

## Commercial and Investment Committee: Minutes

Date: 19 March 2021

Time: 10:00am – 12:50pm

Venue: Virtual Meeting

Present: Councillors M Goldsack (Chairman), C Boden (Vice-Chairman), I Bates, J Gowing, D Jenkins, L Jones, P McDonald, T Rogers and T Wotherspoon

Also present: Councillor M Shellens

### 406. Apologies for absence and Declarations of interest

There were no apologies for absence.

Councillor Wotherspoon declared a non-pecuniary interest as a member of the Greater Cambridge Partnership Joint Local Planning Advisory Group, in relation to the Cambridge Biomedical Campus item.

Councillor Gowing declared a non-pecuniary interest as a member of the County Council's Planning Committee, which had considered the planning application in relation to Cambridge Registry Office.

### 407. Minutes of the meeting held on 19th February 2021 and Action Log

The minutes of the meeting held on 19<sup>th</sup> February 2021 were agreed as a correct record.

### 408. Action Log

Item 307 - Business case review as part of the Shire Hall disposal – it was confirmed that a summary would be brought back to the Committee at its first meeting following the elections in May.

Item 322 Construction of Northstowe Heritage Centre – the Democratic Services Officer agreed to follow this matter up and email all current Committee Members regarding progress. Action required.

The Action Log was noted.

### 409. Petitions or Public Questions

There were no petitions or public questions.

#### 410. Clean electricity supply for Swaffham Prior Community Heat Project via Private Wire from North Angle Solar Farm

The Committee considered a report that considered how to supply clean electricity from North Angle Solar Farm (NASF) to Swaffham Prior Community Heat Project (SPCHP) via a Private Wire.

Officers gave the background to these two projects, and explained that both NASF and SPCHP must connect to the local electricity distribution network at the same point, Burwell Local substation. It was essential for both projects to connect to the distribution network: for NASF, it enabled the project to sell clean electricity wholesale into the market via the distribution network, and for SPCHP to access electricity supplies for the heat pumps at the energy centre when the NASF was not generating sufficient supplies e.g. at night or during peak winter. The geography of the two sites in terms of their proximity was highlighted. The distribution network was managed by UK Power Networks (UKPN), and Burwell Local substation linked in to the National Grid.

Officers had been working with UKPN, and the report set out two options. Under Option A, both UKPN and an Independent Connections Provider (ICP) deliver the cable route and connection to Burwell Local using statutory undertaker powers. The cable route would subsequently be adopted by UKPN, who could then connect other projects to the cable route.

The preferred option, Option B, involved a private wire solution. A private wire was proposed that connected NASF and SPCHP, allowing NASF to directly supply electricity to SPCHP. SPCHP required approximately 5% of the total generation at NASF with the balance being fed into the distribution network via a private substation connection and sold at wholesale price. As the owner of the private wire, the Council must then take on maintenance responsibilities for the private wire. The economic reasons behind the preference for Option B were explained, as well as the challenges. Officers were working with Rural Estates colleagues to estimate the costs of the required works and identify a piece of land that was suitable to host a private substation.

One Member commented that she was very supportive of this interesting project, which fitted in with the Council's Climate Change agenda and moving to net zero carbon. She queried whether this process would be replicable at other locations, as Swaffham Prior was essentially a demonstrator project. Officers explained that if there was an energy demand, the principle of identifying a local site which was generating with a view to setting up a private wire could be replicated elsewhere in the county. It was acknowledged that it was helpful to have two Council projects, North Angle and Swaffham Prior, running concurrently and in geographic proximity, but there would be opportunities to seek linkages with projects elsewhere in the county.

With regard to costs, a Member asked how confident officers were that the costs of Option B would be significantly below those for Option A? Officers advised that in

discussion with Bouygues, Option B would be cheaper in terms of physical delivery – the unknowns currently were where the land for the substation was located and what that could cost – it would clearly be considerably cheaper if it was sited on land which the County Council already owned. Easements were the other challenge. Three different routes were being considered, so there was no compulsion to follow a specific route.

A Member asked if there were any “showstoppers” to the proposals, especially in terms of the maintenance and liability of the private wire, and the locality of the substation. It was reiterated that officers in Rural Estates were trying to identify a suitable location for the substation, but it was not anticipated that this would be an issue. With regard to the maintenance and liability of the private wire, there would be a maintenance contract for the cable, so if there was a problem, it would be addressed quickly. Cables were laid at a depth of around 1.2 metres, so there was no expectation of significant maintenance liabilities. The procurement for the maintenance of the cable would be specified through Bouygues, who could provide the technical support. It was not possible to estimate the costs for the maintenance contract at this stage but these should be reasonable.

A Member sought reassurance that this item related to the private wire between the locations specified, and did not cover any future spurs e.g. to industrial estates or other locations, which may occur in future. Officers confirmed that this was the case, and any additional spurs would need to come back to Committee for consideration on their own merits. The Chairman agreed, and commented that there was possible future potential for schools, businesses, etc, but this would need to come back to Committee. It was also agreed that future reports on the private wire would provide the detailed cost and benefit data. It was acknowledged that much of this information was within the detail of reports presented previously on the NASF and SWCHP projects to both Commercial & Investment and Environment & Sustainability Committees, but for both Members and the public, it would be helpful to have this information summarised.

It was resolved unanimously to:

- (i) confirm support for Option B, a private wire solution connecting North Angle Solar Farm, Swaffham Prior Community Heat Network and the Burwell Local substation as set out in paragraphs 2.4-2.7 and its implementation as set out in the next steps under section 4.0.
- (ii) delegate the implementation decisions on Option B to the Executive Director Place and Economy and Chief Finance Officer in consultation with the Chair of Committee and the Energy Investment Working Group, providing these decisions fit within the investment cases approved for both projects.
- (iii) note the private wire connection risks and opportunities set out under sections 3.0 and 6.0

## 411. Infrastructure Fund(s) Selection

Members considered a report which sought to further diversify the Council's treasury investment portfolio through relevant Green Infrastructure and Clean Energy funds. The report set out the merits of investing in four shortlisted funds.

Officers gave the background behind the proposed investments, including the process which had led to Arlingclose being appointed in November 2020 as investment advisors. The type of investments proposed were detailed, including those elements which were invested in natural gas, and the rationale behind their inclusion. In terms of performance over the last twelve months, there had been a higher degree of correlation between the funds than would usually be expected, due to the Covid-19 pandemic, but greater diversification was expected once markets normalised. Fund A was proposed as the primary investment, with Funds C and D providing diversification.

Arising from the report:

- A Member queried what was meant by "likely ESG criteria". He asked whether officers had consulted with the Council's Pension Fund colleagues with regard to ESG policy. Officers confirmed that there was no specific ESG policy, but the intention was to develop a policy with clear definitions. It was confirmed that there had been discussions with Pension Fund colleagues, who had a great deal of experience in these matters;
- Noting that there was a 9.7% probability of ESG 'contamination' within the two funds, a Member asked officers if they considered that to be high? It was noted that the Cambridgeshire Pension Fund had exposure to fossil fuels of around 1.5% across investments of approximately £3.6Bn. Officers commented that across the totality of Council's treasury funds, overall exposure to companies involved in fossil fuels stood at approximately 1-2%;
- A Member observed that the carbon investment was effectively a bridging arrangement, and there would be opportunity through treasury management to divest of non-green investment. Officers confirmed that the investment funds proposed were relatively green, but were not zero carbon, and that achieving zero carbon at this stage would result in reduced returns. If, following investment, the Committee was dissatisfied with the direction of the fund in terms of ongoing divestment from non-green sources by the Fund managers, it could choose to reinvest elsewhere;
- One Member felt that the balance suggested by officers was the correct one. He cautioned against chasing yield. He felt excluding Funds C and D would result in a lack of diversification, noting that Fund D providing significant risk mitigation through diversification. He stressed that the Council needed to strike a balance between Council policies on fossil fuels and getting the best returns on assets. He also observed that all four funds were deemed to be "clean" funds;
- A Member observed that there had been great focus on clean energy, defined as sources which do not pollute, and natural gas was 'clean' in this regard. However, 'Green', whilst being an all-encompassing and imprecise term, related to the generation of energy which did not result in carbon production, which excluded natural gas. In this regard, the consideration of ESG was fundamental, and this was why the Council had declared a climate emergency. For this reason he rejected Fund D and suggested that the Council's advisors be asked to come back with a green

investment portfolio and not proposals which compromised this fundamental principle. Another Member supported these comments;

Members discussed the competing imperatives of reducing carbon emissions balanced with fiduciary duty. A number of Members highlighted that there was no investment in new exploration opportunities for oil/gas in the funds proposed, and there was a longer term ambition in Fund D to reduce investments in fossil fuels. It was suggested that an additional recommendation be added to request a report back to Committee on Fund D every six months, to ensure from a stewardship perspective that the Fund was progressing toward ESG recognition.

Officers confirmed that there were already quarterly reviews of all treasury management investments.

Arlingclose representatives were invited to comment. They confirmed that assets in the investment portfolio were monitored on a regular basis. It was noted that because these were infrastructure funds, there were unlikely to be any significant changes to the underlying asset allocation in the short to medium term, i.e. within six months, the composition was unlikely to change significantly. These issues could be raised directly with the Fund Manager. One Member suggested that this indicated that the Committee should refrain from investing in Fund D until it was consistent with the Council's climate emergency policies, and seek to invest elsewhere.

An officer commented that the Independent Commission on Climate Change interim report had recently been published, and this had highlighted that Cambridgeshire had carbon emissions which were over 20% higher than the average UK county.

Another officer urged caution against setting preconditions at this stage, favouring active monitoring by the investment group.

A Member commented that much pressure could be brought to bear from a stewardship perspective if the Council was invested in Fund D. Regular monitoring and questions on ESG matters would put pressure on the Fund manager to divest.

In response to a Member question, it was confirmed that Fund D totalled £775M, and the planned investment by Cambridgeshire was £4M. A Member suggested that although the investment was relatively small, it would be recognised that the Council had influence with peer authorities and public sector colleagues.

The Chairman thanked officers and Arlingclose representatives for their informative contributions.

It was resolved unanimously to:

- (i) Note the contents of this report;
- (ii) Endorse the diversification of the treasury investments into Infrastructure Funds;
- (iii) Consider its view on the acceptability of the volatility and sector exposure of Fund D, in particular, as detailed in section 3.2 and 6.3 of the report;

It was resolved, by a majority, to:

- (iv) Endorse the deployment of investment funds across Fund A, Fund C and Fund D, according with section 6.2 and 6.4, noting that the Chief Finance Officer will determine the exact timing and distribution of funds pursuant to the treasury management strategy;
- (v) Request a report back to Committee on Fund D every six months.

#### 412. Finance Monitoring Report – January 2021

The Committee considered the financial monitoring report for the period ending 31<sup>st</sup> January 2021.

A shortfall had been forecast on income of £2.9M, a slight increase from the previous forecast of £2.6M. This related to small changes across a wide range of items including:

- Property investment budget: resulting from more work undertaken on the expected occupancy for Brunswick House;
- Contract efficiencies impacted by Covid: an E-learning module expected to be sold this year had slipped into next year;
- Investment fund: a 23% reduction on the annual return from the CCLA fund, and a reduced income forecast from the Multi-Class Credit fund;
- Property Services pressures, including building maintenance projects, and also a pressure on lease car costs.

The underspend on Capital budgets had increased from £14.7M to £24.7M, and the reasons were outlined, which mainly related to timing as the Council approached its financial year end.

Noting that County Farms forecasting zero variance at year end, a Member queried if the recent vacancy at Manor Farm had impacted on this. Officers agreed to follow up on this. Action required.

It was resolved to review and comment on the report.

#### 413. Commercial and Investment Committee Agenda Plan

The Committee noted its agenda plan.

It was noted that the April meeting would be cancelled.

#### 414. Exclusion of the Press and Public

It was resolved by a majority to exclude the press and public on the grounds that the following reports contain 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 in discussion as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 415. Cambridge Biomedical Campus

The Committee considered a report relating to the Cambridge Biomedical Campus.

It was resolved to:

- (i) Agree the report recommendations, as amended.

#### 416. Spokes: Cambridge Registry Office/Huntingdon Youth Centre

The Committee considered a report requesting approval to continue with tender award of construction works for the Cambridge Registry Office (Roger Ascham site) and Huntingdon Youth Centre.

It was resolved unanimously to:

- (ii) Note the estimated construction costs for the Roger Ascham project;
- (iii) Approve the planned tender award and delegate to the Chief Finance Officer, in consultation with the Chair / Vice Chair of the Committee, approval of the final award;
- (iv) Note the estimated construction costs for the Huntingdon Youth Centre project;
- (v) Approve the planned tender award and delegate to the Chief Finance Officer, in consultation with the Chair / Vice Chair of the Committee, approval of the final award.

As it was likely to be the last meeting, the Chairman thanked both Committee Members and officers for their support. He commented that it had been a pleasure to serve as Chairman since May 2020, and the Committee had made some very good decisions in that time.

Chairman