

# COMMERCIAL AND INVESTMENT COMMITTEE



**Friday, 18 December 2020**

**Democratic and Members' Services**  
Fiona McMillan  
Monitoring Officer

**10:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

## **COVID-19**

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will be held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

## **AGENDA**

**Open to Public and Press**

**1. Apologies for absence and declarations of interest**

*Guidance on declaring interests is available at  
<http://tinyurl.com/ccc-conduct-code>*

- 2. Public minutes of the Commercial & Investment Committee 3 - 14**  
**meeting held 16th October 2020 and Action Log**
- 3. Petitions and Public Questions**

### **KEY DECISIONS**

- 4. Development Budget for Fordham Renewable Energy Network 15 - 34**  
**Demonstrator Project**

<b>5.</b>	<b>North Angle Solar Farm Investment Decision</b>	<b>35 - 52</b>
<b>6.</b>	<b>Procurement of technical consultancy to support revenue optimisation</b>	<b>53 - 60</b>
	<b>OTHER DECISIONS</b>	
<b>7.</b>	<b>Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning Proposals for 2021-2026</b>	<b>61 - 94</b>
<b>8.</b>	<b>Milton Road Library, Ascham Road, Cambridge CB4 2BD – Variation to Lease</b>	<b>95 - 100</b>
<b>9.</b>	<b>Commercial and Investment Committee Finance Monitoring Report - October 2020</b>	<b>101 - 120</b>
<b>10.</b>	<b>Committee Agenda Plan and Appointments to Outside Bodies</b>	<b>121 - 122</b>

The Commercial and Investment Committee comprises the following members:

*For more information about this meeting, including access arrangements please contact*

Councillor Mark Goldsack (Chairman) Councillor Chris Boden (Vice-Chairman) Councillor Ian Bates Councillor John Gowing Councillor David Jenkins Councillor Linda Jones Councillor Peter McDonald Councillor Terence Rogers Councillor Mike Shellens and Councillor Tim Wotherspoon

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## COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 16 October 2020

Time: 10:00am – 12.40pm

Venue: Virtual Meeting

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

### 376. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies or declarations of interest.

### 377. MINUTES OF THE MEETING HELD ON 11 SEPTEMBER 2020 AND ACTION LOG

The minutes of the meeting held on 11 September 2020 were agreed as a correct record.

With regard to action 307, Members were advised that consideration of the full Business Case for Cambs 2020 would be rescheduled until January 2021. Brookgate had recently suggested a different element in relation to fees which affects the overall capital sum. Members were reminded that the Heads of Terms were shaping the final contract, there was still scope for elements to change.

The Action Log was noted.

### 378. PETITIONS AND PUBLIC QUESTIONS

There was one public question which would be covered under the relevant agenda item.

### 379. BUSINESS PLANNING PROPOSALS FOR 2021-26 - OPENING UPDATE AND OVERVIEW

The Committee considered a report that outlined the current business and budgetary planning position and estimates for 2021-2026, the principal risks, contingencies and implications facing the Committee and the Council's resources and the process and next steps for the Council in agreeing a business plan and budget for future years.

The unforeseen challenge of the pandemic had impacted significantly on the Council, which continued to operate in an uncertain landscape. For this reason a scenario based approach to business planning was being taken this year. In order to balance the budget in light of cost increases and uncertain Government funding, savings, additional income or other sources of funding amounting to at least £32.8m were required for 2021-22, with a total of £75.7m required across the full five years of the Business Plan.

Commercial & Investment Committee was specifically looking at an impairment of around £2M for the first year, and the reductions in income were detailed in the report, which mainly related to reductions in rental income from commercial properties. Despite this, it was noted that much of the Council's property portfolio remained resilient, e.g. Brunswick House was currently at 70% occupancy. Much of the activity planned for 2021-22 would be focused on supporting recovery across the Council and in the wider economy.

Arising from the report, individual Members:

- Thanked officers and endorsed the scenario-based approach, commenting that it would be good to have greater refinement in December, but acknowledged that there would still be significant uncertainty;
- Commented that the use of the term "impairment/permanent impairment" in relation to revenue was misleading. Officers agreed to review future reports in light of this comment;
- Had a number of queries relating to the detail of the overall revenue budget, including Care Homes, and those areas where inflation was expected to double, such as coroners, public transport and home to school transport. It was agreed that the Councillor's question would be emailed to officers via the Chairman, for a response. **Action required;**
- In light of the uncertainty and challenging times, one Member suggested pushing back the Business Planning process one month, so that the final approval by Council was considered in March rather than February. Officers advised that statutorily, the Council was obliged to approve a balanced budget in February, six weeks in advance of Council Tax bills being issued by District/City Councils. It was acknowledged that additional sources of funding had been announced e.g. an additional £1 billion had been announced for local authorities, but that was to deal with the current year's shortfall – it was unclear what additional support would be provided in 2021-22;
- Requested a more comprehensive list of savings that either need to be temporarily or permanently reversed to be provided in the December report;

- Whilst acknowledging the need for scenario planning, commented that Scenario A was too far from reality, and needed to be recalibrated going forward, with more definition on the detail of Scenarios B and C, using clear and unequivocal language. Officers confirmed that they were happy to provide that information, and explained how the data behind the different scenarios had been developed over a number of months, during a time when Covid-19 rates have remained fairly stable. Data was constantly being updated to ensure more realistic scenarios were developed. Other Members acknowledged that matters were moving rapidly, and stressed the need for using clear language;
- Expressed considerable concern about the Council's overall Business Plan, especially demand-led areas such as Children's and Adults' services, where it was likely that the pandemic would result in more poverty and a call for more services, especially in areas such as Fenland;
- Queried the dilapidation costs of £190K for Babbage House in 2021-22. Officers agreed to supply the detail on this item. **Action required;**
- Asked how the Council could handle a continually moving set of goalposts with regard to budgeting. Officers advised that they were engaging proactively with MHCLG on how to approach next year's challenges, and had started a process to ensure that MHCLG were aware of the Council's financial position. It was important to note that many local authorities were facing challenges, and quite a few were in a significantly worst financial position in the current financial year. The Government would be attempting to publish their Spending Review statements in December, as this needed to be clear prior to drafting the final Business Plan for January. In the event of scenario C, it was noted that this could not be funded, and the implication would be issuing a Section 114 statement, declaring that the Council could not meet its liabilities. It was stressed that the Council was not in that position currently, but transparency was needed on the challenges being facing. This was why it was important to have clarity on the Spending Review Statements by January;
- A Member commented that he appreciated that the Council was operating in unprecedented times, and that the officer group had his 100% confidence. However, recognising that Councils had a lot of bureaucracy, he asked if it was possible to lift some of that bureaucracy to facilitate more nimble reporting. Whilst understanding entirely and supporting in principle the Member's comments, officers advised that they were bound to the statutory framework within which local authorities operate, on top of which there were capacity issues. The Deputy Chief Executive agreed to explore with colleagues how they could be more flexible without breaching statutory constraints;
- Another Member commented that the current situation required local government officers to be more agile than ever before, and as a result, officers may have to provide reports with less narrative.

The Chairman reminded Committee Members that they did not have to wait until Committee meetings before querying reports – they could contact the report author in advance of the meeting and query those issues where they wanted further information.

The Chairman concluded by agreeing with Members' comments that the Committee and wider Council found itself in extremely challenging times. Members were in the hands of fantastic officer teams, who kept Members informed both at and between meetings.

It was resolved unanimously:

- a) Note the overview and context provided for the 2021-22 to 2025-26 Business Plan.
- b) Note the impact of COVID-19 on the Council's financial planning

### 380. SERVICE COMMITTEE REVIEW OF THE DRAFT 2021-2022 CAPITAL PROGRAMME

Members considered the Service Committee Review of the draft 2021-2022 Capital Programme.

The opening section of the report was prepared centrally and was included in the business planning reports presented to each Service Committee. The second section focused on the Committee's specific business area. The report before the Committee was the first iteration to be presented as part of the 2020-21 business planning round. The report also contained a review of existing capital schemes (paragraph 5.4). Some of these had been re-profiled, some with reduced scope and costs and others with increased costs. The following section (paragraph 5.5) set out the details of where additional schemes had been added, split out from housing scheme works, or from This Land schemes. Paragraph 5.6 outlined the ongoing Cambs 2020 work.

A Member observed that the detailed estimates of schemes only provided indicative forecasts, whereas in practice the projection was based on current knowledge, and the figures were likely to be much higher in 3-4 years' time.

A Member advised that the Swaffham Prior scheme had not been successful in achieving government grant, and asked what the implications were for the capital budget. Presenting officers were unaware of this development, and confirmed that the business cases were predicated on securing funding, and agreed to investigate further.

**Action required.** Councillor Wotherspoon, speaking as Vice-Chairman of Environment & Sustainability Committee, confirmed that notification had very recently been received with regard to the Swaffham Prior scheme. Officers were still working out the implications of this decision, and a meeting with BEIS on 19/10/20, at which point more information should be available.

With regard to paragraph 5.4 and the rephrasing of energy schemes, commented that it would be helpful to know when it was expected that these schemes would come to fruition in the December report. In terms of timescales, officers advised that Appendix 1 gave anticipated timescales, with most expected to spend in 2021-22, with the Trumpington scheme going slightly beyond that. Officers agreed to provide a more detailed narrative for the Committee. **Action required.**

There was a discussion around which energy schemes were covered by Environment & Sustainability Committee and which were covered by Commercial & Investment Committee. It was noted that if the project was geared towards generating a commercial return, it would fall under the remit of Commercial & Investment Committee, whereas if the focus was environmental/climate issues, it was under the auspices of Environment & Sustainability Committee.

It was resolved to:

- a) note the overview and context provided for the 2021-22 Capital Programme for Commercial & Investment
- b) comment on the draft proposals for Commercial & Investment's 2021-22 Capital Programme and endorse their development

### 381. COMMITTEE AGENDA PLAN, TRAINING PLAN AND APPOINTMENTS TO OUTSIDE BODIES

The Committee considered the Agenda Plan and Training Plan, including changes made since publication.

Members noted that an appointment had been made to Care Suites Working Group under the Chairman's delegated powers, with Councillor Jones appointed to that group. It was agreed that future appointments made under the Chairman's delegated powers would be emailed to the Committee when those powers were exercised.

It was resolved to:

- 1. review the agenda plan and training plan;
- 2. note the appointment of Councillor Jones to the Care Suites Working Group.

### 382. THIS LAND – PROGRESS UPDATE, FINANCING AND RELATED REQUESTS

There was one Public Question. The detail of the question, and the response, are attached at appendix 1 to these minutes. Presentation of the question and response

can be found at the Youtube recording  
<https://www.youtube.com/watch?v=6zPryF2dsos>

The Chairman thanked Mr Rowson for his question.

The Committee considered the public section of the report. Individual Members raised the following points:

- Thanked Mr Rowson for his email to Members detailing other Councils' attempts to raise money through commercial and investment processes, which was very helpful as it showed how things could go wrong as a result of authorities overreaching or not monitoring their investments satisfactorily. Cambridgeshire had learned from the mistakes of other Councils, and would ensure that those mistakes were not replicated. This Land had been set up to act in a commercial way as an arm's length company, and whilst the Committee clearly had an interest in the financial performance of This Land, the whole interrelationship between the Council and This Land was of particular importance, and this was not necessarily reflected in the figures. The Council had been receiving significant interest payments from This Land which helped the Council's budget by effectively converting revenue into capital.
- Commented that This Land was correctly set up to add value to the Council's land portfolio, rather than just selling off to developers, and this was its prime purpose. However, the Member felt that over time, the company was also being used as a financial instrument, converting capital into revenue. The Member expressed some concern that the prime purpose of adding value should not get lost;
- A Member was pleased to note that This Land was now moving forward with numerous planning applications, and hoped this good progress would continue;
- One Member reiterated that This Land was set up to be a housing company, and partly due to delays in planning and unsustainable initial Business Plan, progress had been extremely slow. Whilst the Council was lending at the market rate, the question was whether in the open market, other investors would choose to loan to This Land.

The Chairman commented that Councillor Shellens and he had attended as observers at recent meetings, and progress was being made on Planning applications, especially the Worts Causeway development. The Chairman asked Members to contact him if they were interested in attending future meetings as an observer. Councillor Rogers indicated that he would be interested.

So that the Committee could discuss the confidential appendix, the Chairman asked the Committee to move into private session:

It was resolved by a majority 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 the financial or business affairs of any particular person (including the authority holding that information).

Officers presented the confidential appendix and responded to Member comments and questions.

It was resolved to:

- a) Agree to advance loan funds to meet the request received from This Land, as set out within the paragraph 9 of the appendix (in accordance with the strategy and overall totals previously agreed), delegating agreement of the final terms to the Section 151 officer, in consultation with the Chairman;
- b) Agree to advance a further equity share capital investment in This Land, in accordance with paragraph 9 of the appendix;
- c) Re-confirm agreement to the consequential property transactions arising from the approach set out in paragraph 3 of the appendix, delegating agreement of the final terms to the Section 151 officer, in consultation with the Chairman.

### 383. EXCLUSION OF PRESS AND PUBLIC

Exclusion agreed under second part of the previous item.

### 384. PROPOSAL FOR ADDITIONAL INVESTMENT IN THE COUNTY FARMS PORTFOLIO

The Chairman explained that given that it was necessary to provide the most up to date and detailed information available on the property acquisition opportunity in the open market to the Committee, he had accepted this as a late report. The report was urgent as the proposal would need to be made to the November General Purposes Committee, as the transaction was time limited.

The Committee considered a report, which sought recommendation to General Purposes Committee for a property acquisition. The rationale for the proposal was set out, in the context of the financial challenges facing the Council going forward.

It was resolved unanimously to:

recommend to General Purposes Committee the purchase of the property listed in the report with final terms to be delegated to the Deputy Chief Executive in discussion with the Chairman of Commercial & Investment Committee

## Public question for Commercial & Investment Committee 16/10/20 From Andrew Rowson

This Land Ltd's mismanagement and poor financial planning over its first three years of operation have led to its being unable to honour its contractual loan repayment obligations unless it now sells an undisclosed number of sites to developers for them to generate profits – the very thing the company was set up to avoid. In the light of the Chairman's comments and other revelations in This Land's recently published 2019 financial statements, why did the Commercial and Investment Committee breach the council's Constitution in its April meeting by concealing from the public its key decision to commit the Council to providing: a) up to £85 million of additional loan funding to This Land Ltd, b) an up-front payment of £17.1 million (paid in August 2020) and c) a letter of support for this failing, spendthrift company?

### Response to Mr Rowson's Public Question

Thank you for your question Mr Rowson – your written question relates to this Committee's consideration, in private, of the report entitled "This Land – Multi-Year Business Plan, Financing and other updates"

The title of that report was printed in the public agenda for that meeting in April, linked to a key decision for which public notice had been given 28 days in advance, as required. Although the Chairman has changed since April, it was clear in April that the Committee were considering how This Land is funded, taking account of its multi-year business plan.

The public agenda also stated that it was proposed to exclude the press and public because the report contained:

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

The Members of this Committee in April had visibility of the full confidential report, and, in that context, voted unanimously to resolve that the press and public should be excluded, for the reason as printed in the agenda. This was also noted in the minutes of that meeting.

The minutes for the meeting also confirmed that

*Members considered a report on revisions and updates to the This Land Business Plan, and related issues. All Committee Members had attended a virtual This Land shareholder meeting prior to the Committee meeting.*

It was resolved, by a majority, to receive the updated This Land Business Plan 2020 as well as to agree the other related recommendations as set out in the report.

The suggestion that the decision to consider the report in private is a breach of the Constitution or unlawful is refuted. It is permissible to exempt information from publication for the reason given at

that meeting, that I have just repeated, in accordance with part 1 of Schedule 12A of the Local Government Act 1972.

In considering which information is made public, we recognise that the Council needs to carefully balance its concern that This Land can progress its business activities effectively, without revealing information to potential customers, purchasers, agents and suppliers which might jeopardise This Land's commercial negotiations, on the one hand, against the legitimate public interest in the deployment of public money through a company that is wholly owned by the Council, on the other hand.

With that point in mind I would draw attention to pages 49–52 of the agenda papers for today's meeting. These confirm in the public domain the details of loan transactions with This Land in recent months, including the total amount on loan as well as the operational boundary and total lending approved in principle, and that loans maturing during the period have been re-paid as expected. Also reported on those pages is the progress being made by This Land with director appointments, shareholder reporting and planning and construction successes.

Reporting to this Committee is not the only place that information is disclosed publically about This Land. The CCC Business Plan contains an estimate of the capital commitment to This Land for this year and in total: although the progress of development is a variable, we remain broadly in line with the published figure from the Spring; CCC's statutory draft statement of accounts published in June confirm the level of lending to This Land as at the balance sheet date and the further equity investment after the balance sheet date, and This Land's own audited accounts that Mr Rowson referred to were published in September.

There are a number of assertions in the information Mr Rowson has submitted to the Committee about This Land, some of which contain inaccuracies and I should also like to take the opportunity to address two of those that form part of the written question.

On the point about additional lending of £85m, I should emphasise that this was approval to an upper limit and only in principle. This Committee also set an operational boundary £35m below that and, as we are today, considers individual requests within those totals on a case-by-case basis.

On the description of This Land as 'spendthrift', my reply is that the work that culminated in this Committee's consideration of the business plan in April was detailed and commensurate with the progress and evolution of the company over the four years since incorporation. The Council continues to have in place a number of mechanisms for monitoring, validating and challenging the assumptions and deliverables within that plan, leading to assurance that This Land is currently delivering to that plan.



## COMMERCIAL AND INVESTMENT COMMITTEE MINUTES-ACTION LOG

This is the updated action log as at 10<sup>th</sup> December 2020 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 16 <sup>th</sup> December 2019					
Minute number	Item title	Responsible officer(s)	Action	Comments	Completed
307.	Milestone 4 and 5 Report for the Alconbury Weald Civic Hub – Cambs 2020 Programme	Andy Preston/ Kim Davies	Totality of the Business Case, including some commercially confidential information, to be brought back to a future meeting, so that Members could establish the overall financial position.	The full Cambs 2020 Business Case will be considered by C&I Committee later in the year.	Jan 2021
Minutes of 21 <sup>st</sup> February 2020					
322.	Construction of Northstowe Heritage Facility	Quinton Carroll	Request that Longstanton be included in the name of the Heritage Facility.	This request has been communicated to all parties and has been well received in Longstanton. It will be actioned in due course.	In progress.
Minutes of 16 <sup>th</sup> October 2020					
379.	Business Planning proposals for 2021-26 opening update and overview	Cllr Shellens/ Chloe Rickard –	Cllr Shellens had some queries relating to the detail of the overall revenue budget, including Care Homes, and those areas where inflation was expected to double, such as coroners, public transport		

			and home to school transport. Cllr Shellens to email officers via the Chairman, for a response.		
379.	Business Planning proposals for 2021-26 opening update and overview	Chloe Rickard	Queried the dilapidation costs of £190K for Babbage House in 2021-22. Officers agreed to supply the detail on this item.	To be emailed to the full Committee	
380.	Service Committee Review of the draft 2021-2022 Capital Programme	Eleanor Tod	Officers to investigate further implications of recent developments for Swaffham Prior scheme.	The Swaffham Prior Community Heat Project (SPCHN) has received its planning permission on 24th November 2020. The Programme Director responsible for the project has discussed with the Chairs of Commercial and Investment Committee and Environment and Sustainability Committee (i) the opportunity for a power purchase agreement with North Angle Solar farm to supply renewable electricity to the SPCHN project and (ii) detailed discussions with government on funding mechanisms for off-gas rural heat schemes.	December 2020
380.	Service Committee Review of the draft 2021-2022 Capital Programme	Eleanor Tod	Officers agreed to provide a more detailed narrative on the rephrasing of energy schemes.	To be included in the report to December Committee	December 2020
381.	This Land Finance Update	Tom Kelly	Officers agreed to provide Councillor Jones with the affordable percentage for the Burwell development.	Members discussed affordable housing percentages further with the company at the Shareholder meeting early in December.	Complete

## DEVELOPMENT BUDGET FOR FORDHAM RENEWABLE ENERGY NETWORK DEMONSTRATOR PROJECT

To: Commercial and Investment Committee

Meeting Date: 18<sup>th</sup> December 2020

From: Steve Cox, Executive Director, Place and Economy

Electoral division(s): Burwell

Forward Plan ref: 2020/049

Key decision: Yes

Outcome: Increase local renewable energy generation by 21.3MW and the forecast reduction of 53,000 tonnes of carbon emissions over the project lifetime through offsetting fossil fuel electricity generation.

Recommendation: Members are asked to:

a) To approve the high level assessment for a 21.3MWp (DC) solar farm to be sited at Glebe Farm, part of the Rural Estate, adjacent to Landwade Road in Fordham.

b) Approve entering into a call off contract with Bouygues to commence on the development of an Investment Grade Proposal (IGP).

c) provide support for a total budget of £635,000 as set out in in Table 3 to fund the development costs for an IGP, with inclusion of £550,000 capital budget into the Council's 2021-22 Business Plan to be agreed by Council in February 2021;

d) agree the project will progress through the development phases as described in Diagram 1, with stage gate reviews as described in paragraph 2.24-2.29 in consultation with the Energy Investment Programme Member Working Group and the Chair and Vice-Chair of Commercial and Investment Committee; and

e) agree that at the conclusion of the IGP development, should the business case remain feasible, to seeking an investment decision from Commercial and Investment Committee seeking approval for an investment decision.

Officer contact:

Name: Cherie Gregoire / Jack Kennedy  
Post: Delivery Manager, Energy Investment Unit / Interim Rural Asset Manager, Strategic Assets  
Email: Cherie.Gregoire@cambridgeshire.gov.uk / [Jack.Kennedy@cambridgeshire.gov.uk](mailto:Jack.Kennedy@cambridgeshire.gov.uk)  
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Member contacts:

Names: Councillors Goldsack and Boden  
Post: Chair/Vice-Chair  
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## 1 Background

- 1.1 In July 2019, the County Council published its Corporate Energy Strategy which set out the need for a more ambitious and innovative approach in using council assets to generate income.
- 1.2 Following its declaration of a Climate and Environment Emergency, Cambridgeshire County Council approved its Climate Change and Environment Strategy in May 2020 and its Action Plan. These set out the Council's ambitious plans to reduce its own and the County's carbon footprint, and to support others in their efforts.
- 1.3 In early 2020, the Energy Investment Unit ran a procurement process to secure a new energy performance contractor to continue its energy efficiency and renewable energy work on Council estate, schools and academies. An examination of Rural Estate property commissioned from the company ADAS revealed that Glebe Farm (FMP28), which is 57.8 acres (23 hectares) of land bordering Landwade Road and the railway line in Fordham, would be suitable for the development of a large-scale solar farm. Other options for energy generation were reviewed and the results are summarised in **Appendix A**. The financial returns of leaving the site tenanted or sold are described in paragraphs 2.1 and 2.13 for comparison.
- 1.4 The land at Glebe Farm was included in the Invitation to Tender for the new energy performance contractor as a pilot project in order to assess the innovation, pricing, and knowledge of tenderers. Bouygues E&S Solutions subsequently was awarded the contract, continuing a successful 6 year partnership.
- 1.5 The intended outcome of this paper is approval of the outline business case and support for development of the Investment Grade Proposal (IGP) at a budget of £635,000. This budget will cover both internal staff and consultancy time. A public consultation will be conducted ahead of the submission of any planning application.

## 2 Main Issues

- 2.1 The Council's Service Provider, Bouygues Energies & Services Solutions, developed an Outline Business Case (OBC) to build a 21.3 MWp (DC) solar farm covering 57.8 acres

(23.4 hectares)<sup>1</sup> on a parcel of Rural Estate land. The farm is let until October 2022, which would allow sufficient time to develop the project. The tenancy currently generates an annual revenue of £9,710 or a 1.5% return.<sup>2</sup>

- 2.2 According to MapInfo data, the majority of the site is classified as Grade 2 agricultural land, with a small section classified as Grade 4, as shown in Appendix B. Grade 1, 2 and 3a is the highest agricultural land classification reflecting the best and most versatile. The Triangle Farm solar farm in Soham was built on Grade 3 land and the planned solar farm at North Angle will be on Grade 3 land. However, Rural Estates data on the agricultural grade of the Fordham site differs from the MapInfo source, setting a Grade 3 rather than a Grade 2 value on the land. Therefore a soil analysis will need to be conducted to resolve the matter. Also, there is value in leaving the land fallow to improve the productivity of the site.
- 2.3 It is estimated that the site could generate nearly the same amount of electricity as used by about 6,400 households annually and would prevent the emission of more than 53,000 tonnes of CO2 over the project's lifetime through offsetting fossil fuel electricity generation.
- 2.4 The removal of farmland from food production for energy production will have an impact both environmentally and to the local economy. Alternative energy does involve a tradeoff with local food production to an extent. Working with colleagues Rural Estates, the EIU needs to work out how to reduce food miles and CO2 from food production if as a result of installing solar farms on our farmland more foodstuffs are imported, especially bulky foods like grain and vegetables from overseas.
- 2.5 When successfully delivered the project has the potential to hit four of the six priorities for the Corporate Energy Strategy: energy generation, energy supply, selling energy and supporting sustainable growth.
- 2.6 The project would be the first developed under the latest procurement run by the Energy Investment Unit for energy performance contracting. If built, it would make a significant contribution towards meeting the County's net zero carbon targets. Given the ambitious carbon reduction targets and the concentration of solar farms in the region, there is some urgency to get out ahead of other projects.

## Summary of business case

- 2.7 A summary of the 25 year outline business case is included in the confidential **Appendix C**, which identifies the current financial position for the project.
- 2.8 The base business case is predicated on generating revenue through a blend of selling electricity to nearby customers and exporting a portion of electricity to the distribution network.
- 2.9 Based on modelling of expected electricity demand from three local potential private wire customers, the business case assumes that about a third of the electricity generated could be accepted by private wire customers with the remainder exported to the grid. Early conversations with the largest customer have verified their interest in discussing purchasing clean local energy. These conversations will continue in the coming months. By selling

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<sup>1</sup> There is a 1 ha (2.35 acre) parcel of wooded land attached to the site, however this is not being considered to host solar generation currently.

<sup>2</sup> Based on expected value of £168/acre at next rent review in October 2021.

locally, a higher tariff per kWh can be acquired as compared to exporting to the distribution network.

- 2.10 When creating business cases, Bouygues will estimate the solar generation potential under three different scenarios, modelled, guaranteed and expected. Modelled generation makes basic assumptions about the generation which are not tailored to the exact location (i.e. latitude) which has a direct impact on daily hours of sunshine. The guaranteed generation is the amount Bouygues would be willing to commit to delivering under the energy performance contracting model. And the expected generation incorporates real-world experience from other solar farms installed and typically is more advantageous than the other two scenarios.
- 2.11 The financials in **Appendix C** uses the modelled generation scenario which is appropriate at the early stage of development and subject to change. As the project develops and the assumptions refined, reports will shift to using expected figures.
- 2.12 For comparison, **Appendix C** also includes the financials for a stand-alone solar farm which exports all generation to the grid, without battery energy storage or sales of electricity via private wire. Note that the model underpinning that option is not as well developed as the base scenario of solar collocated with battery storage. This scenario does result in a negative NPV, which will reduce further if a 'guaranteed' energy generation scenario is modelled. As such securing PPAs, reducing potential curtailment, and employing a battery storage optimisation solution will be needed for this proposal to be commercial viable. However, given the location of the site, and our learning from previous projects, the teams believes that this project presents an opportunity that requires further consideration.
- 2.13 In order to control the timing and flow of electricity, battery storage will be required, which also offers opportunities for revenue. Estimates of the potential revenue are included in the business case summary.
- 2.14 There are opportunities to improve potential returns through the addition of an electric vehicle forecourt which may be considered in a later phase once further road safety and traffic management investigation required to confirm suitability can be conducted.
- 2.15 The notional value of carbon savings over 25 year life of the project is £2M. The carbon savings assumes 42,790 tonnes of carbon avoided over the 25 year life of the project.
- 2.16 For several years the County Council has adopted 25 years as the standard assessment period for major solar projects. The main reason for initially choosing this period was that it fits with the projected lifespan for solar panels. However, evidence has been accumulating during that time from long-running experiments that solar panels have a longer lifespan than previously assumed. This evidence has now been reflected in the market, where standard supplier guarantees for solar panels are now for 30 years and not 25. Although the business cases in this report are based on 25 years, it is likely that future business cases for this and similar projects will move to a 30 year assessment period. This would typically improve the Internal Rate of Return (IRR) for a project by something over 1%.
- 2.17 The existing solar farm at Triangle Farm in Soham was built with the financial support of Contracts for Difference. In every year of operation, Triangle has over-performed

guaranteed generation raising an additional £180,000 over projections.<sup>3</sup> Due to economies of scale and the potential for local energy sales the business case for the Fordham clean energy project is viable without the need for subsidy. The same internal and external teams that worked on the Triangle and North Angle Farm Solar Farm projects are involved in this project.

- 2.18 In subsequent auctions, Contracts for Difference (CfD) no longer covered large-scale solar farms and the North Angle Solar Farm is not located near businesses, therefore its business case is based on selling at the wholesale tariff to the distribution network. Recently, it was announced that solar would once again be supported under the CfD auction, however the expected clearing price is expected to be low, so not as lucrative as selling electricity at either the wholesale or retail tariff.

## Risk Analysis

- 2.19 There are a number of known challenges facing this project which will impact on the final decision of whether to proceed to contract and these are outlined in **Appendix E** along with mitigation strategies. The risk ratings are detailed in **Appendix D**. The appendix also indicates a quantification of the funds at risk for each risk identified, representing the total cost of the IGP phases (therefore taking into account surveying, design, planning permission, grid connection, project management and consulting). In the interest of transparency, the table also includes all known risks for all stages of project development, not just for the IGP development budget being requested.
- 2.20 While the site is nearby the planned 500MW Sunnica solar farm, it will not cause an issue with the Fordham project connecting to the distribution network. Due to the size of the Sunnica plant, it will connect to the transmission network. Sunnica will however increase the cumulative impact consideration that will be made by planners when assessing the planning application.

## Design options

- 2.21 The development of clean energy projects is complex. The sizing of different elements of a scheme is dependent on a number of variables including:
- availability of a suitable grid connection;
  - local electricity demand and interest in a Power Purchase Agreement;
  - regulatory restrictions;
  - potential battery energy storage revenue;
  - planning constraints; and
  - community support.
- 2.22 These options will become clear as further development work is undertaken and engagement with the Local Authorities, distribution network operator and communities is progressed in more detail.

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<sup>3</sup> The income figure is from the 3<sup>rd</sup> year Annual Reconciliation report for the Triangle Solar Farm, comparing estimated generation to actual.

## Development Approach

2.23 It is proposed to split the IGP development into four phases as described in Diagram 1 below. The intention is to obtain the maximum level of certainty and security at the earliest phase of the development, in terms of cost and commitment. A prescribed scope of work has been set for each phase of development, with a decision gateway between the phases.

Diagram 1. IGP phases



- 2.24 We are requesting a total budget of £635,000 to develop the IGP. £550,000 of this will be capital funded by prudential borrowing and the £85,000 revenue to be funded by the previously agreed Transformation Fund bid, approved by GCP in May 2019. This will cover internal staff and legal costs, external consultants (including extensive design costs, cost modelling, and grid connection investigations), development of the commercial approach and securing planning permission. However should the project not proceed any capital costs incurred will need to be transferred to revenue.

Table 3. Breakdown of development budget costs

Element	Estimated cost*	Capital / Revenue
<b>External consultancy</b>		
IGP phase 1	£96,000	Capital
IGP phase 2	£204,000	Capital
IGP phase 3	£87,000	Capital
IGP phase 4	£48,000	Capital
<b>Other</b>		
Costs for internal staff, legal and financial services for all phases	£80,000/£70,000	Capital/Revenue
Third party review	£35,000	Capital
Public engagement	£15,000	Revenue
	£635,000	£550,000 capital/ £85,000 revenue

- 2.25 The Energy Investment Unit (EIU) in consultation with the Rural Assets and Commercial Teams will manage the process to move through the IGP phases. The OBC has established benchmarks against which the IGP will be assessed which will also form the basis of the energy performance guarantee. Those benchmarks will be codified into a Call-off Contract phase 1 with Bouygues that will be entered into upon approval of the development budget.
- 2.26 At the conclusion of each phase of the IGP, the Project Team will report to the Member Working Group and the Chair and Vice Chair of C&I on outcomes, expenditure and risk management with the intention of seeking guidance and ongoing support for the project through the remaining phases. The full C&I Committee will be updated regularly via the Quarterly Monitoring reporting process.
- 2.27 At the conclusion of the fourth and final phase, assuming the final IGP is acceptable and meets the established benchmarks, the Project Team will return to Committee to request authorisation to proceed to implementation. It is expected that the development of the full IGP will take until late 2022. Once the IGP is completed and accepted, the County Council could then enter into an implementation contract.
- 2.28 Should the project be halted at any point, the Council is only responsible to recompense costs incurred to that date. Also, under the terms of the procurement, should the resultant IGP not meet the benchmarks set in the Call-off Contract Phase 1, the Council will not be liable to pay for its production nor be required to proceed to implementation. Fees to outside bodies and consultation fees to develop applications for planning (~£120,000), third

party technical reviewers (£35,000) and the grid connection (£18,000), as well as internal costs incurred will not be recoverable.

### 3 Alignment with corporate priorities

#### A good quality of life for everyone

Any revenues derived from the scheme would be used to support key Council services, supporting a good quality of life for residents.

#### Thriving places for people to live

There are no significant implications for this priority.

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

There are no significant implications for this priority.

#### Net zero carbon emissions for Cambridgeshire by 2050

Schemes like these will make a significant contribution towards reaching net zero carbon emissions targets.

### 4 Significant Implications

#### Resource Implications

If, following the development of the detailed business case, the Council decides not to invest, the funding for the development of the detailed business case will have to be paid from revenue. A buffer to protect against the failure of any individual project is managed through the development of a pipeline of projects. The current proposition is to offset any sunk costs against the revenues generated from the wider programme of energy projects being developed on our assets (excluding the schools and corporate building energy projects). However, as these income streams have been budgeted for within the Council's wider Business Plan, this would cause an additional one-off pressure as outlined in 2.28. However, now that we have a proof of concept business case for a subsidy-free solar farm, the likelihood of not building a solar farm on any portion of our Rural Estate is slim.

- There are no implications for Information and Communications Technologies or data ownership.
- Impact on human resources: The costs for County Council staff involvement to deliver the project are included in the requested development budget. The Energy Investment Programme team will need to add resources to manage the growing portfolio of projects.
- Sustainable Resources: The project's goal is to generate low-carbon electricity.

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

- Bouygues Energies & Services was procured under an Official Journal of the European Union (OJEU) compliant competition. As the Framework does not expire until 2024, there are no significant implications from a procurement or contractual standpoint. Any resulting construction contract would only need to be in place before the expiration of the Framework. As of 4 December 2020, the contract between CCC and Bouygues for the overarching Energy Services Delivery Contracting has yet to be signed, however it should be before the Commercial and Investment Committee meets to discuss this matter.

## Statutory, Legal and Risk Implications

- All projects have to demonstrate compliance with State Aid requirements, even where there is no grant funding. The main way of doing that for this project will be to demonstrate that the Authority is acting commercially when generating and selling electricity.
- The Council has power to sell electricity under section 11 of the Local Government (Miscellaneous Provisions) Act 1976 (as amended) and under the Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 which specifically refers to solar energy. The power is subject to the requirements of the Electricity Act 1989 in regard to a distribution or supply licence, which in turn are subject to exceptions under the Electricity (Class Exemptions from the requirement for a Licence) Order 2001.

## Equality and Diversity Implications

- There are no significant implications

## Engagement and Communications Implications

- The project team has discussed the project with Rural Estate staff, the Capital Programme Board, the local councillor and the Chair and Vice Chair of Commercial and Investment Committee. Contact has been made with two of the three potential Power Purchase Agreement customers. The clerks for both Exning and Fordham Parish Councils were approached seeking opportunities to present on the project at an upcoming Parish Council meeting and the team is scheduled to present to Exning at their January meeting.

## Localism and Local Member Involvement

- Initial discussions were held with local Members Cllr Schumann and Goldsack about the concentration of solar projects in the area in terms of public perception. Also, subsequently, a briefings were held with Cllrs Goldsack, Boden, Jones, Jenkins and Wotherspoon. The East Cambridgeshire Local Plan supports solar renewable energy generation. Concerns at loss of productive agricultural land is mitigated by focussing the development wherever possible to lower grade agricultural land, whilst acknowledging that most of East Cambridgeshire is classed as high grade agricultural land.

## Public Health Implications

- There are no significant implications.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

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: Eleanor Bell

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: Iain Green

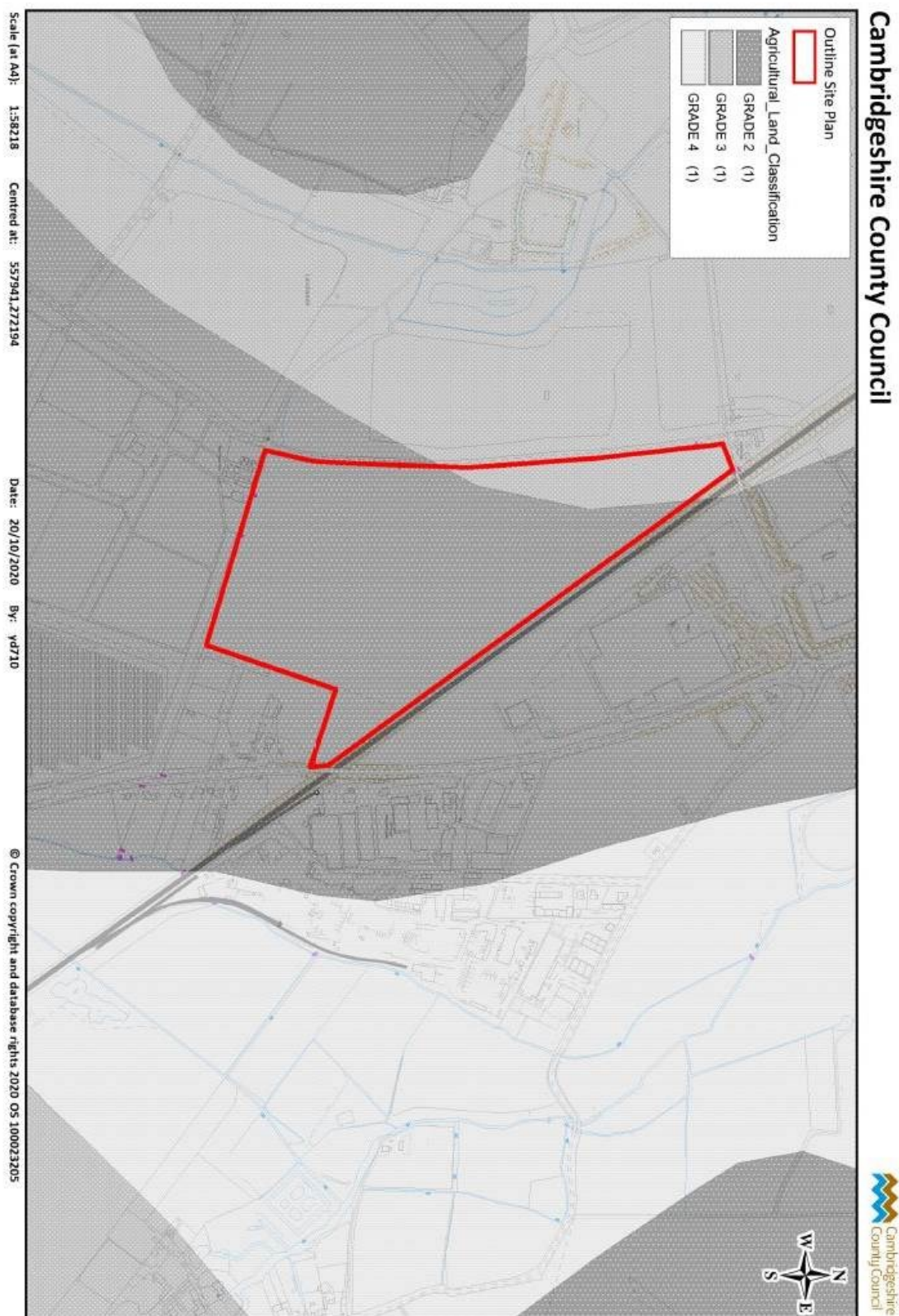
## 5 Source documents

### Documents

- Link to the Corporate Energy Strategy [Corporate Energy Strategy - MLEI](#)
- Outline Business Case (business case), Fordham site, July 2020, available from the Energy Investment Unit
- [Link to the East Cambridgeshire District Council Local Plan](#)
- Email communication between the project manager and planners on the question of which body should serve as the Local Planning Authority, available from the Energy Investment Unit

## 6 Appendices

### Appendix B – map of the site with agricultural grade overlaid



## Appendix D

### Risk Impact Ratings:

Description	Descriptor	Scale
Insignificant disruption to internal business or corporate objectives Little or no loss of front line service No environmental impact No reputational impact Low financial loss <£100k	Negligible	1
Minor disruption to internal business or corporate objectives Minor disruption to front line service Minor environmental impact Minor reputational impact Moderate financial loss >£100k <£500k	Marginal	2
Noticeable disruption to internal business and corporate objectives Moderate direct effect on front line services Moderate damage to environment Extensive reputational impact due to press coverage Regulatory criticism High financial impact >£500k < £1m	Significant	3
Major disruption to corporate objectives or front line services High reputational impact – national press and TV coverage Major detriment to environment Minor regulatory enforcement Major financial impact >£1m <£2.5m	Critical	4
Critical long term disruption to corporate objectives and front line services Critical reputational impact Regulatory intervention by Central Govt. Significant damage to environment Huge financial impact >£2.5m	Catastrophic	5

## Appendix E – Risk Register

Timeline for resolution	Risk	Likelihood (1-5)	Impact <sup>4</sup> (1-5)	Risk Score	RAG Status	Mitigation strategy	Maximum funds at risk <sup>5</sup>
IGP Phase 1	<p><b>Unable to secure a technically and financially feasible grid connection in a constrained area.</b></p> <p>Fordham sits in a flexible distributed generation area meaning that UK Power Networks may request over 20% annual curtailment (stopping generation) in exchange for a connection agreement.<sup>1</sup></p>	3	3 (dependent on cost)	9	A	<p>Early discussion with UK Power Networks has suggested that the addition of battery energy storage could mitigate the level of curtailment applied to less than 5%.</p> <p>An application will be made to UKPN to determine the terms on which a connection to the grid can be made, the cost of the connection, the capacity available and whether any reinforcement is required, which could impact the revenues and scale of the project. An estimated cost of connection of £1.01M has been included in the business case.</p> <p>This area has also just been added to the Pico Flex platform which is used by UKPN to run auctions for flexibility services. Depending on timelines, the project could enter an auction and receive payments to turn down generation.</p>	£18,000 (cost of applying for grid connection) <sup>1</sup>

<sup>4</sup> See Appendix D for scale.

<sup>5</sup> These figures reflect a discrete amount of funds at risk per risk identified.

Timeline for resolution	Risk	Likelihood (1-5)	Impact <sup>4</sup> (1-5)	Risk Score	RAG Status	Mitigation strategy	Maximum funds at risk <sup>5</sup>
IGP Phase 1	<b>State Aid</b>  Funding the project is challenged on the basis of State Aid. State Aid is concerned where public funds distort competition. The sale of electricity to a few local customer could be seen as distorting competition if done at a discount to their retail tariff.	4	3	12	A	Negotiations on tariffs could be based on a principal of providing a minimal discount. External legal advice will be sought.	Unknown
IGP Phase 2	<b>Planning permissions</b>  There is the potential presence of protected birds (namely Lapwing, Corn Bunting etc.), therefore there is a risk that planning permission is not granted for all necessary areas or components. <sup>3</sup>	2	2	4	A	Pre-application discussions will be held with the Local Planning Authority and ecologists during the first phase of the IGP. Cambridgeshire County Council will be the Local Planning Authority for this project as the site is on Council owned land. <sup>6</sup>  The pre-application discussions would cover the fact that the site is well screened from surrounding properties and additional planting can be made to supplement, a net gain in biodiversity can be accommodated, the project is consistent with goals established in the Local Plan and no listed buildings or monuments are adjacent to the site.	Unknown as dependent on planning response

<sup>6</sup> Regulation 3 of the Town and Country Planning Act allows for a local authority to determine planning applications where the same local authority is the applicant. EIU sought advice from County Council planning officers on which body should determine the application. Emma Fitch, Joint interim Assistant Director Environment & Commercial Services, agrees that the County Council should be the LPA, which aligns with recent legal advice that she has sought on this matter.

Timeline for resolution	Risk	Likelihood (1-5)	Impact <sup>4</sup> (1-5)	Risk Score	RAG Status	Mitigation strategy	Maximum funds at risk <sup>5</sup>
<b>Construction phase</b> (procurement of equipment)	<b>Changes in exchange rates / Global supply change disruption</b>  The majority of equipment for this project will be imported. Should the pound to euro exchange rate become unfavourable (due to COVID-19 or other factors) resulting in increases in the cost of the imported equipment and the overall cost of the project, therefore decreasing the internal rate of return to the point where the project is no longer viable.  COVID 19 has also resulted in the shrinking in the number of suppliers which has driven up costs in the short term.	3	3 (highly dependent on external factors)	9	A	<p>The Project Team will be monitoring changes in exchange rates and import tariffs.</p> <p>Procurement could be delayed to await more advantageous exchange rates. The works contract could include a maximum agreed contract price. Should the price exceed the maximum agreed, we could take a decision not to proceed.</p> <p>In the worst case scenario, the drop in the pound could make the project potentially financially unsustainable resulting in the project ending and a need to recover development costs. Should this occur, the Project Team would return to C&amp;I for a decision on how to proceed.</p>	<i>Unknown</i>

Timeline for resolution	Risk	Likelihood (1-5)	Impact <sup>4</sup> (1-5)	Risk Score	RAG Status	Mitigation strategy	Maximum funds at risk <sup>5</sup>
<b>Design phase</b>	<p><b>Flood risk</b></p> <p>Parts of the site are in flood zone 3 (FZ3) based on the Environment Agency online flood maps. Concurrent detailed flood risk maps obtained from the Environment Agency confirm the areas as FZ3.</p> <p>Flood risk is likely to be a key risk for this project and regard should be given to local plan policy 'ENV 8: Flood risk' which states that development would not be permitted if it increased the risk of flooding or would have a detrimental effect on existing flood defences or inhibit flood control and maintenance work.</p>	4	Unknown		A	<p>Flood risk mitigation measures may be required, such as drain reinforcements / channels, increasing table heights, or avoidance of highest risk areas.</p> <p>Bouygues is to commission a detailed flood risk assessment for the site by a competent person. This shall include analysis of EA data, other sources and site investigations. CCC to confirm the adequacy of this risk assessment with insurers. BYES to prepare designs to mitigate any risks (to an acceptable level), options include reducing capacity to avoid areas of highest risk of flooding.</p>	
<b>All phases</b>	<p><b>Negative Public Opinion</b></p> <p>The Fordham site is just over 600m from the planned location of the Sunnica West Site B which has received considerable push back from the public. This public disapproval could spill over onto the Fordham site.</p> <p>There is a concern that the quantum of solar farm projects coming forward may have a significant effect on the character of the landscape.</p>	4	3	12	A	<p>The public communication will focus on the benefits of the Fordham scheme for supporting local businesses and generating revenue to support Council services. The messaging would also highlight the existing tree screening on the Fordham location, as well as the likely addition of more ahead of operation.</p>	

Timeline for resolution	Risk	Likelihood (1-5)	Impact <sup>4</sup> (1-5)	Risk Score	RAG Status	Mitigation strategy	Maximum funds at risk <sup>5</sup>
All phases	<b>Agreeing sufficient Power Purchase Agreements</b>  Early modelling of the energy demand for the three types of nearby businesses demonstrate they could accept about a third of the energy generated. The risk is that the companies are not interested or CCC is unable to present an acceptable tariff for them to purchase the clean energy.	3	3	9	A	Contact has been made with two of the three potential PPA customers ahead of the C&I Committee to gauge interest and with the aim to collect data to verify compatibility.	Depends on phase of development reached
All phases	<b>General</b>  The business case worsens over the course of development	3	unknown			As per the terms of our contract with Bouygues, the Council will not be liable to pay Bouygues' costs. However internal staff and legal costs and any external fees paid will not be recoverable.	Depends on phase of development reached
All phases	<b>No Deal Brexit</b>  In the event a trade deal cannot be negotiated with the EU, import tariffs on solar photovoltaic modules and battery storage are likely to be applied, increasing the cost of the project.	3	unknown			Given the stage of development, the impact of a no deal Brexit on import tariffs and exchange rate movements will be known early in the development process and actions can be taken accordingly.	Unknown but minimal
All phases	<b>General</b>  Common risks associated with building solar farms, i.e. ground conditions are unfavourable for supporting structures, a large expanse of solar panels are under flight corridors. <sup>3</sup>	<i>Dependent on the results of the Ground Investigation</i>				A ground investigation will be performed to inform the suitability of the site to support solar farm foundations. Cambridge City Airport and the MOD have been alerted as to the development of the project. A Glint and Glare assessment will be conducted as part of the planning application.	Dependent on phase of development





## NORTH ANGLE SOLAR FARM INVESTMENT DECISION

To: Commercial and Investment Committee

Meeting Date: 18 December 2020

From: Steve Cox, Executive Director, Place and Economy

Electoral division(s): Soham South and Haddenham

Forward Plan ref: 2020/053

Key decision: YES

Outcome: To provide an additional 29.4 MW capacity of local renewable electricity generation in Cambridgeshire and save over 105,000 tonnes of carbon dioxide emissions over the next thirty years, displacing fossil fuel generated electricity. To build networks of local clean electricity supplies for local businesses, communities and projects.

Recommendation: Members are asked to:

- a) To approve the investment case for the North Angle Solar Farm project as set out in section 2 of the report.
- b) To approve the proposed delegation arrangements set out in section 6, to enter into a construction contract with Bouygues E&S Solutions on agreement of the final price; and
- c) To scope options for private wire connections to the North Angle Solar Farm Project and in particular the detailed proposal for Swaffham Prior Community Heat Project.

### Officer contact:

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### Member contacts:

Names: Councillors Goldsack and Boden  
Post: Chair/Vice-Chair  
Email: [Mark.Goldsack@cambridgeshire.gov.uk](mailto:Mark.Goldsack@cambridgeshire.gov.uk) | [cboden@fenland.gov.uk](mailto:cboden@fenland.gov.uk)  
Tel: 07831 168899 | 07860 783969

## 1. Background

- 1.1 In May 2019, Cambridgeshire County Council declared a Climate and Environment Emergency and committed to the development of a Climate Change and Environment Strategy (CCES) which was approved at Full Council in May 2020. This strategy includes mitigation of climate change and the use of the Council's assets to generate clean energy.
- 1.2 The Council adopted a new corporate objective (in February 2020) to deliver net zero carbon emissions for Cambridgeshire by 2050 and committed as part of its CCES to UK ambitions to green finance through the use of its assets to support green projects.
- 1.3 The Council successfully developed a 12 MW solar park at Triangle Farm, Soham, which has been generating clean energy since 2017 and is delivering around £350,000 per annum net revenue to support Council services. Building on this success, the Council was keen to develop a pipeline of large, clean energy projects for commercial and community benefit.
- 1.4 The North Angle Solar Farm Project is an area of 188 acres of Council-owned land located just south of the existing Triangle solar farm, on North Angle Farm (see Appendix A). The project comprises 78,000 solar panels and will generate the equivalent electricity as used by 12,000 households annually and prevent over 105,000 tonnes of CO<sub>2</sub> emissions over the 30 year lifetime of the project.
- 1.5 The project development budget for North Angle Farm totalled £1.1 million including the down payment for the grid connection to UK Power Networks. The budget has covered all project development costs including the requirement for an Environmental Impact Assessment, crop compensation and the investment grade proposal. The forecast spend to date on the development budget is £870,000 of the £1.1.million.
- 1.6 The outcome of this report is to seek approval for the investment case for North Angle Solar Farm, agree works contracts and start construction in Spring 2021, (as illustrated in the high level draft programme attached in Appendix B) and bring forward a detailed proposal for a power purchase agreement for the Swaffham Prior Community Heat Project.

## 2. Investment Proposal

- 2.1 In October 2020, Environment and Sustainability Committee approved a paper on Valuing Carbon. This proposed that all Council business cases include the notional value of carbon to sit alongside and inform investment decisions. A summary of the base business case is set out overleaf in Table 1. The carbon value of the savings is taken from the government Green Book, which sets out recommended price assumptions for project appraisal. In the case of electricity generation, these assumptions are on regulated emissions and based on projected prices within the EU emissions trading scheme.

**Table 1: Base business case, November 2020**

Including Carbon	Excluding Carbon	
£24,443,287	£24,443,287	Total Capital Investment Cost
£71,673,737	£61,944,434	Revenue over 30 years
£42,647,333	£32,918,030	Net Financial Benefit over 30 years
7.44%	5.84%	30yr Internal Rate of Return (IRR)
6.66%	4.84%	25yr Internal Rate of Return
13.47	16.09	Payback Period (years)
£12,311,606	£6,425,822	Net Present Value (NPV) over 30 years
	£9,563,705	NPV before cost of loan interest
105,101	105,101	Tonnes Avoided Over 30 years (CO <sub>2</sub> )
3,503	3,503	Average Annual Carbon Saving (CO <sub>2</sub> )
~433	~433	Total Household Carbon Footprint (CO <sub>2</sub> e)
1069GWh	1069GWh	Generated over 30 years
~9,473	~9,473	Number of households equivalent
~14,304	~14,304	Electric Vehicle trips around earth

- 2.2 The future price for carbon will depend on future political actions by the UK and other governments. This could lead to the carbon savings created as a result of this project as having real cash value. For example, should a local carbon offset scheme be developed, the County Council could consider selling this benefit or retain it as part of its own progress towards net-zero carbon.
- 2.3 The investment case described above is the result of a full procurement for tendered construction works. However, the investment case is not a guaranteed final price due to key uncertainties such as Brexit and COVID-19 that could impact supply chain costs along with exchange rates and tariffs.
- 2.4 A sensitivity analysis is attached in Appendix C on the base business case. Some of the more significant risks and opportunities associated with this are highlighted below. In addition, the risk register for the project is provided in Appendix D.
- 2.5 The £26.3m capital budget for this project, funded by prudential borrowing, was agreed as part of the 2020-21 Business Plan.' The budget will be revised to reflect the finalised costs agreed in the business case for the project as part of the 2021-22 Business Plan, due to be agreed by Council in February 2021.

### 3. Material Risks and opportunities to the Business Case

#### 3.1 Wider commercial risks – not under our control

3.1.1 The North Angle Solar Farm project will be connected to the distribution network and the default position will be to sell electricity at wholesale prices. The ability to predict the tariff over the project lifetime has been a recurrent issue for investment projects in the renewable energy sector and there has been considerable variation in prices over the last few years.

3.1.2 During 2020, particular downward pressure on prices has been driven by two major factors, Brexit and the Covid-19 pandemic. These resulted in energy prices falling to around £0.028/kWh at one point in the summer, compared to their peak of about £0.070/kWh at the end of 2018. Since then prices have recovered somewhat and are currently around the £0.050/kWh level used in the business case.

3.1.3 In the long-term, projections by the Department for Business, Energy and Industrial Strategy (BEIS) suggest prices will remain roughly stable in the future and this is the basis of the business case. However, there is the possibility that prices could be either higher (as a result of shortage of capacity or an increased use of nuclear) or lower (as a result of excess capacity or cost reductions in future renewable energy projects).

3.1.4 The Council is actively looking at ways to mitigate the risk of changes in energy prices. For example, it is looking at opportunities to sell the electricity locally to customers through private wire and Power Purchase Agreements. One example under discussion is to sell approximately 5% of the electricity generated to the proposed Swaffham Prior Community Heat Project. This, along with sales to other local projects when they become available, could mitigate the risk of wholesale price reductions. In addition, the Council is considering the procurement of an 'aggregator'. Aggregators have expertise in wholesale electricity markets and could help the Council maximise returns and the opportunities for selling electricity.

Table 2 below shows the impact of a 5pKwh reduction in wholesale price to £0.045/kWh on the base business case. The wholesale price would have to reduce by 14p/kWh to £0.036/kWh before the income generated would not cover the capital cost of the scheme.

Table 2 – Sensitivity to lower wholesale energy price

	Base Case	Sensitivity Case
IRR	6.66%	5.40%
Average Annual Cashflow	£1,705,893	£1,374,282
NPV	£12,311,606	£7,826,740
Payback (years)	13.5	14.9

3.1.5 The base business case is based on an expected level of electricity generated by North Angle. This has been estimated by taking actual performance of the adjacent solar farm at Triangle Farm since 2017 and applying it to the North Angle project. The expected level is approximately 9% higher than the figure Bouygues would guarantee to supply. This reflects Bouygues' need to manage performance risk on the project and their own commercial risks. The figure in the business case is a conservative, rather than optimistic assumption as actual generation is likely to be higher for two reasons:

- The quality of solar panels has continued to increase since 2016 when the ones used at Triangle Farm were sourced.
- The energy output used in the model from Triangle Farm was not the actual energy produced, but an adjusted figure taking account of the fact that the amount of solar radiation since 2017 has been about 5% above the long-term average. Given the expected impact of climate change, it is likely that solar radiation will continue to be above the historic average in future.

Table 3 below shows the impact on the business case if it were based on guaranteed energy production rather than the current figure.

Table 3 – Sensitivity to lower energy production

	Base Case	Sensitivity Case
IRR	6.66%	4.87%
Average Annual Cashflow	£1,705,893	£1,233,842
NPV	£12,311,606	£5,977,919
Payback (years)	13.5	15.6

3.1.6 The business case assumes an interest rate of 1.25%, which takes account of the availability of the Local Infrastructure Rate (LIR) for this project. Up until recently this offered a discount of 1.2% to the main Public Works Loan Board (PWLB) rate. However, on 26<sup>th</sup> November 2020 the Government announced that the additional 1% added to PWLB rates earlier in the year, to reduce the incentive for Councils to borrow, would be removed (but restrictions on the ability of Councils to borrow to fund commercial investments were introduced instead). This means the effective discount from the LIR is now 0.2%. Given the very recent change to arrangements, there is now no real risk of further changes to the PWLB interest rate from political actions, but market movements in the cost of gilts will still be reflected in changes to PWLB rates. Table 4 below shows the potential impact of a 0.2% increase in rates.

Table 4 – Sensitivity to loan interest rate

	Base Case	Sensitivity Case
IRR	6.66%	6.49%
Average Annual Cashflow	£1,705,893	£1,676,561
NPV	£12,311,606	£10,837,145
Payback (years)	13.5	13.7

## 3.2 Project delivery risks

- 3.2.1 The proposed UKPN cable route followed a hard dig along the highway. To reduce costs the project has explored the option for a soft dig using County land and third party landowners to reduce the high costs of the grid connection. Currently the project has no contract with an Independent Connection Provider (ICP) and therefore the final costs for the route are not fully costed. The Council's Rural Estate team have undertaken preliminary negotiations on wayleaves with several landowners and are now looking to finalise these, subject to Council approval to proceed with the project. It will be imperative that these negotiations are completed in a timely manner to ensure the commencement of construction, which is programmed to start in March 2021.
- 3.2.2 Solar panel capital costs – the solar panels are the single largest cost for the project, as was the case with the Triangle Farm project. At the time of preparing the business case, China announced an increase in glass production tariffs which has a material impact on the cost of panels. In addition, China has recently been subject to flooding, which has delayed panel production and the subsequent cost increases to panels due to shortages. An additional amount of close to £1m is included in the business case on top of the target cost to account for these increases, but there is still a clear risk of additional increases related to Brexit and further shortages. Table 5 below shows the impact if there were an additional £1M of capital costs (an approximate increase of 4% on overall capital costs).

**Table 5 – Sensitivity to capital costs**

	<b>Base Case</b>	<b>Sensitivity Case</b>
IRR	6.66%	6.22%
Average Annual Cashflow	£1,705,893	£1,658,393
NPV	£12,311,606	£11,183,232
Payback (years)	13.5	14.0

## 4 Community Engagement and benefits to the local community

- 4.1 Community Engagement - Peterborough Environment City Trust (PECT) were appointed to provide community engagement support for the project. Their objective was to seek the views of local residents, businesses and other stakeholders.
- 4.2 PECT planned to hold various types of consultation events and visits planned to local groups and community events across the local area. However, due to the arrival of the COVID-19 pandemic in Spring 2020 these events were cancelled and alternative digital communication methods were used to reach a wide audience instead.
- 4.3 Two webinars were held during April and May 2020. The sessions were hosted by members of the project team - MLEI, Bouygues and PECT - and included a background and overview of the proposed project, its benefits, and proposed timelines. Participants were encouraged to ask questions during a Q&A session,

which were then answered live by members of the team. Recordings of the presentations were shared on social media, for anyone who was unable to attend the event.

- 4.4 The online events were promoted as part of a wider social media campaign by project partners, and the key geographic area was targeted through paid advertising. Posts were kept engaging with a mixture of informative messages, animated videos, recordings of online events, photographs and digital posters, images from which are shown in appendix E. During a one-month period (April-May 2020) PECT's Facebook page had an overall post reach of 79,958 and a post engagement of 6,164.
- 4.5 Three direct engagement events with Wicken Parish Council and Soham Town Council were undertaken by the MLEI project team between June 2019 and January 2020.
- 4.6 A wide range of stakeholders have been communicated with throughout the project and their input has been incorporated in to the planning application, including the inclusion of community elements such as a new section of footpath, community accessible green space and incorporation of species rich grassland under and between the panels.

## 5 Impact of not proceeding with the project

- 5.1 The Council could decide to delay investment or not to invest in the project. If a delay is proposed, there is a risk that the connection agreement with UKPN will expire and the project moves to the bottom of the list for connections as there are a range of other solar projects under development in the area. This could result in an increase in the future connection costs for the project. In addition the project could shift to a winter build which will also incur additional costs. If the project is cancelled the development costs will need to be funded from revenues. These costs amount to £870,000, of which £127,000 is potentially recoverable. The residual costs would be offset against the energy investment programme income, however, as these income streams have been budgeted for within the Council's wider Business Plan, this would cause an additional one-off pressure.
- 5.2 In addition to the impacts identified above (in either delaying or not investing in the project), officers have also investigated and appraised other options that may be open to the Council; such as the potential to sell on the land with the benefit of planning permission, or the opportunity to review how the development is run or funded in the future. The opportunity to sell the land on with the benefit of planning permission is not a viable option, as this project has been developed on the basis that the Council intends to develop this energy scheme itself. As such, the planning permission fell to be determined under Regulation 3 of the Town and Country Planning General Regulations 1992 (Statutory Instrument 1992/1492), as opposed to a project that the Council does not intend to develop itself that falls within the remit of Regulation 4 of the same legislation that requires planning permission to be sought by the relevant City or District Council. In the event that the Council does not wish to proceed with this project, in order to be able to sell the land on with the benefit of planning permission, this would need a new planning permission to be sought from East Cambridgeshire District Council under Regulation 4, which would require additional costs and time for the necessary determination process, which would lead to similar issues and impacts discussed in paragraph 5.1. above. Nevertheless, the

opportunity to review how the development is run or funded in the future would be possible once the Council had implemented the planning permission and developed the energy scheme itself.

## 6. Proposed delegation arrangements

- 6.1 To align with the existing construction programme, which is targeting a summer build (during 2021), it will be necessary to sign a works contract with Bouygues early 2021 to enable the purchase of materials and equipment. Similar to the Triangle Solar Farm, it is proposed the decision to sign a contract with Bouygues is delegated to the Chief Finance Officer, in consultation with the Chair of Commercial and Investment Committee and the Executive Director Place and Economy.
- 6.2 The overall final costs for the project, including those of the solar panels, will be given by Bouygues immediately ahead of signing the contract. This will allow Bouygues to then buy the panels and key components of the scheme at a known price.
- 6.3 The decision to proceed to contract would be subject to the Net Present Value of the final business case not being significantly worse than shown in this report.

## 7. Alignment with corporate priorities

### 7.1 A good quality of life for everyone

Any revenues derived from the scheme would be used to support key Council services, supporting a good quality of life for residents.

### 7.2 Thriving places for people to live

There are no significant implications for this priority.

### 7.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

### 7.4 Net-zero carbon emissions for Cambridgeshire by 2050

It is estimated that the project would prevent the emission of more than 105,000 tonnes of CO<sub>2</sub> over the lifetime of the project through offsetting fossil-fuel electricity generation.

## 8. Significant Implications

### 8.1 Resource Implications:

The forecast spend to date on the development budget is £870,000; the majority of which are sunk costs, as described in para 5.1. The costs for County Council staff involvement to deliver the project are included in the project development budget.

Future costs for staff to manage the ongoing project are included in the business case.

- 8.2 Procurement / Contractual / Council Contract Procedure Rules Implications:  
Bouygues Energies & Services were procured under a mini-competition run under the Refit 3 Framework. There are no significant implications arising from this procurement or the proposed contractual arrangements.
- 8.3 Statutory, Legal and Risk Implications:
- 8.3.1 The County Council has a corporate objective to deliver net zero carbon emissions for Cambridgeshire by 2050 and this project supports the Council to deliver this objective.
- 8.3.2 Planning permission has been obtained from the County Council under Regulation 3 of the Town and Country Planning Act (General Regulations) 1992 as a project it intends to develop itself and legal advice confirms that the Council is able to implement this without the need to set up a company.
- 8.4 Equality and Diversity Implications:  
There are no significant implications.
- 8.5 Engagement and Communications Implications:  
Given the number of solar farm projects coming forward in close proximity to the North Angle site, and the sensitivity of the area from an historic environment perspective, community engagement was a priority as the project developed to ensure that the North Angle scheme became the preferred community option. External support from PECT was appointed to gather feedback from the local community, relay key messages and deliver a series of community engagement events. Please see section 4 above for more details.
- 8.6 Localism and Local Member Involvement:  
The East Cambridgeshire Local Plan supports solar renewable energy generation. Concerns at the loss of productive agricultural land were mitigated by siting the development on Grade 3 agricultural land wherever possible.
- 8.7 Public Health Implications:  
There are no significant implications. This renewable energy project will generate electricity from the sun, preventing the emission of over 105,000 tonnes of CO<sub>2</sub> over the lifetime of the project.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact? Yes

Name of Legal Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Bethan Griffiths

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 or No

Name of Officer: Iain Green

## Source documents

### Documents

- Outline Business Case (business case for a solar farm on rural estate), January 2019
- Investment Grade Proposal (IGP) Stage 1 update on the development of the North Angle Solar Farm project, July 2019
- Approval for Grid Connection down payments for energy investment projects, October 2019
- Project update, March 2020 (circulated via email)

### Location

- <https://tinyurl.com/y64yk828>
- <https://tinyurl.com/y2ncl6k5>
- <https://tinyurl.com/uo32y6c>
- Available by e-mail

## Appendix A: Site location

A map showing the proposed area for the development of a solar farm on North Angle farm (188 acres / 76 hectares), within the County-owned Mere Farm Estate.



## Appendix B: High level (draft) programme:

Stage	Q1 2021			Q2 2021			Q3 2021			Q4 2021			Q1 2022			Q2 2022		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Pre-Contract</b>																		
Contract Finalisation																		
Contract Sign-off																		
Design Validation Surveys																		
PCIP / H&S Plan Finalisation																		
Pre-con Planning Conditions Work																		
<b>Off-site Mobilisation</b>																		
Pre-con Planning Conditions Discharge																		
Surveys																		
Pre-construction Design																		
Programming & Interfacing																		
<b>Procurement</b>																		
Long Lead / Major Equipment																		
<b>Site Mobilisation / Pre-Con</b>																		
<b>Construction</b>																		
Roadways																		
Mounting																		
Piling																		
Mechanical Install																		
Trenching / Cabling																		
Inverters / Substations Install																		
Other - Controls / Weather Stations																		
Terminations & Jointing																		
<b>Commissioning</b>																		
<b>Demobilisation</b>																		
<b>Practical Completion</b>																		
<b>Provisional Acceptance</b>																		

## Appendix C: Sensitivity of business case to changes in assumptions

Major areas affecting results	Business case assumptions	Sensitivity adjustment
Energy produced	Extrapolated from Triangle Farm actuals	Bouygues assumptions underpinning Energy Performance Guarantee
Energy available for sale	Allows 3% curtailment by UKPN	Allows 6% curtailment
Wholesale price	£0.05/kWh	£0.045/kWh
Price charged to Swaffham Prior	£0.05/kWh	£0.06/kWh
Sale of carbon credits	Sell at Green Book traded price	Sell at 50% of Green Book traded price
Capital costs	Base case	Base case + £1M (approx. 4% increase)
Operational costs	Base case	Base case + 10%
CCC costs (rent, rates, insurance)	Base case	Base case + 10%
Lifecycle costs	Base case	Base case + 10%
Inflation (RPI)	2.75% RPI, 2.00% CPI	3.75% RPI, 3.00% CPI
Loan interest rate	1.17%	2.17%

	Base Case	Energy Produced	Energy available for sale	Wholesale Price	Price charged to Swaffham Prior	Sale of Carbon Credits
IRR	6.66%	4.87%	6.22%	5.40%	6.77%	5.76%
Average Cashflow	£1,705,893	£1,233,842	£1,591,268	£1,374,282	£1,738,379	£1,511,307
NPV	£12,311,606	£5,977,919	£10,742,071	£7,826,740	£12,737,354	£9,368,714
Payback (years)	13.5	15.6	13.9	14.9	13.4	14.6

	Base Case	Capital Costs	Operational Costs	CCC Costs	Lifecycle Costs	Inflation (RPI)	Loan Interest Rate
IRR	6.66%	6.22%	6.52%	6.56%	6.62%	7.77%	6.49%
Average Cashflow	£1,705,893	£1,658,393	£1,668,148	£1,678,959	£1,690,503	£2,206,702	£1,676,561
NPV	£12,311,606	£11,183,232	£11,802,462	£11,949,465	£12,148,603	£12,559,197	£10,837,145
Payback (years)	13.5	14.0	13.6	13.6	13.5	12.7	13.7

## Appendix D: North Angle Solar Farm Risk Register

Material Risks	Causes	Impacts	Risk Level	Mitigating Strategies
Breach of planning condition	<ol style="list-style-type: none"> <li>1.Failure to meet planning requirements</li> <li>2.Incompetency</li> <li>3.Resources - Insufficient/inadequate project or supply chain resources available to develop the project</li> </ol>	<ol style="list-style-type: none"> <li>1.Project delays</li> <li>2.Additional costs</li> </ol>		<ol style="list-style-type: none"> <li>1. Commission competent planning consultant</li> <li>2. CCC to ensure that appropriate resources and financial provisions are committed to the discharge of conditions</li> </ol>
Project affected by external events	<ol style="list-style-type: none"> <li>1.Covid-19</li> <li>2.Brexit</li> </ol>	<ol style="list-style-type: none"> <li>1.Delays to / unable to complete development programme</li> <li>2.Increased costs, changes to the economic business case.</li> </ol>		<ol style="list-style-type: none"> <li>1. Continue to monitor the evolution of Covid-19 and Brexit events</li> </ol>
The project becomes unfeasible/unviable	<ol style="list-style-type: none"> <li>1.Failure to identify and/or secure the most cost-efficient cable route to the point of connection.</li> <li>2.Legal - Challenges in obtaining wayleaves or easements over third party land.</li> <li>3.Wholesale prices/price projections are lower than the modelled predictions.</li> <li>4.Changes to economy cause inflationary cost increases for goods and services.</li> <li>5.Wrong assumptions in the financial model</li> </ol>	<ol style="list-style-type: none"> <li>1. Project cessation and/or delay (due to negotiation)</li> <li>2. Extra legal costs and additional costs associated with alternative routing around third party land</li> <li>3. Increased costs, changes to the economic business case</li> <li>4. Forecasted revenues are lower than predicted, thus extending paybacks beyond the thresholds agreed in the contract.</li> </ol>		<ol style="list-style-type: none"> <li>1. Optimisation/Aggregator Services to be procured</li> <li>2. CCC's Real Estates involved in the wayleaves/easement negotiation process</li> <li>3. Cost analysis of the potential routes proposed by UKPN</li> <li>4. Quote from an Independent Connection Provider (ICP) for the contestable works.</li> <li>5. Undertake sensitivity analysis to evaluate the impacts of all potential pricing scenarios.</li> <li>6. Consideration of the option to supply electricity for the Swaffham Project.</li> </ol>
Insufficient/inadequate resources available to develop the project	<ol style="list-style-type: none"> <li>1.Insufficient/inadequate local supply-chain contractor resources available to deliver the project</li> <li>2.Labour market affected by Brexit and the restriction of EU citizens to work in the UK</li> </ol>	<ol style="list-style-type: none"> <li>1.Delays to / unable to complete development programme</li> <li>2.Need to source from further afield - increased costs</li> </ol>		<ol style="list-style-type: none"> <li>1. Continue monitoring the local and regional economy, the progress of the Covid-19 pandemic and implications of Brexit.</li> </ol>
Project is negative impacted by legal procedures	<ol style="list-style-type: none"> <li>1.A change in regulations/legislation drives changes in the design or development of the project.</li> <li>2.Grid connection traverses third party land, thus necessitating wayleaves/easements</li> <li>3.Contractor or subcontractor breach/cessation leads to termination of contract midway through the construction phase</li> </ol>	<ol style="list-style-type: none"> <li>1.Programme delays, additional costs, legal</li> <li>2.Changes to the economic business case.</li> </ol>		<ol style="list-style-type: none"> <li>1. Seek legal advice for the wayleave/easement negotiations</li> <li>2. Involvement of the CCC's Real Estates team in the cable route definition and the wayleave/easement negotiations.</li> <li>3. Continual monitoring and research into prospective regulatory or legislative changes that may impact the viability of the proposal.</li> </ol>
Environmental disaster occurs during the construction phase.	<ol style="list-style-type: none"> <li>1.Leaching of hazardous fluid pollutants into ground e.g. asbestos</li> <li>2.Uncontrolled release of airborne pollutants</li> <li>3.Bad practices and lack of monitoring</li> <li>4.Poor construction management</li> </ol>	<ol style="list-style-type: none"> <li>1.Legal and remedial additional costs</li> <li>2.Damage to local natural habitat</li> </ol>		<ol style="list-style-type: none"> <li>1. Ensure effective environmental controls, policies and procedures are in place on-site.</li> <li>2. Commission Environmental Aspects &amp; Impacts Assessment and develop and implement the Construction Environmental Management Plan prior to construction.</li> </ol>
Community disturbed and disrupted by construction works	<ol style="list-style-type: none"> <li>1.Noise/vibration, roadworks, dust, lighting etc.</li> </ol>	<ol style="list-style-type: none"> <li>1.Reputation and relationship with customers</li> <li>2.Complaints received</li> </ol>		<ol style="list-style-type: none"> <li>1. Develop Construction Environmental Management Plans and Risk Registers to identify and minimise potential nuisances, such as noise, vibration etc.</li> </ol>

Material Risks	Causes	Impacts	Risk Level	Mitigating Strategies
Injury, illness or death caused in the construction of the project	2.Lack of an effective communication strategy during the construction phase 1. Insufficient safe systems of work in place on-site/insufficient risk management practices 2. Unforeseen or unidentified hazards 3. Insufficient and incompetent management/supervision resources	3.Programme delays 1.Injuries and/or fatalities 2.Workdays lost 3.Project is cancelled 4.Damage to reputation 5.Legal cost and litigations		2. Ensure that complaints management is set out in the communication strategy 1. Ensure effective H&S controls, policies and procedures are in place on-site. 2. Traffic Management Plans in place 3. Effective communication about the procedures to be adopted
Trespassing of construction site, theft or vandalism of construction materials	1. Insufficient security and segregation of construction sites	1. Injury or death 2. Additional costs 3. Legal disputes		1. Insurances to cover such events. 2. Implement appropriate security controls, including hoardings, signage, locks, security lighting, smart water system and remotely monitored, CCTV
Programme delays during the construction phase.	1. Poor coordination and management of resources 2. Bad weather 3. Coronavirus outbreak reduces the availability of solar PV panels	1. Programme delays, cost overruns		1. Undertake comprehensive supply-chain vetting to establish resource capacity 2. Monitor government advice regarding personal and commercial activities as pandemic develops. 3. Develop a realistic and functional delivery programme and project execution plan, ensure effective contractual terms to incentivise deliver against the programme
Quality of installation works fail to achieve CCC's Requirements	1. Poor workmanship 2. Substandard materials	1. Programme delays 2. Cost overruns, 3. Poor performance in operation		1. Implement proper and effective quality control procedures. 2. Quality acceptance tests to be undertaken prior to handover of any works.
Unavailability of electrical generation	1. Poor coordination and execution of commissioning	1. Revenue delays 2. Additional cost 3. Client disputes 4. Damage to reputation		1. Develop and implement a phased commissioning strategy to prove system prior to the energisation date 2. Communication strategy to ensure that a proactive approach is taken to inform stakeholders of the delays, so as to avoid misinterpretation of causes.
During Operation, the system performance is significantly lower than that projected in the energy model/business case	1. A lack of local contractor resources to undertake specialist maintenance and servicing of the equipment. 2. System failure, causing downtime of the system due to inadequate or lack maintenance 3. Actual losses from the system and network are far higher than that projected in the design.	1. Reduction in annual yield, 2. Failure to achieve guarantees 3. Contract Penalties 4. Forecasted revenues are lower than predicted, thus extending paybacks beyond the thresholds agreed in the contract.		1. Early engagement with local prospective supply-chain partners. 2. Undertake research into long-term degradation of solar PV modules to confirm the accuracy of industry benchmarks. 3. Undertake appropriate QA and peer review of the model and generation outputs 4. Appropriate selection and management of competent and qualified installers
Operations being negatively affected by external events	1. Legal/Regulations - A change in regulations/legislation/policy that directly or indirectly affects the project. 2. Threat of a cyber-attack during operation; controls are hacked and control of the site is lost.	1. Increased costs, changes to the economic business case, project cessation. 2. Loss of revenue, reputational damage		1. Continual monitoring and research into prospective regulatory, legislative or policy changes that may impact the viability of the proposal. 2. Early identification of vulnerabilities; security tools and management to identify active security threats.

## Appendix E: Community Engagement

Example Facebook posts:



An animated video was created to be used alongside the social media campaign. The video promoted the project, the benefits and how people could engage with the projects.



## Webinar:

The original consultation plan for the project included a range of public events, engagement with members of the public, community groups and businesses. This engagement was due to take place in March 2020, just when the COVID-19 lockdown was introduced. The engagement campaign therefore shifted from physical to digital events and communications, including a range of webinars.



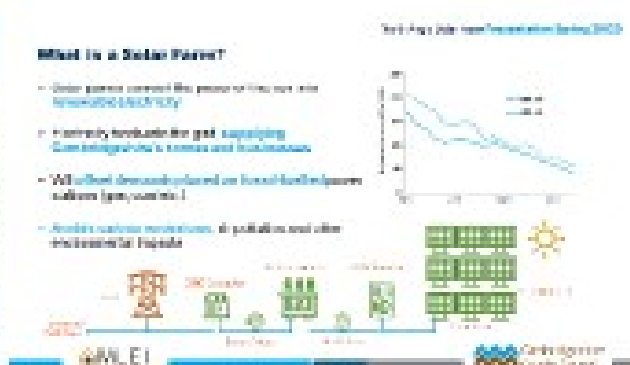
**PECT**  
@SustainablePECT

.@CambsCC is seeking permission to build a solar park at North Angle Farm #Soham & #Wicken. The site has the potential to prevent the emission of 90,000 tonnes of CO2. See [mlei.co.uk](http://mlei.co.uk) or join tonight's 6pm Zoom event at [zoom.us/j/112409311](https://zoom.us/j/112409311) to find out more



**PECT** @SustainablePECT · May 14

.@CambsCC is seeking permission to build a solar park at North Angle Farm, near Soham and Wicken. Did you miss last night's online event? You can view the recording here. [facebook.com/SustainablePECT...](https://facebook.com/SustainablePECT) Want to hear more about the project? See [mlei.co.uk](http://mlei.co.uk) #NorthAngleEnergy





## Procurement of technical consultancy to support revenue optimisation

To: Commercial and Investment Committee

Meeting Date: 18 December 2020

From: Steve Cox, Executive Director, Place and Economy

Electoral division(s): All

Forward Plan ref: 2020/035

Key decision: Yes

Outcome: To improve income from selling electricity and battery storage services from the Council's investments into clean energy projects.

Recommendation: Members are asked to:

- a) Approve the initiation of the procurement process for Optimisation/Aggregator Services for the Energy Investment Programme portfolio
- b) Note the timescales of the procurement process; and
- c) Delegate authority to Executive Director, Place and Economy in consultation with the Chair and Vice-Chair of Committee to approve going out to market with an Invitation to Tender for services.

### Officer contact:

Name: Cherie Gregoire  
Post: EIU Delivery Manager  
Email: [Cherie.gregoire@cambridgeshire.gov.uk](mailto:Cherie.gregoire@cambridgeshire.gov.uk)  
Tel: 01223 715689

### Member contacts:

Names: Cllr Mark Goldsack  
Post: Chair of Commercial & Investment Committee  
Email: [Mark.goldsack@cambridgeshire.gov.uk](mailto:Mark.goldsack@cambridgeshire.gov.uk)  
Tel: 01353 723 925

# 1 Background

- 1.1 The Energy Investment Unit (EIU) team has been developing a portfolio of large-scale (>1MW) solar and battery storage projects on Council assets and is exploring options to maximise the projected revenues from the portfolio.
- 1.2 The internal know-how, skills, technology, resource, and tools to develop a route to market for the projects within the EIU's project pipeline are currently not available within Cambridgeshire County Council. Since in the modern electricity market, trading is possible many years ahead of physical delivery, selling the electricity generated from a renewable energy project has become very competitive and complex. Moreover, several different markets have been developed over time, including forward markets, Short Term Operating Reserve (STOR), Day-Ahead, Intraday and Balancing Mechanism, to name some of them. Specific trading and market expertise in the forward and short term energy markets are required to forecast future prices or to choose the right mechanism and framework under which the energy generated will be sold.
- 1.3 Furthermore, an expert trading and market broker will be able to track the market and transact instantly, sell our solar power when the right market opportunities arise through multiple transactions, capitalise on revenue opportunities by responding to market spikes and ultimately, to hedge our short-term price risks and uncertainties. This expertise and capabilities are not currently within the EIU team.
- 1.4 In addition to the capabilities described in points 1.2 and 1.3, companies that operate in the renewable energy market are subject and liable to:
  - The wholesale electricity market involves real-time trading in order to meet real-time demand.
  - Ensuring supply meets their contracted levels with an imbalance price penalty payment when it does not.
  - Operating in the electricity generation and supply market requires large teams of staff with expertise in electricity trading both for real-time balancing and taking forward positions.
  - Aggregators and brokers, as a minimum, provide a route to market for smaller generators, bringing the capacity and expertise for real-time and forward position trading. In addition, they bring the expertise gained from full-time engagement in electricity markets in order to maximise revenues for smaller generators.
- 1.5 While Bouygues E&S Solutions as our design and build contractor and the internal Commercial Team know how to optimise commercial opportunities they do not have the level of expertise required and are not in a position to provide these services.
- 1.6 As such, the EIU team has concluded that we require speciality broker services to guide the team on the best methods of optimising the operation of the projects. The options to be explored with the broker may include selling electricity via Power Purchase Agreements and/or entering into auctions to provide flexibility services to support the distribution network.

- 1.7 Furthermore, the EIU team undertook a soft market test in October 2020 and invited companies with experience in these areas to provide information on their services and approaches.
- 1.8 Four companies expressed their interest and three of them were invited to present their services:
- SmartEnergy on 14<sup>th</sup> October 2020,
  - Brook Green on 22<sup>nd</sup> October 2020, and,
  - Centrica on 04<sup>th</sup> November 2020.

The presentations were attended by the EIU's extended teams, including team members from Bouygues, and other internal teams within CCC (Commercial and Finance teams).

- 1.9 The EIU team gathered useful insights from these presentations and wish to build its intelligence in this area by securing a contract for these services early next year. The projects that potentially will benefit from these services are:

- Swaffham Prior Community Heat Network;
- North Angle Solar Farm;
- Babraham Park and Ride Smart Energy Grid Project;
- Stanground Closed Landfill Battery Storage and Solar Project;
- St. Ives Smart Energy Grid; and
- New projects, that could be developed, under the recent procurement exercise e.g. Fordham Renewable Energy Network Demonstrator.

- 1.10 Other local authorities, like West Sussex County Council (WSCC), have also started to develop a similar portfolio of [renewable energy projects](#). In August 2020, the project team met the Daire Casey, the Energy Services Manager of WSCC to understand their approach. WSCC has developed two solar farms and they also had contracted similar aggregator services (Cornwall Insight and Laser Energy) to optimise the revenues from their projects.

- 1.11 The contract term will be limited to three years with an option to renew to allow the EIU team to assess their performance. Moreover, information gathered from the soft market test indicated that there are a number of ways to contract these services depending on the duration of the contract e.g. long versus short-term and the nature of the relationship. In general, the companies invited to present offered flexibility to adopt a contract that meets our needs and demands e.g. fix, floating, floors price for specific services and some companies even expressed that they are keen to become long-term partners and therefore these services potentially could be paid as a share of the profits, therefore no capital outlay other than internal project management would be required.

- 1.12 However, the most convenient way to contract these services, and therefore to define a pricing model, will become clearer once the tenders from the different aggregators/brokers are analysed holistically against our programme portfolio, when their proposals will be scrutinised and benchmarked. Independently of what pricing model is decided upon, whether that be some kind of profit share arrangement or a charge to CCC which is then net off against the income generated, the cost will ultimately be paid out of the income generated by the schemes and therefore will need to be factored into future iterations of business cases once the details are more understood.
- 1.13 The intended outcome of this report is to obtain approval to initiate the procurement process that will bring the technical services from a broker or aggregator. This will support the team to maximise the projected revenues from its solar and battery storage projects.

## 2 Main Issues

- 2.1 *Duration and complexity of the procurement process.* The CCC Procurement team advised that a bespoke procurement process will be required to procure these types of services, which are more complex and require more analysis of the services required. Moreover, the procurement process required could potentially take around 6 months to be completed.
- 2.2 *Timing of projects.* Whilst the development of the projects progress accordingly, the optimisation and aggregators' services, ideally should be brought on time to support the projects during the Investment Grade Proposal (IGP) development, Construction and Operation phases. Currently, three projects have received planning permissions: Babraham Park and Ride Smart Energy Project, Swaffham Prior Community Heat Network and North Angle Solar Farm; and the fourth project is in the process of awaiting a determination on the planning application: Stanground Closed Landfill Battery Storage and Solar Project.
- 2.3 There is urgency to progress on the procurement as the projects are quickly approaching the stages where key decisions that will have an impact on their viability and the predicted revenues are required to be made.
- 2.4 *Process for approval.* Having these aggregator and optimisation services under contract in time to support those key decisions by Committee will provide assurance that the EIU's projects have a solid business case, are viable and have pursued alternative options which will offer greater returns. Therefore, so as not to delay projects, it will be necessary to have the initiation of the bespoke procurement process approved as soon as possible.
- 2.5 *Do Nothing Scenario.* The aggregator services are considered to be a key mitigating strategy to de-risk the Energy Investment Programme portfolio. In the event this procurement process is not approved or delayed, this will negatively impact the projects listed under Section 1.9 but especially those that are in the latest stage of the IGP or near to the commencement of construction. Moreover, there will be missing learning and upskilling opportunities for the whole team.

2.6 *Managing Risks.* In line with our Corporate Energy Strategy, we are aiming to build up a wide portfolio of renewable and resilient energy supplies whilst maximising commercial benefit for the Council. Procuring an energy supply contract is one part of that. This is illustrated in the diagram below. The support provided by an aggregator or broker will help to protect against risks relating to specific aspects of the EIU portfolio.



### 3 Scope of services

3.1 The potential services a broker or aggregator will be brought on to are listed below:

- **Coordinate entering CCC assets into various flexibility services auctions** - for example, provide access to the day-ahead and intraday markets via flexible PPA and also via integrated and competitive supply contracts.
- **Lead on negotiating on the price the EIU will be paid for participation** – For example, wholesale price elements depends on multiple factors:
  - Length of the PPA
  - Risk appetite and financing
  - Technology type

Whereas, fixed wholesale prices could be agreed for 1 to 3 years and the variable floating price will be indexed against the day-ahead price.

- **Design a programme of how to operate CCC assets so as to maintain compliance with warranties and protect asset life** – a broker can bring together a range of technologies to deliver unrivalled, fully integrated energy solutions across CCC assets.
- **Frequently revisit the strategy as the industry shifts and changes** - The services sought will also keep abreast of market developments, enabling CCC to be early adopters of future markets and representing CCC in shaping future developments. For example, some of the aggregators are currently looking to trial Firm Frequency Response (FFR) delivery through solar PV control.
- **Advise on the best approach for Power Purchase Agreements, including corporate or virtual PPAs** - Corporates PPAs are companies with relatively large energy consumption. They buy energy from renewable assets to achieve their ambition of reducing their carbon footprint. Whereas, virtual PPAs allow a company to buy renewable energy virtually. There is no need to own the title of physical energy. This enables companies to focus on their “green impact”, such as corporates, to receive renewable attributes without owning the asset.

- A key challenge for development of further business cases such as Power Purchase Agreements or Demand Side Response services is ensuring good energy data to inform the profile of how and when we use electricity and how this maps against our generating assets.
- **Energy storage optimisation** – Using patented pooling mechanism within a Virtual Power Plant, brokers can offer additional revenues from Frequency Services for Energy Storage.

3.2 Aware of the complexities of the services the EIU team is intending to procure, the team is keen to discuss the details of the proposed procurement and the progress achieved with the Energy Investment Programme Member Working Group.

## 4 Alignment with corporate priorities

### 4.1 A good quality of life for everyone

- There are no significant and direct implications for this priority. However, a reduction in the carbon footprint for Cambridgeshire through the optimisation of the EIU's project has benefits to the quality of life of our residents.

### 4.2 Thriving places for people to live

- There are no significant implications for this priority.

### 4.3 The best start for Cambridgeshire's children

- There are no significant implications for this priority.

### 4.4 Net-zero carbon emissions for Cambridgeshire by 2050

- The optimisation of the EIU's projects supported by the services intended to be procured, as set out in paragraph 2.1 of this document, will help the Council to meet its ambitions in relation to this priority.

## 5 Significant Implications

### 5.1 Resource Implications

- The services intended to be procured will support and provide external skills and tools that currently are not available within Cambridgeshire County Council. By procuring these services, it will also give CCC staff the opportunity to upskill. Furthermore, any costs incurred will be funded by the income generated by the schemes.

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

- The report above sets out details of significant implications in paragraphs 2.1 – 2.4.
- The procurement will be conducted under the CCC Procurement Guidelines.

### 5.3 Statutory, Legal and Risk Implications

- Whilst there are no significant implications in this category at this stage, legal advice will need to be sought in the future on any new procurement arrangements especially where we plan to use our generating assets and Demand Side Response assets for greater commercial gain. Moreover, in the event, the aggregators/brokers

are not able to provide the right advice and the returns are not as good as their promises.

#### 5.4 Equality and Diversity Implications

- There are no significant implications within this category.

#### 5.5 Engagement and Communications Implications

- There are no significant implications within this category.

#### 5.6 Localism and Local Member Involvement

- There are no significant implications within this category.

#### 5.7 Public Health Implications

- There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

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: Eleanor Bell

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: Iain Green

## 6 Source documents

### 6.1 Documents

- Corporate Energy Strategy

## 6.2 Location

- [Corporate Energy Strategy - MLEI](#)
- Energy Investment Unit

## Commercial and Investment Committee Review of Draft Revenue and Capital Business Planning Proposals for 2021-2026

To:	Commercial and Investment committee
Meeting Date:	18 December 2020
From:	Amanda Askham: Director of Improvement and Development Chris Malyon: Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Outcome:	The committee is asked to consider: <ul style="list-style-type: none"><li>a) the current business planning position and estimates for 2021-2026</li><li>b) the impact of COVID-19 on the 2021-22 financial position</li><li>c) the principal risks, contingencies and implications facing the Committee and the Council's resources</li></ul>
Recommendation:	Committee is asked to: <ul style="list-style-type: none"><li>a) Note the progress made to date and next steps required to develop the business plan for 2021-2026</li><li>b) Note the impact of COVID-19 on the Council's financial planning</li><li>c) Endorse the budget and savings proposals that are within the remit of the Committee as part of consideration of the Council's overall Business Plan</li><li>d) Endorse the changes to the capital programme that are within the remit of the Committee as part of consideration of the Council's overall Business Plan</li></ul>

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Member contacts:

Names: Cllr Goldsack, Cllr Boden  
Post: Chair/Vice-Chair  
Tel: 01223 706398

## 1. Purpose and Background

- 1.1 The Council's Business Plan sets out how we will spend the resources we have at our disposal to achieve our vision and priorities for Cambridgeshire, and the outcomes we want for people. This paper provides an overview of the updates to the Council's financial position since October 2020 when Committees were last consulted on the draft Business Plan for 2021-26. The paper sets out the changes to key assumptions impacting financial forecasts, further risks and opportunities and next steps required to balance the budget and agree the Council's Business Plan for 2021-26.
- 1.2 The paper also seeks to highlight the environment within which the Business Plan has been developed this year, the added complexity that developing the business plan whilst in the middle of a world-wide pandemic brings, and the challenges that being a relatively low spend but effective organisation has on the opportunities to reduce costs further to address the financial challenges caused by COVID-19.
- 1.3 Whilst the impact of COVID-19 is being felt by all councils across Cambridgeshire, this comes on the back of many years of under-funding compared to other councils. As one of the fastest growing counties in the country, Cambridgeshire has been managing disproportionate increases in demand over many years which have not been reflected in the revenue grant system. The Council highlighted this issue during its 'fairer funding campaign' but due to numerous issues the comprehensive review of local authority funding has not yet occurred.
- 1.4 This report builds on the information provided to this Committee during October and sets out the latest financial position regarding the Business Plan for the period 2021-26. As the Committee will recall a number of scenarios were developed to model the potential longer term implications of the world-wide pandemic on the resources of the County Council.
- 1.5 During the last couple of months officers have been refining the projections based on updated data and knowledge of further Government funding of certain activity, which it would not be unreasonable to assume would continue if required in 2021-22. We have therefore moved from a range of scenarios to a single budget position. This still contains a number of assumptions and these will continue to be developed over the next couple of months before the Business Plan is considered by Council in February of next year.
- 1.6 The LGA has said that an additional £10.1 billion is needed by 2023-24 to help councils in England plug funding gaps and improve services. Cllr James Jamieson, LGA Chairman, said the Spending Review would "shape the direction of the country for years to come" and that "securing the immediate and long-term sustainability of local services must be the top priority". Cllr Jamieson added: "With the right funding and freedoms, councils can improve the lives of their residents, address the stark inequalities the pandemic has exposed, develop a green recovery, address skills gaps and rebuild the economy so that it benefits everyone."
- 1.7 We have been grateful for the financial support provided by the Government to date, but it is not enough to meet the additional demands on our services in

the long term. We are making strong representations to the government, working closely with our local MPs, about additional support we believe is necessary. However, the Council's Business Plan must make recommendations for balancing the budget in the event that this support does not fully cover the cost of the crisis.

## 2. Context

- 2.1 In February of this year the Council set a balanced budget for the current financial year with no use of reserves to support the delivery of base services. It also made provision for further investment in transformation interventions. At that point the Council was in a very robust financial position to manage future year challenges with only a £4.2m 'budget gap' for 2021-22. This was much less than in previous budget setting processes and was predicated on a 2% council tax rise through levying the Adult Social Care precept (every 1% increase in council tax generates and additional £3m).
- 2.2 The following paragraphs provide some context to demonstrate that the Council has managed growth effectively within the constraints of a grant system that doesn't fully recognise the implications for public services that are generated from that growth.

### 2.2.1 Fairer Funding

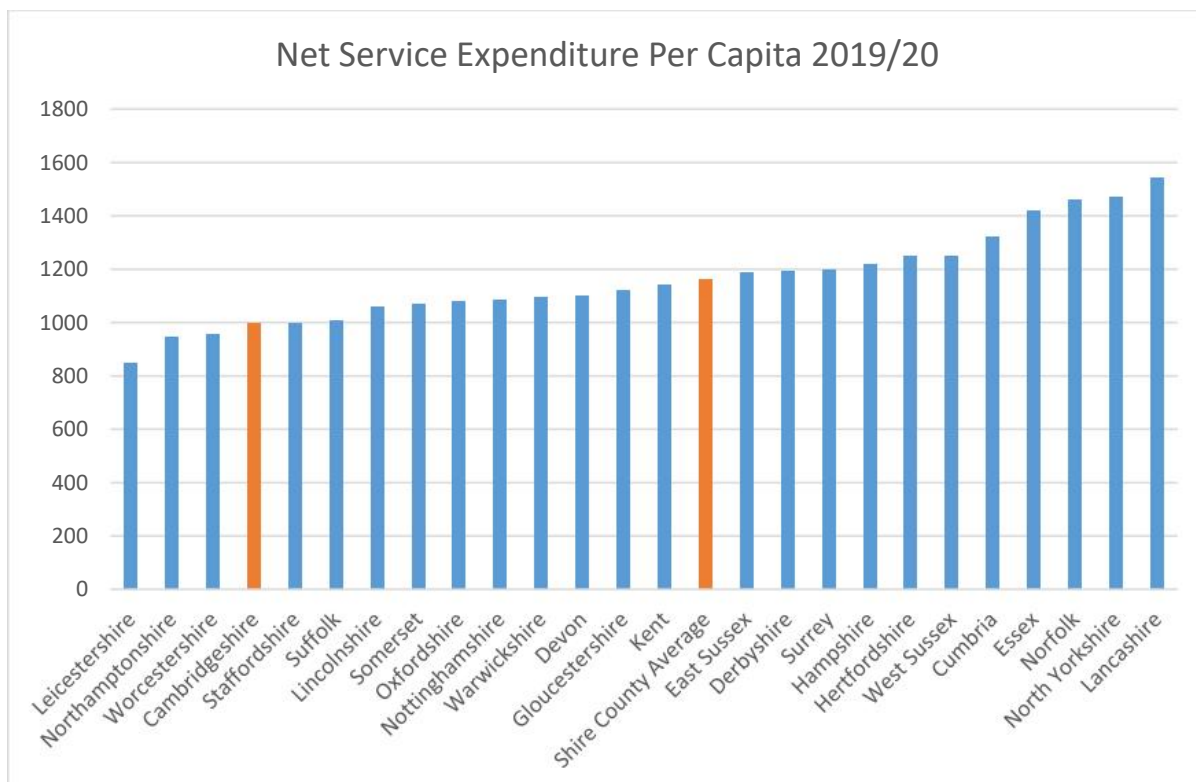
Given the level of growth that Cambridgeshire has supported over many years, the Council has been fighting for a fairer deal for its residents since 2017. Over the last three years, we have engaged MPs at both a local and national level on many occasions setting out the issues facing the Council on the back of its economic success.

In our various submissions on the issue of fairer funding, the Council has highlighted the inequality in Government support across, and within, the various tiers and structures of local government. The following table is an extract from one submission which illustrates this inequality:

2018/2019	RSG per capita (Revenue Support Grant)
CCC	£6.01
Shire County average	£25.52
London Borough average	£88.13

### 2.2.2 Benchmarking

Whilst delivering excellent outcomes for its residents, Cambridgeshire does so from a comparatively low level of expenditure. Due to the inequalities in the finance system, the Cambridgeshire pound has had to work harder than it may be required to in other councils. From publicly available information a chart that summarises the Council's net service expenditure in 2019-20 per capita with that of other county councils shows the stark difference below.



We constantly look at ways in which we can reduce the cost to serve, invest in preventative interventions, and derive additional incomes in order to re-invest or maintain key front-line services.

### 2.2.3 Transformation

The Council has been able to sustain the delivery of key services during a period of reduced funding and increasing demand to a large extent by its approach to transformation, commercialisation and innovation. In 2016 the Council invested heavily in an ambitious transformation agenda for Cambridgeshire citizens. Investment in a number of cross-organisational change programmes through a dedicated team and fund has delivered significant financial and social returns. Over £100m has been saved over the last four years including £25m being saved as a direct result of investments made through the Transformation Fund.

We have a broad portfolio of examples to draw from which demonstrate our ability to drive efficiencies and productivity for example; Our Adults Positive Challenge programme has realised £3m of savings and increased the independence of our citizens and reduced the longer-term cost across the health and social care system. The introduction of new technology which integrates critical aspects of the Adult Social Care case management system has improved the productivity of front-line workers. The rationalisation of the Council's buildings portfolio and workforce cultural change programme has seen the workforce adopt new agile ways of working increasing productivity and ensuring that the right services can be accessed at the right time.

To date the Council has not taken all of the upside created from the change to its Minimum Revenue Provision (MRP) Policy into revenue and, unlike most other councils, has set this aside in order to provide pump priming funding for the Transformation Programme. Having focused on major opportunities first,

the level of returns against the internal investments are now beginning to reduce. Given both the scale of the unallocated fund and the current pipeline of activity, the Council will need to review both the current policy on MRP and the level of the balance held on the Transformation Fund as part of this budget process.

#### 2.2.4 Commercialisation

To further mitigate against the financial challenges that it has faced over the last decade, the Council has adopted a more commercial approach to everything that it does.

This approach has included the establishment of a wholly owned housing development company to which the council has sold, at market value, land holdings of nearly £100m so that these sites could be developed. In order for the Company to fund the acquisition, and its operating costs, loans at rates in compliance with state aid rules have been made. This provides a net revenue stream to the Council.

In addition, the Council has used the capital receipts generated by the Company to create a diverse commercial investment portfolio. Until the pandemic these investments were performing well and delivering returns to support frontline services. The net revenue income budget from the portfolio for the 2020-21 financial year was in the region of £5m.

The Council has also used its land holdings to create a solar farm. The Triangle Solar Farm has benefitted from Government's "Contracts for Difference" scheme, allowing it to generate a healthy and reliable revenue stream whilst also supporting the council in delivering its vision of net zero carbon emissions for Cambridgeshire by 2050.

The commercial approach adopted has contributed significantly to supporting vital services for our residents rather than serving as an end in itself, and as a consequence these new revenue streams are returning in excess of £10m per annum for frontline services delivered to Cambridgeshire residents.

- 2.3 The paragraphs above are a reminder of the steps the Council has taken to focus on positive outcomes, protect frontline services and set the foundations for the difficult decisions that lie ahead. Having already taken the actions that it has, the Council has very little room left for addressing the budget gap for 21-22. Officers will, of course, continue to work diligently to reduce the gap further but it must be accepted that unless significant resources are forthcoming from the Government as part of the 21-22 financial settlement some very difficult decisions will be required.

### 3. Business Planning Approach

- 3.1 As noted in section 2.1, in February 2020 the Council approved a balanced budget for 2020-21 and the Business Plan reflected a strong financial position with a small and achievable gap forecast for 2021-22.
- 3.2 However, by May 2020, a time when the Council would normally begin the process of preparing budget proposals for 2021-22, the nation had been in lockdown for two months in an attempt to stop the spread of the coronavirus. Recognised as both an economic and health emergency, the pandemic placed the Council in the challenging position of having to mobilise resources to provide immediate support to the citizens of Cambridgeshire whilst also trying to predict and mitigate the medium and longer term impacts.
- 3.3 At that time there was significant uncertainty across the nation as to the true impact of the pandemic. Whilst national support packages were being mobilised e.g. the furlough scheme and support to businesses, it was unclear as to how (and when) these schemes would be in place and whether they would be enough to avoid an economic collapse. Further, the creation of the national Nightingale hospitals reflected the concern that the health service would be overwhelmed and there were projections of significant deaths across all regions.
- 3.4 Within this context, it was clear that the usual approach the Council takes to business planning would need to be adapted in order to reflect uncertainty around the economic and health impacts and how this might affect demand for Council services. In response, the Council designed a new approach which was based on carefully crafting three scenarios which modelled the possible impact of a number of inter-dependent factors on both the demand for our services and the impact on our ability to generate income.
- 3.5 The purpose of the scenarios was discussed at General Purposes Committee in June 2020; we outlined that the scenarios would not provide financial projections but would provide us with a framework which we could use to track the trajectory of the impact of COVID-19. This was welcomed by service areas as it enabled them to develop mitigations and contingency plans and has also helped them to cast forward to think about growth opportunities and areas for development as part of their recovery process.
- 3.6 Over the summer the scenarios were used to support services to develop a possible financial trajectory which highlighted that the budget gap for 2021-22 could be between £33m - £82m and this was reported within the Committee papers presented in October. This wide range reflected how significantly the financial impacts might vary between the best and worst case scenarios, how quickly the financial impacts might escalate without strong and immediate recovery plans, and how difficult it has been, both nationally and locally, to predict the rate of infections and corresponding effects on society. This process of planning against scenarios started the process of quantifying the potential impacts on our service areas as well as highlighting possible areas of mitigation.

- 3.7 Over the last two months we have undertaken a significant amount of activity to analyse emerging trends, actual demand increases and emerging impacts on society and the economy. We are beginning to narrow the range of the predicted budget gap and this activity has resulted in;
- **Improved demand predictions** – additional data is now available which has allowed us to base our demand projections on trends observed in 2020-21 rather than projecting impacts based largely on historic data. This has allowed us to reduce the anticipated demand pressure in Older People's services by £1m for 2021-2022.
  - **Deeper impact analysis** – all service areas have been able to develop a deeper assessment of the impact of COVID-19 in their areas based on actual data and observations and have used this to ensure that any areas of higher spend have been identified and reviewed
  - **Increased market engagement / supply chain management** – we have worked with our supply chain to better understand and anticipate future costs and provisions required to ensure the sustainability of our operations
  - **National support** – although there are areas which remain uncertain, we have seen the impact of exiting initiatives, as well as the benefits of direct financial support. We are therefore in a better position to predict the impact of future national initiatives within Cambridgeshire.
  - **Successful Local Outbreak Control Plan** – in recognition that all public services in Cambridgeshire, alongside citizens, have worked hard to keep infection / transmission rates low compared to the national figures, prior to the second national lockdown we remained in Tier 1. This meant that Cambridgeshire did not have additional restrictions placed on it.
- 3.8 This work has allowed us to build more accurate data sets to inform our recovery planning and to narrow the range of forecast financial pressures in most services. Based on this information, and the current savings proposals identified, the current trajectory leads to a budget gap for 2021-2022 of around £21m.

## 4. Financial Overview

- 4.1 The table below provides a summary of the various material (greater than £100k) changes since October in the overall business planning position for 2021-22. It reflects the continuing challenge of increasing costs for goods and services as a result of the pandemic and further shortfalls in planned savings, however significant progress has been made towards closing the budget gap through a combination of the following (see also Section 4.5 below):
- Further scrutiny of demand pressures and anticipated funding for new burdens as a result of COVID-19;
  - New savings proposals
  - Accumulated growth in the Council's tax base and compensatory grants from Government for business rates reliefs granted in previous years

Description	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
<b>Remaining Unidentified Savings at October Committees</b>	<b>32,796</b>	<b>7,190</b>	<b>12,185</b>	<b>13,490</b>	<b>9,990</b>
Increase in inflationary uplift for Highways Services	1,214	659	17	-140	-159
Adults Social Care Providers inflationary uplift	970	-970	-	-	-
New pressures and reduced or rephased savings (see section 4.2 for breakdown)	886	-205	-829	-250	-
Updated debt charges for Energy schemes	-	883	-372	-305	-23
Base funding for Transformation Team and redundancy costs as capital receipt flexibilities not confirmed post-2021-22	-	2,482	-	-	-
Miscellaneous financing adjustments	172	-110	61	21	28
<b>SUBTOTAL New Pressures</b>	<b>36,038</b>	<b>9,929</b>	<b>11,062</b>	<b>12,816</b>	<b>9,836</b>
Adult Social Care Market Resilience investment removed <sup>1</sup>	-4,000	-	-	-	-
Demand pressure for Older People's Services reduced	-1,088	-1,078	-1,179	-1,220	-1,098
Personal Protective Equipment (PPE) pressure removed <sup>2</sup>	-1,000	-	-	-	-
Dedicated Schools Grant Contribution to Combined Budgets pressure rephased	-1,000	750	250	-	-
Demand risk in social care investment reduced	-1,300	-	-	-	-
Miscellaneous reduced and rephased pressures <£100k	-243	509	30	-	-
<b>SUBTOTAL Reduced and Rephased Pressures</b>	<b>27,407</b>	<b>10,110</b>	<b>10,163</b>	<b>11,596</b>	<b>8,738</b>
New savings proposals (see section 4.3 for breakdown)	-3,563	-2,379	-544	-161	-290
Historic increases in Council tax base and Section 31 grant income	-3,020	372	53	184	-
<b>Revised budget gap per December committees</b>	<b>20,824</b>	<b>8,103</b>	<b>9,672</b>	<b>11,619</b>	<b>8,448</b>

<sup>1</sup> Funding for infection control measures in care homes; Government grant funding has now been confirmed until March 2021 and we are assuming that Government will continue to fund thereafter if required

<sup>2</sup> The October draft budget included a £1m PPE pressure however the Government has since agreed to fund PPE for local authorities

4.2 The following table provides a detailed breakdown of the new pressures and reduced or rephased savings.

New pressures and reduced or rephased savings	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Family Group Conferencing Investment	-	250	-	-	-
Reduced saving: Learning Disabilities Commissioning	150	-	-	-	-
Rephased saving: Review of commissioning approaches for accommodation-based care	175	-175	-	-	-
Removed saving: Revised commissioning approach for interim bed provision	150	-	-	-	-
IT Microsoft Enterprise Agreement pressure	302	-	-	-	-
Rephased saving: COVID-19 Impact - Commercial Income and Contract Efficiencies	109	-280	-829	-250	-

4.3 The following tables provides a detailed breakdown of the new savings proposals.

New savings	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Client Contributions Policy Changes (approved as part of 2020-25 Business Plan)	-562	-164	-	-	-
Adult Social Care Transport	-250	-	-	-	-
Additional vacancy factor	-150	-	-	-	-
Micro-enterprises Support	-30	-133	-	-	-
Additional Block Beds inflation saving	-270	270			
Learning Disability Partnership Pooled Budget Rebaselining	-	-2,574	-	-	-
Review of commissioning approaches for accommodation based care	-	-	-375	-	-
Unaccompanied Asylum Seeking Young People: support costs	-300	-	-	-	-
Adoption and Special Guardianship Order Allowances	-500	-	-	-	-
Clinical Services: Children and Young People	-250	-	-	-	-
Transport - Children in Care	-300	-	-	-	-
Communities and Partnerships Review	-200	-	-	-	-
<b>SUBTOTAL P&amp;C savings</b>	<b>-2,812</b>	<b>-2,601</b>	<b>-375</b>	<b>-</b>	<b>-</b>
Review Winter Operations	-17	-	-	-	-
Highways: Removal of old VAS signs	-4	-	-	-	-
<b>SUBTOTAL P&amp;E savings</b>	<b>-21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reduction in staff mileage	-564	378	-	-	-
<b>SUBTOTAL Corporate savings</b>	<b>-564</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>-</b>
Commercial property rental increases	-166	-156	-169	-161	-290
<b>SUBTOTAL Commercial savings</b>	<b>-166</b>	<b>-156</b>	<b>-169</b>	<b>-161</b>	<b>-290</b>

4.4 As a result of the updates above, the savings requirement for 2021-22 has been reduced by £12m from £32.8m as at October Committees to £20.8m. The following table shows the total level of savings required for each of the next five years:

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000
Total Saving Requirement	22,711	19,123	14,480	12,852	8,863
Identified Savings	-1,887	-3,938	-528	-	-
Identified additional Income Generation	-	-7,082	-4,280	-1,233	-415
<b>Residual Savings to be identified</b>	<b>20,824</b>	<b>8,103</b>	<b>9,672</b>	<b>11,619</b>	<b>8,448</b>

4.5 Against this uncertain backdrop, we are continuing to explore every opportunity to identify savings, efficiencies, and income to reduce the gap and to date we have;

- Campaigned for additional resources through MHCLG (Ministry of Housing, Communities and Local Government) and other channels.
- Reviewed all the existing proposals to identify any which could be enhanced to deliver further savings - in particular those where additional investment could unlock additional benefits.
- Reviewed income generation opportunities in light of the current economic context.
- Identified, through benchmarking, any areas across the organisation we could potentially look to find additional efficiencies whilst ensuring outcomes are maintained.
- Reviewed the full list of in-year and 2021-22 pressures to see if there are any opportunities to prevent assumed increases in demand being realised.

4.6 Whilst the actions taken to date have been successful in reducing the budget gap, the opportunities to generate additional savings proposals without significantly impacting the delivery of services are reducing in both number and scale. The following funding options remain available to the Council to contribute towards closing the gap for 2021-22 and beyond:

Item	Implications
Council Tax Level	Each 1% further increase in Council Tax would generate around £3m in recurrent additional funding
MRP policy upside	There is at least £2m available per annum in revenue savings until 2025, and higher amounts in the earlier years of the MTFS (Medium Term Financial Strategy). However the amount diminishes below £2m in 2026, meaning that the budget gap would increase thereafter.
Transformation Fund	Presently there is £23m unallocated in the Transformation Fund, after future commitments. Any usage of the fund is one-off, and will have an impact in future years in terms of the recurrent savings gap
General Fund	This balance is held at 3% of gross expenditure, and cannot be reduced in compliance with that policy. Therefore any reduction would be a last resort and indicative that the Council was in severe financial difficulties.
Service reductions	A reduction of non-statutory services could result in longer term financial implications to the Council as avoidable demand rises as well as reduced positive outcomes for our citizens.

4.7 Whilst work will continue to identify savings, the focus of activity over the next three months will be on lobbying across all available channels to request, not only financial support, but other flexibilities (for example a more flexible use of capital receipts) to allow us to present a balanced budget. Should additional support not be forthcoming and in consideration of the assumptions / risks presented in Section 5 below, we would need to consider the use of the above options in order to maintain our current levels of service delivery.

## 5. Assumptions and Risks

5.1 In the business planning tables the level of savings required is based on a 2% increase in Council Tax in 2021-22, through levying the Adult Social Care precept. The Council's Medium Term Financial Strategy assumes 2% increases in the Adult Social Care precept from 2021-22 onwards, however there has been no confirmation as yet that the precept will be available beyond 2020-21. For each 1% more or less that Council Tax is changed, the level of savings required will change by approximately +/-£3.0m. Government has not yet confirmed the level of the Council tax referendum threshold for 2021-22. Local Authorities were permitted to increase general Council Tax by a maximum of 2.99% in 2018-19 and 2019-20 and 1.99% in 2020-21 without the requirement for approval from residents through a positive vote in a local referendum.

5.2 There are also a number of risks which are not included in the numbers above, or accompanying tables which are likely to impact on the residual savings gap and these are set out below. These will be incorporated (as required) as the Business Plan is developed and the impact / figures can be confirmed:

- National restrictions – the second national lockdown began on the 5 November 2020 and ended on 2 December 2020. Although not as severe as the first, the restrictions have presented further challenges impacting on both the economic and social welfare of the County. Government support packages, including the re-instatement of the furlough scheme have been welcomed and continue to mitigate the short term financial consequences of the pandemic. However, we are still working to understanding the longer term impacts both for council services and the wider Cambridgeshire economy.
- National Tiers – Following the end of the national restrictions the government reverted to the national tier system. The restrictions in each Tier were reviewed strengthened. Cambridgeshire was placed in Tier 2 (High) which is the lowest tier for most of the country with only two areas of England lower (Cornwall and the Scilly Islands, and the Isle of White). This is likely to create a further impact within the County.
- Government support – Government announced the results of a one-year Spending Review for 2021-22 on 25 November. The spending review sets out the Departmental Expenditure Limit for MHCLG and provides an indication of the available uplift in funding for the Local Government Finance Settlement which is expected on 17 December. Our financial plans currently assume a prudent cash flat position with no inflationary uplifts. There is also considerable uncertainty surrounding the funding formula that may be used to distribute the additional COVID-19 funding announced; in 2020-21 the Government has moved from a social care-based formula to a deprivation-based approach which is less favourable for Shire Counties.
- Winter pressures – all public services face particular challenges over the winter months as demand for services increases significantly. Whilst plans and projections are built into current forecasting this will be the first winter faced within the context of the pandemic.

- EU Exit – the end of the transition period on 31 December 2020 will mean new rules coming into force from 1 January 2021. Preparations continue both at a national and local level to minimise the implications of this change, however, there could be significant implications across areas of business and our citizens which could mean that additional costs are incurred or challenges to our delivery of services increased e.g. the ability to attract workers for critical roles.
- The Council is currently reporting current year pressures in excess of £18m, due principally to the impacts of the pandemic. Work is ongoing to manage these pressures downwards; however any change to the outturn position will impact the Council's reserves position and therefore the savings requirement for 2021-22.
- Public sector pay award – the business plan includes an inflationary provision of 2.75% for staff on nationally negotiated pay settlements for 2021-22, reflecting the 2020-21 pay award. This funding will be reviewed following an announcement of a public sector pay freeze by the chancellor in the Spending Review in response to the economic fallout from the coronavirus pandemic.
- The Council has applied to MHCLG to extend the business rates pooling arrangement implemented for 2020-21 in partnership with Peterborough City Council and several of the Cambridgeshire District Authorities. Although the pandemic has resulted in considerable pressure on business rates income, the pooling arrangement is still expected to benefit the Council, however the extent of this benefit is as yet unclear. Furthermore, Government has committed to a "fundamental review" of the business rates system following a call for evidence in July 2020, the results of which will be announced at the 2021 spring budget. It is possible that the funding model for local government could be significantly impacted by these reforms with potential implications for the proposed 75% business rates retention scheme expected to take effect from 2022-23.

## 6. Capital Programme Update

- 6.1 The draft capital programme was reviewed individually by service committees in October and was subsequently reviewed in its entirety, along with the prioritisation of schemes, by GPC in November. As a result further work was required on a handful of schemes, as well as further work ongoing to revise and update the programme in light of continuing review by the Capital Programme Board, changes to overall funding, updates in response to the COVID-19 situation, or to specific circumstances surrounding individual schemes.
- 6.2 The Council is still awaiting funding announcements regarding various capital grants, plus the ongoing nature of the capital programme inevitably means that circumstances are continually changing. Therefore Services will continue to make any necessary updates in the lead up to the January GPC meeting at which the Business Plan is considered.

## 7. Overview of Commercial and Investment Draft Revenue Programme

- 7.1 The Council is continuing to operate within a new context of a global pandemic, which has added considerable financial pressure to the local authority. The impact of COVID-19 on commercial income generation and activity nationally has been significant. However, due to the diverse nature of our portfolio the impact for Cambridgeshire continues to be lower than experienced by many other authorities with commercial income strategies.

Since the update to Committee in October, we have entered into a further lockdown and will be entering Tier 2 restrictions during December 2020. This will continue to have a very direct impact on businesses and employment opportunities within our local region.

In recent days the Spending Review has been announced and linked decisions with regards to access and use of Public Works Loan Board funding are now understood. Councils will no longer be able to access PWLB loan funding for any schemes in their capital programme if there are intentions to invest in commercial activity primarily for yield purposes within the following 3 years.

### 7.2 Property

Due to the local nature and diverse sectors of our commercial property tenants, our portfolio remains stable with only our investments in Cromwell Leisure Park and Brunswick House anticipating a shortfall in our targeted income expectations. Indeed since the last update to Committee, the expected loss of income has reduced as a result of a settlement being secured for tenants that are no longer operating and robust actions taken to receive outstanding payments. The remainder of our commercial property portfolios have navigated through the challenges of the pandemic to date, through the provision of rental deferrals and strong tenant relationship management.

Strategies are in place to bring income back to pre-COVID 19 levels as quickly as possible, however much of the success of these approaches will be reliant on the strength and speed that the economy, and specifically the leisure industry, recovers.

The Cambs 2020 programme has been impacted by contractor delays and unforeseen unavailability due to the impact of COVID-19. A delay to the new Hub is resulting in associated additional costs of up to £400k; this increase is reflected in the capital expenditure forecasts of the scheme.

### 7.3 Economic Recovery

A significant part of the activity in 2021-22 will be to support Cambridgeshire's businesses and communities in its economic recovery. Once again we are meeting with our system partners regularly and using a range of intelligence, including the detailed 'Impact of COVID-19 Needs Assessment' report, to focus support in the new year. This will focus on the interventions and support

to help address economic hardship and enable our communities to be work ready and productive.

Further, our system partners alongside us are updating their economic and recovery strategies and priorities so that a full responsive recovery approach can be gained for our businesses and communities. This will include influencing key areas such as the Industrial Strategy and building in approaches to enable a green economic recovery.

## 7.4 Energy

The programme of Energy investment continues in the next business planning period. The current Contract for Difference arrangement we have in operation has withstood the COVID-19 and economic challenge very well indeed with no adverse financial impact expected. Other schemes have or are in the process of receiving planning applications and thorough sensitivity analyses of the underlying financial models are being reviewed in light of the further impact of COVID-19, potential tariffs post Brexit and recent Spending Review announcement re use of loans.

Future investment business cases and potential projects will be assessed via a new Energy Masterplan with a commercial framework to ensure standards are known and met from the outset.

## 7.5 Procurement

Identifying efficiencies in contract management and procurement has been challenging given the impact of COVID-19 on supply chains. We have had to use the powers available to us to ensure we protect our supplier base and the quality of service to end users, including giving support to suppliers (particularly those in adult social care) and other contractual relief as appropriate. This work will continue to be a key part of activity going forward and there are a number of measures being put in place so services have the right tools, expertise and governance to ensure we can successfully navigate through these challenging periods (such as a more strategic approach to procurement allocations, improved governance boards etc.).

The repatriation of the LGSS Procurement Team will help guide and shape the approach we need to manage, shape and interact with our markets in this next period.

## 7.6 Commercial investments

Looking forward into 2021-22 we will be continuing to ensure that strategies we have in place to protect and maximise possible income are successful, and that we adapt to the needs of our tenants as the impact of the pandemic shifts.

The current situation is being reflected in the volatility with the financial markets. We will continue to explore how we can make better use of the cash available to us, ensuring that any future investments complement our existing portfolio and deliver attractive returns with an acceptable risk budget. An

active review of a potential investment with a potential strong renewables focus is underway to maximise use of our Treasury Management funds.

However, with the recent announced restrictions on use of PWLB funds, the previous assumptions of access to capital receipts to fund further investments in the latter years of this business planning period are being revisited. Not having access to borrowing or capital receipts will severely restrict the delivery of targeted returns from 2023 onwards. A refresh of the Commercial Strategy is underway to provide clarity on the target areas and the returns and savings able to be delivered.

- 7.7 The pandemic has had a significant impact on the delivery of savings and additional income planned for 2020-21. In many cases, the necessary work to deliver those savings can continue in the second half of the year or into 2021-22. In some cases, however, the planned saving, or additional income, will take longer to recover. For C&I Committee, the savings/income that need to be temporary or permanently reversed, fully or in part, are:

SAVINGS AREA	DESCRIPTION	AMOUNT  2021-22
Cromwell Leisure (F/R.7.133)	Cromwell Leisure consists of a cinema unit and three restaurant units. This scenario forecasts that the cinema rent will be covered by a contractual condition until May 2021, by which point the cinema will be re-open and paying rent. Of the three restaurant units, one is occupied and expected to be able to return to paying rent in 2021-22. Two units are expected to remain empty during the first half of 2021-22, and will be marketed by Carter Jonas for occupation during 2021-22 with a typical six month rent free period. However one of these units will be funded from the recently confirmed guaranteed payment from a tenant's Company Voluntary Agreement; the payment to be received guarantees funds for this unit to mid-2023-24. Therefore the shortfall predicted is based on one empty unit. This <i>may</i> be improved if we are successful in finding tenants earlier in the 2021-22 year.	£124k  (no permanent reduction)
Income from County Farms (F/R.7.134)	An additional income target from the County Farms Estate was included in the 2020-21 Business Plan: - £250k for 2021-22 - £175k for 2022-23. Specifically, this was to identify buildings for development which could be let at a higher value. This scenario forecasts a reduction in income from any new investments (50% of the year 1 and year 2 original targets, a partial recovery in year 3 and full	£205k  (no permanent reduction)

	recovery in year 4) and a small decline (£80k) in existing income in years 1 and 2, due to COVID-19.	
Pooled Property Fund Investment (F/R.7.135)	The Pooled Property Fund Investment (CCLA) is expected to start recovery in late 2020-21, but with the risk of further challenges ahead a forecast of 5% income reduction on the £420k originally budgeted is likely in 2021-22.	£21k  (no permanent reduction)
Multi-Class Credit (F/R.7.136)	The impact of a stronger than expected recovery since COVID-19 on fund assets, and the Council's requirements for a high level of Environment, Social and Governance (ESG) criteria, have resulted in updated forecasts for this asset with an overall reduction in the value of the returns from 5.7% to 2.9%. This creates a permanent shortfall to the original annual target of £560k. As this investment progresses and matures during the business planning period, re-calculations of the capital appreciation will take place with relevant recommendations for usage.	£560k  (£560k permanent reduction)
Brunswick House (F/R.7.137)	Brunswick House has 251 direct let student beds. At present bookings for the current academic year have reached 185, i.e. 74%, and are sustaining. Given the current teaching methods proposed this is slightly better than we might have expected. In order to make our offer more attractive we have had to offer more inducements this year than in previous years – this includes offering more short term/flexible rental terms. Not unsurprisingly there has been a drop in international student numbers but we are expecting these to return for the 2022-23 academic year with occupancy on site returning to somewhere close to 100%. However, it is likely that a more flexible approach will be required in order to ensure occupancy levels return and therefore a permanent reduction of £235k is proposed over the life of the business plan.	£423k  (£235k reduction for life of business plan)
Commercial Income and Contract Efficiencies (F/R.7.138)	<p>Additional income of £758k for year 1, a further £500k for year 2, and a further £750k for each of years 3 and 4 is expected across the Commercial Portfolio (£2.758m in total on a recurrent basis by year five of this business planning period).</p> <p>The current adopted scenario forecasts that there is a delay in achieving the 2021-22 target and it is likely to not be met until 2022-23, assuming an investment is approved in 2021. This has a further impact in 2022-23 with consideration that only 50% of the 2022-23 target will be met.</p> <p>Thereafter in the latter years of the plan it is prudent</p>	£758k  (no permanent reduction)

	<p>to forecast the targets can be achieved, although with constraints placed upon available funds for investment, alternate commercial delivery will be required as part of the refreshed Commercial Strategy. The approval of a refreshed strategy and therefore revised targets will occur in early 2021.</p> <p>Some active analysis is ongoing to ascertain whether the targeted investment to further diversify can occur as early as possible in the 2021-22 financial year (with action being taken in 2020-21) to have a further positive impact on the income targets in order to reduce the forecast reduction more quickly.</p>	
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#### 7.8 Income Reduction Profile (cumulative):

<b>C&amp;I Impairment Profile</b>	<b>2021-22 £'000</b>	<b>2022-23 £'000</b>	<b>2023-24 £'000</b>	<b>2024-25 £'000</b>	<b>2025-26 £'000</b>
Cromwell Leisure	£124	-£124	-	-	-
Income from County Farms	£205	£87	-£117	-£175	-
Pooled Property Fund Investment	£21	-£21	-	-	-
Multi-Class Credit	£560	-	-	-	-
Brunswick House	£423	-£208	£7	£7	£6
Commercial Income	£758	-£129	-£629	-	-
<b>Total Impairments</b>	<b>£2,091</b>	<b>-£395</b>	<b>-£739</b>	<b>-£168</b>	<b>£6</b>

#### 7.9 Looking Forward

Much of the work between now and throughout 2021-22 will be to continue to focus on protecting income levels and putting in place strategies and activities that will bring income levels back to expected levels and beyond as quickly as possible. Whilst these activities will be undertaken using the best level of intelligence available to us, much of the ability to recover lost income will be dependent on the speed and strength of the economic recovery. This is why supporting the economic recovery in Cambridgeshire will be a focus of our work going forward, not just to allow for our commercial investments to recover, but to ensure our business, suppliers and residents thrive once again.

- 7.10 As detailed in the above tables, the base budget for 2021-22 is proposing a reduction in the additional income target across the commercial strategy. The constraints placed upon available funds means the ability to invest and receive commercial returns from those investments are at risk. Analysis and reviews are continuing to identify other income and saving opportunities including the aforementioned potential further Treasury Management investment. Analysis for further investment of the original planned available capital receipts is being developed so that a shelf-ready option is deliverable

should capital receipts once again be targeted for commercial investment usage. The availability and appetite to make further investments will be dependent on the financial position and priorities at the time. It is important to recognise that whilst further commercial activities will be made in future years that could contribute to off-setting lost income, some of the financial impacts (from improved procurement, new service models, commissioning support etc.) will be retained by Services.

- 7.11 Some rephasing and revisions to the capital programme have linked changes to the phasing of revenue returns, for example, all the energy schemes' operational costs, interest costs and income generation figures have been rephased/revised according to the latest capital programme schedule.
- 7.12 It is important to note that much of the activity taking place in 2021-22 will be focused on supporting the organisation's recovery. We will continue to collaborate well across corporate centre and services with the Energy Investment Unit, Education, Adult Social Care and our income generating services to help them make commercially informed decisions as they implement measures to help them recover from this crisis.
- 7.13 A refresh of the current Commercial Strategy is underway and will be proposed in early 2021. We are expecting to explore further opportunities for improved links and/or models with the private and voluntary sectors, and focus some procurement and contract management activity in key areas. The commercial and economic climate is difficult and we are continually positioning to understand and monitor the hopeful recovery of the economy by 2025 and manage the impact of EU exit.

## 8. Transformation fund investments

- 8.1 Services are identifying where transformation funding is needed to support delivery. GPC has responsibility for oversight and management of the Transformation Fund and will be asked to approve the necessary investments associated with the proposals at January committee.

## 9. Overview of Commercial and Investment Draft Capital Programme

- 9.1 There have been a few amendments to the capital programme since the Committee reviewed it in October:
  - Both the Shire Hall Relocation and Cambs 2020 schemes have now been rephased, with some expenditure being pushed back to 2021-22 as a result of COVID-19 related delays
  - Trumpington Smart Energy Grid has been rephased to reflect the latest anticipated timescales
  - The Commercial Investment scheme has been removed given that the value of the Shire Hall capital receipt is still uncertain. In addition, the recently announced changes to accessing Public Works Loan Board borrowing has created a new set of funding parameters across the entirety of the capital programme.

- The Capital Variation and Capitalised interest schemes have been updated based on the revised programme.

## 10. Next steps

- 10.1 Following December service committees, GPC will review the overall programme in January as part of the overarching Business Plan for Full Council to consider in February.

December: Business cases go to committees for consideration

January: GPC will review the whole draft Business Plan for recommendation to Full Council

February: Full Council will consider the draft Business Plan

## 11. Alignment with Corporate Priorities

- 11.1 A good quality of life for everyone

There are no significant implications for this priority.

- 11.2 Thriving places for people to live

There are no significant implications for this priority.

- 11.3 The best start for Cambridgeshire's children

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic.

- 11.4 Net zero carbon emissions for Cambridgeshire by 2050

The budget is reviewed at each stage of development to assess the carbon implications of any new investments or savings initiatives. Additionally, the Council is committed to reviewing the sufficiency of climate mitigation funds included in the Business Plan on an annual basis to deliver the Climate Change and Environment Strategy.

## 12. Significant Implications

- 12.1 Resource Implications

The proposals set out the response to the financial context described in section 4 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget is described in the financial tables of the business plan, attached as an appendix. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

- 12.2 Procurement/Contractual/Council Contract Procedure Rules Implications  
Please see details set out in Section 7.5 of this report.
- 12.3 Statutory, Legal and Risk implications  
The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.
- 12.4 Equality and Diversity Implications  
As the proposals are developed ready for December service committees, they will consider and describe the impact of each proposal, in particular any disproportionate impact people with protected characteristics or other vulnerable groups. Where identified, a full EqIA will be completed.
- 12.5 Engagement and Consultation Implications  
Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to GPC.
- 12.6 Localism and Local Member Involvement  
As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.
- 12.7 Public Health Implications  
We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned and support improvement in the health and wellbeing of the population.

Have the resource implications been cleared by Finance? Yes  
Officer clearance: Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes  
Officer clearance: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes  
Officer clearance: Fiona McMillian

Have the equality and diversity implications been cleared by your Service Contact? Yes  
Officer clearance: Beatrice Brown

Have any engagement and communication implications been cleared by Communications? Yes

Officer clearance: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Officer clearance: James Gemmell

Have any Public Health implications been cleared by Public Health? Yes

Officer clearance: Liz Robin

## Appendix 1

Financial summary – Commercial and Investment Finance Tables

### Section 3 - F: Commercial & Investments

**Table 1: Revenue - Summary of Net Budget by Operational Division**

Budget Period: 2021-22 to 2025-26

Net Revised Opening Budget 2020-21 £000	Policy Line	Gross Budget 2021-22 £000	Fees, Charges & Ring-fenced Grants 2021-22 £000	Net Budget 2021-22 £000	Net Budget 2022-23 £000	Net Budget 2023-24 £000	Net Budget 2024-25 £000	Net Budget 2025-26 £000
	<b>Commercial Activity</b>							
-3,665	Property Investments	3,826	-7,370	-3,544	-4,067	-4,264	-4,453	-4,737
-456	Shareholder Company Dividends	-	-456	-456	-456	-552	-552	-552
-5,796	Housing Investment (This Land Company)	2,117	-8,180	-6,063	-6,063	-6,063	-6,063	-6,063
-249	Contract Efficiencies	-249	-	-249	-249	-249	-249	-249
58	Commercial	258	-205	53	-576	-1,955	-2,705	-2,705
-1,560	Collective Investment Funds	-	-979	-979	-1,000	-1,000	-1,000	-1,000
-265	Renewable Energy Investments	812	-1,094	-282	77	-381	-829	-968
<b>-11,933</b>	<b>Subtotal Commercial Activity</b>	<b>6,764</b>	<b>-18,284</b>	<b>-11,520</b>	<b>-12,334</b>	<b>-14,464</b>	<b>-15,851</b>	<b>-16,274</b>
	<b>Property Services</b>							
5,835	Facilities Management	7,344	-2,089	5,255	5,355	5,355	5,355	5,355
787	Property Services	807	-	807	807	807	807	807
206	Property Compliance	286	-77	209	209	209	209	209
<b>6,828</b>	<b>Subtotal Property Services</b>	<b>8,437</b>	<b>-2,166</b>	<b>6,271</b>	<b>6,371</b>	<b>6,371</b>	<b>6,371</b>	<b>6,371</b>
	<b>Strategic Assets</b>							
-4,211	County Farms	746	-4,995	-4,249	-4,337	-4,454	-4,629	-4,629
702	Strategic Assets	718	-	718	718	718	718	718
<b>-3,509</b>	<b>Subtotal Strategic Assets</b>	<b>1,464</b>	<b>-4,995</b>	<b>-3,531</b>	<b>-3,619</b>	<b>-3,736</b>	<b>-3,911</b>	<b>-3,911</b>
	<b>Traded Services</b>							
-	Traded Services - Central	-	-	-	-	-	-	-
-200	ICT Service (Education)	1,949	-2,149	-200	-200	-200	-200	-200
-71	Professional Development Centres	-50	-21	-71	-71	-71	-71	-71
<b>-271</b>	<b>Subtotal Traded Services</b>	<b>1,899</b>	<b>-2,170</b>	<b>-271</b>	<b>-271</b>	<b>-271</b>	<b>-271</b>	<b>-271</b>
	<b>Future Years</b>							
-	Inflation	-	-	-	145	294	468	673
<b>-8,885</b>	<b>COMMERCIAL &amp; INVESTMENTS TOTAL</b>	<b>18,564</b>	<b>-27,615</b>	<b>-9,051</b>	<b>-9,708</b>	<b>-11,806</b>	<b>-13,194</b>	<b>-13,412</b>

## Section 3 - F: Commercial & Investments

**Table 2: Revenue - Net Budget Changes by Operational Division**

Budget Period: 2021-22

Policy Line	Net Revised Opening Budget £000	Net Inflation £000	Demography & Demand £000	Pressures £000	Investments £000	Savings & Income Adjustments £000	Net Budget £000
<b>Commercial Activity</b>							
Property Investments	-3,665	-	-	-	-260	381	-3,544
Shareholder Company Dividends	-456	-	-	-	-	-	-456
Housing Investment (This Land Company)	-5,796	-	-	-	-79	-188	-6,063
Contract Efficiencies	-249	-	-	-	-	-	-249
Commercial	58	-5	-	-	-	-	53
Collective Investment Funds	-1,560	-	-	-	-	581	-979
Renewable Energy Investments	-265	-	-	5	-9	-13	-282
<b>Subtotal Commercial Activity</b>	<b>-11,933</b>	<b>-5</b>	<b>-</b>	<b>5</b>	<b>-348</b>	<b>761</b>	<b>-11,520</b>
<b>Property Services</b>							
Facilities Management	5,835	172	-	-75	-	-677	5,255
Property Services	787	20	-	-	-	-	807
Property Compliance	206	3	-	-	-	-	209
<b>Subtotal Property Services</b>	<b>6,828</b>	<b>195</b>	<b>-</b>	<b>-75</b>	<b>-</b>	<b>-677</b>	<b>6,271</b>
<b>Strategic Assets</b>							
County Farms	-4,211	7	-	-	-	-45	-4,249
Strategic Assets	702	16	-	-	-	-	718
<b>Subtotal Strategic Assets</b>	<b>-3,509</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-45</b>	<b>-3,531</b>
<b>Traded Services</b>							
Traded Services - Central	-	-	-	-	-	-	-
ICT Service (Education)	-200	-	-	-	-	-	-200
Professional Development Centres	-71	-	-	-	-	-	-71
<b>Subtotal Traded Services</b>	<b>-271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-271</b>
<b>COMMERCIAL &amp; INVESTMENTS TOTAL</b>	<b>-8,885</b>	<b>213</b>	<b>-</b>	<b>-70</b>	<b>-348</b>	<b>39</b>	<b>-9,051</b>

## Section 3 - F: Commercial and Investments

**Table 3: Revenue - Overview**  
Budget Period: 2021-22 to 2025-26

		Detailed Plans	Outline Plans					
Ref	Title	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Description	Committee
1	OPENING GROSS EXPENDITURE	22,678	18,564	22,152	22,614	22,474		
F/R.1.001	Base adjustment reserves	288	-	-	-	-	- Budget pre adjustments and PVs	C&I
F/R.1.002	Budget Prep Adjustments - Traded Services	-3,668	-	-	-	-	- Traded Services transferred to P&C	C&I
F/R.1.003	Commercial Team	258	-	-	-	-	- Establishment of a dedicated commercial resource to deliver the Council's Commercial Strategy; the Commercial Team will be base funded from 2021-22.	C&I
1.999	REVISED OPENING GROSS EXPENDITURE	19,556	18,564	22,152	22,614	22,474		
2	INFLATION							
F/R.2.001	Inflation	229	162	164	189	221	Forecast pressure from inflation, based on detailed analysis incorporating national economic forecasts, specific contract inflation and other forecast inflationary pressures.	C&I
2.999	Subtotal Inflation	229	162	164	189	221		
3	DEMOGRAPHY AND DEMAND							
3.999	Subtotal Demography and Demand	-	-	-	-	-		
4	PRESSURES							
F/R.4.001	East Barnwell Community Centre	-	100	-	-	-	- Operating costs for the proposed new community centre in East Barnwell, Cambridge.	C&I
F/R.4.007	LGSS Law dividend expectation	-	-	-96	-	-	- LGSS Law Ltd was in deficit in 2017-18 and 2018-19, and the company has retained losses as result. Following significant changes including improvements in fee earner utilisation and in management and direction, the company has returned to profitability in 2020, however this line reflects that a dividend is unlikely to be payable from the company before 2024. The primary financial purpose of the company is to provide cost effective services, which is achieved through fees, rather than the delivery of dividend.	C&I
F/R.4.008	Spokes buildings operating costs	115	-	-	-	-	- The acquisition, development and change of use of spokes buildings will lead to an increase in the operating costs of those buildings. This will be offset by the savings from the Cambs 2020 programme in 2021-22. (Bernard Sunley & Eastfield House)	C&I
F/R.4.010	St Ives Smart Energy Grid - operating costs	-	39	1	1	1	1 The Council is building a Smart Energy Grid at the St Ives Park & Ride site, capital project reference F/C.2.118. These are the expected operating costs.	C&I
F/R.4.011	Babraham Smart Energy Grid - operating costs	-	-	45	2	3	3 The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. These are the expected operating costs.	C&I
F/R.4.012	Trumpington Smart Energy Grid - operating costs	-	-	63	2	2	- The Council is building a Smart Energy Grid at the Trumpington Park & Ride site, capital project reference F/C.2.120. These are the expected operating costs.	C&I
F/R.4.013	Stanground Closed Landfill Site - operating costs	-	120	3	3	3	3 The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected operating costs.	C&I
F/R.4.015	North Angle Solar Farm, Soham - operating costs	-	499	14	15	15	15 The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. These are the expected operating costs.	C&I
F/R.4.017	Babbage House dilapidation costs	-190	-	-	-	-	- One-off repair and reinstatement costs associated with restoring Babbage House to its original pre-let state following the end of the Council's tenancy.	C&I
F/R.4.903	Renewable Energy - Soham	5	40	6	6	6	- Operating costs associated with the capital investment in Renewable Energy, at the Soham Solar Farm. Links to capital proposal C/C.2.102 in BP 2016-17.	C&I

## Section 3 - F: Commercial and Investments

**Table 3: Revenue - Overview**  
Budget Period: 2021-22 to 2025-26

		Detailed Plans	Outline Plans					
Ref	Title	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Description	Committee
<b>4.999</b>	<b>Subtotal Pressures</b>	<b>-70</b>	<b>798</b>	<b>36</b>	<b>29</b>	<b>22</b>		
<b>5</b>	<b>INVESTMENTS</b>							
F/R.5.001	Invest to Save Housing Schemes - Interest Costs	-79	-	-	-	-	- Revenue costs associated with the development of the Cambridge Housing and Investment Company in order to generate long-term income streams.	C&I
F/R.5.002	St Ives Smart Energy Grid - Interest Costs	-	143	-44	-1	-1	The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.5.003	Babraham Smart Energy Grid - Interest Costs	-	-	515	-173	-4	The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.5.004	Trumpington Smart Energy Grid - Interest Costs	-	-	495	-118	-4	The Council is building a Smart Energy Grid at the Trumpington & Ride site, capital project reference F/C.2.120. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.5.005	Stanground Closed Landfill Site - Interest Costs	-	589	-141	-5	-5	The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy and provision of grid services.	C&I
F/R.5.007	North Angle Solar Farm, Soham - Interest Costs	-	1,941	-519	-16	-16	The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. These are the expected borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.5.008	Renewable Energy Soham - Interest Costs	-9	-10	-9	-10	-	The Council has invested in building a solar park at Triangle Farm, Soham. These are the borrowing costs associated with the scheme to be repaid using income from the sale of energy.	C&I
F/R.5.009	Commercial Investments - Interest Costs	-260	-35	-35	-35	-	The Council is developing a portfolio of commercial property investments. These are the associated borrowing costs to be repaid using rental income generated from the leases of these properties.	C&I
<b>5.999</b>	<b>Subtotal Investments</b>	<b>-348</b>	<b>2,628</b>	<b>262</b>	<b>-358</b>	<b>-30</b>		
<b>6</b>	<b>SAVINGS</b>							
F/R.6.003	Babbage House closure	-198	-	-	-	-	The lease on Babbage House is due to end in 2020-21, and will not be renewed.	C&I
F/R.6.109	Cambs 2020 Operational Savings	-605	-	-	-	-	Savings to the running costs of corporate buildings as a result of the Cambs 2020 programme.	C&I
<b>6.999</b>	<b>Subtotal Savings</b>	<b>-803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>TOTAL GROSS EXPENDITURE</b>		<b>18,564</b>	<b>22,152</b>	<b>22,614</b>	<b>22,474</b>	<b>22,687</b>		
<b>7</b>	<b>FEES, CHARGES &amp; RING-FENCED GRANTS</b>							
F/R.7.001	Previous year's fees, charges & ring-fenced grants	-31,955	-27,615	-31,860	-34,420	-35,668	Previous year's fees and charges for the provision of services and ring-fenced grant funded rolled forward.	C&I
F/R.7.002	Changes to fees and charges	-226	-	-	-	-	Previous years, from PV and budget prep	C&I
F/R.7.003	Fees and charges inflation	-16	-17	-15	-15	-16	Uplift in external charges to reflect inflation pressures on the cost of services.	C&I

## Section 3 - F: Commercial and Investments

**Table 3: Revenue - Overview**  
Budget Period: 2021-22 to 2025-26

		Detailed Plans		Outline Plans			Description	Committee
Ref	Title	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000		
	<b>Changes to fees &amp; charges</b>							
F/R.7.1004	Transfer of Traded Services to P&C	3,740	-	-	-	-	- Transfer of Traded Services to P&C	C&I
F/R.7.105	Renewable Energy Soham - Income Generation	-13	-13	-14	-13	-	- Income generation resulting from capital investment in solar farm at Soham. Links to capital proposal C/C.2.102 in BP 2016-17.	C&I
F/R.7.113	Invest to Save Housing Schemes - Income Generation	-188	-	-	-	-	- The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will require CCC to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, CCC will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options, generating capital receipts to support site development and significant revenue and capital income to support services and communities.	C&I
F/R.7.114	St Ives Smart Energy Grid - Income Generation	-	-117	-5	-6	-6	- The Council is building a Smart Energy Grid at St Ives Park & Ride site, capital project reference F/C.2.118. This is the expected income to be generated from the sale of energy.	C&I
F/R.7.116	Babraham Smart Energy Grid - Income Generation	-	-	-304	-16	-18	- The Council is building a Smart Energy Grid at the Babraham Park & Ride site, capital project reference F/C.2.119. This is the expected income to be generated from the sale of energy.	C&I
F/R.7.118	Trumpington Smart Energy Grid - Income Generation	-	-	-463	-15	-	- The Council is building a Smart Energy Grid at the Trumpington Park & Ride site, capital project reference F/C.2.120. This is the expected income to be generated from the sale of energy.	C&I
F/R.7.120	Stanground Closed Landfill Site - Income Generation	-	-510	-23	-24	-25	- The Council is installing a solar park facility and battery storage system at the Stanground closed landfill site, capital project reference F/C.2.121. This is the expected income to be generated from the sale of energy and provision of grid services.	C&I
F/R.7.125	North Angle Solar Farm, Soham - Income Generation	-	-2,362	-78	-80	-82	- The Council is installing a solar park facility at North Angle Farm, Soham, capital project reference F/C.2.123. This is the expected income to be generated from the sale of energy.	C&I
F/R.7.127	County Farms - Commercial uses	-250	-175	-	-	-	- Conversion of barns on the County Farms Estate for non-agricultural commercial uses, including storage and distribution.	C&I
F/R.7.131	Commercial Income	-758	-500	-750	-750	-	- Commercial return from the Council's Commercial Strategy, to be generated by the newly developed Commercial Team.	C&I
F/R.7.132	Shire Hall Car Park Income	126	-	-	-	-	- Loss of income due to the closure of the Shire Hall site car park.	C&I
F/R.7.133	COVID Impact - Cromwell Leisure	124	-124	-	-	-	- Cromwell Leisure consists of a cinema and three restaurant units. We anticipate that in the current climate, two of the restaurant units will remain empty during the first half of 2021-22. However, this impact does take into account the CVA now in place for one of the units, providing guaranteed rent until 2023-24.	C&I
F/R.7.134	COVID Impact - County Farms	205	87	-117	-175	-	- An additional income from the County Farms Estate was included in the 2020-21 Business Plan, £250k - 2021-22 and £175k - 2022-23. Specifically this was to identify buildings for development which could be let at a higher value. This scenario forecasts a reduction in income from new investments & a small decline on existing income due to COVID.	C&I
F/R.7.135	COVID Impact - Pooled Property Fund Investment	21	-21	-	-	-	- The Pooled Property Fund Investment (CCLA) is expected to start recovery in late 2020-21, but with the risk of further challenges ahead a forecast of 5% income reduction is likely.	C&I
F/R.7.136	COVID Impact - Multi-Class-Credit	560	-	-	-	-	- The impact of COVID on fund assets and the Council's requirements for a high level of Environment, Social and Governance (ESG) criteria have resulted in updated forecasts for this asset with an overall reduction in the value of the returns from 5.7% to 2.9%.	C&I
F/R.7.137	COVID Impact - Brunswick House	423	-208	7	7	6	- Brunswick House (BH) has 251 direct let student beds. This scenario is forecasting a 10% reduction in the occupancy levels due to the fact that some students will stay at home and opt for online learning and a drop in international student numbers is expected.	C&I
F/R.7.139	COVID Impact - Commercial Income	758	-129	-629	-	-	- For the additional income expected across the Commercial Strategy, based on the current funds for investments, we forecast that the existing 2021-22 target will be achieved in full by 2023-24.	C&I

## Section 3 - F: Commercial and Investments

**Table 3: Revenue - Overview**  
Budget Period: 2021-22 to 2025-26

		Detailed Plans	Outline Plans					
Ref	Title	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Description	Committee
F/R.7.140	Tesco - Income Generation	-77	-81	-84	-88	-92	Estimated annual rent increase.	C&I
F/R.7.141	Evolution Business Park - Income Generation	-12	-8	-15	-11	-38	Estimated annual rent increase.	C&I
F/R.7.142	Kingsbridge - Income Generation	-11	-	-	-	-95	Estimated annual rent increase.	C&I
F/R.7.143	Brunswick House - Income Generation	-66	-67	-70	-62	-65	Estimated annual rent increase.	C&I
<b>7.999</b>	<b>Subtotal Fees, Charges &amp; Ring-fenced Grants</b>	<b>-27,615</b>	<b>-31,860</b>	<b>-34,420</b>	<b>-35,668</b>	<b>-36,099</b>		
	<b>TOTAL NET EXPENDITURE</b>	<b>-9,051</b>	<b>-9,708</b>	<b>-11,806</b>	<b>-13,194</b>	<b>-13,412</b>		
<b>FUNDING SOURCES</b>								
<b>8</b>	<b>FUNDING OF GROSS EXPENDITURE</b>							
F/R.8.001	Budget Surplus	9,051	9,708	11,806	13,194	13,412	Net surplus from Commercial and Investment activities contributed to funding other Services.	C&I
F/R.8.003	Fees & Charges	-26,833	-31,078	-33,638	-34,886	-35,317	Fees and charges for the provision of services.	C&I
F/R.8.004	Arts Council Funding	-782	-782	-782	-782	-782	Ring-fenced grant from the Arts Council to part-fund Cambridgeshire Music	C&I
<b>8.999</b>	<b>TOTAL FUNDING OF GROSS EXPENDITURE</b>	<b>-18,564</b>	<b>-22,152</b>	<b>-22,614</b>	<b>-22,474</b>	<b>-22,687</b>		

## Section 3 - F: Commercial and Investments

**Table 4: Capital Programme**

Budget Period: 2021-22 to 2030-31

Summary of Schemes by Start Date	Total Cost £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000
Ongoing	-6,122	1,442	-7,617	-328	-1,210	-480	760	1,311
Committed Schemes	178,175	154,125	13,275	250	324	3,175	-	7,026
2018-2019 Starts	50,326	6,647	32,612	8,621	-	-	-	2,446
2019-2020 Starts	6,387	4,724	1,663	-	-	-	-	-
2020-2021 Starts	15,200	3,200	2,400	3,200	3,200	3,200	-	-
2021-2022 Starts	1,800	-	1,000	200	200	200	200	-
<b>TOTAL BUDGET</b>	<b>245,766</b>	<b>170,138</b>	<b>43,333</b>	<b>11,943</b>	<b>2,514</b>	<b>6,095</b>	<b>960</b>	<b>10,783</b>

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000	Committee
<b>F/C.01</b>	<b>Commercial Activity</b>												
F/C.1.118	Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	Low carbon energy generation assets with battery storage on Council assets at St Ives Park and Ride	F/R.7.114, F/R.7.115	Committed	3,645	511	3,134	-	-	-	-	-	- C&I
F/C.1.119	Babraham Smart Energy Grid	The project is to develop a high level assessment, then an Investment Grade Proposal for a renewable energy scheme on the Babraham Park and Ride site. This project at Babraham will look to build on the skills developed in the St Ives project to replicate on other Park and Ride sites. A 2.1 MW solar canopy project is proposed at the HLA stage.	F/R.7.116, F/R.7.117	2018-19	6,306	338	3,999	1,969	-	-	-	-	- C&I
F/C.1.120	Trumpington Smart Energy Grid	The project is to develop a high level assessment, then an Investment Grade Proposal for a renewable energy scheme on the Trumpington Park and Ride site. This project at Trumpington will look to build on the skills developed in the St Ives project to replicate on other Park and Ride sites. A 2.1 MW solar canopy project is proposed at the HLA stage.	F/R.7.118, F/R.7.119	2018-19	6,969	48	269	6,652	-	-	-	-	- C&I
F/C.1.121	Stanground Closed Landfill Energy Project	The project is to develop a high level assessment, then an Investment Grade Proposal for a clean energy scheme on the closed landfill site in Stanground. Bouygues propose a 2.25MWp Solar PV ground mounted array on the site together with a 10MW 2C battery storage system for demand side response.	F/R.7.120, F/R.7.121	2018-19	8,267	479	7,788	-	-	-	-	-	- C&I
F/C.1.122	Woodston Closed Landfill Energy Project	The project is to develop a high level assessment, then an Investment Grade Proposal for a clean energy scheme on the closed landfill site in Woodston. A tailored 3MW 2C Battery Storage for Demand Side Response services is proposed. This would provide a steady revenue stream, while being respectful of the local environment in terms of disruption and visual amenity.	F/R.7.122, F/R.7.123	2018-19	2,526	80	-	-	-	-	-	2,446	- C&I

## Section 3 - F: Commercial and Investments

**Table 4: Capital Programme**

Budget Period: 2021-22 to 2030-31

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000	
F/C.1.123	North Angle Solar Farm, Soham	Investment in a second solar farm at Soham, bordering the Triangle Farm solar farm site. The scheme aims to maximise potential revenue from Council land holdings, help to secure national energy supplies and help meet Government carbon reduction targets.	F/R.7.125, F/R.7.126	2018-19	26,258	5,702	20,556	-	-	-	-	-	- C&I
F/C.1.240	Housing schemes	The Council is a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. CCC has moved from being not only a seller of sites, but also a developer of sites, through a Housing Company. CCC is continuing to make the best use of its sites with development potential in a co-ordinated and planned manner, developing them for a range of options, generating capital receipts to support site development and also significant revenue and capital income to support services and communities.	F/R.7.113	Committed	152,395	140,659	1,736	-	-	3,000	-	7,000	C&I
F/C.1.243	Development Funding	Capital expenditure related to planning applications.		2021-22	1,000	-	200	200	200	200	200	-	- C&I
	<b>Total - Commercial Activity</b>				<b>207,366</b>	<b>147,817</b>	<b>37,682</b>	<b>8,821</b>	<b>200</b>	<b>3,200</b>	<b>200</b>	<b>9,446</b>	
<b>F/C.02</b>	<b>Property Services</b>												
F/C.2.112	Building Maintenance	This budget is used to carry out replacement of failed elements and maintenance refurbishments.		Ongoing	6,442	1,042	600	600	600	600	600	2,400	C&I
F/C.2.113	Decarbonisation Fund	An investment in the decarbonisation of Council owned and occupied buildings (approximately 69 buildings). All Council buildings will be taken off fossil fuels (primarily oil and gas) and will be replaced with low carbon heating solutions such as Air or Ground Source Heat Pumps. This investment is expected to be recouped in full from savings delivered on the Council's energy bills.		2020-21	15,000	3,000	2,400	3,200	3,200	3,200	-	-	C&I
F/C.2.114	Electric Vehicle chargers	An investment in Electric Vehicle (EV) charging infrastructure for main offices to host Cambridgeshire County Council electric pool cars/vans and staff vehicles.		2020-21	200	200	-	-	-	-	-	-	C&I
F/C.2.115	Oil Dependency Fund	Provision of financial support for oil dependent schools and communities to come off oil and onto renewable sources of energy. The initial investment of £500k will be paid back through business case investments into heat infrastructure.		2021-22	500	-	500	-	-	-	-	-	C&I
F/C.2.116	Climate Action Fund	A fund to support the delivery of projects brought forward by services to improve the carbon efficiency of Council assets and services.		2021-22	300	-	300	-	-	-	-	-	C&I
	<b>Total - Property Services</b>				<b>22,442</b>	<b>4,242</b>	<b>3,800</b>	<b>3,800</b>	<b>3,800</b>	<b>3,800</b>	<b>600</b>	<b>2,400</b>	

## Section 3 - F: Commercial and Investments

**Table 4: Capital Programme**

Budget Period: 2021-22 to 2030-31

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000	
<b>F/C.03</b>	<b>Strategic Assets</b>												
F/C.3.101	County Farms investment (Viability)	To invest in projects which protect and improve the County Farms Estate's revenue potential, asset value and long term viability.	F/R.7.103	Ongoing	3,000	300	300	300	300	300	300	1,200	C&I
F/C.3.103	Local Plans - representations	Making representations to Local Plans and where appropriate following through to planning applications with a view to adding value to County Farms and other Council land, whilst meeting Council objectives through the use / development of such land.		Ongoing	1,000	100	100	100	100	100	100	400	C&I
F/C.3.109	Community Hubs - East Barnwell	Creation of a community hub in the Abbey ward by renovating and extending East Barnwell community centre and adjoining preschool. To accommodate a library, a base for the South City locality team, to extend the childcare facility to address insufficiency in local provision, as well as provide flexible community facilities with dedicated space for young people.		Committed	1,981	497	1,484	-	-	-	-	-	C&I
F/C.3.116	Shire Hall Relocation	As part of the Cambs 2020 vision, the Council plans to vacate Shire Hall and relocate to outside of Cambridge.	TBC	Committed	18,737	12,458	6,279	-	-	-	-	-	C&I
F/C.3.119	Cambs 2020 Spokes Asset Review	The Cambs 2020 Programme will see the current Shire Hall site will be disposed, moving to a 'Hub and Spokes' model with a central purpose built Hub in Alconbury Weald and Spokes sites across the County. This was an opportunity to review our asset portfolio based on organisational needs. This project includes: - acquisition of a new freehold asset - disposal of properties surplus to requirements - major refurbishment works - minor refurbishment works - move related costs (i.e. staff relocation allowance)		2019-20	6,387	4,724	1,663	-	-	-	-	-	C&I
	<b>Total - Strategic Assets</b>				<b>31,105</b>	<b>18,079</b>	<b>9,826</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>1,600</b>	
<b>F/C.04</b>	<b>Capital Programme Variation</b>												
F/C.4.001	Variation Budget	The Council includes a service allowance for likely Capital Programme slippage, as it can sometimes be difficult to allocate this to individual schemes due to unforeseen circumstances. This budget is continuously under review, taking into account recent trends on slippage on a service by service basis.		Ongoing	-16,564	-	-8,617	-1,328	-2,210	-1,480	-240	-2,689	C&I

## Section 3 - F: Commercial and Investments

**Table 4: Capital Programme**

Budget Period: 2021-22 to 2030-31

Ref	Scheme	Description	Linked Revenue Proposal	Scheme Start	Total Cost £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000
F/C.4.002	Capitalisation of Interest Costs	The capitalisation of borrowing costs helps to better reflect the costs of undertaking a capital project. Although this budget is initially held on a service basis, the funding will ultimately be moved to the appropriate schemes once exact figures have been calculated each year.		Committed	1,417	-	642	250	324	175	-	26
	<b>Total - Capital Programme Variation</b>				<b>-15,147</b>	<b>-</b>	<b>-7,975</b>	<b>-1,078</b>	<b>-1,886</b>	<b>-1,305</b>	<b>-240</b>	<b>-2,663</b>
	<b>TOTAL BUDGET</b>				<b>245,766</b>	<b>170,138</b>	<b>43,333</b>	<b>11,943</b>	<b>2,514</b>	<b>6,095</b>	<b>960</b>	<b>10,783</b>

C&I

Funding	Total Funding £000	Previous Years £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000	Later Years £000
<b>Government Approved Funding</b>								
Specific Grants	1,497	-	1,497	-	-	-	-	-
<b>Total - Government Approved Funding</b>	<b>1,497</b>	<b>-</b>	<b>1,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Locally Generated Funding</b>								
Agreed Developer Contributions	260	-	260	-	-	-	-	-
Capital Receipts	21,913	5,913	-	-	2,000	2,000	2,000	10,000
Prudential Borrowing	78,211	32,076	39,840	11,943	514	1,095	-1,040	-6,217
Prudential Borrowing (Repayable)	373	120,849	-304	-	-	3,000	-	-123,172
Other Contributions	143,512	11,300	2,040	-	-	-	-	130,172
<b>Total - Locally Generated Funding</b>	<b>244,269</b>	<b>170,138</b>	<b>41,836</b>	<b>11,943</b>	<b>2,514</b>	<b>6,095</b>	<b>960</b>	<b>10,783</b>
<b>TOTAL FUNDING</b>	<b>245,766</b>	<b>170,138</b>	<b>43,333</b>	<b>11,943</b>	<b>2,514</b>	<b>6,095</b>	<b>960</b>	<b>10,783</b>

## Section 3 - F: Commercial and Investments

**Table 5: Capital Programme - Funding**

Budget Period: 2021-22 to 2030-31

Summary of Schemes by Start Date	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000
Ongoing	-6,122	-325	-	-	16,000	-21,797
Committed Schemes	178,175	1,822	260	143,512	5,913	26,668
2018-2019 Starts	50,326	-	-	-	-	50,326
2019-2020 Starts	6,387	-	-	-	-	6,387
2020-2021 Starts	15,200	-	-	-	-	15,200
2021-2022 Starts	1,800	-	-	-	-	1,800
<b>TOTAL BUDGET</b>	<b>245,766</b>	<b>1,497</b>	<b>260</b>	<b>143,512</b>	<b>21,913</b>	<b>78,584</b>

Ref	Scheme	Linked Revenue Proposal	Net Revenue Impact	Scheme Start	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000	Committee
<b>F/C.01</b>	<b>Commercial Activity</b>										
F/C.1.118	Smart Energy Grid Demonstrator scheme at the St Ives Park and Ride	F/R.7.114, F/R.7.115	-2,022	Committed	3,645	1,822	-	-	-	1,823	C&I
F/C.1.119	Babraham Smart Energy Grid	F/R.7.116, F/R.7.117	-10,571	2018-19	6,306	-	-	-	-	6,306	C&I
F/C.1.120	Trumpington Smart Energy Grid	F/R.7.118, F/R.7.119	-7,001	2018-19	6,969	-	-	-	-	6,969	C&I
F/C.1.121	Stanground Closed Landfill Energy Project	F/R.7.120, F/R.7.121	-8,898	2018-19	8,267	-	-	-	-	8,267	C&I
F/C.1.122	Woodston Closed Landfill Energy Project	F/R.7.122, F/R.7.123	-8,816	2018-19	2,526	-	-	-	-	2,526	C&I
F/C.1.123	North Angle Solar Farm, Soham	F/R.7.125, F/R.7.126	-40,112	2018-19	26,258	-	-	-	-	26,258	C&I
F/C.1.240	Housing schemes	F/R.7.113	-57,793	Committed	152,395	-	-	143,512	5,851	3,032	C&I
F/C.1.243	Development Funding		-	2021-22	1,000	-	-	-	-	1,000	C&I
	<b>Total - Commercial Activity</b>		<b>-135,213</b>		<b>207,366</b>	<b>1,822</b>	<b>-</b>	<b>143,512</b>	<b>5,851</b>	<b>56,181</b>	
<b>F/C.02</b>	<b>Property Services</b>										
F/C.2.112	Building Maintenance		-	Ongoing	6,442	-	-	-	-	6,442	C&I
F/C.2.113	Decarbonisation Fund		-	2020-21	15,000	-	-	-	-	15,000	C&I
F/C.2.114	Electric Vehicle chargers		-	2020-21	200	-	-	-	-	200	C&I
F/C.2.115	Oil Dependency Fund		-	2021-22	500	-	-	-	-	500	C&I
F/C.2.116	Climate Action Fund		-	2021-22	300	-	-	-	-	300	C&I
	<b>Total - Property Services</b>		<b>-</b>		<b>22,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,442</b>	
<b>F/C.03</b>	<b>Strategic Assets</b>										
F/C.3.101	County Farms investment (Viability)	F/R.7.103	-7,400	Ongoing	3,000	-	-	-	-	3,000	C&I
F/C.3.103	Local Plans - representations		-	Ongoing	1,000	-	-	-	-	1,000	C&I
F/C.3.109	Community Hubs - East Barnwell		-	Committed	1,981	-	260	-	62	1,659	C&I

## Section 3 - F: Commercial and Investments

**Table 5: Capital Programme - Funding**

Budget Period: 2021-22 to 2030-31

Ref	Scheme	Linked Revenue Proposal	Net Revenue Impact	Scheme Start	Total Funding £000	Grants £000	Develop. Contr. £000	Other Contr. £000	Capital Receipts £000	Prud. Borr. £000	
F/C.3.116	Shire Hall Relocation	TBC	-45,200	Committed	18,737	-	-	-	-	18,737	C&I
F/C.3.119	Cambs 2020 Spokes Asset Review		-	2019-20	6,387	-	-	-	-	6,387	C&I
	<b>Total - Strategic Assets</b>		<b>-52,600</b>		<b>31,105</b>	<b>-</b>	<b>260</b>	<b>-</b>	<b>62</b>	<b>30,783</b>	
<b>F/C.04</b>	<b>Capital Programme Variation</b>										
F/C.4.001	Variation Budget		-	Ongoing	-16,564	-325	-	-	-	-16,239	C&I
F/C.4.002	Capitalisation of Interest Costs		-	Committed	1,417	-	-	-	-	1,417	C&I
	<b>Total - Capital Programme Variation</b>		<b>-</b>		<b>-15,147</b>	<b>-325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-14,822</b>	
F/C.9.001	Excess Corporate Services capital receipts used to reduce total prudential borrowing			Ongoing	-	-	-	-	16,000	-16,000	C&I
	<b>TOTAL BUDGET</b>				<b>245,766</b>	<b>1,497</b>	<b>260</b>	<b>143,512</b>	<b>21,913</b>	<b>78,584</b>	

## MILTON ROAD LIBRARY, ASCHAM ROAD, CAMBRIDGE, CB4 2BD – VARIATION TO LEASE

*To:* Commercial and Investment Committee

*Meeting Date:* 18<sup>th</sup> December 2020

*From:* Tony Cooper, Assistant Director of Property

*Electoral division(s):* Arbury

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

*Purpose:* The Committee is being asked to consider a variation to the current lease for the Milton Road Library premises.

*Recommendation:* Approve the completion of the Deed of Variation based on option 3 (*as set out in paragraph 2.3*) with completion of the Deed of Variation being subject to the receipt of the premium payment from the landlord developer.

### Officer contact:

Name: Tony Cooper  
Post: Assistant Director of Property  
Email: [tony.cooper@cambridgeshire.gov.uk](mailto:tony.cooper@cambridgeshire.gov.uk)  
Tel: 07711 260350

### Member contacts:

Names: Councillors Goldsack and Boden  
Post: Chair/Vice-Chair  
Email: [Mark.Goldsack@cambridgeshire.gov.uk](mailto:Mark.Goldsack@cambridgeshire.gov.uk) | [cboden@fenland.gov.uk](mailto:cboden@fenland.gov.uk)  
Tel: 07831 168899 | 07860 783969

## 1. BACKGROUND

- 1.1 The Milton Road Library (the library) is in Cambridge at the western end of Milton Road, at the junction with Ascham Road. The library and community rooms extend to 245m<sup>2</sup> (2,437 sq ft) of ground floor modern purpose-built accommodation.
- 1.2 The library is occupied as tenant by Cambridgeshire County Council (the Council) under a commercial lease agreement from This Land Development Ltd (the landlord developer) who are the freehold owners of the building which also includes residential units on the upper floors. The original library site was sold by the Council to the developer in May 2018 and as part of the sale, it was agreed that the developer would construct a new library as part of their development and in return the Council would agree to lease back the ground floor accommodation on commercial terms in order to re-provide the existing library accommodation.
- 1.3 Once the new building had been completed, the developer completed the library lease with the Council. This lease agreement was completed in September 2019. The lease is dated 27<sup>th</sup> September 2019 and is for a term of 25 years and was backdated to commence on the 24<sup>th</sup> May 2019 and will end on the 23<sup>rd</sup> May 2044. The Council pays an annual market rent of £51,000 per annum under the lease which is reviewed on a 5 year upwards only basis in accordance with the higher of either the market rent at the time of the rent review or the increase in the Retail Price Index (RPI All Items) over the 5 year period, whichever is the greater. The next rent review is due on 24<sup>th</sup> May 2024 and at this point and at every future 5 yearly rent review over the remaining term of the lease, the rent cannot decrease below the current passing rent at the date of each rent review. In addition to the rent, the Council is also responsible for paying business rates under the lease, an insurance rent and a service charge set at 43% of the total service charge expenditure for the building. The Council cannot sub-let the library accommodation under the lease or assign it to a third party without the landlord's consent. However, the lease does contain 5 yearly tenant break clauses (often referred to as break options or break provisions) which gives the Council the ability to end the lease early on serving at least 12 months' written notice in advance of each break date. The particular break dates specified in the lease are on the 24<sup>th</sup> May 2024, 24<sup>th</sup> May 2029, 24<sup>th</sup> May 2034 and 24<sup>th</sup> May 2039.
- 1.4 The Council have a pre-emption right to buy back the Milton Road building from This Land if their intention is to sell their interest which is their current intention. The C&I Committee subgroup met on the 6<sup>th</sup> February 2020 and declined this offer under the Council's pre-emption rights.
- 1.5 The break clauses in the Milton Road library lease are the main focus of this paper as the landlord developer approached the Council on the 21<sup>st</sup> January 2020 to see whether the Council would be willing to complete a Deed of Variation to remove all of these break clauses from the Council's lease agreement as they were intending to sell their freehold interest in the building now that the development has been completed.
- 1.6 It is useful to put this approach by the landlord developer in a commercial context. It is not an unusual practice for an owner to attempt to re-negotiate existing lease terms or agree a new extended lease with a tenant prior to selling their interest particularly where the lease is shortly due to expire. This is often colloquially referred to as a "lease re-gear". The tenant is not obliged or compelled to vary the terms of their lease given that they have a legal

interest in the property and the outcome is therefore a matter of negotiation between the two parties. The reason that landlords and owners of property are keen to increase rental levels, extend leases and remove break clauses is that commercial properties are valued based on the rental income stream that they produce. In addition, the greater the security of income and the greater likelihood that the income will increase in the future, the lower the yield (or higher the multiplier) that is applied to the particular income stream which results in an increase in the market value of the property.

- 1.7 In the UK, the average commercial lease term across all sectors is currently 6 years in duration. Leases of 25 years, such as this were commonplace in the 1990s and 2000s but are now relatively rare and it is unusual for occupiers to enter leases for commercial premises which are significantly in excess of 10 years. In this particular case, the landlord developer has requested the Council as tenant under the lease agrees to remove all break clauses which would result in an unexpired lease term remaining of 18.5 years for a growing inflation linked rental liability which cannot be reduced and which is underpinned by the strength of a Local Government covenant. This combination represents a significant uplift in value (sale price) to the landlord developer whilst at the same time reducing the future flexibility of the Council to end the lease early and vacate the property in the future should this be necessary, particularly as it will result in a growing rental liability for the Council until 2044 during which time current library practices and requirements are likely to change significantly.
- 1.8 Whilst it is good commercial practice for property owners to look to carry out lease extensions and lease re-gears to maximise the value of their properties. Conversely, it is also standard commercial practice that a tenant faced with such a request (particularly if they have professional representation) would seek to “sell their break” to the landlord/owner as the practice is often referred to in the marketplace in return for either a premium payment or in the form of a rent free period equivalent to the value of the rights they are surrendering.

## 2. MAIN ISSUES

### 2.1 Option 1 – Do Nothing

The Council could refuse to negotiate and require that this new lease which has only recently been completed by the developer landlord in October 2019 remains unchanged. The developer landlord would still be able to sell their interest subject to the Council's existing lease. This would allow the Council to retain ongoing flexibility regarding the ability to end the lease early if this was required nearer the future break dates, however it would forego the receipt of a premium payment for relinquishing the break clauses within the lease.

### 2.2 Option 2 – Agree to remove the 1<sup>st</sup> break option due in May 2024 from the lease and complete a Deed of Variation on this basis.

This option would result in a term certain until May 2029 (over 8 years certain) which would improve the investment value for the vendor but still provide the Council with the future flexibility to end the lease early if this was required nearer the future break dates. The

Council as tenant would still expect to receive either a rent-free period, a reduced rent or a premium payment in exchange for agreeing to the removal of the May 2024 break option.

This proposal was considered during the initial discussions but the developer landlord would ultimately not agree to the approach that they had originally tabled and they wanted to ensure that all break clauses were removed from the lease which would result in the Council being committed to the property and the rising rental liability until 2044. The landlord developer was not willing to consider any alternatives options. As outlined in option 1, the Council as tenant is within its rights to simply continue with the lease as originally agreed and it is not obliged to reach an agreement with its landlord to amend the lease. The landlord developer could still sell their freehold interest subject to the existing Council lease.

## 2.3 Option 3 – Agree to remove all break clauses from the lease and complete a Deed of Variation on this basis.

As the landlord developer was insistent that all break clauses should be removed from the lease, the appropriate means of assessing the value of the premium payable to the tenant was to assess the increase in value to the landlord of the tenant agreeing to the lease variation and then agree a fair share of the uplift in value (synergistic value) being an amount equivalent to a 50% share in the uplift in such circumstances. The uplift in value to the vendor from removing all break clauses under the lease until 2044 (24 years certain) was assessed at £200,000. Therefore, in negotiations the Council as tenant put forward its proposal for a payment of £100,000 (the premium payment, by means of a capital receipt) in return for completing a deed of variation to remove all tenant break options within the lease. The landlord developer accepted this proposal in an email dated 29<sup>th</sup> October 2020.

Option 2 is not viable as the landlord developer is not willing to consider this option. Option 3 provides the benefit of a £100,000 capital receipt and safeguards the future of the library provision at this site, but at the expense of the loss of future flexibility to the Council under the lease. However, the Council anticipates the long-term provision of the library at this particular location will be required, therefore the loss of flexibility is not expected to be problematic and the provision of the library service from the premises will be unaffected by the proposed amendments to the existing lease. If in the unlikely future scenario that the library provision is not required to be delivered from the premises before the lease term ends in 2044, then the Council would still have the option of repurposing the use of this asset or could alternatively seek consent from the landlord to enter into a sub-lease with an alternative user.

It is therefore recommended that the Committee approves the completion of the Deed of Variation based on option 3 with completion of the Deed of Variation being subject to the receipt of the premium payment from the landlord developer.

## 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.

### 3.4 Net zero carbon emissions for Cambridgeshire by 2050

There are no significant implications for this priority.

## 4. SIGNIFICANT IMPLICATIONS

### 4.1 Resource Implications

There are no significant implications within this category.

### 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

Access to Library Services is associated with improved educational outcomes. Higher levels of education are associated with better health outcomes. Libraries also provide information about lifestyles that improve health and wellbeing.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? TBC

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact? TBC

Name of Officer: Beatrice Brown

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact? TBC

Have any Public Health implications been cleared by Public Health Yes

Name of Officer: Kate Parker & Val Thomas

## Finance and Performance Report – October 2020

To: Commercial and Investment Committee

Meeting Date: 18<sup>th</sup> December 2020

From Chief Finance Officer

Electoral division(s): All

Forward Plan ref: Not applicable

Key decision: No

Purpose: To present to Commercial and Investment (C&I) the October 2020 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 outturn position, as at the end of October 2020.

Officer contact:

Name: Eleanor Tod

Post: Strategic Finance Manager

Email: [Eleanor.tod@cambridgeshire.gov.uk](mailto:Eleanor.tod@cambridgeshire.gov.uk)

Tel: 01223 715333

## 1. Background

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance Monitoring Report at most committee meetings during the year, and will be asked to review, note and comment on the report and to consider and approve recommendations as necessary, to ensure that the budgets for which the Committee has responsibility remain on target.

## 2. Main Issues

- 2.1 Attached as Appendix A, is the October 2020 Finance and Performance report.
- 2.2 Revenue: At the end of October, Commercial and Investment Committee is forecasting an underachievement of income of £2,403k on revenue budgets. There are two significant forecast outturn variances by value (over £100k) to report.
- 2.4 Capital: At the end of October, Commercial and Investment Committee is forecasting an underspend of £5.7m on the capital programme budget. There are two significant forecast outturn variances by value (over £250k) to report.

## 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.

- 3.4 Net zero carbon emissions for Cambridgeshire by 2050

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 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

- 4.3 Statutory, Risk and Legal 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 Consultation 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

There are no significant implications within this category.

Implications finance officer clearance:

Have the resource implications been cleared by Finance?

Not applicable

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?

Not applicable

Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?

Not applicable

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?

Not applicable

Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?

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?

Not applicable

Have any Public Health implications been cleared by Public Health?

Not applicable

Source Documents: C&I Finance Monitoring Report (October 20)

Location: 1<sup>st</sup> Floor, Octagon, Shire Hall, Cambridge

Service: Commercial & Investment

Subject: Finance Monitoring Report – October 2020

Date: 18<sup>th</sup> December 2020

## Key Indicators

Previous Status	Category	Target	Current Status	Section Ref.
Amber	Revenue position by Directorate	Balanced year end position	Amber	1.2
Green	Capital Programme	Remain within overall resources	Green	2

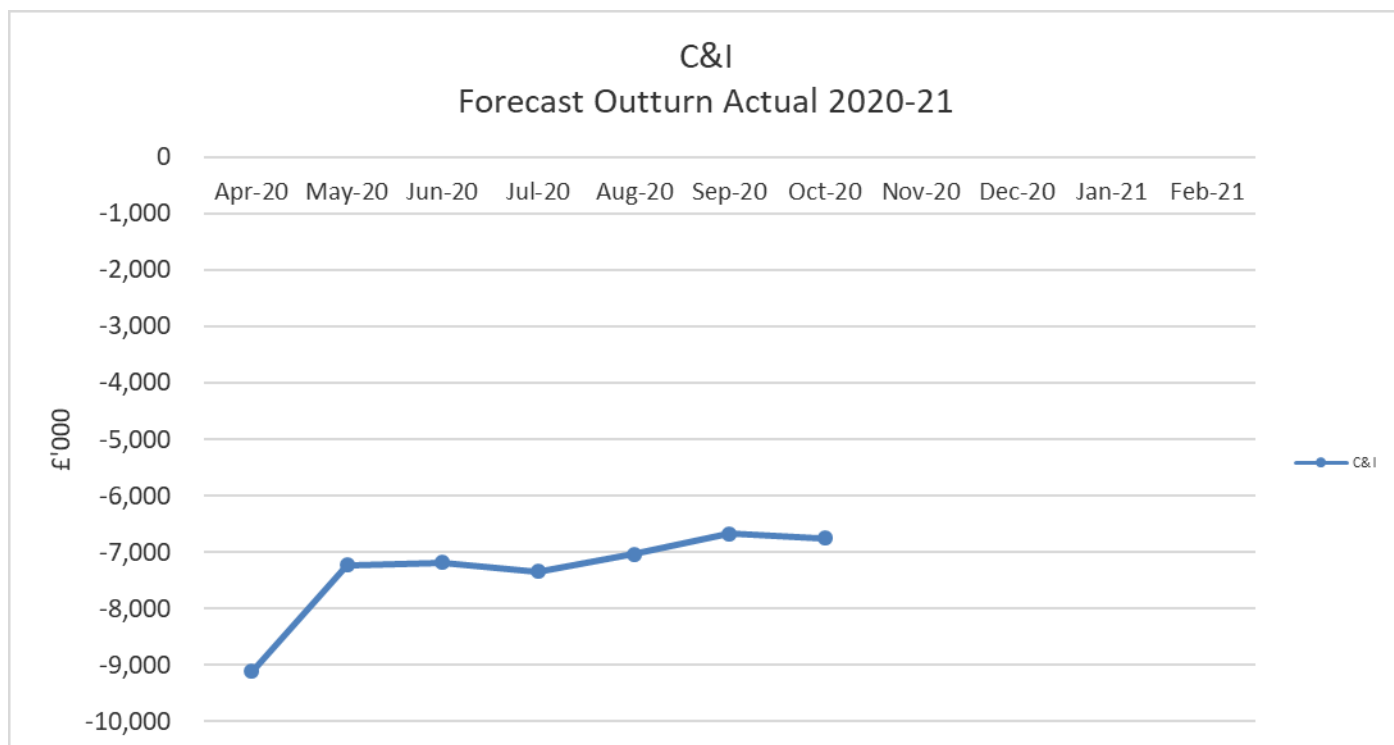
## Contents

Section	Item	Description	Page
1	Revenue Executive Summary	High level summary of information by Directorate Narrative on key issues in revenue financial position	2-4
2	Capital Executive Summary	Summary of the position of the Capital programme within Commercial & Investment	4-5
3	Savings Tracker Summary	Summary of the latest position on delivery of savings	5
4	Technical Note	Explanation of technical items that are included in some reports	5
Annex 1	Service Level Financial Information	Detailed financial tables for Commercial & Investment's main budget headings	6
Annex 2	Service Commentaries	Detailed notes on financial position of services that are predicting not to achieve their budget	7-9
Annex 3	Capital Position	This will contain more detailed information about Commercial & Investment's Capital programme, including funding and variances	10-12
Annex 4	Savings Tracker	Each quarter, the Council's savings tracker is produced to give an update of the position of savings agreed in the business plan.	13-14
Annex 5	Technical Appendix	This contains technical financial information for Commercial & Investment showing: <ul style="list-style-type: none"><li>• Grant income received</li><li>• Budget virements into or out of Commercial &amp; Investment</li><li>• Service reserves</li></ul>	15

# 1. Revenue Executive Summary

## 1.1 Overall Position

Commercial & Investment (C&I) is forecasting an underachievement of income of £2,403k at the end of October, which is a decrease of £53k from the previous forecast. Commercial & Investment (C&I) has a negative budget as it has an income target for 2020/21 of -£9,159k. As such, the forecast outturn variance of £2,403k means that C&I is expecting to achieve a net income position of -£6,756k as demonstrated in the following chart:



## 1.2 Summary of Revenue position by Directorate

Directorate	Budget £000	Actual £000	Outturn Variance £000	Outturn Variance %
Commercial Activity	-12,225	-3,020	2,090	17%
Property Services	6,833	3,312	85	1%
Strategic Assets	-3,495	-2,265	31	-1%
Traded Services	-271	-130	198	73%
<b>Total</b>	<b>-9,159</b>	<b>-2,103</b>	<b>2,403</b>	<b>26%</b>

A service level budgetary control report for Commercial and Investment Committee can be found in [Annex 1](#).

## 1.3 Significant Issues

At the end of October 2020, the overall position for C&I is an underachievement of £2,403K.

Significant issues are detailed below:

### Commercial Activity

At the end of October 20 an underachievement of income of £2,090k is forecast, a decrease of £64k since the September report due to:

- The Housing Investment budget is forecasting an underachievement of income of £194k, on its £5.8m budget. As a result of positive cashflows into the company from a property sale, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. The company is noting progress with planning and construction closely, given the ongoing pandemic.
- The Cromwell Leisure Park forecast within Property Investments has improved by £258k, due to now expecting to be able to reclaim rent owed on one of the units, plus a Company Voluntary Arrangement has been confirmed for one of the newly vacated units which will cover the rent owed on that lease.

A detailed explanation of the revenue position for Commercial and Investment Committee can be found in [Annex 2](#).

### Covid-19 – Financial Impact

The current projected financial costs associated with managing the implications of the Coronavirus pandemic, including any loss of income:

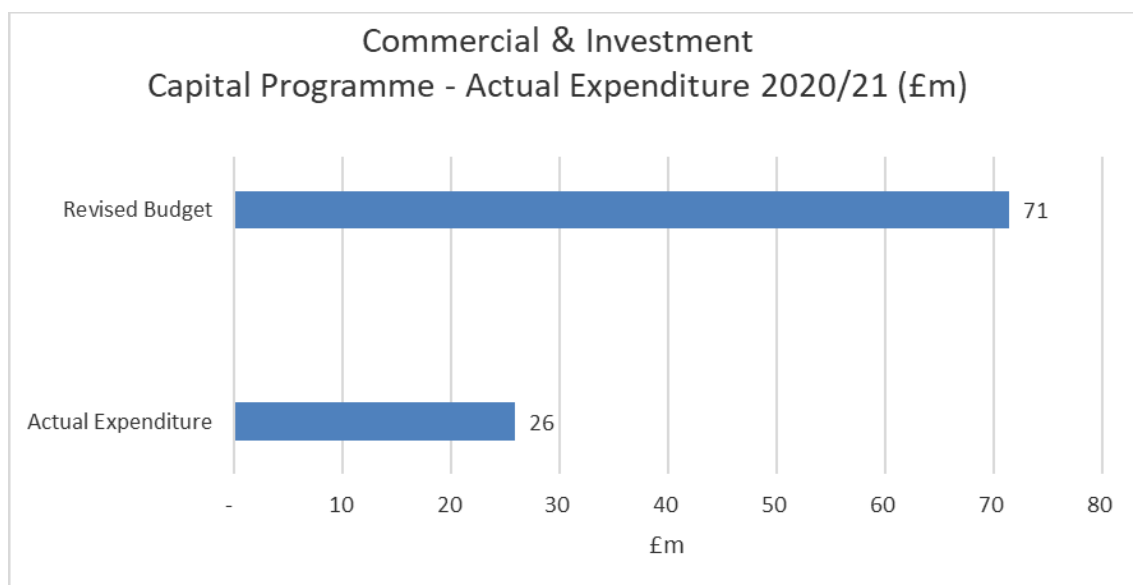
Service Area	Details	Estimated cost 2020-21 £000	April –Oct impact £000
Property Services	Loss of income from Shire Hall & Castle Court Car park	80	53
Collective Investment Funds	Anticipate a 23% reduction on annual return from CCLA fund	98	98
Contract Efficiencies & Other Income	There is expected to be a delay in contract negotiations during this time	249	140
Property Services	Cambs 2020 programme removal costs with regards to H&S	20	5
Property Investments	Reduction in rent received from commercial properties	1,152	892
Traded Services	Reduction in income due to CPDC being closed	52	52
Collective Investment Funds	Anticipate reduction in the return in investment	859	665

Service Area	Details	Estimated cost 2020-21 £000	April –Oct impact £000
Property Services	Cost of additional signage and H&S supplies and resource	24	15
Traded Services	Reduction in ICT Service income due to the closure of schools and change of roles	77	45

## 2. Capital Executive Summary

### 2.1 Expenditure

Commercial and Investment Committee has expenditure of £25.8m to date on the Capital Programme, against a revised budget of £71m:



In-year, an underspend of £5.7m is forecast; this is in addition to the Capital Variations budget of £17.6m.

Significant issues are detailed below:

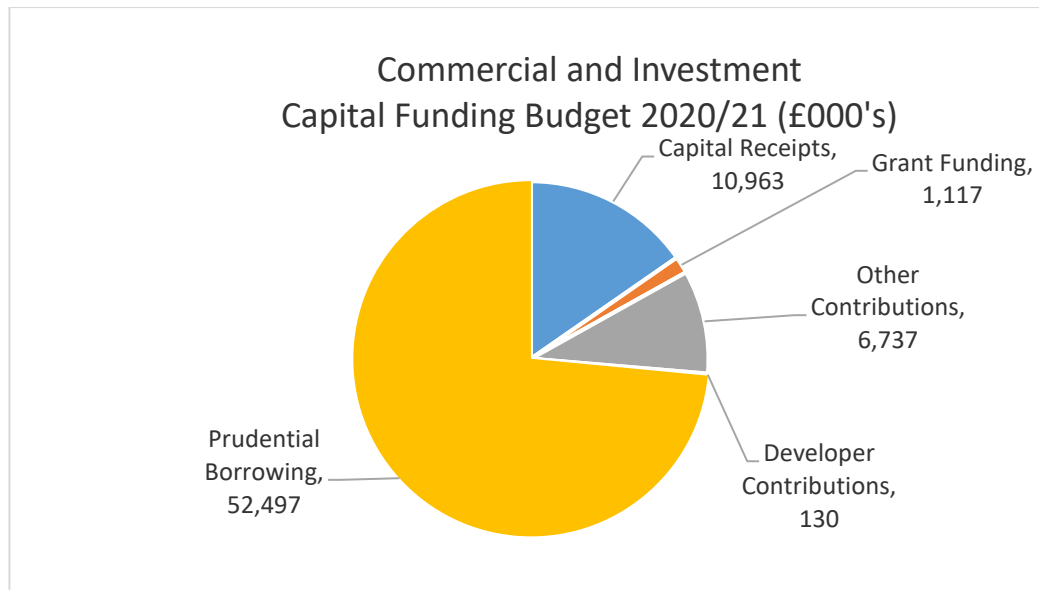
#### Commercial Activity

The Commercial Investment scheme is forecast to underspend by £11.3m. There are no active plans at this stage for investment prior to the end of the financial year, given the current market conditions and general uncertainty. This will reduce the capital receipt requirement.

The Housing scheme is forecasting to underspend by £9.8m. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. This will reduce the borrowing requirement in year by £9.4m and the capital receipts requirement by £0.4m.

## 2.2 Funding

Commercial and Investment Committee has a revised capital funding budget of £71m in 2020/21.



A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in [Annex 3](#).

## 3. Savings Tracker Summary

The savings tracker is produced three times a year – the quarter two table is included as [Annex 4](#). The quarter three table will be published in the December report.

## 4. Technical note

A technical financial appendix is included as [Annex 5](#), which covers:

- Grants that have been received by the service, and where these have been more or less than expected
- Budget movements (virements) into or out of Commercial & Investment from other services (but not within Commercial & Investment), to show why the budget might be different from that agreed by Full Council
- Service reserves – funds held for specific purposes that may be drawn down in-year or carried-forward – including use of funds and forecast draw-down

# Annex 1 – Service Level Financial Information

## C&I Finance & Performance Report – October 2020

Previous Forecast Outturn Variance £000's	Service	Budget 2020/21 £000's	Actual Sept 2020 £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
<b>Commercial Activity</b>					
1,186	Property Investments	-3,665	-2,525	928	25%
-159	Shareholder Company Dividends	-491	433	-159	-32%
0	Housing Investment (This Land Company)	-5,796	173	194	3%
249	Contract Efficiencies & Other Income	-449	0	249	55%
1,028	Collective Investment Funds	-1,560	-96	1,028	66%
-150	Renewable Energy Investments	-265	-1,006	-150	-57%
<b>2,154</b>	<b>Commercial Activity Total</b>	<b>-12,225</b>	<b>-3,020</b>	<b>2,090</b>	<b>17%</b>
<b>Property Services</b>					
84	Facilities Management	5,835	3,149	85	1%
0	Property Services	792	497	0	0%
0	Property Compliance	206	-334	0	0%
<b>84</b>	<b>Property Services Total</b>	<b>6,833</b>	<b>3,312</b>	<b>85</b>	<b>1%</b>
<b>Strategic Assets</b>					
0	County Farms	-4,211	-2,225	0	0%
31	Strategic Assets	716	-41	31	4%
<b>31</b>	<b>Strategic Assets Total</b>	<b>-3,495</b>	<b>-2,265</b>	<b>31</b>	<b>-1%</b>
<b>Traded Services</b>					
0	Traded Services - Central	0	0	0	0%
72	ICT Service (Education)	-200	-205	82	41%
116	Professional Development Centres	-71	75	116	163%
<b>188</b>	<b>Traded Services Total</b>	<b>-271</b>	<b>-130</b>	<b>198</b>	<b>73%</b>
<b>2,456</b>	<b>Total</b>	<b>-9,159</b>	<b>-2,103</b>	<b>2,403</b>	<b>27%</b>

## Annex 2 – Service Commentaries on the Revenue Outturn Position

Narrative is given below where there is an adverse/positive variance greater than 2% of annual budget or £100,000 whichever is greater for a service area.

### Property Investments

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-3,665	-2,727	928	25

The Property Investments budget is forecast to underachieve by £928k for the following reasons:

- The current expected loss from rental income for two of the Council's properties due to the impact of the Covid-19 pandemic is forecast to be £1,152k.
- The Kingsbridge forecast has improved by £225k because the debt charge has reduced due to application of capital receipts to fund most of the purchase.

### Shareholder Company Dividends

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-491	-650	-159	-32%

The Shareholder Company Dividends budget is forecasting to overachieve by £159k in 2020/21. This is due to underestimating the reserve amount for the 2019/20 ESPO Dividend.

### Housing Investment (This Land Company)

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-5,796	-5,602	194	3%

The Housing Investment budget is forecasting an overspend of £194k, on its £5.8m budget. As a result of positive cashflows into the company from a property sale, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. The company is noting progress with planning and construction closely, given the ongoing pandemic.

## Contract Efficiencies & Other Income

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-449	-200	249	55%

The Contract Efficiencies & Other Income budget is forecasting to underachieve by £249k in 2020/21. This is due to the targets for savings and additional income not being met.

Covid-19 has impacted on all of the Council's suppliers across the organisation. Some of these suppliers are seeking relief under the PPN 02/20 guidance. It is likely that these businesses will be very much focused on recovering from the impacts of this pandemic and will not be open (or capable) of negotiating contracts.

## Collective Investment Funds

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-1560	-532	1,028	66%

The Collective Investment Funds budget is forecast to underachieve by £1,028k.

- A reduced return on investment of £98k on the annual return from the CCLA fund is forecast due to the pandemic.
- A £20m investment into a multi-class credit fund was scheduled to take place in April/May 2020, however due to the impact of Covid-19 on the financial markets, it was necessary to reassess the viability of this fund to ensure that it still met the Council's investment objectives. A lower overall yield has been selected than originally anticipated, taking account of environmental and sustainability governance. Furthermore, due to market volatility the investment will now be staggered as opposed to a single lump investment. As a result, the forecast return has been reduced to £281k, a variance of £930k.

## Renewable Energy Investments

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-265	-415	-150	57%

The income received from the Solar Farm has increased due to the favourable weather conditions over the spring and summer; an overachievement of income of £150k is forecast in 2020/21.

## Facilities Management

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
5,835	5,920	85	1%

At the end of October 20 an overspend of £85k is forecast. This is due to:

- The rateable value for the newly refurbished Cambridgeshire Archives Centre has increased and business rates are now expected to cost £145k per annum. This came into effect from October 2019, which has resulted in an in-year pressure for the backdated amount. The total overspend for business rates in 2020/21 is £119k.
- The budget for the new Spokes building Bernard Sunley is £44k for 2020/21, which is not sufficient for the amount required to occupy the building. The total forecast overspend is £77k.
- The 2020/21 revenue budget for the Alconbury Weald Civic Hub is £175k. Based on the expected completion date for the building (Spring 2021), this budget is not required during 2020/21, therefore creating a -£175k underspend.
- The Shire Hall Car Park Income budget is forecasting to underachieve by £80k in 2020/21. This is based on not charging for the car park for 3 months, and less income being received once charging commences.

## ICT Service (Education)

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-200	-118	82	41%

The ICT Service are forecasting an underachievement of income of £82k in 2020/21. This is due to a combination of reduced training income over the school closure period, and reduced earning potential while staff have been working on the set up of devices provided by the Department for Education. A greater online training offer is being delivered which is helping to mitigate the position.

## Professional Development Centres

<b>Current Budget for 2020/21 £'000</b>	<b>Outturn Actual £'000</b>	<b>Outturn Forecast £'000</b>	<b>Outturn Forecast %</b>
-71	45	116	163%

The Professional Development Centre budget is forecasting to underachieve by £116k. The centre at CPDC will be closing in 2020/21 as part of Cambs 2020, causing a £64k pressure due to reduced income in-year. Provision for the loss of income of this closure has been included in the Business Plan for 2021/22, and as such this will be a one-off pressure.

The service have seen a further loss of £52k income due to being unable to trade as expected in the early months of the year as a result of Covid-19.

## Annex 3 – Capital Position

### 3.1 Capital Expenditure 2020/21

Total Scheme Revised Budget £000	Original 2020/21 Budget as per BP £000	Scheme	Revised Budget for 2020/21 £000	Actual Spend 2020/21 £000	Forecast Spend - Outturn £000	Forecast Variance 2020/21 £000
192,416	4,101	Commercial Activity				
158,222	32,050	Commercial Investments	11,323	-	-	(11,323)
200	-	Housing Schemes	42,300	19,942	32,500	(9,800)
3,645	3,306	Development Funding	200	-	200	-
6,306	563	St Ives Smart Energy Grid	1,110	-	260	(850)
6,969	-	Babraham Smart Energy Grid	322	94	262	(60)
8,267	8,027	Trumpington Smart Energy Grid	87	-	45	(42)
2,526	-	Stanground Closed Landfill	491	14	336	(155)
		Energy Project				
		Woodston Closed Landfill	-	(11)	-	-
		Energy Project				
26,258	25,345	North Angle Solar Farm	5,014	(178)	5,014	-
40	20	Light Blue Fibre	20	-	20	-
643	-	Swaffham Prior Energy Project	537	194	537	-
907	-	Cambridgeshire Outdoor Centres	864	238	864	-
-	-	Marwick Centre Roof Repair	-	59	59	59
-	-	March Community Centre	400		400	-
475	475	LGSS Law Equity	-	-	-	-
406,874	73,887		62,667	20,354	40,497	(22,170)
		Property Services				
6,352	600	Building Maintenance	1,042	252	1,042	-
345	-	Office Portfolio Rationalisation	11	(6)	11	-
6,405	2,965	Investment in the CCC asset portfolio	4,793	848	4,793	-
90	-	Property Asset Database	90	-	90	-
15,000	3,000	Decarbonisation Fund	3,000	107	3,353	353
200	200	Electric Vehicle Chargers	200	0	200	-
28,392	6,765		9,136	1,202	9,489	353
		Strategic Assets				
1,000	100	Local Plans Representations	100	-	100	-
3,000	300	County Farms Investment	300	107	300	-
1,981	885	Community Hubs - East Barnwell	1,584	9	100	(1,484)
18,326	9,721	Shire Hall Relocation	14,076	4,034	14,076	-
295	-	Meads Farm House Replacement	272	166	272	-
330	-	Mill Rd - Former Library	330	7	330	-
24,932	11,006		16,662	4,322	15,178	(1,484)
669	603	Capitalisation of Interest Budget	603	-	603	-
(32,070)	(17,692)	Capital Programme Variations Budget	(17,625)	-	-	17,625
428,797	74,569	TOTAL	71,443	25,878	65,767	(5,676)

### 3.2 Capital Variation 2020/21

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 Outturn Variance (Oct 2020) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Outturn Variance (Oct 2020) £000
C&I	-17,625	-17,625	-17,625	100%	(5,676)

### 3.3 Capital Funding 2020/21

Original 2020/21 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2020/21 £000	Forecast Spend £000	Variance £000
3,736	Capital Receipts	10,963	1,931	(9,032)
1,373	Grant Funding	1,117	841	(276)
6,731	Other Contributions	6,737	8,500	1,763
130	Developer Contributions	130	-	(130)
62,599	Prudential Borrowing	52,497	54,495	1,998
<b>74,569</b>	<b>TOTAL</b>	<b>71,443</b>	<b>65,767</b>	<b>(5,676)</b>

### 3.4 Service Commentaries on the Capital Position

The schemes with significant variances (>£250k) either due to changes in phasing or changes in overall scheme costs can be found below:

#### Commercial Investment

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
11,323	-	-	-	-11,323	-11,323	-

The Commercial Investment scheme is forecast an underspend of £11.3m. There are no active plans at this stage for investment prior to the end of the financial year, given the current market conditions and general uncertainty. This will reduce the capital receipts requirement by £11.3m.

#### St Ives Smart Energy Grid

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/ pressure £'000	Breakdown of Variance : Rephasing £'000
1,110	260	-850	-850	-	-	-850

Due to ongoing delays in securing necessary grant funding, forecast expenditure to support the construction of the Smart Energy Grid has been delayed until 2021/22.

### The Community Hubs – East Barnwell

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
1,584	100	-1,484	-1,484	-	-	-1,484

The Community Hubs – East Barnwell scheme is forecasting an underspend of £1,484k; the only costs expected in 20/2021 will be related to planning, and any construction costs will be in future years. This will reduce the developer contributions applied this year by £260k and the prudential borrowing requirement in year by £1,193K.

### Decarbonisation Fund

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
3,000	3,353	353	353	-	-	353

The Decarbonisation scheme is forecasting an overspend of £353k due to accelerated spend; this forecast is based on the number of projects expected to go ahead and estimated costs of the projects. There are between 14 and 19 projects expected to complete this year. The accelerated spend means that the benefits will be gained earlier than originally anticipated; the total scheme forecast remains a balanced budget, therefore this will increase the borrowing requirement in year by £353k and reduce borrowing in future years.

### Housing Schemes

Revised Budget for 2020/21 £'000	Forecast Spend - Outturn (Oct) £'000	Forecast Spend - Outturn Variance (Oct) £'000	Variance Last Month (Sept) £'000	Movement £'000	Breakdown of Variance: Underspend/pressure £'000	Breakdown of Variance : Rephasing £'000
42,300	32,500	-9,800	-	-9,800	-	-9,800

The Housing scheme is forecasting an underspend of £9.8m. As a result of positive cashflows into the company, lending to This Land will be lower than originally expected this year. Loans are released according to progress on works and review by the monitoring surveyor. The forecast reflects the schedule of loan funding advanced to date, as well as assumptions around timing of loans to be issued for the next phase. This will reduce the borrowing requirement in year by £9.4m and the capital receipts requirement by £0.4m.

## Annex 4 – Savings Tracker Quarter 2

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
F/R.6.003	Babbage House closure	-397	0	0	0	-397	-397	0	0	Green	Babbage House to close 31 July
F/R.6.108	Energy Efficiency Fund - Repayment of Financing Costs	-8	0	0	0	-8	-8	0	0	Green	Savings to be generated from Energy Efficiency Fund capital investment. Element to repay financing costs.
F/R.7.105	Renewable Energy Soham - Repayment of Financing Costs	-18	-18	0	0	0	-18	0	0	Green	Increased income received to date
F/R.7.106	Utilisation/commercialisation of physical assets (One Public Estate)	-36	0	0	0	-36	-36	0	0	Green	
F/R.7.110	Return on Commercial Property Investments	-105	0	0	0	0	105	105	100	Black	This was an extension of the current target, which will not be met due to delayed investment.
F/R.7.113	Invest to Save Housing Schemes - Income Generation	54	0	0	0	54	54	0	0	Green	Net reduction in income from loans from This

Reference	Title	Original Saving 20-21	Current Forecast - Q1	Current Forecast - Q2	Current Forecast - Q3	Current Forecast - Q4	Forecast Saving 20-21	Variance from Plan £000	% Variance	RAG	Forecast Commentary
											Land expected in 20/21
F/R.7.127	County Farms – Commercial uses	-75	-38	0	-37	0	-75	0	0	Green	Rental income on target
F/R.7.130	Increase in ESPO dividend	-250	0	0	0	-250	-250	0	0	Green	
F/R.7.129	Pooled Property Fund Investment (CCLA)	-420	-95	-80	-80	-67	-322	98	23	Amber	Anticipate lose 23% of annual return from CCLA fund, due to the fund granting rental breaks

## Annex 5 – Technical Note

### 1. Grant Income Analysis

There is no additional grant income to record in 2020/21.

### 2. Virements and Budget Reconciliation

Budgets and Movements	£'000	Reported
<b>Budget as per Business Plan</b>	<b>-9,205</b>	
Transfer of budget to Shire Hall Relocation, as agreed for the Babbage House move.	15	May 2020
Transfer of the Ely Archive Centre budget from P&C to Property Services	83	May 2020
Transfer of budget from Property Services to Information Management for offsite storage	-20	June 2020
Transfer of budget from Finance to This Land budget for Non-Exec Director costs.	-35	September 2020
Transfer for the pay award and mileage savings for Q2.	4	October 2020
<b>Revised Budget</b>	<b>-9,159</b>	

### 3. Reserve Schedule

Fund Description	Balance at 01 April 2020	Movements in 2020/21	Balance at 31 Oct 2020	Forecast Balance at 31 March 2021	Notes
<b>Other Earmarked Funds</b>					
North Cambridge Academy site demolition costs	705	0	705	0	1
<b>subtotal</b>	<b>705</b>	<b>0</b>	<b>705</b>	<b>0</b>	
<b>Capital Reserves</b>					
Capital Receipts	11,632	325	11,957	12,518	2
<b>subtotal</b>	<b>11,632</b>	<b>0</b>	<b>11,632</b>	<b>0</b>	
<b>TOTAL</b>	<b>12,337</b>	<b>0</b>	<b>12,337</b>	<b>0</b>	

#### Notes

- 1 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 2 General Capital Receipts received during 2020/21 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used to purchase equity in This Land, or for Commercial Investment.



## Cambridgeshire County Council Commercial and Investment Policy and Service Committee Agenda Plan

Published on 1st December 2020

Updated on 10<sup>th</sup> December 2020

### Notes

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.

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Finance Report – The Council's Virtual Meeting Protocol has been amended so monitoring reports (including the Finance report) can be included at the discretion of the Committee.
- Agenda Plan, Training Plan and Appointments to Outside Bodies and Internal Advisory Groups and Panels

Committee date	Agenda item	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
18/12/20	Development budget for Fordham Renewable Energy Network Demonstrator	Cherie Gregoire	2020/049	08/12/20	10/12/20
	North Angle Solar Farm – Investment Case	C Julian-Smith	2020/053		
	Procurement of technical consultancy to support revenue optimisation	Cherie Gregoire	2020/035		
	Finance Monitoring Report	Eleanor Tod			

Committee date	Agenda item	Report author	Reference if key decision	Deadline for draft reports	Agenda despatch date
	Milton Road Library Lease	John Macmillan/ Mark Freer			
	Business Planning	Chris Malyon			
22/01/21	Finance Monitoring Report	Eleanor Tod		12/01/21	14/01/21
	Transfer of Land Adjacent to the Oasis Centre, Wisbech	Ian Phillips			
	Soham Northern Gateway - Plot B - Expansion of The Shade School	Tony Cooper	2021/019		
	Cambs 2020 full Business Case	Chris Malyon/ Kim Davies			
	Green Investment: further diversification of CCC investment portfolio	Chloe Rickard			
19/02/21	Finance Monitoring Report	Eleanor Tod		09/02/21	11/02/21
	Babraham Smart Energy grid, Investment Case	Cherie Gregoire	2020/052		
19/03/21	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Chloe Rickard		09/03/21	11/03/21
	Stanground Solar and battery project	Cherie Gregoire	2021/007		
	Finance Monitoring Report	Eleanor Tod			
16/04/21	Finance Monitoring Report	Eleanor Tod		06/04/21	08/04/21
11/06/21	Finance Monitoring Report	Eleanor Tod		01/06/21	03/06/21
	Quarterly performance reporting against Commercial Strategy KPIs and Risk Register	Chloe Rickard			

To be programmed: ICT Future Delivery Options (John Chapman); Trumpington Park & Ride Smart Energy Grid (Sheryl French);  
Please contact Democratic Services [democraticservices@cambridgeshire.gov.uk](mailto:democraticservices@cambridgeshire.gov.uk) if you require this information in a more accessible format