

# COMMERCIAL AND INVESTMENT COMMITTEE



**Date: Friday, 26 April 2019**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**10:00hr**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

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

## **AGENDA**

**Open to Public and Press**

### **CONSTITUTIONAL MATTERS**

- 1. Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
- 2. Minutes and Action Log of the Commercial and Investment Committee held 22 March 2019** **5 - 18**
- 3. Petitions and Public Questions**

### **KEY DECISIONS**

- 4. Commercial Strategy** **19 - 36**

### **OTHER DECISIONS**

<b>5.</b>	<b>Lease Extension for the Scout Association Trust Corporation</b>	<b>37 - 40</b>
<b>6.</b>	<b>Mobilising Local Energy Investment - development of a Transformation bid</b>	<b>41 - 48</b>
<b>7.</b>	<b>Finance and Performance report - February 2019</b>	<b>49 - 76</b>
<b>8.</b>	<b>Estates and Building Maintenance Inspections</b>	<b>77 - 80</b>
<b>9.</b>	<b>Loans to Third Party Not-for-profit organisations - Annual Report</b>	<b>81 - 84</b>
<b>10.</b>	<b>Commercial and Investment Committee Agenda Plan</b>	<b>85 - 88</b>
<b>11.</b>	<b>Exclusion of Press and Public</b>	

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains 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 or business affairs of any particular person (including the authority holding that information)*

- 12. Establishment of a Joint Venture with the University of Cambridge to develop and market fibre assets on a commercial basis - approval to proceed**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

#### **KEY DECISION**

- 13. Disposal of Shire Hall**  
- to follow

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 Terence Rogers Councillor Mike Shellens 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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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <https://tinyurl.com/ProcedureRules>.

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**COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES**

**Date:** 22 March 2019

**Time:** 10:00-12.50

**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 L Nethsingha) and T Wotherspoon

**In attendance:** Councillors S Bywater and P Hudson

**Apologies:** Councillor Nethsingha (Cllr Shellens substituting)

**205. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

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

Councillor Schumann declared an interest in item 209 as a Member of the East Cambridgeshire District Council Planning Committee: he advised that he would similarly be making a declaration on that body and not participating in any discussion or decision at the Planning Committee relating to those applications.

**206. MINUTES OF THE MEETINGS HELD ON 22 FEBRUARY 2019 AND ACTION LOG**

The minutes of the meeting held on 22<sup>nd</sup> February 2019 were approved as a correct record.

It was noted that the Action Log had been revised following Member comments at the last meeting, to give greater details including completion dates.

A Member observed that in relation to action 162, no further meetings had been scheduled: officers agreed to follow this up. **Action required.**

It was resolved to note the Action Log.

**207. PETITIONS AND PUBLIC QUESTIONS**

There were no petitions or public questions.

**208. COMMERCIAL STRATEGY**

The Committee considered a report which gave an overview of the proposed Commercial Strategy for 2019-21. It was noted that Members' comments from the Workshop in December, which had focused on KPIs and targets, had been incorporated in to the Strategy.

A key consideration in developing the Strategy was how Social Value was incorporated, and this issue would be explored further at the training session for all Members on Commercialisation scheduled for 26/04/19. Realising commercial values was critical to revenue generation but needed to be balanced against Social Value considerations.

A Member noted that the Introduction to the Strategy stated that it was “driven by necessity” i.e. against the funding changes faced by the Authority, and asked how this balanced against the section on Statutory Guidance, which cautioned against authorities becoming dependent on commercial income. She asked how Members could ensure that the Council was not being forced down a route of commercial dependency, and how could that be measured or monitored? Another Member noted that the Five Case Model i.e. measuring against Strategic, Economic, Commercial Financial and Management Cases, and asked why Social Value was not included in those headings. She expressed concern that in practice this would become compressed into a simplified way of working i.e. without taking into consideration Social Value. She suggested that dependency on commercial income could be a KPI e.g. the proportion of services funded through commercial income. Officers responded that if the Council reached a situation where it could not deliver statutory front line services without commercial services, the issues around dependency would need to be reviewed. Social value was implicit throughout the Strategy, and including it as a separate sub-heading could compartmentalise and underplay it.

Other points raised by Members in the discussion included:

- the suggestion that Social Value should be clearly defined within the document, Action required;
- it was noted that some of the KPIs and targets were set against the Council’s Business Plan, and some were aspirational;
- a Member commented that there was something of a mixture in terms of the themes and objectives included in the Strategy, and it would be helpful to recognise the differences involved, separate them out and manage them accordingly. It was suggested that the targets could be attributed to the sub-headings. Officers reassured Members that there would be further development on different action plans, and that each stream needed an entirely different approach, which would be separated out against the three workstreams;
- a Member commented that there was a tension between “Contract Management, Market Shaping and Procurement” (one of the Commercial Themes) and partnerships and communities (listed under Commercial Assets): partners and communities could be undertaking these contracts, but if the Council opted for large scale joint commissioning, there was a risk that smaller, local organisations would get squeezed out, as the Social Value of their input could not be monetised. Officers acknowledged that Social Value was a complex issue, and it was important that Members had a shared understanding of what it meant, and this would be explored further at the Members’ Commercialisation training session. Officers were working with procurement colleagues to ensure that Social Value was factored in to procurement processes;
- a Member commented that the objectives, KPIs and targets all needed to have timescales set against them, and monetary values where appropriate. It was confirmed that the figures were included in the Business Plan: £200K had been built

in against contract reviews globally, and around £11M against all of the workstreams for 2019/20. A large proportion of the £11M related to This Land, and was predicated on the Council providing loans of £120M: these currently totalled around £70M;

- Members noted the relationship between the Commercial Strategy and other strategies and plans;
- It was noted that the axes should be labelled on the “Opportunity Appraisal Framework” graph.

A number of Members were reluctant to endorse the Commercial Strategy without it being revised to take into account comments made, e.g. being more explicit on Social Value, and reviewing the “Commercial Objectives” page. As some of the changes were quite significant, it was agreed that the Strategy would be revised in light of Members’ comments and brought back to the April Committee meeting.

It was resolved to defer the report.

*(The Deputy Chief Executive withdrew from the meeting)*

## **209. PROPERTY AT BURWELL AND SOHAM – TRANSFER TO THIS LAND AND FINANCING (PHASE 2)**

The Committee considered arrangements for the Phase 2 sale to This Land of property at Burwell and Soham, and related financing, following similar processes for Phase 1. The proposal to activate loans built upon a number of decisions made at previous meetings on sites and financing, the direction of travel agreed by the Committee, the financial assumptions within the Council’s Business Plan, and the This Land Operating Model. Interest would be receivable on the loans made to This Land, and the disposals would be made at Red Book “best consideration”. Mortgages on the sites gave the Council good security. This transaction would complete the first tranche of sales to This Land, with the exception of a few connected to a small number of lower value sites.

In response to Member questions, it was confirmed that:

- the site in Burwell had Outline Planning Permission for 350 homes;
- completion on all documents was scheduled shortly for both sites (week commencing 25/03/19);
- with regard to the “standardisation of routine monitoring” referred to in the report, it was noted that this referred to regular Member meetings with This Land, and it was agreed that these should be diarised quarterly, going forward. **Action required.** It was suggested that routine monitoring should embrace not just reports from This Land, but also regular reports from the County Council’s own officers, providing a view on the This Land monitoring reports and performance. **Action required;**
- the 70% discount was standard, based on the judgement made by the valuers on the risks of getting Planning Permission. The Burwell site was at a much more advanced stage, as the planning and S106 had already been agreed;

- if the Committee Chairman was absent or had an interest, the Council's Constitution specified that the delegation would be to the Deputy Section 151 Officer in consultation with the Vice-Chairman.

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

- a) agree disposal of the sites at Burwell and Soham to This Land, as described in the appendix to the report;
- b) agree to activate loan financing (secured by mortgage) to the value of £26.071M;
- c) agree to equity investment in this Land to the value of £1.3035M, as a result of these sales.

*(The Deputy Chief Executive rejoined the meeting)*

## **210. FIRST QUARTERLY MONITORING REPORT, MOBILISING LOCAL ENERGY INVESTMENT**

The Committee considered a report on progress delivering energy investments across four key investment programmes, including corporate buildings, schools, community and other assets, plus work in compliance and strategic business development. Members noted the financial benefits to the Council of £1.7M income annually, in addition to the reduction of carbon emissions and savings for individual schools.

An amendment to the report was noted: the investment in North Angle Farm was £22.8M, resulting in total investment (all schemes) of £69.4M.

Work on the Energy Investment Programme was very much in the development phase, and whilst there were risks to this work, there were benefits in the significant change it would lead to in the energy market. Battery storage was an important part of the shift to greater renewables on the network, but timing, in terms of bringing them online to maximise revenue capture, was crucial.

There were 25 communities currently in Cambridgeshire currently reliant on oil heating, and developing the energy infrastructure to support the transition away from oil in those communities was an important area of investment.

Arising from the report:

- a Member asked if there was a "No Deal" Brexit, whether this would impact on the State Aid challenge. It was noted that the government was committed to transpose the State Aid rules in to UK legislation;
- a Member asked officers how confident they were that the award of funding for the St Ives schemes would take place in May. Officers advised that they had submitted a revised application in January, and were expecting the application to be assessed positively by mid April, in time for grant agreement in May, and starting on site in the Autumn. It was noted that the outline Planning Permission for this scheme had been granted in July 2017, and work had to start on site within three years i.e. by July 2020;



- a Member commented positively on the progress made, and was particularly pleased to see more investment taking place on a purely commercial basis, indicating that they were fundamentally good projects.
- Members discussed expected carbon emission savings, noting how these varied depending on the project in question, and the balance between ambition and cost when setting target savings;
- It was noted that whilst it was assumed that most new schools would already have energy saving features, this was not always the case, so they were included in the pipeline for schools. It was confirmed that the Council secures revenue from School schemes, as do the schools, so it was a shared benefit;
- Members discussed capacity issues more broadly, in terms of the capacity of the National Grid, especially with regard to the introduction of more renewables and the importance of battery storage, and the challenge of how revenue streams support that;
- Members discussed the difficulties in setting a KPI for carbon reduction;
- noting *“A new model of investing upfront in energy measures on new schools and sharing the benefit of lower bills is being scoped”*, officers explained that the Council’s Schools Build Programme had met the BREEAM ‘Very Good’ standard, but this and the S106 funding often did not cover upfront investment in renewables. For new schools coming forward, the team was scoping the policy work, and it would probably be at least six months before a workable model could be reviewed.

It was resolved to:

1. approve the first quarterly report as the baseline for future quarterly reporting on the Council’s energy investment programmes; and
2. note the key challenges delivering and influencing energy programmes.

## **211. MILESTONE 3 REPORT FOR THE ALCONBURY WEALD CIVIC HUB: CAMBS 2020 PROGRAMME**

The Committee considered the design developments of the Council’s proposed Civic Hub at Alconbury Weald, since the last report was presented to Committee in November 2018. Authority was sought to submit a planning application and complete the technical design and construction of the building.

Officers outlined key areas of the programme, including the engagement activities that had taken place, the project budget, and key aspects of the design, including multifunctional space for meeting rooms, public access space and car and cycle parking. The project would exceed minimum statutory requirements with respect to environmental standards, including photovoltaic panels on the roof, and would also be designed to incorporate future energy benefits e.g. ducting in the car park so that more electric charging points for vehicles could be installed with minimal impact in the

future. Opportunities would be maximised for sustainable transport options from the outset which would develop over time.

Arising from the report:

- it was noted that the sum for contingency was approximately £1.2M based on the risk assessment;
- a Member asked if there would be a bus service and Travel Plan in place by the time staff moved to the site. Officers advised that there was already a bus service, and the distance to the bus stop was a 3-4 minute walk from the site. The public transport service should increase as the settlement grew, unrelated to the Cambs 2020 project. There were also plans for a shuttle to run from Huntingdon train station. The Travel Planning team was working closely with Urban & Civic to influence the transportation offer on site. It was agreed that Urban & Civic's timescales for the town centre development at Alconbury Weald would be circulated to Committee Members. **Action required;**
- it was agreed that the project Risk Register would be shared as part of future reports. **Action required;**
- a Member asked if officers had any view on whether the correct decision had been made on the site, now that more information was available on funding, access and transport, and whether any formal review of that decision would be made. The Chairman commented that he could not see any benefit to reviewing the decision;
- a Member queried the cycling figures, which appeared ambitious, and asked where staff would be cycling from. Officers responded that cycle parking was judged to be at levels appropriate to encourage staff to cycle to the site. Whilst applauding this aspiration, the Member suggested that travel planning for the new site should reflect reality and the current Travel Plan. Officers pointed out that as the Council had a 11.8% staff turnover rate, nearly a quarter of the workforce would already have churned since the decision had been taken, and it was important to take into consideration the future workforce, as well as current staff;
- in response to a Member question, it was confirmed that the two staff to one desk ratio for the new site was identical to the current (Shire Hall) desk occupancy rates;
- a Member asked how the Committee would be kept apprised of progress with the programme. It was noted that the Milestones would be formally reported to Committee, as previously agreed by Members. The budget for the project was as set out in the report, and officers had no authority to spend more than the allotted budget. Members received regular updates on project expenditure. If any financial issues need to be addressed, these would be brought back to Committee;
- a Member asked how car parking would work on full Council days. It was noted that the profile of the workforce that would be based in the building had not been established yet, but there were a number of options under consideration. It was likely that it would be managed differently on days when events such as full Council meetings were being held. Officers were also looking to see how other Councils managed their parking in similar circumstances;

- in response to a question on the timescales, it was acknowledged that these were challenging, but they were felt to be achievable, and they did include contingencies;
- Members discussed electric bikes, charging points and provision of showers.

It was resolved, by a majority, to:

- a) approve the submission of a planning application, and completion of the technical design and construction of the building, based on the outcome of the developed design stage, approved budget and delivery programme outlined in the report;
- b) delegate authority to the Deputy Chief Executive and Chief Finance Officer to sign off the remaining milestone stages, in consultation with the Chair and Vice-Chair of the Committee.

## **212. 2019/20 INVESTMENT STRATEGY - UPDATE**

The Committee considered an update report on the 2019/20 Investment Strategy, as required by MHCLG and CIPFA guidance. The Strategy had previously been considered at the Commercial Investment Working Group. The Strategy would be reviewed regularly in line with guidance, as it was published.

In response to a Member question, it was confirmed that the Investment Strategy linked in with the Commercial Strategy.

It was resolved to:

Review, note and comment upon the Strategy

## **213. GREATER CAMBRIDGE LOCAL PLAN – STRATEGIC LAND AND ECONOMIC LAND AVAILABILITY ASSESSMENT**

Members considered a report on the sites which had been identified for promotion through the Greater Cambridge Local Plan.

South Cambridgeshire District Council's (SCDC) Local Plan had been adopted in September 2018. The Call for Sites commenced 11/02/19. SCDC had indicated that the preparation of a joint Local Plan with Cambridge City Council (Cambridge City) was also a requirement under the Greater Cambridge City Deal. A proposed timetable for submission for examination for a new joint local plan by the summer of 2022 had now been set out by SCDC. The Strategic Assets team had previously actively promoted sites through the planning process, and had successfully secured allocations for higher value alternative uses across numerous small and large strategic sites.

The County Council had employed Carter Jonas to review its assets in Cambridge City/SCDC areas, and 64 had been identified as medium or high probability sites. However, these sites would be evaluated against a large number of other landowners' sites, as part of the Local Planning process, and it was highly likely that a large number of the Council's sites would not be successful.

Under the Strategic Assets protocol, officers were not obliged to engage with Members, but this was being done. All Local Members had been contacted and their comments were being collated.

Arising from the report:

- a number of Members indicated that the confidential appendix (assessment by Carter Jonas) had numerous typos, and other errors which reflected a lack of knowledge of the local area. It was suggested that the appropriate corrections be made prior to making this information more widely available. Another Member commented that Appendix 1 was too lengthy and could have been condensed in to a much more reader friendly format;
- it was clarified that Member engagement would follow on from the submission to the Call for Sites;
- it was confirmed that the Business Plan was predicated on existing sites, so none of the potential sites under consideration in Appendix 1 were included; Officers stated that any successfully allocated sites would contribute to the County's pipeline of future capital receipts.
- it was noted that there had been an initial sifting of County sites by the Assets team to exclude sites which had minimal chance of development e.g. due to remote location. There was a £85 charge for each submission form and £35 charge for each plan, if required, so submitting all high and medium probability sites would cost around £7,800;
- it was agreed that the list should be publicised after it was submitted. **Action required;**
- noting that some sites were on the Flood Plain, Members were advised that decisions on the suitability of those sites was a matter for the planning authority.

It was resolved, by a majority, to:

note the contents of the report and the proposal for engagement with County Council Local Members.

## **214. 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 31<sup>st</sup> January 2019.

At the end of the period, an overspend of £6,428K was forecast on revenue budgets. There is one new significant forecast outturn variance by value, which related to the estimated dividend from ESPO, giving an overachievement of income of £341K, an increase of £172K from the previous forecast. Traded Services were forecasting an underachievement of income of £1.9M, which was an improvement of £97k from the

previous forecast. This was mainly due to a reduction in the forecast overspend on Cambridgeshire Music, where mitigating actions had been taken.

The Capital budget was forecasting an underspend of -£17,651K. An in-year variance of £51.5M was predicted, exceeding the Capital Programme Variations budget of £33.8M. Therefore an underspend of £17.7M was forecast on the capital programme for 2018/19, an increase of £722K since the previous report.

Noting the comment in the Commentary Forecast Outturn Position that *“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”* It was clarified that this related to the overage loan, not to the Cottenham site.

It was resolved to:

review, note and comment on the report.

## **215. 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 April Committee meeting:

Commercial Strategy

It was resolved to:

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

## **216. 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).

*(Councillor Dupré left the meeting)*

## **217. CAMBRIDGESHIRE OUTDOORS**

Members considered a report on the five options being developed by officers to determine the future delivery model for Cambridgeshire Outdoors in line with the project priorities. Councillor Bywater introduced the report.

It was resolved unanimously to:

**Agenda Item no. 2**

Endorse the five options being developed by officers to determine the future delivery model for Cambridgeshire Outdoors to help inform a preferred options paper to be presented to Committee in June.

Chairman

# COMMERCIAL & INVESTMENT COMMITTEE

## Minutes-Action Log



**Agenda Item no. 2**

Cambridgeshire  
County Council

### Introduction:

This is the updated action log as at **16<sup>th</sup> April 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 14<sup>th</sup> 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.	A report on Building Inspections will be presented to Audit and Accounts in May and this will be presented to C&I Committee on 26/04/19.	26/04/19
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.		
147.	Update on Building Inspections	John Macmillan	Circulate note responding to the points raised during the discussion.		

### Minutes of 19<sup>th</sup> October 2018

Item no.	Item	Action to be taken by	Action	Comments/Status	Estimated completion date/ Completed
162.	Service Committee Review of the draft 2019-20 Capital Programme	Dawn Cave	Last two meetings of the Older People's Accommodation Strategy Working Group had been cancelled	Following discussions with lead officers, it is apparent that there have been no meetings since lead officer changes in 2018. The	24/05/19

			(concern that these issues were not being picked up).	<b>Working Group will be revived and included in the Appointments report at the May meetings of Adults and C&amp;I Committees.</b>	
163.	<b>Loans to Not for Profit organisations</b>	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.	26/04/19.

### Minutes of 14<sup>th</sup> December 2018

183.	<b>Disposal of ransom strip at St Ives</b>	John Macmillan	The ownership of different parts of the site to be fully detailed in the revised report, and the planning application for the residential development be included in that report.	Report scheduled for May 2019 Committee.	24/05/19.
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### Minutes of 18th January 2019

Item no.	Item	Action to be taken by	Action	Comments/Status	Estimated completion date/ Completed
196.(1)	<b>Cambridgeshire Catering and Cleaning Service</b>	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.	24/05/19
196.(2)	<b>Cambridgeshire Catering and Cleaning Service</b>	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	24/05/19



				the break lease clause information and costs are known. This information will be supplied by e-mail once available.	
<b>Minutes of 22<sup>nd</sup> March 2019</b>					
<b>Item no.</b>	<b>Item</b>	<b>Action to be taken by</b>	<b>Action</b>	<b>Comments/Status</b>	<b>Estimated completion date/ Completed</b>
209.	<b>Property at Burwell and Soham – Transfer to This Land and financing (Phase 2)</b>	Tom Kelly	With regard to the “standardisation of routine monitoring” referred to in the report, it was noted that this referred to regular Member meetings with This Land, and it was agreed that these should be diarised quarterly, going forward.	This Land have advised that the next shareholder update is being scheduled for late May / early June.	Ongoing June 2019
209.	<b>Property at Burwell and Soham – Transfer to This Land and financing (Phase 2)</b>	Tom Kelly	Routine monitoring should include regular reports from Council’s own officers, providing a view on the This Land monitoring reports and performance.	Quarterly update due in July and to follow engagement of monitoring surveyor input	Ongoing July 2019
211.	<b>Milestone 3 Report for the Alconbury Weald Civic Hub: Cambs 2020 Programme</b>	Andy Preston/ Kim Davies	Urban & Civic’s timescales for the town centre development at Alconbury Weald would be circulated to Committee Members.		
211.	<b>Milestone 3 Report for the Alconbury Weald Civic Hub: Cambs 2020 Programme</b>	Andy Preston/ Kim Davies	Project Risk Register would be shared as part of future reports.	This will be included in future C&I Committee papers as planned. Currently these are proposed for the end of MS4 (October 2019) and the end of MS6 (January 2021)	October 2019



**COMMERCIAL STRATEGY**

**To:** Commercial and Investment Committee

**Meeting Date:** 26<sup>th</sup> April 2019

**Amanda Askham – Director of Business Improvement and Development**

**Electoral division(s):** All

**Forward Plan ref:** 2019/034      **Key decision:** Yes

**Purpose:** To provide an overview of the proposed Commercial Strategy 2019-2021.

To seek endorsement for the Strategy and the accompanying Key Performance Indicators.

**Recommendation:** To accept the revision made to the Strategy following comments received at the Committee of the 22<sup>nd</sup> March and endorse and recommend to Full Council to agree the Commercial Strategy 2019-2021

<b><i>Officer contact:</i></b>		<b><i>Member contact:</i></b>	
Name:	Amanda Askham	Name:	Cllr Steve Count
Post:	Director Business Improvement	Post:	GPC Chairman
Email:	<a href="mailto:Amanda.Askham@Cambridgeshire.gov.uk">Amanda.Askham@Cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.Count@Cambridgeshire.gov.uk">Steve.Count@Cambridgeshire.gov.uk</a>
Tel:	01223 703565	Tel:	01223 706398

## **1. COMMERCIAL STRATEGY 2019-2021**

- 1.1. Our 2019-2021 Commercial Strategy marks a decisive point in the Council's commercial approach; establishing what commercialisation means to the organisation, the key objectives we are looking to achieve and how we measure this. The Council has recognised the need to develop strength and depth in our activity and create commercial returns which contribute to supporting crucial frontline services.
- 1.2. This Commercial Strategy, its themes and enablers have been developed in consultation with Members, lead officers and our partners.
- 1.3. Through the process of consultation and engagement, it was highlighted that the Strategy must consider both its contribution to achieving the Council's financial ambitions as well as valuing the social aspects of current and future opportunities. This Strategy explains the tools and guidance that will enable opportunities to be assessed holistically and against a range of financial and non-financial considerations.
- 1.4. On adoption of the Commercial Strategy, we will be reporting Key Performance Indicators to Commercial and Investments Committee on a regular basis to evaluate progress against the three commercial themes.
- 1.5. This strategy has been updated following comments from the Commercial and Investments Committee held on 22<sup>nd</sup> March 2019. The following revision have been made:
  - Explanation that the key performance indicators will be monitored to C&I Committee through the Integrated Finance and Performance report (targets will be agreed as part of the reporting cycle)
  - Define the term 'social value' and provide the key economic and non-economic benefits that will be considered in assessing the value within our activities.
  - Provide an explanation to the Opportunity Appraisal Framework tool and how it will be used to assess commercial activities and opportunities.

## **2. ALIGNMENT WITH CORPORATE PRIORITIES**

- 2.1. The Strategy is focused on creating commercial returns to support the delivery of crucial frontline services which drive positive impact on all three Corporate Priorities.
  - A good quality of life for everyone
  - Thriving places for people to live
  - The best start for Cambridgeshire's children
- 2.2. This will be achieved by:
  - Using our public assets wisely and raising money in a fair and business like way to generate social return for all citizens of Cambridgeshire
  - Growing financial and social capital place by place by stewarding local resources including public, private and voluntary contributions
  - Continuing to invest in the environment, infrastructure and services that are a vital part of everyday life for everyone in the county and for a thriving local economy.

### **3. SIGNIFICANT IMPLICATIONS**

#### **3.1 Resource Implications**

To deliver the ambitious commercial targets we will require some additional expertise across the three priority areas:

- contract management, market shaping and procurement
- contribution and funding
- acquisitions and investment

A full action plan and specification for resource (internal and external) will be developed following approval of the Strategy by C&I Committee.

#### **3.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

One of the priority areas of the Strategy indicates an innovative approach to procurement and contracting. Work on this has started with colleagues from Procurement and through the Commercial Board and will continue to develop once the Strategy is approved.

#### **3.3 Statutory, Legal and Risk Implications**

Our ability to deliver the Strategy will depend on a number of factors including how well we use our legal powers and delegations and the political appetite to accept new risk. Full business cases, which consider legal implications and clearly articulate risk and reward, will be developed for all commercial proposals.

#### **3.4 Equality and Diversity Implications**

There are no significant implications within this category directly involved with the approval of the Commercial Strategy.

#### **3.5 Engagement and Communications Implications**

The Commercial Strategy will be communicated through different channels and to different audiences in a variety of formats.

#### **3.6 Localism and Local Member Involvement**

Members of the C&I Committee will be involved in reviewing (and often in developing) Business Cases for commercial proposals. Where there is a direct impact in a locality, Local Members will be notified according to the Council's constitution.

#### **3.7 Public Health Implications**

The Strategy is focused on creating sustainable funding for the delivery of crucial frontline services, many of which have a positive impact on Public Health priorities.

*The Commercial Strategy has been developed /cleared by the Strategic Management team:*

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Chris Malyon
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	N/A
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	N/A
<b>Have the equality and diversity implications been cleared?</b>	Yes Amanda Askham
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Christine Birchall
<b>Have any localism and Local Member involvement issues been cleared?</b>	Yes Amanda Askham
<b>Have any Public Health implications been cleared by Public Health?</b>	Yes Liz Robin

<b>Source Documents</b>	<b>Location</b>
Commercial Strategy 2019-2021	Attached

# Commercial Strategy 2019 - 2021

April 2019

# Contents

Welcome to the Council's Commercial Strategy which outlines our **commercial strategic aims**, how we will achieve them and how we will know that we have been successful.

The audience for this strategy is primarily the Council – its Members, its staff and its partners. Our commitment and aspirations for the next three years will be communicated to the public through a variety of channels and conversations so they know what to expect from us and can hold us to account.

## Strategy

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# Introduction

The current financial conditions faced by every Local Authority are very challenging. The funding for our services comes from Government grants and funding raised by the Council through collection of Council Tax and commercial activity. Since 2010, successive governments have reduced funding for Local Government in England as part of their efforts to reduce the fiscal deficit and there has been a move away from central government grants towards a greater reliance on locally sourced taxation such as Council Tax and Business Rates.

The sector has done well to manage substantial funding reductions since 2010, but many Local Authorities are now nearing a cliff edge, with growing overspends and reducing reserves. Based on our current levels of service and the expected national and local demand trajectory, Cambridgeshire County Council will need to make another £60m of savings over the next three years and we are proactively planning to meet the financial pressures in the years ahead.

As part of our 2019 -2021 Corporate Strategy the Council has recognised the need to become more commercially focused, developing strength and depth in our activity and creating commercial returns which underpin the delivery of crucial frontline services.

This Commercial Strategy aligns closely with other key strategies including the Medium Term Financial Strategy, Transformation, Demand Management, Energy and IT & Digital Strategies and incorporates our Acquisition and Investment Strategy, our Fees and Charges Policy and our Procurement framework.

**Through this strategy, the Council is signaling an intention - driven by necessity - to enter a new phase of enterprise, investment and commercial growth. We will work with partners who share our ambition and values and we shall continue to put the best interests of Cambridgeshire residents at the heart of everything we do.**

## Priority Outcomes 2019-2021

**A good quality of life for everyone**

**Thriving places for people to live**

**The best start for Cambridgeshire's children**

## Priority Themes 2019 -2021

**Embedding a demand management approach across the business**

**Developing a range of forward looking data and insight**

**Developing a place based model of practice across all services**

**Developing a workforce that works in the ways and places that matter to citizens**

**Developing strength and depth in our commercial activity**

**Involving citizens in the design and development of our services**

**Taking a system wide and long term view in everything that we do**

# Commercial Vision

Our commercial vision is...

**To develop a range of commercial activity which delivers financial and social return by becoming a Council which uses its assets, skills and position to generate significant levels of new income to support delivery of crucial front line services.**

Our ability to deliver this vision will depend on a number of internal and external factors including: how well we use our powers and delegations; strength of our MTFS; the amount of physical, intellectual and brand assets which can be exploited; political appetite to accept new risk and our capacity to implement change and maximise opportunities.

In this strategy, commercialism includes:

- making a profit - from trading and investments;
- maximising value for money from contractual relationships;
- making robust decisions on a consistent basis with evidence and a sound business case;
- thinking about the return on investment for every pound we spend;
- considering the whole life cost of policy decisions, including market impact;
- collaborating with the market and with partners to develop alternative models for greater return;
- considering new and innovative ways of generating income; and
- maximising use of revenue and assets.

We shall adopt a commercial approach which allows everybody to share their ideas and for these to be evaluated swiftly using a robust methodology. We want our workforce, our partners and our communities to feel valued and involved in our new enterprising and commercial approach and our staff will receive appropriate skills development and training.

We accept that the Council may need to take more risk than in recent times in order to achieve its ambitions and commercial success. Governance, management and performance of new commercial enterprises, partnerships and contracts will continue to be robust to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately used and accounted for.

# Commercial Themes

This strategy applies whenever we spend money with external suppliers, enter into or manage our commercial arrangements, generate income or make a commercial decision. Whilst the Commercial Services team will lead on delivery, they will work in partnership with all service teams across the organisation and externally with partners and customers. The 2019-21 Commercial Strategy prioritises three themes for this period:

Commercial Themes		
Contract management, market shaping and procurement	Contribution and funding	Acquisitions and Investment
<ul style="list-style-type: none"> <li>◆ Short term focus on contract re-negotiations, joint commissioning and contract management.</li> <li>◆ Entrepreneurial approach to procurement – working with the market to create different solutions.</li> <li>◆ Improved contract negotiation and management with a professionally specified and negotiated contract <u>every</u> time.</li> <li>◆ Extended joint commissioning arrangements across all services.</li> <li>◆ Increase benefits realisation from payment terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Develop a clear view of baseline position of all commercial activities.</li> <li>◆ Ensure that income from fees and charges is optimised.</li> <li>◆ Model options for alternative delivery – e.g. spin outs, joint ventures, mutuals - and ensure maximum return from existing initiatives.</li> <li>◆ Develop an external income stream from sponsorship, business investors and philanthropists.</li> <li>◆ Determine the profit and loss of current activities and define full cost recovery for all commercial services.</li> <li>◆ Maximise return from all our assets.</li> </ul>	<p>All investment decisions should focus on achieving <u>at least</u> one of:</p> <ul style="list-style-type: none"> <li>◆ Increase number and type revenue generation/ invest to earn investments – for example investment in land and property development, rental property, renewables, schemes that grow Council's business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.</li> <li>◆ Invest to save - for example, proposals to introduce new technologies which reduce demand and spend on Council services.</li> <li>◆ Invest for social value - for example, proposals that will bring collective benefit to a community.</li> </ul>

# Commercial Objectives

The Council's Corporate Strategy identifies a number of key objectives that are directly linked to commercial activity;

- An overarching increase in return from commercial activity to support delivery of crucial front line services
- A wider range of investments, providing a portfolio approach to risk and reward.
- Additional, sustainable income streams from external funding
- A reduction in spend across contracted activity
- An embedded commercial culture across the organisation
- A reduction in net budget for traded or semi traded services.
- An increased return from energy schemes

Each of the three commercial themes will have its own annual action plan with associated objectives, targets and KPIs (key performance indicators) which will be monitored and reported on by the commercial team.

In addition, the Commercial and Investment Committee will monitor the following set of KPIs through the Integrated Finance and Performance Report:

- Annual forecast of the net amount of commercial income as a % of initial investment.
- (No.) of expressions of interest/bids made to secure property investment and number/percentage that were successful
- (%) return on loans from This Land
- (No.) of contract waivers agreed

- (%) of eligible workforce that has completed commercialisation training
- (%) return on the value of our farm estates
- (%) increase in income obtained from traded services

# Appendices

# Business Case Methodology

To ensure that commercial return is optimised and that public money is appropriately used, it is crucial that decision making is robust and consistent and is always based on a sound business case. The methodology which will be used to develop business cases for all commercial proposals will be taken from HM Treasury guidance on how to appraise and evaluate policies, projects and programmes – known as ‘The Green Book’.

**Business cases will always reflect financial value AND social value** and will be built on *Five Case Model Methodology* which is applicable to programmes and projects and comprises of five key areas:

**The Strategic Case:** makes the case for change and demonstrates how the project will deliver against strategic priorities.

**The Economic Case:** shows that the project will deliver best public value (financial and social) to society.

**The Commercial Case:** demonstrates that the preferred option will result in a well-structured deal between the Council and its providers.

**The Financial Case:** demonstrates the affordability and funding of the preferred option, including the support of stakeholders and customers.

**The Management Case:** details robust arrangements for the delivery, monitoring and evaluation of the project.

Business cases will developed through VERTO, the Council’s programme and project management IT system which will guide managers through these areas. Further, detailed information is available at:

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

# Social Value

'Social Value' is a term used to describe the value of an activity for our communities, recognising the importance of the economic, social and environmental wellbeing. Through this Commercial Strategy, the Council plans to generate significant income to support the priority outcomes of the Council – all of which are focused on increasing social value.

As part of this strategy, the Council is improving its ability to assess the non-economic value within our activities, understanding that social and environmental problems in one area may differ widely from the problems in another, so it is important the social value is not a single, static measure.

Business cases will always reflect financial value AND social value. The 'Green Book' methodology for assessing business cases recommends that appraisal of Social Value includes consideration of the following benefits:

- cash releasing benefits
- monetisable but non cash releasing benefits
- quantifiable but not monetisable benefits
- qualitative unquantifiable benefits

**These benefits should be considered for each of: the Council, Public Sector, communities and individuals.**

We are already demonstrating our commitment to valuing social outcomes through the LGSS Procurement Social Value Toolkit and we will be continuing to develop our ability to assess the benefits of social value across the organisation.

<https://www.lgss.co.uk/app/uploads/2019/04/Procurement-Social-Value-Toolkit.pdf>

# Commercial Assets

The Council has a number of assets which can be classified as:

Land and buildings	Using our physical assets to generate income, capital receipts and reduce costs.
Place shaping role	Using our strategic role in society to shape and create the market for growth and enterprise.
Workforce	Using the knowledge and skills of our workforce to create commercial value
Infrastructure	Using and developing infrastructure assets such as digital platforms and IT highways for commercial gain.
Business intelligence	Using our vast amount of business and service data intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities
Market Strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Brand	Use of brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return.



# Statutory Guidance

In February 2018, MHCLG published updated statutory guidance on Local Government Investments and statutory guidance on Minimum Revenue Provision after issuing a consultation and response.

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

The guidance sets out the requirement to prepare an investment strategy at least once a year which must be approved by Full Council. We can decide how the information is presented, and it can form part of another document such as the capital strategy or the treasury management strategy, but it must disclose the contribution that investments make “towards the service delivery objectives and / or place making role of the local authority” and must describe how commercial decision are governed.

The commentary published alongside the guidance specifies indicators for the investment strategy, including measuring gross debt as a percentage of net service expenditure and commercial income as a percentage of net service expenditure and we are required to set limits for these indicators in both Councils.

A key part of the guidance states that councils may not “borrow in advance of need” to profit from the investment of the sums borrowed and Local Authorities in England are also directed to have regard to the Statutory Investment Guidance the informal commentary to which cautions local authorities against:

- becoming dependent on commercial income;
- taking out too much debt relative to net service expenditure; and
- taking on debt to finance commercial investments.

**Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018:**

**Borrowing in advance of need**

**“Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.”**

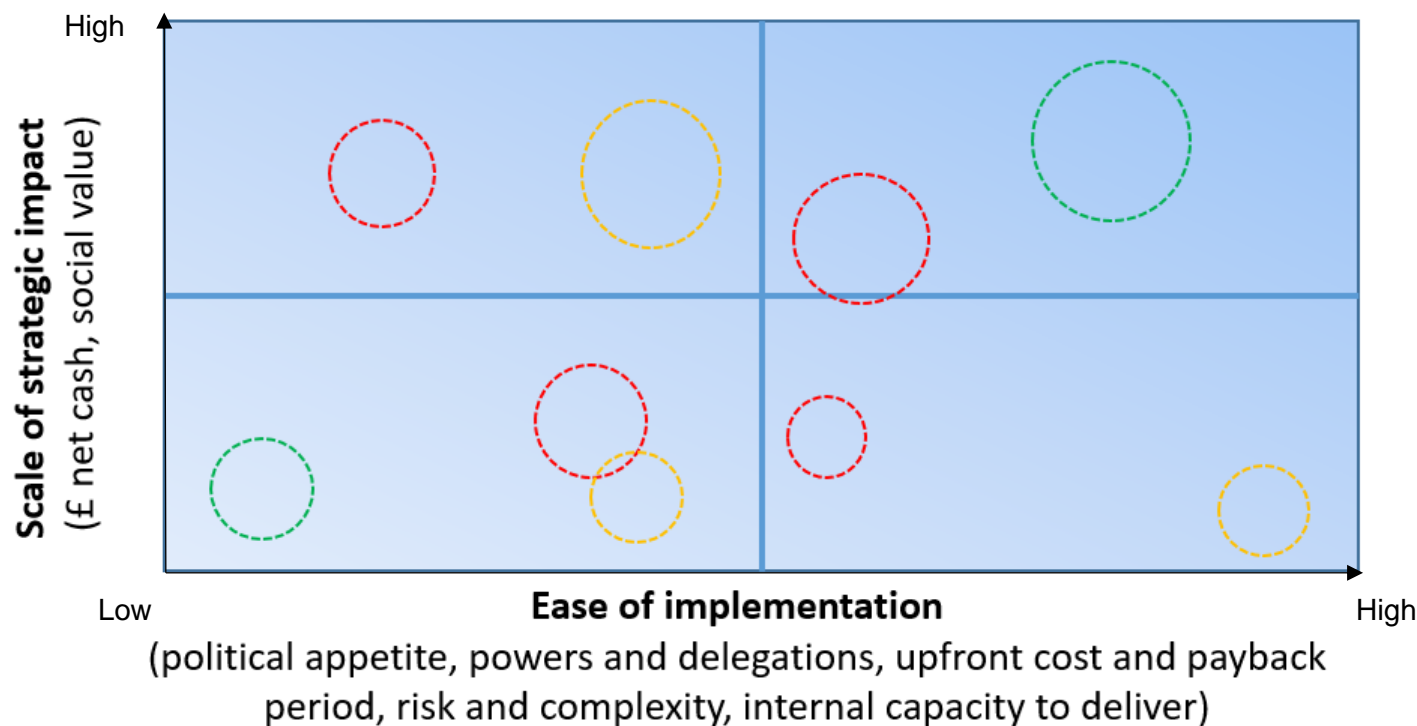
**Where a local authority chooses to disregard the Prudential Code the Strategy should explain:**

- **Why the local authority has decided to disregard; and**
- **The policies in investing the money borrowed, including management of the risks.**

# Opportunity Appraisal Framework

An opportunity appraisal framework will be developed to allow the transparent assessment of commercial activities and opportunities which will arise in the delivery of the strategy. It will provide guidance to members and officers on the key elements required to make effective commercial decisions.

Fig 1 below identifies these elements with definitions and more detailed criteria being developed as part of the implementation of the strategy. It is expected that the elements contained within the framework will be referenced as part of the business cases presented to members rather than forming a separate process.



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This Commercial Strategy, its themes and enablers have been developed in consultation with Members, lead officers and our partners. The strategy is intended to foster engagement in the commercial culture and builds on good practice and approaches we have been testing and refining over the last two years.

We hope the ambition and themes are inclusive and engaging and this strategy encourages leaders, employees, partners, stakeholders and customers across Cambridgeshire to participate in the important work of public service.

We welcome any feedback, offers of collaboration or ideas for improvement to [Transformation.Team@Cambridgeshire.gov.uk](mailto:Transformation.Team@Cambridgeshire.gov.uk) Thank you.





**LEASE EXTENSION FOR THE SCOUT ASSOCIATION TRUST CORPORATION**

**To:** Commercial and Investment Committee

**Meeting Date:** 26<sup>th</sup> April 2019

**From:** Strategic Assets

**Electoral division(s):** Newnham

**Forward Plan ref:** N/a **Key decision:** No

**Purpose:** The Scout Association Trust Corporation have requested an Extension of their current Lease by 100 Years, in order to justify their significant investment in a new Scout Hut on site.

**Recommendation:** Approval to 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 CCC.
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 5<sup>th</sup> Anniversary on an RPI Basis.

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
Name:	Jane Webster	Cllrs Schumann and Hay	
Post:	Principal Urban Surveyor	Chairman and Vice-Chairwoman	
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		01223 706398	

## **1. BACKGROUND**

- 1.1 The Scout Association Trust Corporation have occupied Land at Newnham Croft Primary School under Leases since approximately 1973, providing a base for the Newnham Croft Scout Groups. The Scouts current Ground Lease of 21 years was completed in 2010, and expires 14<sup>th</sup> April 2031. The Scout Hut is owned by the Tenant.
- 1.2 The Tenant have approached CCC as Landlord, to request an extension to the Lease of 100 years. This would allow the Tenant to finance and build a new Scout Hut for use by themselves and the wider community. Their advisers have suggested the new Hut will have a lifetime of 100 years. Without the security of a longer Lease, it is unlikely that finance, by way of grant funding, loans and fundraising will not be achievable.
- 1.3 The Scout Hut is not only used by the Newnham Scout Group, but many other community groups including Holiday Clubs, Out of School Activities, Lunch Club's and various special interest groups. The condition of the existing Scout Hut is a worry to the Group and the replacement will ensure it's ongoing use within the Community.

## **2. MAIN ISSUES**

- 2.1 This Report proposes that CCC agree to the requested Lease Extension, subject to the Conditions recommended.
- 2.2 It is noted that the Scout Hut is currently included within the Primary School's Area, and that Education have noted this to be reviewed given the current capacity of the School and the external space standards.
- 2.3 Should the School become an Academy in the future, the Scout Lease could be transferred, as part of a Commercial Transfer Agreement.

## **3. ALIGNMENT WITH CORPORATE PRIORITIES**

### **3.1 Developing the local economy for the benefit of all**

The following bullet points set out details of implications identified by officers:

- Improved facility for an established Community Group
- Longer Term will enable the Tenant to plan further into the future for their group aspirations
- Continued ability to offer Premises for other uses to the community (as long as these are in line with the Lease Terms )

### **3.2 Helping people live healthy and independent lives**

The following bullet points set out details of implications identified by officers:

- Community groups using the building support the local population by way of a variety of activities on offer.

### **3.3 Supporting and protecting vulnerable people**

The following bullet points set out details of implications identified by officers:

- Community groups using the building support the local population by way of a variety of activities on offer.

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

The following bullet points set out details of significant implications identified by officers:

- CCC will be tied into a longer Lease with the Tenant, with limited opportunity to regain control of the site should this be required.
- CCC will receive an increased Rent to cover administration costs of the Lease, with defined increases over its Term.

### **5.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

The following bullet points set out details of significant implications identified by officers:

- The Lease length will require Member Approval at Commercial and Investment Committee

### **4.3 Statutory, Legal and Risk Implications**

The following bullet points set out details of significant implications identified by officers:

- CCC will be tied into a longer Lease with the Tenant, with limited opportunity to regain control of the site should this be required.

### **4.3 Equality and Diversity Implications**

There are no significant implications for this priority

### **4.4 Engagement and Communications Implications**

There are no significant implications for this priority

### **4.6 Localism and Local Member Involvement**

The following bullet points set out details of significant implications identified by officers:

- The Lease extension will help to improve an existing community facility, on CCC property.

### **4.7 Public Health Implications**

There are no significant implications for this priority.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Martin Wade
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Yes Name of Officer: Fiona McMillan
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	Yes Name of Legal Officer: Fiona McMillan
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	Yes Name of Officer: Fiona McMillan
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Name of Officer: Fiona McMillan
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Yes Name of Officer: Fiona McMillan
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Name of Officer: Fiona McMillan

<b>Source Documents</b>	<b>Location</b>
<i>Existing Lease and Lease Plan</i>	<i>Available from the Strategic Assets team – contact: <a href="mailto:jane.webster@cambridgeshire.gov.uk">jane.webster@cambridgeshire.gov.uk</a></i>
<i>New Scout Hut Drawings and Plans</i>	



**MOBILISING LOCAL ENERGY INVESTMENT - DEVELOPMENT OF A TRANSFORMATION BID**

**To:** Commercial and Investment Committee

**Meeting Date:** 26 April 2019

**From:** Graham Hughes, Executive Director, Place and Economy

**Electoral division(s):** Not applicable

**Forward Plan ref:** N/a                      **Key decision:** No

**Purpose:** To consider a Transformation Fund bid for supporting work of the Energy Investment Unit until March 2022

**Recommendation:** Members are asked 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 for the Energy Investment Unit post-March 2022

<b><i>Officer contact:</i></b>	<b><i>Member contacts:</i></b>
Name: Sheryl French Post: Project Director, Energy Investment Unit Email: <a href="mailto:Sheryl.French@cambridgeshire.gov.uk">Sheryl.French@cambridgeshire.gov.uk</a> Tel: 01223 728552	Names: Councillors Schumann and Hay Post: Chair/Vice-Chair Email: <a href="mailto:joshua.schumann@cambridgeshire.gov.uk">joshua.schumann@cambridgeshire.gov.uk</a> <a href="mailto:anne.hay@cambridgeshire.gov.uk">anne.hay@cambridgeshire.gov.uk</a> Tel: 01223 706398

## **1 BACKGROUND**

- 1.1 The County Council commenced joint working with local authority partners in 2008 on the challenges of energy security, affordable energy and reducing energy consumption. This led to a successful bid in 2012 for European funding to cover the cost over 3 years of the Mobilising Local Energy Investment (MLEI) project.
- 1.2 The MLEI project aimed to develop mechanisms to prove the potential for investment in low carbon energy measures. The project started by delivering energy efficiency and renewable generation measures in schools and developing the contracting mechanisms for the Soham solar farm. By the end of the period of European funding, the MLEI project had successfully met its targets by commissioning roughly £3.5m of energy measures in schools & Council offices and a £10m solar farm at Soham.
- 1.3 General Purposes Committee (GPC) agreed principles for funding projects in schools at their meeting of 9 September 2014. While it was accepted that the major benefits from those schemes should go to schools, it was agreed that the Council would charge a margin on the cost of loans. This margin would be used to repay costs incurred by the Council in developing the initial procurement and contracting methodology for energy projects.
- 1.4 The EU funding finished in August 2015 and both Economy & Environment Committee (21/04/15) and GPC (19/05/15) agreed that work done under the MLEI project on the schools and corporate buildings would continue as part of the Energy Investment Unit (EIU) but in addition to focus on developing larger projects that would generate revenues for the Council. Calculations for those reports showed that the full costs of the EIU delivering the schools programme and initial scoping for larger projects could be recovered over time from the margin on loan costs paid by schools. The EIU received no development funding or share in the income generated by the solar farm.

## **2 DEVELOPMENT OF THE ENERGY INVESTMENT UNIT**

- 2.1 Since 2015 the EIU has significantly expanded its scope of work reflecting the ambitions of the Council. It has:
  - grown the schools programme from 10 schools in 2015 to over 50 schools in 2019 totalling more than £8.7million investment;
  - taken on responsibility for the procurement and management of utilities for the Council's buildings, schools and services to help manage our costs;
  - taken on responsibility for legislative compliance for the Council's energy standards for its buildings;
  - managed an investment fund of £1million into energy reduction projects across its corporate buildings which is delivering annual revenue savings;
  - scoped a pipeline of major investment projects on Council land that are currently under development to generate revenues for the Council in the medium term and support the Council's budget;
  - responded to Cambridgeshire communities to co-develop energy projects that benefit local people such as Swaffham Prior;
  - developed the Council's Energy Strategy and Action Plan and collaborating with Peterborough City Council;

- influenced the government energy policy agenda and strategies; and
- enhanced the energy infrastructure locally to support growth, working in partnership with local stakeholders.

2.2 To manage the above, it has been necessary to increase staffing levels and other costs to secure delivery of projects ahead of future income generation.

### **3 PRESENT FINANCIAL POSITION OF ENERGY INVESTMENT UNIT**

3.1 When the EIU took its current form after the completion of the MLEI project, it was set up to act as a trading unit, i.e. any surpluses or deficits associated with its activity would be carried forward and operate on a full cost recovery basis. Full cost recovery in this case includes not just the salary and social costs but also a £19,500 overhead payment per full time member of staff to cover costs such as IT, bills, management overhead and accommodation. To give context, for 2019/20 the overhead cost for the Unit alone is approximately £100,000.

3.2 A five year business plan was originally approved by Economy and Environment Committee on the basis that the EIU breaks even by 2020/21 through contributions from the schools contracts. The EIU has contracted with fifty one schools to deliver total income of just over £1.7million for the Council which provides an average annual income of £155,000 for the EIU over the next 10-15 years to support ongoing work with schools. At the same time the investment is delivering income/savings for the schools of over £700,000 per annum. This provides a benefit to the value of greater than £10,500,000 for the schools over the next 10-15 years and can be viewed as a success for the schools and transformative in the way we collaborate and deliver change.

3.3 However, the costs of the EIU have risen, mainly in response to the need to develop larger income generating projects for the Council. To date, the additional costs have been offset in 2 ways:

- from 2017 the energy team joined the EIU. A corporate contribution is provided that reflects the work done by this team on legislative compliance and the procurement and management of the Council's energy and water bills; and
- the staffing costs associated with larger projects are now being covered by development cost budgets agreed by Commercial and Investment Committee as part of the authorisation of each individual project.

3.4 However, the above does not cover the EIU's activities in relation to community energy projects, collaborations with Peterborough and strategic influence of energy policy and its impact on growth.

3.5 The initial EIU budget was scheduled to break even in 2020/21. This was agreed on the basis that building a business requires the upfront development and construction of projects ahead of financial returns. The total EIU deficit at the end of 2017/18 was £233,000 and the projected deficit at the end of 2018/19 is £374,000. In addition to the increase in its

responsibilities outlined above, there are two specific timing issues which have resulted in the significant expected increase in the deficit this year:

- costs incurred on the St Ives project – if ERDF funding is eventually agreed for this, these costs will be recovered in 2019/20; and
- delays in the final completion of projects at several academy schools. Unlike maintained schools, repayments by academies only start when all project works are completed. This does not affect the total repayments expected over time from each school, but has meant a slippage in income compared to original budget projections.

## **4 PROPOSED USE OF TRANSFORMATION FUND**

4.1 There are three strategic transformations that the EIU is looking to deliver over time. These include:

- £100 million net income for the Council by 2040 through income generation from the current large energy projects approved with development budgets. This is a scale factor of ten greater than the schools benefit described in paragraph 3.2 above;
- Shifting rural communities from fossil fuel heating onto low carbon alternatives. This will benefit our communities financially over the lifetime of a heating system saving households and communities money that can be spent locally in our economy; and
- Tripling the local electricity network to unlock growth and shape a smart energy system. This will contribute towards the doubling of gross value added (GVA) by 2040 as identified in the Devolution Deal for Cambridgeshire and Peterborough, whilst supporting businesses and our communities.

4.2 The EIU's projected break even for March 2020/21 was based on delivering the schools programme. Scaling up to deliver the £100million income and build the strategic transformations described in paragraph 3.1 above is not deliverable on the original five year business case, supplemented with project specific resources to cover staff costs. There are a number of problems associated with the current funding methodology. In particular:

- development cost budgets are tied to individual projects. This makes it harder for the EIU to react and reprioritise if it is necessary to delay a project – as happened with the proposed scheme at Trumpington Park & Ride which became subject to a public consultation;
- developing the future project pipeline beyond 2021 is interlinked with creating a new smart energy system for Cambridgeshire and identifying and shaping the market opportunities, this business development and support for the growth agenda is very important but piecemeal depending on when time permits; and
- all significant capital projects carry risks, e.g. in relation to planning permission, ground conditions, state aid etc. That means there is a possibility that projects may have to be aborted for reasons that are beyond the control of the County Council. The Council recognises this may happen, but balances those risks by undertaking a programme of projects – allowing possible losses from an aborted project to be set against the potential future gains from the programme as a whole. As the EIU does not share in future gains though, it currently has no means to recover any losses within its budget.

- 4.3 To illustrate the challenge of funding being tied to specific projects, the EIU is projecting a total recovery of £340,000 from the scheme at St Ives Park & Ride. It is expected that costs incurred on the scheme since November 2016 will be recoverable from the ERDF grant being negotiated with the Ministry of Housing, Communities and Local Government (MHCLG). However, while the future of the scheme now looks optimistic, discussions with MHCLG over state aid delayed it by over a year and a half.
- 4.4 It is proposed that for the period 2019/20 to 2021/22 the EIU seeks funding from the Transformation Fund set out in table 1 below. The funding being sought for the EIU team budget is the same value as that currently provided by the staff costs approved with individual development project budgets but the linkages would not exist. This allows the funding to support other aspects of the EIU work, such as community projects and influencing the strategic direction of energy policy, should projects be delayed or changed.

Table 1: Funding for the Energy Investment Unit up to March 2022

<b>Item</b>	<b>Funding Required</b>
EIU mobilisation for school schemes, energy projects and investment deficit	£374,000
Large Energy investment projects deficit to date	£40,000
Future anticipated revenue costs of project development to March 2022	£300,000
Contingency for aborted capital schemes	£200,000
Developing a programme of community energy projects	£50,000
Shaping the strategic energy agenda for sustainable growth	£25,000
<b>Total funding required</b>	<b>£989,000</b>

- 4.5 If the use of the Transformation Fund is approved, the parts of the existing development cost budgets relating to EIU funding would be cancelled as this would no longer be needed. The financial projections show that the net effect of providing the Transformation funding and cancelling the existing development cost budgets would be to bring the EIU into financial equilibrium in 2021/22, i.e. having repaid the existing deficit.
- 4.6 As projects proceed towards construction, the internal costs that have been incurred to develop the asset will be capitalised, which means the costs will be transferred out of the EIU's budget.
- 4.7 Whether funding is provided through individual development cost budgets or through an overall allocation from the Transformation Fund makes no difference to the overall County Council finances. The difference is in the operational flexibility of the EIU to deliver.
- 4.8 Looking beyond March 2022, the aim is to shift the EIU's finance to a methodology where the EIU shares in the gains from successful projects. For example, the project pipeline will start to be scoped during the next 18 months and brought to Committee for development

approvals. As part of a project business case, it will include how a portion of the income from the project can contribute to the EIU and the growth of the energy work alongside the Council directing the majority of the income to support the challenging budget position.

- 4.9 It is important to note that the transition of the UK's energy infrastructure to low carbon energy brings volatility to projects being developed and the Council's energy projects are working within this challenging environment. The energy market is subject to many influences such as regulatory change, testing of new business models, new technologies and projects scaling in size to deliver subsidy free. The monitoring and reporting of market changes will be presented to Committee through the EIU's quarterly monitoring report.

## **5 ALIGNMENT WITH CORPORATE PRIORITIES**

### **5.1 A good quality of life for everyone**

There are no direct significant implications for this priority, although the successful operation of the EIU should help improve the price and availability of future energy for Cambridgeshire residents.

### **5.2 Thriving places for people to live**

There are no significant implications for this priority.

### **5.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

## **6 SIGNIFICANT IMPLICATIONS**

### **6.1 Resource Implications**

There are no significant resource implications for the County Council as a whole. The report sets out that there would be a transfer of costs from development cost budgets (funded by borrowing) to the Transformation Fund.

### **6.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications.

### **6.3 Statutory, Legal and Risk Implications**

There are no significant implications.

### **6.4 Equality and Diversity Implications**

There are no significant implications.

### **6.5 Engagement and Communications Implications**

There are no significant implications.

## 6.6 Localism and Local Member Involvement

There are no significant implications.

## 6.7 Public Health Implications

There are no significant implications.

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?	Yes Name of Officer: Paul White
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Amy Brown
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Jo Shilton
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Stuart Keeble

Source Documents	Location
1. Budget Build 19_20_ Energy Investment Unit	Internal EIU folders
2. Salary Spreadsheets 19_20	As above
3. Cashflow projections schools programme	As above





**FINANCE AND PERFORMANCE REPORT – FEBRUARY 2019**

*To:* **Commercial and Investment Committee**

*Meeting Date:* **26<sup>th</sup> April 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 February 2019 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 February 2019.**

*Recommendation:* **The Committee is asked to:**

- **review, note and comment upon the report**

<b><i>Officer contact:</i></b>	<b><i>Member contacts:</i></b>
Name: Eleanor Tod	Cllrs Schumann and Hay
Post: Group Accountant	Chairman and Vice-Chairwoman
Email: <a href="mailto:Eleanor.Tod@cambridgeshire.gov.uk">Eleanor.Tod@cambridgeshire.gov.uk</a>	<a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> <a href="mailto:anne.hay@cambridgeshire.gov.uk">anne.hay@cambridgeshire.gov.uk</a>
Tel: 01223 715333	Tel: 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 February 2019 Finance and Performance report.
- 2.2 **Revenue:** At the end of February, Commercial and Investment Committee is forecasting an overspend of £6,501k on revenue budgets. There are two new significant forecast outturn variances by value (over £100,000) to report.
- 2.3 **Capital:** At the end of February, Commercial and Investment Committee is forecasting an underspend of £-17,769k on the capital programme budget. There are two 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 February, however these are currently being developed in conjunction with Committee and it is anticipated that they will be included in the first Finance and Performance Report for 2019-20.

## 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 (February 19)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge



## **Commercial and Investment**

### **Finance and Performance Report – February 2019**

#### **1. SUMMARY**

##### **1.1 Finance**

<b>Previous Status</b>	<b>Category</b>	<b>Target</b>	<b>Current Status</b>	<b>Section Ref.</b>
<b>Red</b>	Income and Expenditure	Balanced year end position	<b>Red</b>	2.1 – 2.4
<b>Green</b>	Capital Programme	Remain within overall resources	<b>Green</b>	3.2

#### **2. INCOME AND EXPENDITURE**

##### **2.1 Overall Position**

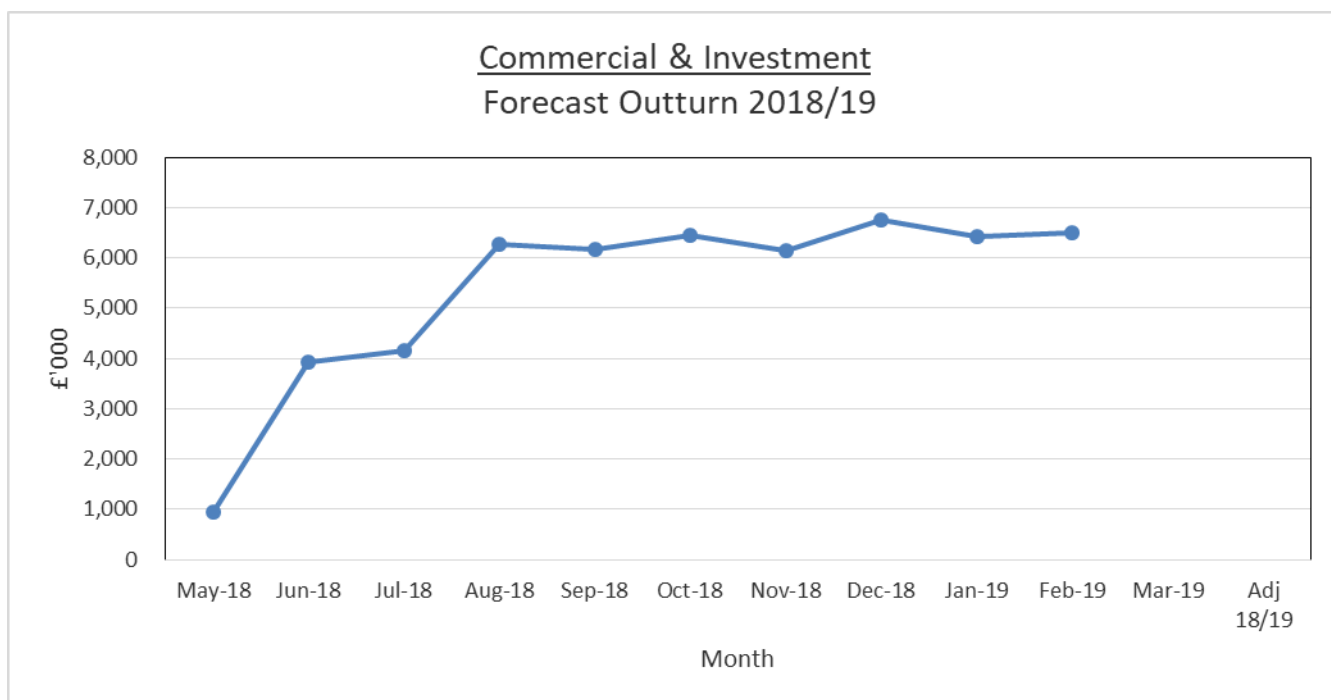
To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each F&PR. The same format is also applied to the Integrated Resources and Performance Report (IRPR) 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.

<b>Outturn Variance (Jan) £000</b>	<b>Directorate</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Outturn Variance (Feb) £000</b>	<b>Outturn Variance (Feb) %</b>
4,640	Commercial Activity	-9,536	-1,578	4,713	49.4%
-90	Property Services	6,037	6,256	-90	-1.5%
-62	Strategic Assets	-4,098	-2,263	-62	1.5%
1,940	Traded Services	-1,200	715	1,940	161.7%
<b>6,428</b>	<b>Total</b>	<b>-8,797</b>	<b>3,131</b>	<b>6,501</b>	<b>73.9%</b>

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 £6,501k means that C&I is expecting to achieve a net income position of -£2,297k by year-end.

The service level budgetary control report for Commercial and Investment for February 2019 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 February 2019, Commercial and Investment is forecasting an underachievement of income of £6.5m in 2018/19. This represents an increase of £73k from the previous forecast, which is all due to changes in the forecasts for Commercial Activity.

### Property Investments & Other Income

At the end of February 2019 an underachievement of income of £3.6m is forecast on Property Investments & Other Income, which is an increase of £140k from the previous forecast. This is due to an income target for additional external funding which is not expected to be met in 2018/19. A Commercial Strategy is being adopted and more resource is committed to this area, so it is anticipated that this target will be met in 2019/20.

### Commercial Activity Financing

At the end of February 2019 an underspend of £1.1m is forecast on Commercial Activity Financing, which is an increase of £100k from the previous forecast. This is due to an increase in the amount of revenue expenditure on equipment replacement in the ICT Service (Education) which is to be funded from capital using the Flexible Use of Capital Receipts direction. As a result, a greater amount of the revenue reserve is available to offer up.

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

No new items were recorded during February 2019.

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 February 2019.

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

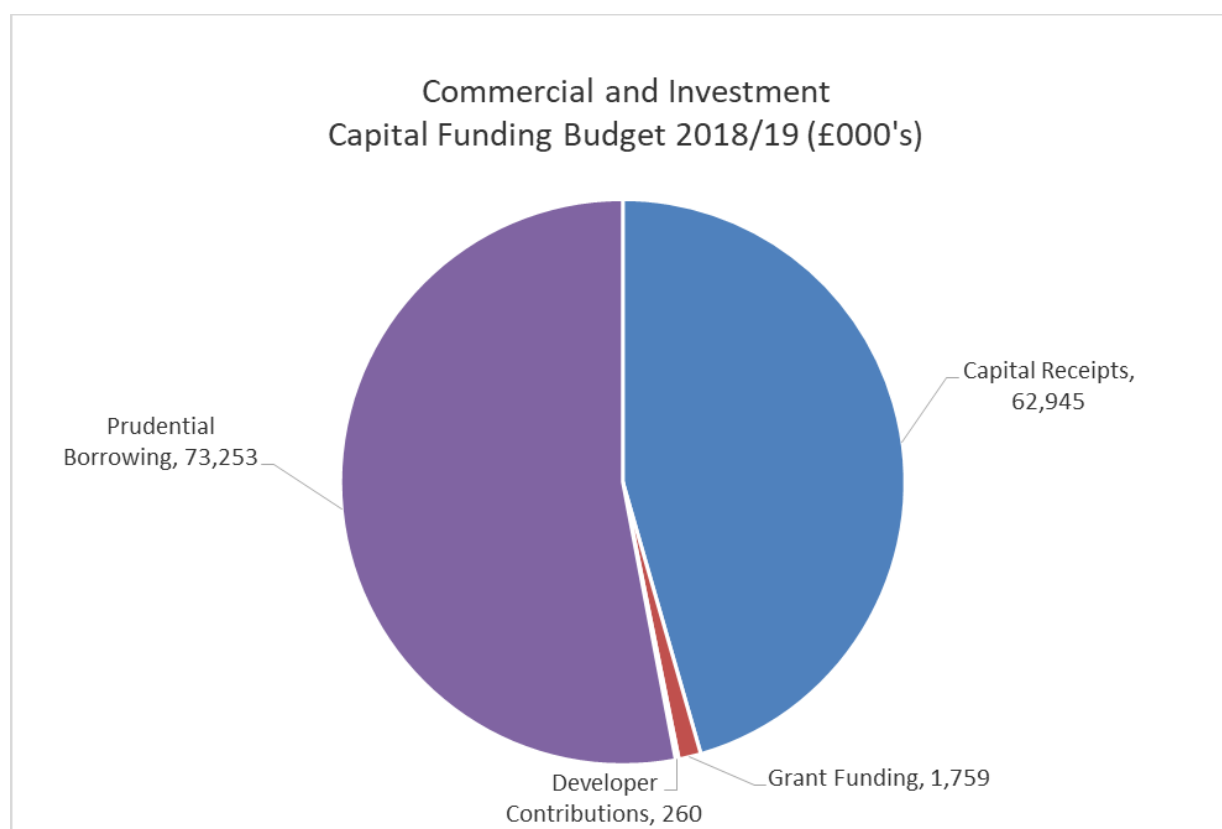
## 3. BALANCE SHEET

### 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:



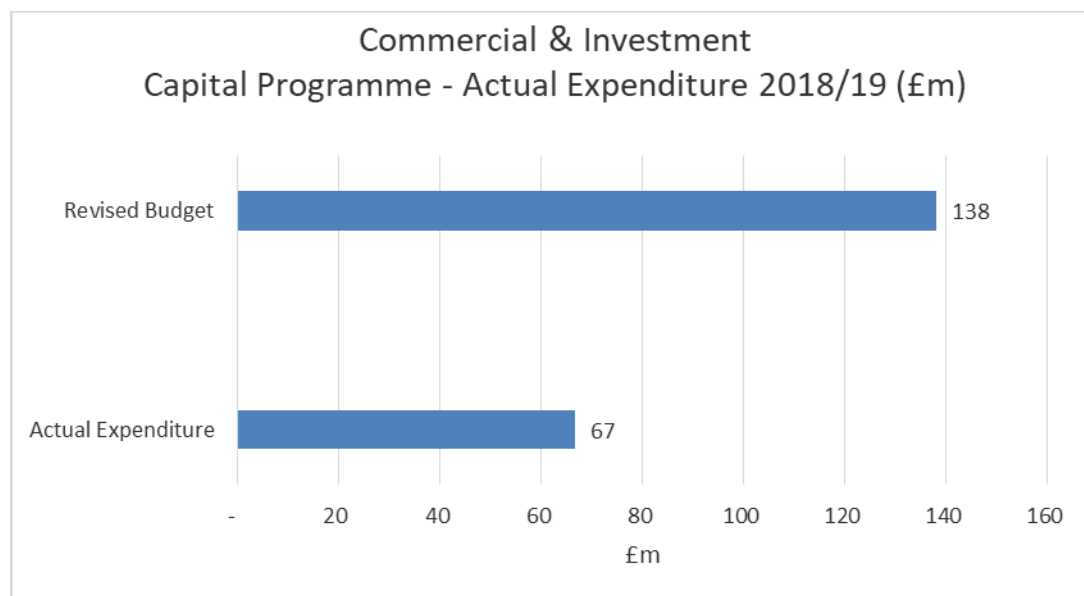
### 3.3 Variations Budget

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 (February) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (February) £000
C&I	-33,805	-51,574	-33,805	100%	-17,769

### 3.4 Expenditure

Commercial and Investment Committee has expenditure of £67m to date on the Capital Programme, against a revised budget of £138m:



An in-year variance of £51.6m is predicted, which exceeds the Capital Programme Variations budget of £33.8m. Therefore there is a forecast underspend of £17.8m on the capital programme for 2018/19. Total scheme variances of £353k overspent are expected over the lifetime of the schemes.

#### Strategic Assets

An in-year underspend of £435k is forecast on the Shire Hall relocation scheme. This is mainly due to the budget for risk in the scheme, which is not required in 2018-19 but will be required in future years when the building work is underway.



### Traded Services

An overspend of £500k is forecast on Education ICT Server replacement. A replacement reserve for this equipment was previously held in revenue. As reported in October 2018, this equipment will now be funded from capital expenditure in order to release the equipment reserve as an in-year saving to Commercial Activity Financing.

## **3.5 Funding**

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

As reported above, an overspend of £500k is forecast on Education ICT Server Replacement. This is to be funded from Capital Receipts, and will therefore increase the use of Capital Receipts 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 February 2019 for Commercial and Investment are as follows:

Forecast Outturn Variance (Jan)		Budget 2018/19	Actual Feb 2019	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
<b>Commercial Activity</b>					
3,475	Property Investments & Other Income	-4,900	-1,285	3,615	74%
-341	Shareholder Company Dividends	-290	-101	-341	-118%
2,495	Housing Investment (This Land Company)	-4,346	-191	2,528	58%
-989	Commercial Activity Financing	0	0	-1,089	0%
<b>4,640</b>	<b>Commercial Activity Total</b>	<b>-9,536</b>	<b>-1,578</b>	<b>4,713</b>	<b>49%</b>
<b>Property Services</b>					
293	Building Maintenance	1,093	190	293	27%
-361	County Offices	4,096	5,250	-361	-9%
0	Property Services	645	683	0	0%
-22	Property Compliance	203	133	-22	-11%
<b>-90</b>	<b>Property Services Total</b>	<b>6,037</b>	<b>6,256</b>	<b>-90</b>	<b>-1%</b>
<b>Strategic Assets</b>					
-8	County Farms	-4,905	-2,772	-8	0%
-54	Strategic Assets	807	509	-54	-7%
<b>-62</b>	<b>Strategic Assets Total</b>	<b>-4,098</b>	<b>-2,263</b>	<b>-62</b>	<b>2%</b>
<b>Traded Services</b>					
500	Traded Services - Central	-408	101	500	122%
-15	ICT Service (Education)	-200	-732	-15	-7%
0	Professional Development Centres	-71	-108	0	0%
88	Cambridgeshire Music	5	333	88	1672%
147	Outdoor Education (includes Grafham Water)	-77	316	147	191%
1,220	Cambridgeshire Catering & Cleaning Services	-449	804	1,220	272%
<b>1,940</b>	<b>Traded Services Total</b>	<b>-1,200</b>	<b>715</b>	<b>1,940</b>	<b>162%</b>
<b>6,428</b>	<b>Total</b>	<b>-8,797</b>	<b>3,131</b>	<b>6,501</b>	<b>74%</b>

## 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	Forecast Outturn Actual	Forecast Outturn Variance	
	£000	£000	£000	%
<b>Property Investments &amp; Other Income</b>	<b>-4,900</b>	<b>-1,285</b>	<b>3,615</b>	<b>74%</b>
<p>Commercial Investments is forecasting an underachievement of income of £3.6m 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.</p> <p>In addition to this, in 2018/19 there is an income target for additional external funding which is not expected to be met in 2018/19. A Commercial Strategy is being adopted and more resource is committed to this area, so it is anticipated that this target will be met in 2019/20.</p>				
<b>Shareholder Company Dividends</b>	<b>-290</b>	<b>-631</b>	<b>-341</b>	<b>-118%</b>
<p>A total rebate of £631k 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 of £90k from LGSS Law which will not be received. This is a medium-term change and therefore has been reflected in the Business Plan going forward.</p>				
<b>Housing Investment (This Land Company)</b>	<b>-4,346</b>	<b>-1,754</b>	<b>2,528</b>	<b>58%</b>
<p>An underachievement of income of £2.5m 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. Loan values are therefore constrained by the value of property at point of disposal, alongside ensuring the Council has sufficient collateral as lender.</p> <p>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.</p>				

Service	Current Budget	Forecast Outturn Actual	Forecast Outturn Variance	
	£000	£000	£000	%
<b>Commercial Activity Financing</b>	-	-1,089	-1,089	0%
<p>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:</p> <ul style="list-style-type: none"> <li>• 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 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. (£500k)</li> <li>• Apportioning an appropriate element of the reduced costs of borrowing, as a result of the delay in opportunities to invest/loan (£589k)</li> </ul>				
<b>Building Maintenance</b>	1,093	1,386	293	27%
<p>An overspend of £293k on building maintenance is forecast due to additional unplanned maintenance costs in the year. 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. This is partially offset by underspends in County Offices.</p>				
<b>County Offices</b>	4,096	3,735	-361	-9%
<p>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:</p> <ul style="list-style-type: none"> <li>• £180k surplus following a reassessment of historic business rates liabilities for children's centres.</li> <li>• £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.</li> <li>• £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.</li> <li>• £87k surplus due to backdated rent income received for Chesterton Children's Centre.</li> </ul> <p>These are partially offset by some overspends elsewhere in the service.</p>				
<b>Traded Services – Central</b>	-408	92	500	122%
<p>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</p>				

Service	Current Budget £000	Forecast Outturn Actual £000	Forecast Outturn £000	Forecast Outturn Variance %
<p>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.</p> <p>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.</p>				
<b>Cambridgeshire Music</b>	<b>5</b>	<b>93</b>	<b>88</b>	<b>1,672%</b>
<p>Sales predictions for the academic year beginning September 2018 were lower than initially anticipated, however the service has continued to analyse expenditure and income commitment and in January have been able to undertake mitigating actions worth £82k. The service is also looking at the possibility of developing additional work streams within current staff capacity without increasing overheads.</p>				
<b>Outdoor Education</b>	<b>-77</b>	<b>70</b>	<b>147</b>	<b>191%</b>
<p>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.</p> <p>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.</p> <p>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.</p>				
<b>Cambridgeshire Catering &amp; Cleaning Services</b>	<b>-449</b>	<b>771</b>	<b>1,220</b>	<b>272%</b>
<p>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 wound 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.</p>				

### 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
<b>Grants as per Business Plan</b>		<b>783</b>	
One Public Estate	Cabinet Office	515	May 18
<b>Total Grants 2018/19</b>		<b>1,298</b>	

### C&I ANNEX 4 – Virements and Budget Reconciliation

	£000	Reported
<b>Budget as per Business Plan</b>	<b>-8,188</b>	
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
<b>Current Budget 2018/19</b>	<b>-8,797</b>	

## C&I ANNEX 5 – Reserve Schedule

### 1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Balance at 28 February 2019	Forecast Balance at 31 March 2019	Notes
	£'000	£'000	£'000	£'000	
<b><u>Equipment Reserves</u></b>					
The ICT Service (Education)	680	-654	26	0	1
subtotal	680	-654	26	0	
<b><u>Other Earmarked Funds</u></b>					
North Cambridge Academy site demolition costs	468	105	573	573	2
Cambs Music Reserve	84	0	84	0	3
subtotal	552	105	658	573	
<b><u>Capital Reserves</u></b>					
General Capital Receipts	0	36,379	36,379	36,858	4
subtotal	0	36,379	36,379	36,858	
<b>TOTAL</b>	<b>1,232</b>	<b>35,830</b>	<b>37,062</b>	<b>37,431</b>	

#### 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
76,000	<u>Commercial Activity</u>	76,000	39,463	39,463	(36,537)	100,000	-
43,086	Commercial Investments	85,259	26,044	75,607	(9,652)	148,172	-
119,086	Housing Schemes	161,259	65,507	115,070	(46,189)	248,172	-
-	<u>Property Services</u>	-	-	-	-	-	-
-	Office Portfolio	184	137	184	-	345	-
600	Rationalisation	1,471	485	1,401	(70)	6,290	-
550	Building Maintenance	100	10	75	(25)	4,791	-
-	Shire Hall Campus	-	-	-	-	-	-
1,150	<u>Strategic Assets</u>	1,755	632	1,660	(95)	11,426	-
100	Local Plans	100	-	10	(90)	618	-
300	Representations	362	299	362	-	4,820	-
-	County Farms Investment	117	117	117	-	9,994	(87)
100	Renewable Energy	100	-	100	-	5,198	-
-	Soham	-	-	-	-	-	-
1,919	MAC Joint Highways	1,919	-	100	(1,819)	1,950	-
-	Project	-	-	-	-	-	-
-	Community Hubs - East	2,506	308	2,071	(435)	16,606	-
3,330	Barnwell	3,330	-	50	(3,280)	3,645	(60)
-	Shire Hall Relocation	54	-	76	22	54	-
-	St Ives Smart Energy Grid	30	-	25	(5)	30	-
-	Babraham Smart Energy	62	-	62	-	147	-
-	Grid	43	-	43	-	143	-
-	Trumpington Smart	36	-	36	-	36	-
-	Energy Grid	183	-	-	(183)	183	-
-	Stanground Closed	113	-	113	-	113	-
-	Landfill Energy Project	-	-	-	-	-	-
-	Woodston Closed Landfill	-	-	-	-	-	-
-	Energy Project	-	-	-	-	-	-
-	North Angle Solar Farm	-	-	-	-	-	-
-	Manor Farm, Girton	-	-	-	-	-	-
-	house extension	-	-	-	-	-	-
-	Marwick Centre Roof	-	-	-	-	-	-
-	Repairs	-	-	-	-	-	-
-	Other Committed Projects	-	-	-	-	-	-
5,749		8,955	724	3,165	(5,790)	43,537	(147)
-	<u>Traded Services</u>	-	-	-	-	-	-
-	EdICT Server	-	-	500	500	-	500
-	Replacement	-	-	500	500	-	500



53	Capitalisation of Interest Budget	53	(0)	53	-	-	-
(2,764)	Capital Programme Variations Budget	(33,805)	-	-	33,805	(36,971)	-
<b>123,274</b>	<b>TOTAL</b>	<b>138,217</b>	<b>66,864</b>	<b>120,448</b>	<b>(17,769)</b>	<b>266,164</b>	<b>(147)</b>

## **2. Reported Amendments – Capital Expenditure Budgets 2018/19**

<b>Capital Scheme</b>	<b>Original Budget 2018/19 £000</b>	<b>Revised Budget 2018/19 £000</b>
<b>Housing</b>	<b>43,086</b>	<b>85,259</b>
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.		
<b>Office Rationalisation</b>	<b>-</b>	<b>184</b>
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, Butts Grove, Scott House/Stanton House and Meadows closure.		
<b>Shire Hall Building Maintenance</b>	<b>550</b>	<b>100</b>
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.		
<b>Building Maintenance</b>	<b>600</b>	<b>1,471</b>
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.		
<b>County Farms Investment</b>	<b>300</b>	<b>362</b>

<b>Capital Scheme</b>	<b>Original Budget 2018/19 £000</b>	<b>Revised Budget 2018/19 £000</b>
C&I Committee approved carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
<b>Renewable Energy - Soham</b>	-	<b>117</b>
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.		
<b>Shire Hall Relocation</b>	-	<b>2,506</b>
C&I Committee agreed in November committee as part of a separate report to recommend to General Purposes Committee to approve the rephrasing of the Shire Hall Relocation budget to move £2.5m budget from 2019/20 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).		
<b>Babraham Smart Energy Grid</b>	-	<b>54</b>
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).		
<b>Trumpington Smart Energy Grid</b>	-	<b>30</b>
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).		
<b>Stanground Closed Landfill Energy Project</b>	-	<b>62</b>
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).		

<b>Capital Scheme</b>	<b>Original Budget 2018/19 £000</b>	<b>Revised Budget 2018/19 £000</b>
<b>Woodston Closed Landfill Energy Project</b>	-	<b>43</b>
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).		
<b>North Angle Solar Farm</b>	-	<b>36</b>
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.		
<b>Manor Farm, Girton house extension</b>	-	<b>183</b>
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 18 <sup>th</sup> 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.		
<b>Marwick Centre Roof Repairs</b>	-	<b>113</b>
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.		

<b>Capital Scheme</b>	<b>Original Budget 2018/19 £000</b>	<b>Revised Budget 2018/19 £000</b>
<b>Capital Programme Variations Budget</b>	<b>-2,764</b>	<b>-33,805</b>
<p>In June Capital Programme Variations budgets were recalculated following the rephasing exercise to take account of budgets carried forward from 2017/18. The C&amp;I Capital Programme Variations budget was adjusted by £-14m to £-16.7m. This has reduced the prudential borrowing requirement by £14m.</p> <p>The C&amp;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&amp;I capital variations budget has now been revised to include this, resulting in a -£17.2m budget change. The revised C&amp;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&amp;I schemes.</p>		

### **3. Reported Amendments - Total Scheme Expenditure Budgets**

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

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

#### **4. Reported Exceptions – Capital Expenditure 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Outturn Actual £000</b>	<b>Forecast Outturn Variance £000</b>
<b>Commercial Investments</b>	<b>76,000</b>	<b>39,463</b>	<b>-36,537</b>
An underspend of £36.5m 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.			
<b>Housing Schemes</b>	<b>85,259</b>	<b>75,607</b>	<b>-9,652</b>
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.			
<b>Community Hubs – East Barnwell</b>	<b>1,919</b>	<b>100</b>	<b>-1,819</b>
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 currently being made, and as a result the majority of the expenditure on this project is expected to take place in future years.			

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Outturn Actual £000</b>	<b>Forecast Outturn Variance £000</b>
<b>Shire Hall Relocation</b>	<b>2,506</b>	<b>2,071</b>	<b>-435</b>
An in-year underspend of £435k is forecast on the Shire Hall relocation scheme. This is mainly due to the budget for risk in the scheme, which is not required in 2018-19 but will be required in future years when the building work is underway.			
<b>St Ives Smart Energy Grid</b>	<b>3,330</b>	<b>50</b>	<b>-3,280</b>
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.			
<b>EdICT Server Replacement</b>	<b>-</b>	<b>500</b>	<b>500</b>
A replacement reserve for this equipment was previously held in revenue. As reported in October 2018, this equipment will now be funded from capital expenditure in order to release the equipment reserve as an in-year saving to Commercial Activity Financing.			

## 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	43,924	(19,021)
1,759	Grant Funding	1,759	-	(1,759)
260	Developer Contributions	260	-	(260)
42,422	Prudential Borrowing	73,253	76,524	3,271
<b>123,274</b>	<b>TOTAL</b>	<b>138,217</b>	<b>120,448</b>	<b>(17,769)</b>

### 2. Reported Amendments – Capital Funding Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
<b>Housing – Prudential Borrowing</b>	<b>43,086</b>	<b>85,259</b>
As reported above.		
<b>Office Rationalisation – Prudential Borrowing</b>	<b>-</b>	<b>184</b>
As reported above.		
<b>Shire Hall Building Maintenance – Prudential Borrowing</b>	<b>550</b>	<b>100</b>
As reported above.		
<b>Building Maintenance – Prudential Borrowing</b>	<b>600</b>	<b>1,471</b>
As reported above.		
<b>County Farms Investment – Prudential Borrowing</b>	<b>300</b>	<b>362</b>

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



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

### **3. Reported Amendments - Total Scheme Funding Budgets**

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

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

#### **4. Reported Exceptions – Capital Funding 2018/19**

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Outturn Actual £000</b>	<b>Forecast Outturn Variance £000</b>
<b>Commercial Investments – Capital Receipts</b>	76,000	39,436	-36,537
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.			
<b>Housing Schemes – Prudential Borrowing</b>	85,259	71,646	-13,613
<p>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.</p> <p>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.</p>			
<b>Housing Schemes – Capital Receipts</b>	-	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.			

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Outturn Actual £000</b>	<b>Forecast Outturn Variance £000</b>
<b>Community Hubs – East Barnwell – Developer Contributions and Prudential Borrowing</b>	<b>1,919</b>	<b>100</b>	<b>-1,819</b>
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.			
<b>Shire Hall Relocation – Prudential Borrowing</b>	<b>2,506</b>	<b>2,071</b>	<b>-435</b>
As reported above, an underspend of £0.4m is forecast on Shire Hall Relocation in 2018/19, which is funded by prudential borrowing.			
<b>St Ives Smart Energy Grid – Grant Funding and Prudential Borrowing</b>	<b>3,330</b>	<b>50</b>	<b>-3,280</b>
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.			
<b>EdICT Server Replacement – Capital Receipts</b>	<b>-</b>	<b>500</b>	<b>500</b>
As reported above, an overspend of £0.5m is forecast on EdICT Server Replacement, which will be funded by capital receipts.			
<b>Capital Programme Variations Budget – Capital Receipts</b>	<b>-15,888</b>	<b>-</b>	<b>15,888</b>
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.			
<b>Capital Programme Variations Budget – Prudential Borrowing</b>	<b>-17,917</b>	<b>-</b>	<b>17,917</b>
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.			

<b>Capital Scheme</b>	<b>Current Budget 2018/19 £000</b>	<b>Forecast Outturn Actual £000</b>	<b>Forecast Outturn Variance £000</b>
<b>General Capital Receipts Funding</b>	<b>2,833</b>	<b>-</b>	<b>-2,833</b>
<p>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 &amp; Communities and Corporate Services (under the Flexible Use of Capital Receipts direction). It is now expected that all capital receipts (outside of This Land sales) will be used to fund transformational activity, and none of this income will be used to fund the general capital programme.</p>			

**ESTATES AND BUILDING MAINTENANCE INSPECTIONS**

*To:* **Commercial and Investment Committee**

*Meeting Date:* **26 April 2019**

*From:* **Chris Malyon, Deputy Chief Executive & Chief Finance Officer**

*Electoral division(s)* **All**

*Forward Plan ref:* **n/a** *Key Decision:* **No**

*Purpose:* **To provide background information in respect of the Council's approach to the inspection, and maintenance, of buildings within its asset portfolio.**

*Recommendation:* **It is recommended that the Committee:-**

(1) **Notes the contents of this report first presented to Audit and Accounts Committee on 28<sup>th</sup> March 2019.**

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## **1. BACKGROUND**

- 1.1 Commercial & Investment Committee in September 2018 considered a report which looked at the inspection programme for buildings occupied or leased by the County Council. Buildings owned by the Council or let out on short term leases are inspected regularly but schools, and properties let on long leases (>25 years), including school sites let to Academy Trusts, are not. This had followed an earlier report to Commercial & Investment Committee on 25<sup>th</sup> May 2018 about the Former Mill Road Library where a backlog of repairs which were the responsibility of the tenant had been allowed to accumulate.
- 1.2 Audit & Accounts committee requested a report to their 28<sup>th</sup> January 2019 meeting to include:
- A list all property assets.
  - A list of all property inspections, with a summary of findings.
  - A list of leased properties to include lease length, lease terms, repairing obligations and rent collection.
- 1.3 Not all the information required was available in time for the January report (Appendix 1) and as a consequence a revised report was prepared for the March Committee. (Appendix 2.) This revised report contains more detail on Education and fuller information on inspections and leases.

## **2 AUDIT & ACCOUNTS COMMITTEE CHANGES**

- 2.1 The Audit & Accounts committee accepted the report but amended recommendation 3 as follows:
- “Requests that this survey become baselined as an operational activity and be commissioned so that all schools are reviewed on a rolling basis of 5 years in addition to Cambridgeshire County Council’s non-school property assets, which are already inspected on a rolling five year basis and tat annual reports are made to inform Audit and Accounts Committee.”

## **3 ALIGNMENT WITH CORPORATE PRIORITIES**

- 3.1 **A good quality of life for everyone**  
There are no significant implications for this priority.
- 3.2 **Thriving places for people to live**  
There are no significant implications for this priority.
- 3.3 **The best start for Cambridgeshire’s children**  
There are no significant implications for this priority.

## **4 SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

The costs associated with undertaking non-intrusive condition surveys for all Cambridgeshire schools are set out in the report. Further reports will be presented to C&I and CYP Committees setting out the resource implications for bringing the responsibilities for property management in to a single service.

### **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**

There are no significant implications within this category.

### **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**

The undertaking of regular surveys of council property will assist the Council in discharging its statutory, health and safety, and safeguarding responsibilities.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Name of Financial Officer: Chris Malyon
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	No
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	No
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	No
<b>Have any engagement and communication implications been cleared by Communications?</b>	No
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	No
<b>Have any Public Health implications been cleared by Public Health</b>	No

## 5.0 SOURCE DOCUMENTS

<b>Source Documents</b>	<b>Location</b>
<b>APPENDIX 1</b>	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/814/Committee/9/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/814/Committee/9/Default.aspx</a>
<b>APPENDIX 2</b>	<a href="https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/815/Committee/9/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/815/Committee/9/Default.aspx</a>



**LOANS TO THIRD PARTY NOT-FOR-PROFIT ORGANISATIONS – ANNUAL REPORT**

*To:* **Commercial and Investment Committee**

*Meeting Date:* **26 April 2019**

*From:* **Chief Finance Officer \ Deputy Chief Executive**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a** *Key decision:* **No**

*Purpose:* **For the Committee to consider funds advanced as lending to third party, not for profit organisations in the year ending 31 March 2019**

*Recommendation:* **The Committee is invited to note and comment on the report.**

<b><i>Officer contact:</i></b>	<b><i>Member contacts:</i></b>
Name: Tom Kelly Post: Head of Finance Email: <a href="mailto:Tom.Kelly@cambridgeshire.gov.uk">Tom.Kelly@cambridgeshire.gov.uk</a> Tel: 01223 715333	Names: Cllr J Schumann & Cllr A Hay Post: Chair / Vice-Chair Email: <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> <a href="mailto:Anne.hay@cambridgeshire.gov.uk">Anne.hay@cambridgeshire.gov.uk</a> Tel: 01223 706398

## 1. BACKGROUND

- 1.1 During 2018-19, the Council adopted a third party loans policy (as part of the treasury management strategy (within the Business Plan) agreed by Full Council: <http://tiny.cc/Ap6ThirdPartyLoans> see page 439). This Committee considered the policy in draft in October 2018, and stipulated under minute 163 that an annual report be brought back for consideration of loans advanced
- 1.2 Third party loans form part of the capital programme under statute and can be used to fund infrastructure to support delivery of services to residents of Cambridgeshire. The policy sets out that loans will only be advanced to not-for-profit organisations or organisations that provide services that align to the Council's core objectives and priorities (including subsidiary companies of the Council and joint ventures).

## 2. SCHEDULE OF ACTIVE LENDING

- 2.1 The following loans were advanced before the adoption of the current policy, but now fall within the ambit of that scheme.

Borrower	Start Date	Original Loan	Principal outstanding	Rate	Maturity date	Remarks
Arthur Rank Hospice Charity	16/6/16	£4,000,000	£3,680,000	3.34%	16/6/42	In repayment. Minor rescheduling of repayment agreed 2018.
Wisbech Town Council	10/5/18	£150,000	£150,000	2.88%	9/4/43	Relating to the asset at Wisbech Castle; interest only and repaid on maturity
Estover Playing Field 2015 CIC	8/11/18	£350,000	£332,175	3.15%	2/12/24	In repayment. Relating to infrastructure at Estover Playing Field. Guaranteed by March Town Council

- 2.2 Although the Council does not borrow specifically for each of these loans, and manages borrowing requirements across its total cashflow commitments, the net interest receivable after allowing for equivalent costs of borrowing from these loans in the financial year ending 31 March 2019 is £41,200. Of this £38,100 relates to the Arthur Rank Hospice Charity loan.
- 2.3 Interest rates charged to counterparties reflect costs of borrowing as at the period the loan was advanced, the length of the loan, as well as an assessment of the levels of security and creditworthiness of the organisation (and where applicable state aid reference rates). Going forward the policy also makes standard provision for setup fees for third party loans.
- 2.4 As at the balance sheet date, a loan to Viva (a community arts group based in Soham) had also been approved by GPC but not yet activated. The Council had further lending activity to subsidiary companies, including a cashflow loan to LGSS Law Ltd of £325k and, as the Committee has considered in detail, active loans to This Land Finance Limited totalling £88,512k.

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 A good quality of life for everyone**

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

#### **3.2 Thriving places for people to live**

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

#### **3.3 The best start for Cambridgeshire's children**

No significant implications.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

The resource implications are set out in section 2.1 and 2.2 of this report.

#### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

Each of the loans advanced is subject to a loan facility agreement binding the borrower and lender to obligations to each other. Supplementary agreements underpin guarantees and mortgage arrangements.

#### **4.3 Statutory, Legal and Risk Implications**

The County Council's third party loans policy complies with statute. Collateral or guarantees underpinning loans mitigate the risk to the Council.

#### **4.4 Equality and Diversity Implications**

No significant implications

#### **4.5 Engagement and Communications Implications**

No significant implications

#### **4.6 Localism and Local Member Involvement**

The loans set out in section 2.1 have enabled the improvement of cultural, sporting and healthcare infrastructure available to the residents of the County.

#### 4.7 Public Health Implications

No significant implications

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	T Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Procurement not applicable
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Advice on Loan Agreements from T Goubou, LGSS Law
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	As per individual loan
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
<i>Third Party Loans Policy</i>	<a href="http://tiny.cc/Ap6ThirdPartyLoans">http://tiny.cc/Ap6ThirdPartyLoans</a>
<i>Treasury Live</i>	c/o Treasury Manager, Milton Keynes Civic
<i>Loan Agreements</i>	c/o Finance Team / LGSS Law Ltd

# COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 1st April 2019  
Updated on 16<sup>th</sup> April 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
<b>26/04/19</b>	+Shire Hall disposal	Chris Malyon	2019/016	15/04/19	16/04/19
	Commercial Strategy	Amanda Askham	2019/034		
	Estates and Building Maintenance Inspections	John Macmillan			
	Loans to Third Party Not-for-profit organisations - Annual Report	Tom Kelly			
	Mobilising Local Energy Investment – Development of a Transformation Bid	Sheryl French/ Matthew Rathbone			

Committee Date	Agenda item	Lead officer	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Lease Extension for the Scout Association Trust Corporation (Newnham Croft Primary School)	Jane Webster			
	+Establishment of a joint venture with the University of Cambridge to develop and market fibre assets on a commercial basis	Noelle Godfrey			
<b>24/05/19</b>	Smart Energy Grid, Power Purchase Agreement	Sheryl French	2019/027	15/05/19	16/05/19
	Land Swap at Swavesey	Jane Webster			
	St Ives Football club – ransom strip benefit for CCC	John Macmillan			
	Notification of Chairman/woman and Vice-Chairman/woman	Dawn Cave			
	Outside Bodies	Dawn Cave			
	Energy Investment Projects: Quarterly finance and progress update	Sheryl French			
<b>21/06/19</b>	Trumpington Park & Ride Smart Energy Grid			12/06/19	13/06/19
	Babraham Smart Energy Grid – IGP Stage 1 update	Cherie Gregoire			
	Closed landfill energy project (Stanground)	Chris Parkin			
	Cambridgeshire Outdoors OFR Stage 3 - recommendations	Victoria Stacey/ Emma Fitch	2019/031		
<b>12/07/19</b>	Closed landfill energy projects (Woodston)	Chris Parkin		03/07/19	04/07/19
	Nearly zero energy buildings Policy: Implications for new Public Sector Buildings	Sheryl French/ Sarah Wilkinson	2019/039		
<b>16/08/19</b>				07/08/19	08/08/19
<b>13/09/19</b>	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		04/09/19	05/09/19

<b>Committee Date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Reference if key decision</b>	<b>Deadline for draft reports</b>	<b>Agenda despatch date</b>
<b>18/10/19</b>				09/10/19	10/10/19
<b>22/11/19</b>				13/11/19	14/11/19
<b>13/12/19</b>	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		04/12/19	05/12/19
<b>17/01/20</b>				08/01/20	09/01/20
<b>21/02/20</b>				12/02/20	13/02/20
<b>20/03/20</b>	Energy Investment Projects: Quarterly finance and progress update	Sheryl French		11/03/20	12/03/20
<b>24/04/20</b>	Loans to Voluntary Organisations	Tom Kelly		15/04/20	16/04/20
<b>22/05/20</b>				13/05/20	14/05/20

To be programmed: ICT future delivery (Zoe Paice/John Chapman), Oasis Centre, Wisbech (Hazel Belchamber); Property Services OFR (Paul Tadd)

