

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 22 February 2019

Time: 10:10-11.25am

Venue: Kreis Viersen Room, Shire Hall, Cambridge

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

Apologies: Councillor L Nethsingha (Cllr M Shellens substituting)

197. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

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

There were no declarations of interest.

198. MINUTES OF THE MEETINGS HELD ON 18 JANUARY 2019 AND ACTION LOG

The minutes of the meeting held on 18th January 2019 were approved as a correct record.

The following Action Log items were discussed:

Action 125/visit to This Land site. It was confirmed that This Land were happy for a group to visit, and a date for the visit would be confirmed.

Action 147/Building Inspections. It was confirmed that a report would be considered at the 28/03/19 Audit & Accounts Committee, and this would include schedules, a draft lease for future use.

Action 161/Commercial Investments – a number of proposals would be considered at the Working Group on 26/02/19.

There was a discussion on remodelling the Action Log and providing further information, e.g. the last column giving the status needed to provide an estimated completion date for actions which were “in progress”. **Action required.**

It was resolved to note the Action Log.

199. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

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

The Committee considered a report setting out proposals to establish a joint venture company with the University of Cambridge to further develop digital infrastructure across Cambridgeshire.

The report included a proposal to link fibre ducting on the Guided Busway in to the University of Cambridge's 60km fibre network, and to 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 direct to businesses. The report also outlined the time pressures of this project, and the potential State Aid complexities: government funding would be used to incorporate ducting in to the Chisholm Trail, but DCMS would only sign off and grant the funding if State Aid compliance could be demonstrated.

Whilst endorsing the report, a Member expressed some concern on the capacity to deliver the scheme within the timescales set out in the report, particularly given the reliance on the University as partner in this project, as failing to do so could mean that the Council missed out on funding. Another Member echoed these comments, suggesting that there was a risk that the Council could find itself half way through the project without funding. Officers reassured Members that it was an iterative process, and the schedule was for the assurance process with government to take place in April – the intention was for funding to be in place before the project went forward.

Other comments arising from the presentation included:

- a Member commented that the Council had established many links with the University of Cambridge over many years, and this was a natural progression to that partnership. He also pointed out that a lot of work had been done on this proposal by the University, who would not be charging for that work;
- a Member commented that whilst he was happy with the principle of the project, the report did not set out the business plan, so he did not understand e.g. how the work would be carried out if the organisation did not employ any staff. Officers advised that subject to approval, the business case would be provided in a separate report which would be presented to the March Committee, whilst the report being considered sought to gain in principle support for the project. On the issue of officer resource, staff would effectively be seconded from both the Council and the University. The joint venture would give both parties access to the passive infrastructure, with the option of charging third parties a commercial rate for them. By joining forces, the expertise and assets from both organisations could be combined to make a commercial offering;
- noting this was a commercial venture, the Member also asked to what extent this venture could benefit Cambridgeshire residents. Officers explained that it would help the Council deliver its digital connectivity targets and ambitions. The proposal aligned very closely with the Council's objectives, but had the benefit of also providing a commercially viable business opportunity too;
- in response to a Member question, officers outlined the likely customers of the commercial venture, which were those focused on business connectivity, including Alt Net providers. Some of the larger companies in the Biotech sector

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were keen to connect directly in to the University's network, and more generally, the business requirement for fibre was considerable in Cambridge and the surrounding areas. It was also noted that the funding was explicitly to test and trial new ideas, and would be monitored by the government, with the potential to replicate and extend the model nationally;

- responding to a query on the project governance, it was noted that the venture would be overseen by the Economy and Environment Committee, which would monitor both the progress and operation of the joint venture. The Member stressed the importance of retaining democratic oversight;
- a Member commented that there appeared to be no urgency in addressing that 1% of the County's residents with little or no connectivity to the internet;
- responding to a question on customers, it was noted that it was envisaged that it would be a small operation in the first two years (between one and five customers), whilst the assets were developed and the network extended, building up to 25 customers in the long term. Officers saw the risks involved as being low, and were not unduly concerned, noting the detail would be covered in the business case that would be presented to the March meeting. This would also provide more detail on some of the governance issues.

It was resolved, by a majority, 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.

Councillor Jenkins abstained from voting, stating he was not sufficiently confident in the data presented at this stage.

201. POOLED PROPERTY FUND INVESTMENT

The Chairman thanked Members of the sub-group who had attended the recent presentation on the proposed pooled property fund investment.

Officers introduced the report, setting out the main benefits of the CCLA Local Authorities Property Fund. The spread between the bid and offer price would reduce the Council's holding value by £83K for every £1M invested. Assuming a continuing steady rate of growth, this would overcome the spread between the bid and offer price within three years, with opportunities for further growth from the underlying appreciation in the value of the investment. The Council's existing Treasury Management Strategy had permitted investment in to property funds for some time. At the most recent full Council meeting, a revision to another indicator in the Treasury Management Strategy enabled investment specifically in the CCLA Fund. Whilst the report was for noting, the investment would not proceed if the Committee opposed the proposed approach.

Arising from the report:

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- a Member asked if there is a time lag in the investment i.e. would the Council's investment be invested immediately or over a period? It was confirmed that the latter was the case;
- noting that the governance of the CCLA was controlled by members and officers appointed by the LGA, it was agreed that the identities of those representatives would be circulated to the Committee. **Action required:**
- a Member suggested that the report should make clear (i) how the investment was to be funded and (ii) what the next best alternative investment was. Officers advised that from a Treasury Management perspective, the Council held significant sums in money market funds, which were currently only giving 0.7-0.8% returns. The Council's Treasury Management advisor had suggested that the Council did not need to hold those amounts in money market funds, i.e. it was acceptable to hold those investments in more illiquid sources.

It was resolved unanimously to:

1. 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.

202. INDEPENDENT NON-EXECUTIVE DIRECTOR NOMINATIONS – THIS LAND

The Committee considered the proposed appointment, by the This Land Chairman, of three non-executive directors to the This Land Board, following a recruitment process. Between them, these individuals had a good spread of expertise relevant to the company, including law, finance, banking and construction.

Arising from the report:

- one Member commented that she was particularly impressed with the experience of Susan Freeman, and it was clear she could bring a lot to This Land;
- it was noted that these individuals had not yet been appointed, although it was acknowledged that the summaries had been written in a way that implied that they had already been appointed;
- a Member queried how the opportunity had been 'sold' to these individuals. The Chairman commented that the Company's Mission Statement, backed by the business plan, was clear on the company's direction and ambitions;
- it was clarified that the This Land Chairman and Board had vetted the three candidates, the Committee's role was to either endorse the candidates, or explain why they were minded not to do so.

The Committee, acting as a shareholder of This Land, resolved by a majority, to:

1. adopt ordinary resolutions 1, 2 and 3, as specified in paragraph 2.2 of the report, in order that three non-executive directors join the board of the company.

203. FINANCE AND PERFORMANCE REPORT – DECEMBER 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 the period ending 31st December 2018.

At the end of the period, an increased overspend of £6.758M was forecast. This related partly to the delay in the transfer of properties to This Land and the constraints on progress due to the planning system, specifically the loans relating to Cottenham. Other adverse variances included a £170K overspend from the Cambridgeshire Music traded service, but again, but this had improved in January. The position for Building Maintenance for the period was noted, and this area of financial control would be kept under review going forward.

In response to a Member question, it was confirmed that the Cottenham site had not been transferred to This Land in line with the original timescale. This resulted mainly from a number of complications related to other landowners in that area, and the Education needs. It was the intention to have the transfer completed within the 2018/19 financial year.

Arising from the report:

- a Member highlighted the £459K rebate received from ESPO;
- a Member asked if the overspend in Cambridgeshire Music was due to overstaffing. Officers confirmed that this was not the case, and the variance would reduce significantly in January. Members were also reminded that the Outcome Focused Review in to Cambridgeshire Music, how it traded, and its future strategy, was still ongoing;
- discussing the Building Maintenance overspend (£289K), it was noted that less had been invested in Building Maintenance in recent years, as it was seen as “easy to cut”, but the consequences of that move were now being felt. Buildings were being reviewed to see if they were accessible and fit for purpose with required standards. Similar pressures were expected in 2019/20;
- in response to a Member question, it was confirmed that This Land were remodelling their income forecasts as part of their Business Plan. The amount of property to be transferred to This Land in future years was quite limited. It was suggested that it would be helpful to request the timescales of a particular scheme from This Land, to restore the Committee's confidence going forward. It was also suggested that whilst it was easy to focus on the slippage, the Committee should not lose sight of how much This Land was actually delivering for the Council;

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- following on from the point about the slippage in This Land's timescales, a Member asked officers how realistic they felt the forecasts were for 2019/20. Officers advised that the timescale estimates were neither too optimistic nor pessimistic, but retained a degree of challenge. It was stressed that much of the shortfall with This Land was slippage rather than underachievement. This Land had generated £1.8M for front line services in the current financial year.

It was resolved to:

review, note and comment on the report.

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

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

The following items identified for the March Committee meeting would now be considered at the April meeting:

- Babraham Smart Energy Grid – IGP Stage 1 update
- Closed landfill energy projects (Stanground and Woodston) – to be considered as two separate reports.

The Shire Hall Disposal report would still be considered at the March meeting, but would not be a Key Decision, but a Key Decision report on this subject would be considered at the April meeting. Councillor Rogers, as Local Member for Alconbury, advised that he had attended a public presentation on the new headquarters, which had been well received.

A report on Property Maintenance would be considered at the April meeting.

Turning to the Training Plan, it was noted that a half-day session on Commercialisation was being organised for all Members on the afternoon of 26th April. Four provisional training slots had been identified for the Committee for the 2019/20 municipal year, and invitations would be sent out for these. **Action required.**

It was resolved to:

- a) note the Agenda Plan;
- b) note the Training Plan.

Chairman