member was pleased to note that the axes of the 'Opportunity Appraisal Framework' graph had been labelled, but commented that they would welcome further guidance on what the graph represented. Officers explained that the size of the circles represented the size of the opportunity i.e. the intention was to stop being diverted by smaller opportunities. Whilst the objective was for high impact, easily implementable projects, this needed to balance against risks. The Opportunity Appraisal Framework would be explored further at the Commercial Training session;
- in response to a Member comment, it was acknowledged that the Commercial Strategy was a "work in progress" and further reports needed to be presented to the Committee on the commercial workstreams being developed, and their associated action plans and delivery plans.

There was a discussion on the dependency issue, i.e. ensuring the Council was not dependent on commercial services for its frontline services, and was not in the position of some other authorities which had been criticised for their reliance on commercial investment strategies. It was noted that this would be monitored through both the KPIs and in the development of commercial workstreams. It was reiterated that timescales would be identified for delivery of those workstreams, and a full action plan would be developed and reported back to Committee Members. **Action required.**

It was noted that the local government family had resisted intervention from central government on being too prescriptive about commercial investment opportunities. Members were reassured that the Council was funding investments through capital receipts, i.e. it was not borrowing to invest, so the investment did not have the additional risk of the cost of borrowing increasing. However, the government was looking at regulations and it was expected that those regulations would become more robust.

It was confirmed the Committee would be involved in reviewing Business Cases for commercial proposals, and Local Members would be informed of any implications in their divisions, but would not be the decision makers.

It was resolved to:

accept the revision made to the Strategy following comments received at the Committee of the 22nd March and endorse and recommend to full Council to agree the Commercial Strategy 2019-2021.

222. LEASE EXTENSION FOR THE SCOUT ASSOCIATION TRUST CORPORATION

Members considered a report on the request for a lease extension by the Scout Association. This related to a Scout Hut in the grounds of Newnham Croft Primary School, which was also used by the School and other organisations.

The proposal included an increase in rent from £100 to £250 pa. It was confirmed that the liability for the Scout Hut sat with the tenant i.e. the Scout Association, who were responsible for the upkeep of the Scout Hut. A new Landlord's Break Clause was included within the Lease, on six months' notice, should the adjacent School require the space for expansion.

Speaking as the Local Member, Councillor Nethsingha supported the proposal. It was noted that the existing structure was reaching the end of its life, and the Scout Association sought to fundraise for a new structure, but were seeking a longer term lease for this investment to be worthwhile.

Officers advised that more generally, the issue of the lack of corporate visibility regarding loans had been raised, and there would be a review of the reporting of grants, loans and disposal of assets at less than best consideration, which would be brought together in a single register.

In response to a Member question, it was confirmed that the contract included protection for the Scout Association i.e. compensation if the Council sought to end the lease soon after the new Scout Hut was built. If the Committee agreed with the report recommendations, the existing lease would be surrendered and the new lease would take effect. It was noted that if the School became an academy, the lease could be transferred, as the site was within the curtilage of school. It was noted that more generally, the issues around the lease and land transfer were dependent on the type of the School (e.g. Voluntary Controlled).

It was resolved unanimously to approve the 100 year Lease Extension, taking the existing Lease to 2131, subject to the following Conditions:

1. Tenant to pay Landlord's reasonable Legal Costs in dealing with the Extension, as well as their own;
2. Tenant to ensure the Lease extension is registered with the Land Registry;
3. A new Landlord's Break Clause to be included within the Lease, on 6 months' notice, should the Freehold be redeveloped or disposed of by Cambridgeshire County Council;
4. A new Landlord's Break Clause to be included within the Lease, on 6 months' notice, should the adjacent School, Newnham Croft Primary, require the space for expansion;
5. All other Lease Terms, save Rent, to remain the same. The Rent to increase to £250 pa (from £100pa), with Rent Reviews on every 5th Anniversary on an RPI Basis.

223. MOBILISING LOCAL ENERGY INVESTMENT - DEVELOPMENT OF A TRANSFORMATION BID

The Committee considered a report on a proposal for a Transformation Fund bid to support the work of the Energy Investment Unit (EIU) until March 2022.

The EIU had originally been funded through an Intelligent Energy Europe Grant (2013-2015) and staffed by 2.3 FTE (full time equivalent) officers. When the EU funding finished in 2015, both Economy & Environment Committee and General Purposes Committee agreed that work done under the MLEI project on schools and corporate buildings would continue, and in addition focus on developing larger projects that would

generate revenues for the Council. £8.7M had subsequently been secured for schools, in addition to a number of responsibilities and investments developed by the EIU, and the team now comprised 3.8 members of staff. The whole electricity and energy sectors were going through significant changes, particularly power infrastructure, and it was an important time to be involved in that process, helping to shape the future for communities in terms of a low carbon future. The proposed use of a Transformation Fund bid would give flexibility and capacity to the team in delivering the Council's ambitions.

Arising from the report:

- it was suggested that more explanation was required on how the team would be financed, and what the risks were;
- Members noted that the £374K pa funding requirement up until March 2022 (for EIU mobilisation for school schemes, energy projects and investment deficit) included the average annual income of £155K i.e. the funding requirement was the difference (£219K). Whilst the team secured numerous savings and benefits, the bulk of benefits for School schemes went directly to schools, and a number of schemes in the early phases were incurring costs but not income. It was suggested that the funding requirements and income needed to be explained more clearly in the report to General Purposes Committee (GPC);
- a Member commented that contrary to the 'Resource Implications' listed in the report, there were resource implications because there was an opportunity cost of using the Revenue Reserves;
- Members noted that the "collaborations with Peterborough" referred to in the report referred to the shared corporate energy strategy, and it was agreed that more information was required on this point;
- suggested that the report to GPC should also include more information in a tabular format explaining how payback works;
- a Member queried the detail behind the figures provided, and it was noted that exact costs would be forthcoming: for some schemes, these related to an apportionment of staff time;
- Members agreed that long term funding arrangements i.e. post-March 2022 should not be considered at this stage, noting that most transformation bid applications did not look at that type of timeframe.

It was resolved unanimously to:

- a) support the Transformation Bid proposal of £989,000 for financing the Energy Investment Unit up to March 2022
- b) support the submission of a Transformation Bid proposal to General Purposes Committee for decision; and

- c) comment on suggested funding arrangements proposed in paragraph 4.8 of the report for the Energy Investment Unit post-March 2022.

224. FINANCE AND PERFORMANCE REPORT – FEBRUARY 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 28th February 2019.

At the end of the period, an underachievement of income of £6.5M was forecast on revenue budgets, due to changes in the forecast for Commercial Activity. There were two new significant forecast outturn variance by value, which related to Property Investments & Other Income (due to additional external funding not expected to be realised) and an increase in revenue expenditure on equipment replacement in the ICT Service (Education).

The Capital budget was forecasting an underspend of £17.8M. An in-year underspend of £435K was forecast on the Shire Hall relocation scheme, which was not required in 2018-19 but would be in future years when building work was underway. There was also a £500K Capital overspend forecast on Education ICT Server replacement. A replacement reserve for this equipment had previously been held in Revenue, but would now be funded from Capital expenditure in order to release the equipment reserve as an in-year saving to Commercial Activity financing.

It was resolved to:

review, note and comment on the report.

225. ESTATES AND BUILDING MAINTENANCE INSPECTIONS

The Committee considered a report on the inspection programme for buildings occupied or leased by the County Council. Members were reminded that they had considered a report in September 2018 on the existing inspection regime. Subsequently, the Audit & Accounts Committee had received reports on all property assets, inspections, leases and associated issues.

Arising from the report:

- a Member commented that a number of the assets listed, specifically farms, did not have the location, just a number. The Member commented that she had previously asked for this information to be provided;
- noted that there would be a further update to the Audit & Accounts Committee in May, and annual reports thereafter. Not all work had been completed i.e. on the Asset Register but the Committee would be kept updated.

A Member asked where responsibility lay for monitoring these matters, given that two Committees were currently involved in this process. Officers commented that the

exercise had exemplified that there was not a strategic overview for property within the Council. Whilst some assets were dealt with by the centralised corporate property function, the full picture was more fragmented, as that team did not deal with assets relating to Schools or Highways. It was acknowledged that this had been a challenging process but it had highlighted key weakness in the Council's management of its assets. It was confirmed that Commercial & Investment Committee was responsible for assets in their entirety, whilst other Service Committees managed how those assets were used. A comprehensive corporate overview of the Council's assets was required, which listed responsibility for those assets. This was not in place yet, but there was an Action Plan, and it was agreed that the Action Plan and related KPIs and timescales could be brought to a future meeting. **Action required.**

Speaking as Vice Chairman of Audit & Accounts Committee, Councillor Rogers paid tribute to the work of the Members of that Committee, and in particular the work of Councillor Hudson, in raising these issues.

It was resolved to:

note the contents of the report first presented to Audit and Accounts Committee on 28th March 2019.

226. LOANS TO THIRD PARTY NOT-FOR-PROFIT ORGANISATIONS - ANNUAL REPORT

The Committee considered a report on funds advanced as lending to third party, not for profit organisations in the year ending 31 March 2019. Members were reminded that they had approved a Policy on this matter in 2018, and had requested that a report be presented annually to the Committee detailing current loans.

Members welcomed the report, but suggested that loans not yet activated should also be included in the table, rather than being included as footnotes, with a note explaining that they had not yet been drawn down.

In response to a Member question, it was confirmed that the long term loans (Arthur Rank Hospice Charity and Wisbech Town Council) were fixed rate loans, to provide certainty.

It was resolved to note and comment on the report.

227. AGENDA PLAN

Members considered the Committee's Agenda Plan.

Members noted the following change:

- Hinchingsbrooke Country Park – addition to May meeting
- Commercial Strategy workstreams – addition to June Meeting
- Smart Energy Grid item – move from May to July meeting.

It was resolved to:

- a) note the Agenda Plan.

228. EXCLUSION OF PRESS AND PUBLIC

It was resolved unanimously 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).

229. ESTABLISHMENT OF A JOINT VENTURE WITH THE UNIVERSITY OF CAMBRIDGE TO DEVELOP AND MARKET FIBRE ASSETS ON A COMMERCIAL BASIS - APPROVAL TO PROCEED

The Committee considered a report which sought approval to establish a Joint Venture Company with the University of Cambridge, to further develop digital infrastructure across the county. Members had given in principle support at the February Committee meeting, subject to the presentation of a more detailed business case.

It was resolved unanimously to:

- a) Approve the creation of a joint venture company, to be known as Light Blue Fibre, between the Council and the University of Cambridge;
- b) Approve the Council's investment of £40k as equity share capital in two annual tranches from May 2019;
- c) Delegate to the Deputy Chief Executive in consultation with the Chair of the Committee authority to finalise the detailed wording of the business plan, shareholders agreement and articles of association for the joint venture organisation, in accordance with the terms and principles set out in the report.

230. DISPOSAL OF SHIRE HALL

Members considered a report which set out a number of recommendations following the work of the Commercial & Investment Working Group on the issue of the Shire Hall disposal.

It was resolved to approve the report recommendations, as amended.

Chairman