

# COMMERCIAL AND INVESTMENT COMMITTEE



**Friday, 22 November 2019**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**10:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

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

## **AGENDA**

**Open to Public and Press**

### **CONSTITUTIONAL MATTERS**

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

### **OTHER DECISIONS**

- 4. Babraham Smart Energy Grid - Options Appraisal** **19 - 36**
- 5. Third Quarterly Monitoring Report, Mobilising Local Energy Investment** **37 - 52**

- |           |  |                |
|-----------|--|----------------|
| <b>6.</b> | <b>Update on Property Services</b>   | <b>53 - 62</b> |
| <b>7.</b> | <b>Finance Monitoring Report</b>   | <b>63 - 82</b> |
| <b>8.</b> | <b>Commercial and Investment Committee agenda plan, training plan and appointments to outside bodies</b> | <b>83 - 88</b> |
| <b>9.</b> | <b>Exclusion of Press and Public</b>   |                |

*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)*

**10. Shire Hall Heads of Terms**

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

The Commercial and Investment Committee comprises the following members:

Councillor Josh Schumann (Chairman) Councillor Anne Hay (Vice-Chairwoman)

Councillor Ian Bates Councillor Lorna Dupre Councillor John Gowing Councillor David Jenkins Councillor Linda Jones Councillor Terence Rogers Councillor Mike Shellens and Councillor Tim Wotherspoon

*For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact*

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@cambridgeshire.gov.uk

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

<https://tinyurl.com/CommitteeProcedure>

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**COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES**

**Date:** 18 October 2019

**Time:** 10:00am – 12:15pm

**Venue:** Kreis Viersen Room, Shire Hall, Cambridge

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

**Apologies:** Councillors Hay and Wotherspoon

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

Apologies were presented on behalf of Councillor Hay and Wotherspoon. There were no declarations of interest.

**276. MINUTES OF THE MEETINGS HELD ON 13 AND 24 SEPTEMBER 2019 AND ACTION LOG**

The minutes of the meetings held on 13 and 24 September 2019 were agreed as a correct record.

The Action Log was noted.

**277. PETITIONS AND PUBLIC QUESTIONS**

There were no petitions or public questions.

**278. APPROVAL FOR GRID CONNECTION DOWN PAYMENTS FOR ENERGY INVESTMENT PROJECTS**

The Committee considered a report which proposed moving a proportion of the funds allocated for the grid connections from the implementation phase to the development phase, to secure electricity export connections via UK Power Networks (UKPN) distribution network. This related to three energy projects at Babraham Park & Ride, Stanground Closed Landfill site and North Angle Solar Farm, where the development budgets had previously been agreed by the Committee.

The original business cases for the three schemes had not included up-front connection charges as part of the development phase: these were included in the construction phase. However, it would be advantageous both financially and in terms of timescales to secure the capacity at this stage. Doing this would mitigate against the

greatest area of risk, especially as costs were likely to escalate if there were any delays.

In terms of fees, the figures that the Committee was being asked to commit to were the maximum in the ranges estimated. It was noted that the total capital cost for the Babraham project should read £6.3M.

Arising from the report:

- Noting the mitigation strategy to have Bouygues tender the contestable work, Members were advised that whilst there were several companies who could work with lower voltage sections of the network, there were fewer companies that were able to do the higher voltage work, such as at North Angle Farm;
- A Member asked about the potential archaeology issues at North Angle Farm, and the likelihood that these could delay progress. Officers were unsure of the timeframe for the archaeological work, as the Historic Environment team were very busy, and it was difficult to speculate on likely findings. The usual approach was to discuss possible methods of mitigation with Historic Environment colleagues and Planning Consultants. It was observed that there was only minimal construction in solar parks. It was agreed that the Historic Environment report would be copied to Councillors Jones and Schumann. **Action required;**
- A Member queried the “*feasibility study ... due by October 2019*” referenced in the report. It was confirmed that the first draft had been received but it was unacceptable, and the Energy Investment Unit was working with partners to improve the Feasibility Study;
- A Member asked about the risk of cyber attacks and terrorism for the Energy Investment projects, and whether emergency plans would be in place for the sites. Officers advised that they had not considered this issue, and agreed to examine it further, and add it to the Risk Register. **Action required.**

It was resolved unanimously to:

- a) Approve £722,000 for the down payments for grid connections for Babraham Park & Ride, North Angle Solar Farm and Stanground Closed Landfill site;
- b) Approve new total development budgets for the above projects as set out in Table 2 of the report.

## **279. COMMERCIAL TEAM**

The Committee received a report on the proposed Commercial Team.

Members were reminded that it had previously agreed to create a new Business Improvement and Development Directorate. One of the responsibilities of the new

Director was to lead commercial work and establish commercial capacity. The report summarised key targets met to date, noting that there were some areas of the strategy which were a delivery risk due to lack of capacity, both in terms of time and skills. It was therefore recommended that a staffing structure of three dedicated FTE staff be set up. The report also sought approval for the submission of a Transformation Bid proposal to pay for the recruitment/secondment of the required staff until 2021, after which point the service would be self-sustaining.

Arising from the report:

- It was confirmed that the substantive roles of the staff being seconded from the Transformation team would be backfilled;
- Noting that the work would be to “...*manage, maintain and proactively adapt our investment portfolio*”, a Member queried whether this was a genuine Transformation bid. Officers responded that it was, as it was changing the way the Council dealt with the Commercial agenda. The Member asked if it was possible for the team to become self-sustaining by 2021, and how savings would be attributed to the Team. Officers advised that in terms of returns on investment, a huge amount was spent on third party contracts, and more resource needed to be put in to managing that well. This could be benchmarked and recorded, e.g. increases in the income earned by traded services. It was suggested that the management of the investment portfolio specifically related to managing assets, and managing them better. Members noted how savings made to contracts would be attributed, and that Internal Audit had recently been commissioned to do some work on this;
- Members discussed the flexibility of the Transformation team, and how the team had been funded through capitalising revenue costs associated with transformation, which had been facilitated by the government. The Transformation Fund was a revenue fund, so there was far more flexibility in that budget. It was noted that the Transformation team was overseen by the General Purposes Committee. Going forward, it was anticipated that the Commercial Team would be baselined as a revenue cost, and the purpose of the report was to get that team up and running;
- In terms of the commercial Head of Service role, it was confirmed that it was unlikely that we could recruit internally, due to the requisite skill set. Soft market testing had been positive, and it was envisaged that the Head of Service role should be filled early 2020. A Member cautioned that long lead times could frustrate the timescales;
- One Member commented that the process appeared to have been over-complicated, and suggested a much briefer report on roles required, costs and job descriptions would have sufficed, with the decision process mapped out more simply. Officers welcomed these comments but commented that staffing

decisions (e.g. Job Descriptions) would not usually be shared with the Committee;

- Noting the legal implication that stated “...*the political appetite to accept new risk*”, a Member asked if this would be reflected in the Risk Register. The Member also asked what the potential impact could be of any future restriction on local authorities investing. The Chairman commented any such restriction would be linked to *borrowing*, not on the use of capital receipts. The reasons behind the recent PWLB increase in interest rates were discussed. It was confirmed that the Corporate Risk Register already included commercial work. On a more general point, a Member observed that the Commercial & Investment Committee did not review its Risk Register, whilst other Service Committees considered their Risk Registers on a quarterly basis. Officers agreed to take this forward. **Action required.**

It was resolved unanimously to:

- a) Note and endorse the proposed structure of the commercial function within the Business Improvement & Development Directorate;
- b) Support the Transformation Bid proposal of £390,000 to fund the Commercial Team up to March 2021; and
- c) Recommend the submission of a Transformation Bid proposal to the General Purposes Committee.

## **280. OLDER PEOPLE’S ACCOMMODATION STRATEGY UPDATE**

The Committee received an update on the progress made by the Older People’s Accommodation Strategy in securing sustainable, quality and affordable residential/nursing care provision.

Members noted that in 2018-2019, the County Council had spent approximately £51M on residential/nursing care, of which £10.7M was spent on block beds (contracted beds retained solely for the Council’s use) and £40.8M on spot beds (individually purchased placements). There were currently around 1400 people living in residential care, and the number of placements had been relatively static until recently when there had been an increase. In terms of the market, people were living longer, but having more complex needs when they reached that stage of their life, and these factors were driving up costs. The market from the providers’ perspective was facing a 9.6% increase in workforce costs year on year, and the sector was highly regulated both financially and in terms of quality. Cambridge in particular had a high demand from self-funders, which drove up the cost of care available. Going forward, the current type of care provision was not seen to be sustainable.

There were four key strands to the Older People’s Accommodation Strategy:



- (1) Increasing capacity and market control – building in new capacity where possible e.g. by building up block placement capacity, effectively hedging the market to avoid increased spot bed prices;
- (2) Develop sustainable delivery models;
- (3) Manage demand for LA residential/nursing care – a range of programmes were underway to make the model more sustainable, to reduce the numbers requiring care in the first place;
- (4) Create income from the self-funder market – through reducing the cost of voids to the Council.

Arising from the report:

- A Member queried the issue of capacity, noting that the focus of the Strategy was to increase capacity and contain costs, but at the same time there were voids – surely the voids should keep costs down? Officers explained that whilst there was usually capacity available when the need arose, the issue was that that capacity was not affordable. Moreover, whilst simple economics dictated that an excess of supply should reduce prices, the reality in the sector was not as straightforward: as the average time living in a care home was 2.5 years, so it was often in the providers' interests to wait for a premium funder than to sell a bed to a local authority;
- A Member commented that there was little financial information in the report, e.g. the cost differences between block and spot beds. Officers commented that the key issue was that spot pricing was increasing significantly, across the board, year on year;
- There was a discussion on Life Expectancy, noting that people were typically going in to residential care much later in life, but with much more complex needs;
- A Member commented that despite having planned in 2017 to enter into a strategic partnership with a care home provider to use council owned land to operate up to 3-4 care homes across the county, little appeared to have been done to date. Officers updated the Committee on the procurement process that was taking place currently, and that there were currently two bidders left in that process. However, it was suggested that this option was not looking as attractive as originally anticipated, as the market shifted away from standard residential and nursing type care homes. Noting that work was ongoing with the CCG to tackle delayed discharges, the Member suggested working in partnership e.g. with Addenbrookes;
- A Member asked what savings, additional income and additional risk there was from the care-suite model, the proposed tenancy-based alternative to nursing and residential care. Officers advised they were working with partners and they were confident that the model would cost less than existing models. Another

Member referred to the excellent assisted living/extra care housing in St Neots, which he felt needed to be encouraged as it was a good model of what could be achieved through working with Registered Social Landlords. Officers commented that care-suite was almost identical in terms of principles, but focused on higher needs.

It was resolved to:

Note the update provided.

## **281. SERVICE COMMITTEE REVIEW OF DRAFT REVENUE BUSINESS PLANNING**

Members considered a report on the draft Business Plan Revenue Proposals for services within its remit. All local authorities were facing major challenges of increasing demand for services set against reducing funding, whilst the costs of those services was increasing due to inflationary and demographic pressures.

There were two main proposals being put forward:

- County farms – Commercial uses (-£75K) i.e. converting buildings from agricultural to non-agricultural uses;
- Pooled property fund investment (-£330K), specifically the CCLA Local Authority Property Fund to generate a revenue return. The Committee had agreed an investment of £11M earlier in the year, but that had been agreed after the conclusion of the Business Planning process for 2019-2020, so was being included in the 2020-2021 Business Plan.

Arising from the report:

- A Member noted that the Business Cases did not include any financial information. It was noted that this was included in the covering report, and that the Business Case template did not include financial template, but it was agreed to review this. **Action required.** It was also noted that both proposals included the Business Plan references, but the original £11M was not referenced;
- It was noted that the Committee considered proposals for non-agricultural use of agricultural land for energy or commercial projects e.g. the North Angle Solar Farm. A Member asked how this use of agricultural land fitted in with the Council's wider objectives e.g. Climate Change and Environment, in terms of the competing priorities between food, energy and commercial uses. The Chairman responded that there were two Member Groups overseeing these aspects, the Climate Change and County Farms Working Groups, which would be making recommendations across the Council;
- A Member raised the issue of reinvestment in agricultural land, and it was confirmed that the County Farms Working Group was looking at reinvestment opportunities;

- A Member observed that the pooled property fund did not include any outline plans for years after 2020-2021. Officers advised that this was currently being considered as part of the diversified investment portfolio. The Member also noted that outline plans were included for 'County Farms – Commercial uses' despite the County Farms Working Group not having had a discussion on that, and this represented a significant departure. Officers reiterated that these were only marginal changes, and did not reflect absolute numbers;
- A Member commented that it would be helpful to have some narrative on the main proposals in the covering report. It was agreed that this could be included in future reports. **Action required.**

It was resolved to:

- a) note the overview and context provided for the 2020-21 to 2024-25 Business Plan revenue proposals for the service;
- b) comment on the draft revenue proposals that are within the remit of the Commercial & Investment Committee for 2020-21 to 2024-25.

## **282. SERVICE COMMITTEE REVIEW OF DRAFT 2020-21 CAPITAL PROGRAMME**

Members considered an overview of the draft Business Plan Capital Programme for Commercial and Investment. The anticipated funding sources and specific changes to existing schemes included in the 2019-2020 Business Plan were noted.

It was resolved to:

- a) note the overview and context provided for the 2020-21 Capital Programme for Commercial & Investment;
- b) comment on the draft proposals for Commercial & Investment's 2020-21 Capital Programme and endorse their development.

## **283. 2020-21 INVESTMENT STRATEGY**

The Committee considered a report on the 2020/2021 Investment Strategy. This had been updated to reflect the Council's investment activity since the Strategy was last agreed, and it would be included in the Capital Strategy, which would be part of the 2020-21 Business Plan. The Chartered Institute of Public Finance and Accountancy (CIPFA) required all local authorities to prepare an investment strategy, covering both financial and non-financial assets. It was expected that further guidance would be issued by both CIPFA and the MHCLG (Ministry for Housing Communities and Local Government).

Since the Investment Strategy had last been agreed, the Council had made three major acquisitions. It was noted that the table showing Debt relative to Service Expenditure would be updated further as the Capital Strategy was revised. It was noted that there was a close relationship between the Commercial Team and Investment Strategy, with the Commercial team working very closely with Finance colleagues. It was suggested that this relationship could be better articulated in the Strategy.

There was a discussion around the objective of generating a 6% average yield across the portfolio over the medium term. It was noted that this was an aspiration, and may be squeezed by the recent government announcement that the Public Works Loan Board (PWLb) was increasing interest rates by 1%, but it would stifle the appetite to invest in future projects. Officers also commented that now the market was better understood, especially in terms of risks and yields, the approach to investment had become more sophisticated.

A Member queried the statement in the Strategy that “... *the long-term aim is for around 75% of the overall acquisitions portfolio to be comprised of these lower-risk properties. The remaining 25% will be comprised of specialist sector investments (i.e. higher risk)*”. Officers commented that this was making the point that the objective was a balanced portfolio, but agreed to review the wording of this section to include the rationale.

A Member commented that the assessment of risk in the Individual property assessments appeared somewhat cursory, and she assumed there was more detail underpinning that assessment. It was acknowledged that those more detailed assessments may be commercially sensitive, but it was agreed to revisit the Strategy in light of those comments.

It was agreed that the draft Investment Strategy would be updated to reflect the comments raised by Members. **Action required.**

It was resolved to:

Review, note and comment on the Strategy and recommend its inclusion within the Capital Strategy, to be included within the 2020-21 Business Plan.

## **284. FINANCE MONITORING REPORT – AUGUST 2019**

The Committee considered a report on the financial information relating to the areas within the Commercial and Investment Committee’s remit, for the period ending 31<sup>st</sup> August 2019.

Members were reminded that the cost of financing capital (debt charges) for all commercial activity schemes had been moved from the Debt Charges budget under Corporate Services to the Commercial Activity heading within Commercial &

Investment Committee. To date this only related to the Solar Farm scheme. Members were asked to recommend this virement to the General Purposes Committee.

At the end of the period, Commercial & Investment Committee was forecasting an overspend of £115K on revenue budgets, which was mainly due to changes in the Commercial Activity budget. The Shareholder Company Dividends budget was forecast to overachieve by £250K (due to the dividend from ESPO), and the Contract Efficiencies and Other Income budget was forecast to underachieve by £200K due to delays in putting in place plans to meet targets relating to savings from contract efficiencies and additional external income.

The Capital budget was on target as at the end of August. There was additional spend on Commercial Activity area, and the Joint Highways Project was being rescoped, so this project was being removed from the current year's plans. It was confirmed that the chart at 2.1.2 of the report was inaccurate.

It was resolved, by a majority, to:

- a) Review, note and comment upon the report;
- b) Recommend to the General Purposes Committee to approve a £603K virement between Commercial & Investment Committee and General Purposes Committee to reflect the movement of the Debt Charges budget in relation to Commercial Activity schemes;
- c) Note the removal of the budget for the Joint Highways Depot.

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

Members consider the Agenda Plan, including a number of changes since publication, and the Training Plan.

It was resolved to note the Agenda Plan and Training Plan

## **286. EXCLUSION OF PRESS AND PUBLIC**

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)

**287. CAMBS 2020 – SPOKES REVIEW**

The Committee considered a report which considered the results of an analysis of the Council's needs and asset portfolio, and recommendations on how best to optimise the use of accommodation resources, and how this would be funded.

It was resolved, by a majority, to:

- a) Endorse the process followed to date and agree the future approach as set out in the report;
- b) Approve capital programme expenditure of £5.449M (to be funded by prudential borrowing) for the disposals/acquisitions and adaptations;
- c) Recommend to General Purposes Committee to earmark £513K within reserves for Cambs 2020 one-off reorganisation allowances and moving costs, as set out in the revenue table of section 2.5 of the report;
- d) Recommended to General Purposes Committee that the remaining £395K revenue pressure for 2020-21 and saving of -£210K for 2021/22 is resolved as part of the 2020-21 Business Planning process, as set out in the revenue table of section 2.5 of the report.

**Chairman**

# COMMERCIAL & INVESTMENT COMMITTEE

## Minutes-Action Log



**Agenda Item no. 2**  
Cambridgeshire  
County Council

### Introduction:

This is the updated action log as at **14<sup>th</sup> November 2019** and captures the actions arising from the most recent Commercial & Investment Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

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

|      |  |                |   |   |         |
|------|--|----------------|---|---|---------|
| 183. | <b>Disposal of ransom strip at St Ives</b> | John Macmillan | The ownership of different parts of the site to be fully detailed in the revised report, and the planning application for the residential development be included in that report. | The Education Capital team have been carrying out feasibility work to extend school capacity at St Ives and are preparing a Justification of Need with regard to acquiring additional land at the St Ivo school. This would include the Council's land. This was considered by the Capital Prog. Board in July and will be reported to C&I and GPC in due course. | Ongoing |
|------|--|----------------|---|---|---------|

### Minutes of 22<sup>nd</sup> March 2019

| Item no. | Item  | Action to be taken by       | Action   | Comments/Status  | Estimated completion date/<br>Completed |
|----------|---|-----------------------------|--|--|---|
| 211.     | <b>Milestone 3 Report for the Alconbury Weald Civic Hub: Cambs 2020 Programme</b> | Andy Preston/<br>Kim Davies | Project Risk Register would be shared as part of future reports. | This will be included in future C&I Committee papers as planned. Currently these are proposed for the end of MS4 (December 2019) and the end of MS6 (January 2021) | December 2019                           |

### Minutes of 26<sup>th</sup> April 2019

|      |   |                             |   |  |               |
|------|---|-----------------------------|---|--|---------------|
| 225. | <b>Estates and Building Maintenance Inspections</b> | Alex Gee/<br>John Macmillan | Action Plan and related KPIs and timescales to be brought to a future meeting | This will form part of a broader Estates Strategy being worked on jointly by the Estates and Transformation teams. | November 2019 |
|------|---|-----------------------------|---|--|---------------|

### Minutes of 13<sup>th</sup> September 2019

|         |   |              |   |   |          |
|---------|---|--------------|---|---|----------|
| 271 (1) | <b>Shire Hall Disposal – draft Heads of Terms</b> | Chris Malyon | Presentation to be made to the Committee on plans for Shire Hall, with other key Members invited. | Provisionally booked for 22 November after C&I Committee. <b>Date confirmed and electronic Invitations sent 16/10/19.</b> | 22/11/19 |
|---------|---|--------------|---|---|----------|

### Minutes of 24<sup>th</sup> September 2019

|         |                                      |               |   |  |  |
|---------|--------------------------------------|---------------|---|--|--|
| 274 (2) | <b>Resolutions for This Land AGM</b> | Cllr Schumann | Take legal advice on the representation on the This Land Board. |  |  |
|---------|--------------------------------------|---------------|---|--|--|

### Minutes of 18<sup>th</sup> October 2019

|      |  |                 |   |   |            |
|------|--|-----------------|---|---|------------|
| 278. | <b>Approval for Grid connection down payments for Energy Investment Projects</b> | Cherie Gregoire | Historic Environment report for North Angle Farm would be copied to Councillors Jones and Schumann. | Information shared with Cllrs Jones and Schumann.   | Completed. |
| 278. | <b>Approval for Grid connection down payments for Energy Investment Projects</b> | Cherie Gregoire | Add cyber attacks/terrorism threat to Energy Investment projects to the Risk Register.              | Team to track cyber attacks issue in Risk Register. | Completed. |
| 279. | <b>Commercial Team</b>   | Amanda Askham   | Add regular reviews of the Risk Register to the C&I agenda plan.                                    | To be included with the quarterly KPI report.       | Completed. |



|             |  |           |  |   |  |
|-------------|--|-----------|--|---|--|
| <b>281.</b> | <b>Service Committee Review of draft Revenue Business Planning</b> | Dan Sage  | Review the Business Case template, to possibly include financial information.          | The Business Case documentation is reported directly out of Verto and is not able to hold multi-year financial information, therefore it is not possible to include figures within the Business Cases.  |  |
| <b>281.</b> | <b>Service Committee Review of draft Revenue Business Planning</b> | Dan Sage  | Include some narrative on the main proposals in the covering report in future reports. | These reports have been refined and standardised across committees and over several Business Planning periods, and a deliberate decision has been made to remove duplication where possible. Therefore the narrative on the proposals is only located in the Business Case. |  |
| <b>282.</b> | <b>Investment Strategy</b>   | Ellie Tod | Update the draft Investment Strategy to reflect the comments raised by Members.        |   |  |



**BABRAHAM SMART ENERGY GRID – OPTIONS APPRAISAL**

**To:** Commercial and Investment Committee

**Meeting Date:** 22 November 2019

**From:** Steve Cox, Executive Director, Place and Economy

**Electoral division(s):** Sawston and Shelford and Queen Edith's

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

**Purpose:** To consider the technical options appraisal conducted for the Babraham Park and Ride Smart Energy Grid project.

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

a) Approve the preferred option (Option A1 + B2) for the smart energy grid project at Babraham Park and Ride as set out in Table 1 to be developed further through the Investment Grade Proposal process.

| <b>Officer contact:</b> |  | <b>Member contacts:</b> |  |
|-------------------------|--|-------------------------|--|
| Name:                   | Cherie Gregoire / Sheryl French  | Names:                  | Councillors Schumann and Hay   |
| Post:                   | Project Manager, Energy Investment Unit  | Post:                   | Committee Chair/Vice-Chair   |
| Email:                  | <a href="mailto:Cherie.gregoire@cambridgeshire.gov.uk">Cherie.gregoire@cambridgeshire.gov.uk</a> | Email:                  | <a href="mailto:Joshua.Schumann@cambridgeshire.gov.uk">Joshua.Schumann@cambridgeshire.gov.uk</a><br><a href="mailto:Anne.hay@cambridgeshire.gov.uk">Anne.hay@cambridgeshire.gov.uk</a> |
| Tel:                    | 01223 715689   | Tel:                    | 01223 706398   |

## **1. BACKGROUND**

- 1.1 At the May 2018 Commercial and Investment Committee meeting, a development budget for the first stage of an Investment Grade Proposal (IGP) for smart energy grids was granted for both Trumpington and Babraham Park & Rides. A development budget of £300,000 was approved split evenly between the two sites.
- 1.2 An update on the progress of work on the Investment Grade Proposal was considered at the June 2019 Commercial and Investment Committee meeting.
- 1.3 Through the Climate Change Act, the government has committed to reduce emissions by at least 80% of 1990 levels by the year 2050. In mid-June, government proposed to increase the target to 100% of 1990 levels by the year 2050. To meet these targets, the government has set five-yearly carbon budgets which currently run until 2032. They restrict the amount of greenhouse gas the UK can legally emit in a five year period.
- 1.4 In order to meet these carbon budgets, the government has laid out ambitious plans to decarbonise heat, electricity and transport. This government has set policy to ban the sale of diesel and petrol powered vehicles by the year 2040. The London based consultancy Capital Economics has estimated that 4,000 electric vehicle chargers will have to be installed daily across the country over the next 17 years in order to meet the UK's target of cutting greenhouse gas emissions to net zero by 2050.<sup>1</sup>
- 1.5 A carbon footprint for Cambridgeshire was developed by Cambridge University's Science and Policy Exchange (CUSPE) and adopted as an evidence base for the Climate Change Strategy in October 2019 by General Purposes Committee. The CUSPE report identifies that 100% of cars, buses, small vans, motorbikes must be electric and 91% of Heavy Goods Vehicles by 2050.
- 1.6 In addition, the Council declared a climate emergency in May 2019 and in that motion recommended steps to move further faster in recognition of the need for urgent action.

## **2. MAIN ISSUES**

### **Developing outline designs**

- 2.1 At the June 2019 Commercial and Investment Committee, uncertainty about the timing and level of revenues in the market for battery storage services was discussed.
- 2.2 At that meeting, it was flagged that the concept and design of the scheme remained under review to explore options including more rapid uptake of electric vehicle chargers, sales to a local customer in place of revenue from battery

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<sup>1</sup> <https://www.ft.com/content/9cba0522-f564-11e9-b018-3ef8794b17c6>

storage services and reviewing a range of different options for the use of the battery energy storage. These options were explored to reinforce the economic business case and reduce reliance on battery storage revenues which remain uncertain.

- 2.3 Bouygues, the Council's partner, conducted an options appraisal of several combinations of technologies and / or services. Three different options were explored in terms of the sales of electricity – wholesale to the grid, a sleeved arrangement benefitting the Council and a Power Purchase Agreement. All options are summarised in **Appendix A**.
- 2.4 The preferred option to maximise the operation of the solar generation is to pursue a power purchase agreement and the expansion of electric vehicle chargers (Options A1 and B2).
- 2.5 Option B2 is a slower roll out of electric vehicle chargers (20 per year) than Option B1 (500 chargers installed on day one). Option B1 is intended to stay ahead of demand and can be adjusted according to actual uptake. In the year ending 31 July 2019, there were over 800 car charging events at the Babraham Park and Ride on the 4 existing chargers.
- 2.6 In parallel, the optimal solution for exploiting the battery storage is Option C2. While the economics do not at present stack up, there are rapid changes in the market that could change the situation. Recently, the court challenge against the Capacity Market has been dropped, opening up opportunities for maximising the use of the battery storage. Also, there is independent research supporting the colocation of solar and battery storage as described in paragraph 2.14. The economics of the shortlisted options are summarised in **Table 1**.

**Table 1. Summary of financials of short-listed options**

|  | <b>Capital value</b> | <b>Payback period (years)</b> | <b>IRR (Internal Rate of Return)</b> | <b>25 year Net Return</b> |
|--|----------------------|-------------------------------|--------------------------------------|---------------------------|
| A1 + B2 (preferred option)   | £4.9 – 5.3M          | 13.8 – 14.9                   | 7.0 – 8.1%                           | £19M                      |
| A1   | £4.9 - £5.2M         | 16.4 – 17.4                   | 4.1 – 4.9%                           | £12.6M                    |
| B1   | £5.1 - 5.4M          | 14.8 – 15.3                   | 7.0 – 7.6%                           | £21.3M                    |
| B2   | £4.7M                | 14.2 - 14.4                   | 8.0 – 8.3%                           | £21.4M                    |
| A1 + B1  | £5.3 – 5.9M          | 15.7 – 16.9                   | 4.7 – 5.6%                           | £14.7M                    |
| C2   | £9.5 – 10.5M         | ∞                             | Negative                             | £13.1M                    |
| Note: all scenarios were modelled with a 2.25% loan interest rate. The minimum to maximum scenario costs and returns are presented. The capital value of the preferred option is different to the maximum value presented to Capital Programme Board and included within the draft 2020-21 Business Plan, as that figure allowed for grid connection costs needed to enable the battery storage option. Once the preferred option has been decided, the capital project business case will be updated accordingly. |                      |                               |                                      |                           |

## **Planning**

- 2.7 As the site is located in the Cambridge Green Belt additional sensitivities can be expected. A community engagement officer will be procured to help manage these in November.
- 2.8 A Preliminary Ecological Assessment has been conducted identifying two issues: the existence of potential bat foraging areas on site and that one of the routes for electrical connection cabling traverses a wildlife corridor. A breeding bird survey was also conducted. An Environmental Impact Assessment (EIA) screening opinion based on the application site and excluding any cabling routes has been submitted to the County Council as the local planning authority for assessment.
- 2.9 Further surveys are in train for areas such as flooding, archaeology, noise, heritage, etc. The full planning application is scheduled to be submitted in December 2019, subject to the EIA screening opinion not finding the project to be EIA development.

## **Connection to the Distribution Network Operator**

- 2.10 An application for a connection under UK Power Network's Flexible Distributed Generation (FDG) scheme was made in April 2019 to understand potential costs. The FDG scheme offers grid connection at a lower cost, however, generation could be subjected to curtailment. A curtailed connection means that CCC could be asked to reduce our generation over the course of the year.
- 2.11 An application was made by Bouygues to UKPN for the largest capacity of battery storage and solar PV array (12 MW in total). CCC has been advised that the connection costs could be £1.46 million with estimated curtailment of 3% of generation. A firm quote has been requested. Note that the grid connection is only needed should we pursue Option C2, it is not needed for Options A1 and B2. The cabling routes have been excluded from the EIA screening opinion until we firm up the route to the customer.

## **Power Purchase Agreements/Other revenues**

- 2.12 Discussions with the potential Power Purchase Agreement (PPA) customer (Option A1) on purchasing green electricity from the project have been positive. They have signed a memorandum of understanding on the project as well as a Letter of Authority allowing us to apply for a grid connection on their site. Technical discussions are ongoing to confirm the best location to connect to their substations and a site visit was held on 7 November. Sales to a local customer via a PPA can produce a better return on investment as sales are at retail price rather than selling directly at a wholesale tariff onto the grid.
- 2.13 A buried private wire would be required to connect the Babraham Park & Ride site to the PPA customer in order to supply electricity, however much of the land between the two locations is owned by the County Council. Discussions regarding the private wire route have started with Rural Estates and Strategic

## Assets.

- 2.14 Connecting to the PPA customer would mean the Authority incurring a significant extra cost for the additional cabling required. This cost would be covered in the longer term by the higher revenues available from selling to the customer at retail prices rather than exporting to the grid at wholesale prices. However, there would be a potential risk of loss if the customer wished to terminate the contract in the shorter term. We intend to mitigate this risk by requiring a minimum contractual term in the PPA.
- 2.15 There are still opportunities to explore the battery storage. Research from the independent body, Aurora Energy Research, suggests real returns of around 7% for co-located battery and solar schemes – more attractive than either battery or solar on its own. While they are not able to pinpoint exactly how the revenue for batteries would be generated in future, the Balancing Mechanism is likely to form a large part of revenue. As Aurora's research is commissioned by the Department for Business, Energy & Industrial Strategy (BEIS), it does give a pointer to an understanding and acceptance by government that returns need to be high enough to fund a significant expansion in the current level of battery provision.

## Outreach

- 2.16 In January and February 2019, presentations were given by officers of the County Council and partner organisation Bouygues to Great Shelford Parish Councillors and to a public meeting in Great Shelford. In addition, staff were available at the Babraham Park and Ride site to talk to commuters about the project on several occasions. A letter was delivered to local residents, information posted on the County Council's Facebook, Twitter and LinkedIn sites and [www.mlei.co.uk](http://www.mlei.co.uk) advertised the above events.
- 2.17 Local businesses were also visited in person ahead of the above meetings to provide information about the project.
- 2.18 A presentation on the project to Great Shelford residents was given on 19 November 2019 and a presentation to the Great Shelford Parish Council on 20 November 2019. This has been promoted on social media (Facebook, Twitter and LinkedIn), to local Councillors, to local community newsletters and a direct mailer to homes and businesses near the Babraham Park and Ride site.
- 2.19 Periodic updates are also provided to local Councillors via email.

## Other risk management

- 2.20 The Biomedical campus continues to grow as does the demand for parking at Babraham Park and Ride site. Since the relocation of Papworth Hospital, monitoring at the Babraham Park and Ride identifies that the site is at or near capacity. Discussions are now ongoing with Greater Cambridge Partnership on expanding car parking capacity when construction of the smart energy grid starts on site. Different options have been designed and will be progressed in parallel

with the clean energy project. There is the potential for up to 160 additional car parking spaces.

- 2.21 The Office of Gas and Electricity Markets (OFGEM) has been consulting on changes to its charging regime for use of the network for all asset types across the UK power system. The proposals aim to level the playing field between different forms of generation from 2023. However, the current proposals would negatively impact solar and battery storage schemes connecting to the distribution or transmission network more than any other type of asset. This has led OFGEM to review their proposals but if left unchanged, this has the potential to delay subsidy free solar and battery schemes by up to 3-5 years, as there may be no mechanism for these projects to recover the additional charges. Other asset classes can access Contract for Difference or capacity markets to recoup the additional charges. Discussions are now ongoing with BEIS to prepare Government on the impact of these proposals on their Clean Growth Strategy.

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

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

The project will provide clean renewable energy to power the sites' usage, and local customers either directly or via electric vehicle charging, thereby reducing the Council's and Cambridgeshire's carbon footprint and mitigating climate change.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

If, following the development of the detailed business case, it is decided not to implement the projects, capital costs to date will have to be transferred back to revenue. These costs would then be funded by the contingency for aborted schemes element of the Transformation Fund bid previously approved by General Purposes Committee in May 2019.

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.



**Sustainable Resources.** The project's goal is to generate low-carbon electricity, reduce electricity usage on-site, increase the provision of electric vehicle charge points and provide solutions to the grid capacity problems experienced across Cambridgeshire.

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

Bouygues Energies & Services was procured under a mini-competition run under the Refit 3 Framework. As projects must only be under contract for developing the Investment Grade Proposal by the time the Framework expires in April 2020, there are no significant implications from a procurement or contractual standpoint.

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

Regulatory risk. The OFGEM Targeted Charging Review referenced in paragraph 2.20 presents risk to forming viable business cases for solar and battery storage projects which require connection to the distribution network. A direct connection to a local customer would mitigate this risk.

Reputational risk due to a lack of parking during construction. Greater Cambridge Partnership is investigating additional permanent car parking to the west of the bus entrance. It is possible that, subject to planning consent, these spaces will be in place before the smart energy grid construction is scheduled to start.

Health and safety implications. The canopies could provide some potential cover for crime, therefore the CCTV cameras on site will be repositioned for better coverage. Under canopy lighting will also be provided for better visibility.

A private wire connection to the PPA customer would necessitate wayleaves / easements on third party land. A private Power Purchase Agreement would also be necessary.

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

There are no significant implications. See Equality Impact Assessment Screening Form attached as Appendix B.

The electric vehicle charge points will be available to the entire community. The carport foundations will provide little impediment to parking as they will be arranged in the centre of the double bays, therefore they will not impede on drivers exiting vehicles or impact elderly, disabled or family access. During construction, the work areas will be cordoned off and drivers will be redirected to other areas of the site. The provision of disabled and family car parking spaces will be retained.

#### 4.5 Engagement and Communications Implications

A letter explaining the project was distributed to the surrounding households and businesses in person during January 2019. Staff manned a table at the Babraham Park and Ride to communicate details of the project to commuters in the same time period. A presentation to the Great Shelford community was made in February 2019 and another is programmed for November 2019.

#### 4.6 Localism and Local Member Involvement

Presentations were made to Great Shelford Parish Council and to Great Shelford residents and businesses in January and February 2019, with another event programmed for November 2019. An email update was also provided to the Parish Council, County Members, and City Councillors for Queen Edith's, Shelford, and Cherry Hinton in May, June, July and October 2019. These areas were chosen as they contain housing nearest the park and ride so may experience some disruption.

#### 4.7 Public Health Implications

Vehicle emissions are a direct cause of poor air quality and the introduction of additional electric charging points for cars powered by zero emission electricity could therefore lower pollution and therefore result in positive health benefits through improved air quality. The Transport and Health Joint Strategic Needs Assessment 2015 states that new low emission vehicles are either fully electric with no emissions at the point of use or hybrid vehicles which have significantly reduced emissions for periods of the drive cycle and may be capable of some zero emission running. Therefore, with new low emission vehicle technology there is the potential for substantial real world cuts in emissions.

| Implications  | Officer Clearance                             |
|---|---|
|   |   |
| Have the resource implications been cleared by Finance?   | Yes<br>Name of Financial Officer: Eleanor Tod |
|   |   |
| Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? | Yes<br>Name of Officer: Jon Collins           |
|   |   |
| Has the impact on statutory, legal and risk implications been cleared by LGSS Law?  | Yes<br>Name of Legal Officer: Fiona MacMillan |
|   |   |
| Have the equality and diversity implications been cleared by your Service Contact?  | Yes<br>Name of Officer: Elsa Evans            |
|   |   |
| Have any engagement and   | Yes   |

|  |                                    |
|--|------------------------------------|
| <b>communication implications been cleared by Communications?</b>                                  | Name of Officer: Joanna Shilton    |
| <b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b> | Yes<br>Name of Officer: Emma Fitch |
| <b>Have any Public Health implications been cleared by Public Health</b>                           | Yes<br>Name of Officer: Iain Green |

| <b>Source Documents</b>  | <b>Location</b>  |
|--|--|
| <ol style="list-style-type: none"> <li>1. Outline Business Case for Smart Energy Grids for Trumpington and Babraham Park and Ride Sites, paper to Commercial and Investment Committee, 25 May 2018.</li> <li>2. Babraham Smart Energy Grid – Investment Grade Proposal Stage 1 Update, paper to Commercial and Investment Committee, 21 June 2019.</li> <li>3. Battery Energy Storage System Market Opportunity &amp; Risk, paper to Commercial and Investment Committee, 21 June 2019.</li> </ol> | <ol style="list-style-type: none"> <li>1. <a href="https://tinyurl.com/y4rypxyn">https://tinyurl.com/y4rypxyn</a></li> <li>2. <a href="https://tinyurl.com/y2ml34y4">https://tinyurl.com/y2ml34y4</a></li> <li>3. <a href="https://tinyurl.com/y4fmkgzq">https://tinyurl.com/y4fmkgzq</a></li> </ol> |

## Appendix A – Options appraisal results conducted by Bouygues

**Table 2. Discounted options assessed**

| Name  | Scope Overview   |
|---|--|
| Base case   | 2.1 MW solar carport scheme only, exporting electricity to the grid on a wholesale tariff.   |
| Option A2 – Sleeved PPA                                 | This is as the base case in terms of technical specification but instead of selling the electricity into the wholesale markets, a private agreement is reached with a licensed electricity supplier to purchase the electricity and sell back to CCC to offset demands across the wider estate.  |
| Option C1 – 12MW Connection Infrastructure (no battery) | Includes the infrastructure and statutory approvals to facilitate future installation of battery energy storage, to an import/export capacity of 10MWp. Infrastructure will include the electrical switchgear and connections but not the battery energy storage system (BESS) or housing.   |
| Option A1 + Option C3 (5MW)                             | The private wire connection between the PPA customer and the site that is sized to a larger capacity of 5MW, thus allowing the introduction of a BESS in future. Includes all electrical infrastructure, except the BESS and associated controls. The DG connection application is limited to the 'day 1' generation capacity of 2.1MW and does not include for introduction of the BESS – this would need to be done as part of any future business case. |

**Table 3. Shortlisted options**

|  |  |
|--|--|
| Option A1 - Direct Power Purchase Agreement      | As base case, except the point of connection shall be made at the PPA customer site, via circa 1.5km of trenched cabling from the site. A new customer transformer and modifications to the PPA customer's HV switchgear is included.  |
| Option B1 – Electric Vehicle Chargers (Day 1)    | Includes the installation of electric vehicle (EV) chargers throughout the car port installation and integrated controls to manage demands with generation capacity.   |
| Option B2 – Electric Vehicle Chargers (roll-out) | A variant to the above, although instead of installing the EV chargers as part of the initial installation, they are rolled out in phases, to align with the increase in EV.   |
| Options A1 + B1                                  | The private wire connection between the PPA customer and the site as set out in A1 and the introduction of EV chargers, as set out in B1. The volume of power exported to the PPA customer will be less than that in A1, as a proportion of electricity will be consumed on site. In addition, the electrical infrastructure will be designed to facilitate supply by the PPA customer to the site, so as to allow import during low generation periods. Thus, a bi-directional commercial agreement will be in place for supply and demand. |
| Option A1 + B2 (preferred)                       | Using the PPA customer connection point as the grid connection and an EVC Roll-out - 20 at project initiation and further 20 per year, additional lifecycle/maintenance costs have been  |

|   |   |
|---|---|
|   | added periodically.   |
| Option C2 – 12MW Connection Infrastructure + BESS | As C1 above, although includes the BESS and all associated controls as a complete installation. |



## Equality Impact Assessment – Screening Form

### For employees and/or communities

### Section 1: Proposal details

| Directorate / Service Area:  |  | Person undertaking the assessment: |  |
|--|--|------------------------------------|--|
| Place and Economy  |  | <b>Name:</b>                       | Cherie Gregoire  |
| <b>Proposal being assessed:</b>  |  | <b>Job Title:</b>                  | Project Manager  |
| Building a smart energy grid at a Park and Ride on Babraham Rd (A1307)   |  | <b>Contact details:</b>            | <a href="mailto:cherie.gregoire@cambridgeshire.gov.uk">cherie.gregoire@cambridgeshire.gov.uk</a><br>01223 715689 |
| <b>Business Plan Proposal Number:</b><br>(if relevant)   |  | <b>Date commenced:</b>             | 31/10/2019   |
|  |  | <b>Date completed:</b>             | 31/10/19   |
| <b>Key service delivery objectives:</b>  |  |                                    |  |
| <p><i>Include a brief summary of the current service or arrangements in this area to meet these objectives, to allow reviewers to understand context.</i></p> <p>The Energy Investment Unit is developing several large-scale solar and battery storage projects on Council assets. The proposal for the Babraham park and ride is to build a smart energy grid. This consists of building carports over the car parking spaces which will have solar modules affixed to generate clean electricity. The electricity will be fed into battery energy storage systems to control the flow of electricity to various demand centres, including lighting, electric vehicle chargers and a local customer.</p> |  |                                    |  |
| <b>Key service outcomes:</b>   |  |                                    |  |
| <p><i>Describe the outcomes the service is working to achieve</i></p> <ul style="list-style-type: none"> <li>- Reducing the Council's carbon footprint</li> <li>- Generating local clean electricity</li> <li>- Supporting the electrification of vehicles</li> <li>- Making better use of Council assets to generate revenue</li> </ul>   |  |                                    |  |
| <b>What is the proposal?</b>   |  |                                    |  |
| <p><i>Describe what is changing and why</i></p> <p>The scheme to develop a smart energy grid (solar modules installed on carports over the parking area, supported by battery energy storage) at the park and ride has been under development for about 18 months. As the electricity market has been changing, therefore the technologies and services we're pursuing need to adapt. We've moved away from reliance on the battery energy storage system for revenue streams, while building in the enabling technologies for its addition later. The current proposal responds to market pressures and opportunities by creating an</p>  |  |                                    |  |

## APPENDIX B

arrangement with a local customer to purchase all excess electricity and supporting transport electrification through the expansion of electric vehicle chargers.

### **What information did you use to assess who would be affected by this proposal?**

*For example, statistics, consultation documents, studies, research, customer feedback, briefings, comparative policies etc.*

Options Appraisal

Feedback from meetings with officers

Feedback from member working group

Discussions with UKPN

Clean energy conferences and policy

Park & Ride users profile (commuters and visitors into Cambridge and to the Biomedical campus)

### **Are there any gaps in the information you used to assess who would be affected by this proposal?**

*If yes, what steps did you take to resolve them?*

**No**

### **Who will be affected by this proposal?**

*A proposal may affect everyone in the local authority area / working for the local authority or alternatively it might affect specific groups or communities. Describe:*

- *If the proposal covers all staff/the county, or specific teams/geographical areas;*
- *Which particular employee groups / service user groups would be affected;*
- *If minority/disadvantaged groups would be over/under-represented in affected groups.*

*Consider the following:*

- *What is the significance of the impact on affected persons?*
- *Does the proposal relate to services that have been identified as being important to people with particular protected characteristics / who are rurally isolated or experiencing poverty?*
- *Does the proposal relate to an area with known inequalities?*
- *Does the proposal relate to the equality objectives set by the Council's Single Equality Strategy?*

The proposal mostly impacts users of the park and ride and the surrounding businesses and residents. The car park users are largely commuters working or visiting the City and the



## APPENDIX B

Biomedical Campus. Due to its proximity to Addenbrooke's, a portion of the car park users will be using the hospital services and may be elderly or have mobility issues.

The electric vehicle charge points will be available to all users of the park and ride.

The carport foundations will provide little impediment to parking as they will be arranged in the centre of the double bays, therefore they will not impede on drivers exiting vehicles or impact elderly, disabled or family access. During construction, the work areas will be cordoned off and drivers will be redirected to other areas of the site. The provision of disabled and family car parking spaces will be retained.

The generation of low carbon electricity reduces and offsets fossil-fuel generation providing air quality benefits for all, in particular the elderly, children and people with respiratory illnesses.

The proposal does support the Equality objective B of the Council's Single Equality Strategy 2018-2022, promoting equality and inclusion through fair and accessible services.

### Section 2: Identifying impacts on specific minority/disadvantaged groups

Consider each characteristic / group of people and check the box to indicate there is a foreseeable risk of them being negatively impacted by implementation of the proposal, including during the change management process.

You do not need to be certain that a negative impact will happen – at this stage it just needs to be foreseeable that it could, unless steps are taken to manage this.

| Scope of this Equality Impact Assessment   |  |                          |   |                                |                          |
|--|--|--------------------------|---|--------------------------------|--------------------------|
| <i>Check box if group could foreseeably be at risk of negative impact from this proposal</i> |  |                          |   |                                |                          |
| Note *= protected characteristic under the Equality Act 2010                                 |  |                          |   |                                |                          |
| *  | Age                                      | <input type="checkbox"/> | * | Disability                     | <input type="checkbox"/> |
| *  | Gender reassignment                      | <input type="checkbox"/> | * | Marriage and civil partnership | <input type="checkbox"/> |
| *  | Pregnancy and maternity                  | <input type="checkbox"/> | * | Race                           | <input type="checkbox"/> |
| *  | Religion or belief (including no belief) | <input type="checkbox"/> | * | Sex                            | <input type="checkbox"/> |
| *  | Sexual orientation                       | <input type="checkbox"/> | X |                                |                          |
|  | Rural isolation                          | <input type="checkbox"/> |   | Poverty                        | <input type="checkbox"/> |

#### Next steps:

EIA screening form v2 March 2019

## APPENDIX B

If you have checked one or more boxes above, you should complete a full Equality Impact Assessment form.

If you have not checked any boxes, please continue to complete this screening form.

### Section 3: Explanation of 'no foreseeable risk' EIA screening

Explain why this proposal will not have a foreseeable risk of negative impact for each group. Provide supporting evidence where appropriate. Where the same explanation applies to more than one group, state it in the 'Reasons' column for the first relevant group and put 'as per [first group name] above' to reduce duplication.

For example: *'This proposed process combines two previous processes which both had robust EIAs prior to implementation. This process does not introduce any new content. So, no foreseeable risk of negative impact has been identified.'*


|    |   | Characteristic / group of people         | Explanation of why this proposal will not have a foreseeable risk of negative impact  |
|----|---|--|---|
| 1  | * | Age                                      | The proposal will not impede movement of cars or pedestrians across the site, therefore there is no negative impact on people with this characteristic.             |
| 2  | * | Disability                               | As per 'Age' above.   |
| 3  | * | Gender reassignment                      | As per 'Age' above.   |
| 4  | * | Marriage and civil partnership           | As per 'Age' above.   |
| 5  | * | Pregnancy and maternity                  | As per 'Age' above.   |
| 6  | * | Race                                     | As per 'Age' above.   |
| 7  | * | Religion or belief (including no belief) | As per 'Age' above.   |
| 8  | * | Sex                                      | As per 'Age' above.   |
| 9  | * | Sexual orientation                       | As per 'Age' above.   |
| 10 |   | Rural isolation                          | As per 'Age' above.   |
| 11 |   | Poverty                                  | As per 'Age' above. However, there could be a positive impact on poverty through the generation of new revenue streams to offset cuts to Adult Social Care funding. |

## APPENDIX B

### Section 4: Approval

*Note: if there is no information available to assess impact, this means either information should be sought so this screening tool can be completed, or information should be gathered during a full EIA.*

I confirm that I have assessed that a full Equality Impact Assessment is not required.

|   |   |
|---|---|
| <b>Name of person who completed this EIA:</b> | Cherie Gregoire   |
| <b>Signature:</b>                             |  |
| <b>Job title:</b>                             | Project Manager   |
| <b>Date:</b>                                  | 31/10/2019  |

I have reviewed this Equality Impact Assessment – Screening Form, and I agree that a full Equality Impact Assessment is not required.

|   |  |
|---|--|
| <b>Name:</b>  | Elsa Evans   |
| <b>Signature:</b>   | <i>Elsa Evans</i>  |
| <b>Job title:</b><br><i>Must be Head of Service (or equivalent) or higher, and at least one level higher than officer completing EIA.</i> | Funding and Innovation Programme Manager and authorised officer for signing off E&D significant implications for P&E Committee reports |
| <b>Date:</b>  | 1/11/2019  |



**THIRD QUARTERLY MONITORING REPORT, MOBILISING LOCAL ENERGY INVESTMENT**

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

*Meeting Date:* **22 November 2019**

*From:* **Steve Cox, Executive Director - Place and Economy**

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

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

*Purpose:* **Third quarterly monitoring report on the energy investment programmes.**

*Recommendation:* **Members are asked to:**

- a) Approve the third quarterly report;**
- b) Approve the development of a strategic approach on asbestos management as described in paragraph 2.5;**
- c) Approve the suspension of work on the clean energy projects at Woodston Closed Landfill and Trumpington Park and Ride as described in paragraphs 2.6 and 2.7; and**
- d) Note the key challenges, opportunities and risks delivering the investment programmes.**

| <b><i>Officer contact:</i></b> |  | <b><i>Member contact:</i></b> |  |
|--------------------------------|--|-------------------------------|--|
| Name:                          | Sheryl French  | Names:                        | Councillor Joshua Schumann   |
| Post:                          | Project Director, Energy Investment Unit   | Post:                         | Chairman, Commercial and Investment Committee  |
| Email:                         | <a href="mailto:sheryl.french@cambridgeshire.gov.uk">sheryl.french@cambridgeshire.gov.uk</a> | Email:                        | <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a> |
| Tel:                           | 01223 728552   | Tel:                          | 01223 706398   |

## 1. BACKGROUND

- 1.1 In March 2017, the Council approved its Corporate Energy Strategy with the view to invest in clean energy projects on its assets to generate income and make savings for the Council. The strategy also supports using the Council's assets to facilitate school and community energy projects plus work to develop the broader low carbon economy including the electrification of transport, housing and delivery of smart communities.
- 1.2 In March 2019, Committee approved the First Quarterly Monitoring Report for the energy investment programmes and the format for subsequent progress reporting to include:
- Sharing progress on the four investment programmes;
  - Tracking development budgets allocated to the Energy Investment Programme to understand timelines for capital investment and revenue generation;
  - Identifying market changes and how these impact the Energy Investment, other Programmes and forecast revenues;
  - Suggesting and agreeing mitigation actions on projects where progress has slowed, e.g. political intervention on State Aid discussions;
  - Updating Committee with new policy relating to the energy market and how these may impact future revenues positively or negatively; and
  - Identifying key opportunities for future investment and pipeline development.
- 1.3 The four investment programmes cover:
- The £1million Energy Efficiency Fund for corporate buildings;
  - The Schools £20 million Energy Programme;
  - The £51 million Energy Investment Programme comprising five significant projects; and
  - A Community Energy Programme, building a future project pipeline.

## 2. MAIN ISSUES

- 2.1. Progress across the four Energy Investment programmes is summarised in Table 1 below, the supporting paragraphs 2.2-2.10 and **appendices A and B**.

Table 1. Progress across Energy Investment Unit investments to the end of June 2019

| Programme                            | Key Projects  | Forecast /target Investment (£) Millions | Investment to date (£) Millions | Actual net profit/ Savings (£) million per annum | Total Expected net revenue over 25 years (£) million (undiscounted) | Expected or actual Carbon savings – first year (tonnes / year) <sup>1</sup> | Comments   | Overall RAG status |
|--------------------------------------|---|--|---------------------------------|--|---|---|--|--------------------|
| <b>Energy Efficiency Fund</b>        | 43 LED Lighting Projects & 2 heating projects completed so far. 20 further LED Lighting projects currently planned. More to follow. | 1  | 0.489                           | 0.11   | -   | 215 <sup>2</sup>  | Previously delayed due to Cambs2020 spokes works. Next phase of projects are now no longer on hold and works starting on £174k worth of new projects. Fund extended to end of March 2021, with approximately £336k remaining to invest. Further projects to be scoped.   | <b>A</b>           |
| <b>Schools Programme<sup>3</sup></b> | 36 Primary & 19 Secondary   | 20↑                                      | 9.2                             | 0.91   | -   | 3,314   | In 22 <sup>nd</sup> July 2016 A+I Committee approved an increased facility for schools to £20million. Schools pipeline targeting £1million investment into contracts during 19/20. To date, £576k of projects are in HLA or IGP stages, although these are not guaranteed to progress to works.                    | <b>G</b>           |
| <b>Energy Investment Programme</b>   | Triangle Solar Farm   | - Investment of 9.7 million already made | 9.7                             | 0.4  | £9.3  | 3,570   | The triangle farm solar park has been delivering since 2017 and has performed as expected.   | <b>G</b>           |
|                                      | North Angle Solar Farm  | 27.58↑                                   | 0.084                           | --   | £23.9   | 8,240   | In July 2019, a paper to C+I identified the increased cost of the grid connection and the higher capital sum needed for the project. A firm connection offer has been received from UKPN requiring a deposit to be paid in November 2019. The connection costs are significantly higher than those included in the | <b>A</b>           |

<sup>1</sup> These emissions reduction figures are calculated using long-run marginal electricity emissions factors for generation published on gov.uk. As the national grid decarbonises, these avoided emissions will decrease over time.

<sup>2</sup> EEf carbon figures are based on 2018 UK Government carbon conversion factors applied to Imtech's forecast annual electricity savings.

<sup>3</sup> The total net profit/savings is shared with schools. Schools receive £756,000 p.a. and the Council £155,000 p.a.

|  |  |      |         |    |  |     |   |   |
|--|--|------|---------|----|--|-----|---|---|
|  |  |      |         |    |  |     | original business case. Options to drive down the connection costs are currently being explored. Historic England has identified the site as an area of high potential archaeological importance and requires an Environmental Impact Assessment. As such additional survey work will be required as part of the planning application process. This project has turned to Amber reflecting the above and the ongoing issues relating to the Sunnica project   |   |
|  | Babraham Park and Ride Solar + battery | 6.3↓ | 0.036↑  | -- | £10.4  | 470 | The cost of the large grid scale battery has been temporarily removed from the capital cost until a firmer business case is created. An options appraisal conducted by Bouygues supports pursuing a PPA customer and expanding electric vehicle charging. Discussions with a PPA customer to purchase the electricity have been positive. An MOU has been signed between parties. An application for a flexible Distributed Generation connection has been made to UKPN and the budget estimate is close to the original estimate in the business case. | G |
|  | Trumpington P+R, Solar and battery     | 7.0  | 0.026↑  | -- | £7.0   | 0   | There is uncertainty about the longevity of the site as a park and ride, therefore work is suspended on the solar and battery storage project.  | R |
|  | Stanground solar and battery           | 8.3↓ | 0.0706↑ | -- | £8.8   | 500 | Flexible connection cost estimate received from UKPN at a lower cost than included in the business case and savings in capital costs. Planning consultancy studies are in preparation for a planning submission early in 2020. As an ex landfill site an Environmental Impact Assessment will be required as part of the planning application. Battery revenue remains a key uncertainty.   | A |
|  | Woodston- Battery only                 | 2.5  | 0.0084  | -- | Grid connection cost renders this non-viable currently | N/A | Flexible connection cost estimate received from UKPN at £2m compared to a £0.5m estimate in the business case and representing a 59% increase in project capital costs. Suspension of activity on this project is recommended as a result whilst work to unlock the distribution network gets underway.   | R |



|                         |                                      |                 |                 |               |               |                     |  |          |
|-------------------------|--------------------------------------|-----------------|-----------------|---------------|---------------|---------------------|--|----------|
| <b>Community Energy</b> | St.Ives Smart Energy Grid            | 3.6             | 0.265           | --            | £1.5          | 210                 | 50% grant is required from ERDF to support the costs of the project. Securing the land title is the last condition before MHCLG will offer the Funding Agreement. An engrossment transfer has been sent to the landowner for signature. There has been progress in the negotiations with both PPA customers. Bouygues have provided initial cost data for most elements of the project. A review of the cost and energy model is ongoing.  | <b>A</b> |
|                         | Swaffham Prior Community Heat Scheme | TBC             | 0.130           | --            | 0             | 474 forecast        | The project is now forecast to save 46000 tonnes of CO2 over 40 years building up from 474 to 1285 tonnes annually. £100,300 grant awarded March 2019 by the Department for Business, Energy & Industrial Strategy (BEIS) match funded by £29,700 from CCC has delivered 162 homes in the village signed up in principle to support the community scheme, test boreholes drilled to establish heat quality and scheme designs progressed to a level that the project can now be 100% CO2 reductions. | <b>G</b> |
| <b>TOTAL</b>            |                                      | <b>£85.98M↑</b> | <b>£20.1M ↑</b> | <b>£1.42M</b> | <b>£60.9M</b> | <b>16,994 t/yr↓</b> |  |          |

Please note: The forecast CO2 emissions have reduced for two reasons (i) suspending the Trumpington Park and Ride project until further notice (ii) more accurate figures for the Swaffham Prior Community Heat network

## Energy Efficiency Fund

- 2.2. The Energy Efficiency Fund has completed its third year, with total investment at £488,869 split over 39 projects, mainly LED lighting upgrades. 29 of these were completed in 2018-19. Investment to date is delivering annual revenue savings of around £110,000, comprising of reduced energy consumption and maintenance savings.
- 2.3. Work is now starting on a further 24 LED lighting projects with a total value of £174,700. The property team have appointed a new maintenance contractor with effect from 1 November 2019. There is a risk that some of the projects may need to be re-quoted by the new contractor and that the values quoted may be slightly different. On completion of the current batch of projects (and if final values are unchanged) this will leave £336,430 remaining in the fund. The timeframe for the fund was extended by Committee for a further year to March 2021. There is still plenty of scope for further energy efficiency investments across our property portfolio, which directly benefit our revenue position. Further potential projects are being scoped.

*Table 2. Energy Efficiency Fund summary*

| Year                           | Number of projects completed | Investment value | Annual savings  |
|--------------------------------|------------------------------|------------------|---|
| Year 1 total (2016-17)         | 5                            | £104,470         | At least £10,377<br>(Prior to EIU taking over the fund) |
| Year 2 total (2017-18)         | 5                            | £165,805         | £43,917   |
| Year 3 total (2018-19)         | 29                           | £218,593         | £55,523   |
| Year 4 to date (Apr-Jun 2019)  | 0                            | 0                | 0   |
| <b>TOTAL completed to date</b> | <b>39</b>                    | <b>£488,869</b>  | <b>£109,819</b>   |

NB. The year that a project fits in to is determined by when a project is completed. Annual savings are forecast savings including energy bill savings and maintenance savings, where known and applicable.

## Schools Programme

- 2.4. The Schools Retrofit Programme is in its fifth year of investment. Of the total number of existing schools in Cambridgeshire, 21% (55 of 265) of schools have taken up energy performance contracting of which 56% (19 of 34) of all secondary schools are included in the programme. The forecast investment for this year is £1m. Please see **Appendix A** for a breakdown of committed funding, income and energy bill savings.
- 2.5. Risks and issues are as follows:

- A pilot project is being explored for low carbon heating in the form of a Ground Source Heat Pump (GSHP) and heat network. Discussions have been opened with Comberton Village College and we await to hear if they are interested in progressing this project idea. The scheme will be capital intensive and necessitates a new business model e.g. the Council owning the plant and supplying heat to the school under a Heat Purchase Agreement. The viability of this type of project will depend on securing Renewable Heat Incentive which is currently scheduled to end on 31st March 2021. To achieve a pilot project, an expression of interest from a school will be needed by the end of 2019 to enable work to start on an Investment Grade Proposal and access the RHI before it closes.
- Asbestos continues to present a risk to the financial viability of energy projects in schools (in addition to the health & safety risk). Many older schools have substantial asbestos management liabilities, in many cases including recommendations that asbestos be removed when significant works are next conducted. Asbestos removal costs can run into tens of thousands of pounds for some projects and cannot always be fully quantified until works commence. This can compromise the viability of energy projects (e.g. resulting in paybacks in excess of 15 years and a negative cashflow impact on the school). Nevertheless, taking the opportunity to remove asbestos reduces future exposure to cost and health & safety risks for both the individual schools and the Council. Going forward, a different approach to school asbestos liabilities will be needed. The Energy Investment Unit has supported schools to pick up some costs of asbestos clearance through the energy performance contracts but as deeper retrofits, or more invasive measures are needed to decarbonise to deliver against net zero carbon targets, a new business model and a more strategic approach will be needed that does not rely solely on energy projects piecemeal picking up bits of asbestos clearance.

## Energy Investment Programme

2.6 The Energy Investment Programme in 2019/20 sought approval to progress to the second phase of their Investment Grade Proposals for four of the five projects. Work has focussed on developing designs, conducting studies to support planning applications, developing detailed energy modelling and finalising grid connection agreements. As a result of this next stage of work, it is recommended that work on two projects, Trumpington Park and Ride and Woodston Battery Storage, is suspended but under regular review to assess any market or other changes that would result in further decisions on the projects. Please see risks and issues below for the rationale. **Appendix B** is a summary of the project finance if all projects proceed but pushing the revenues for Trumpington Park and Ride and Woodston further into the future.

## 2.7 Risks and issues.

- Woodston grid connection costs. An application has been made for a Flexible Distributed Generation feasibility study to UKPN. The resulting connection cost estimate provided is £2M, compared to an estimated cost of £518k included in the original business case. This makes the business case no longer feasible

until the distribution network is unlocked either by another project paying for network upgrades or a strategic intervention. The project will be regularly reviewed to check whether network costs have reduced.

- Development of a smart energy grid project at Trumpington Park and Ride was initially delayed pending a decision by the Greater Cambridge Partnership (GCP) in June 2019 on park and ride provision in the Cambridge Southern Fringe. GCP's Executive Board approved the building of a second Park and Ride off junction 11 of the M11. As a result, discussions are ongoing concerning the future of the Trumpington site. Whilst discussion continues, the EIU has suspended work on the Park and Ride energy project and delayed forecast income projections in Appendix B. The outcome of discussions should be known summer 2020 and the status of the project reviewed. Should the energy project not proceed the development costs to date will be picked up by any future project on Trumpington Park and Ride.
- Preparation of studies to support a planning application for the Stanground battery storage + solar project is in progress. Visual and biodiversity impacts are the key challenges to be managed. An East-West facing panel layout has emerged from options appraisal as offering increased capacity and output. However, this is at greater capital cost and with increased planning & reputational risk around visual and biodiversity impacts so a hybrid scheme will be discussed with planners.
- North Angle Solar Farm is progressing its grid connection. Legal advice has been taken on whether North Angle is treated as a separate project as opposed to an extension of Triangle Farm, due to their close proximity. The reason this is important is that projects over 50MW are classed as Nationally Significant and subject to a different planning process. Draft advice has been received and has indicated that North Angle and Triangle would be viewed as two separate projects which is positive news for the capacity of the proposed project.
- Further projects are being scoped to supplement the current pipeline of investment projects where projects are suspended. The first is a smart energy grid project at Longstanton Park and Ride and the business case is expected in January 2020. The second project is the solar canopies at the Council's new headquarters in Alconbury and the outline business case is expected January 2020.

## **Community energy projects**

- 2.8 **St Ives Smart Energy Grid.** MHCLG sent the Council a letter in early October outlining deadlines for securing the land title (15 November) and the Power Purchase Agreement customers (15 December) as preconditions for being offered the Grant Funding Agreement. The land title will be secured once the engrossment transfer is signed, stamp duty paid and the title registered. The timeline for achieving this is not possible by the 15<sup>th</sup> of November due to the Land Registry's processing times. MHLCG has stated that they will accept legal confirmation that the land transfer has taken place. They have also stated it should be "accompanied by legal confirmation that no restrictions exist on the land following the transfer." We are seeking

clarification on this statement. The Council has pushed back on the requirement to secure PPA contracts as this time last year, December 2018, MHCLG agreed it should not be a condition for the award of grant. Discussions with MHCLG continue. The EIU is currently in the process of securing final costs for the project. Savings have been achieved through the retendering of the civils works. Also, as solar module technology progresses, we're able to take advantage of higher efficiency panels. The grant agreement should be in place by the end of the year if discussions with MHCLG are positive during November and December 2019. The project is ready for construction once the above issues are worked through. The key risks remaining on the project include finalising power purchase agreements and the application to UKPN for grid connection. A reply from UKPN is expected in December.

### **Swaffham Prior Community Heat Project**

- 2.9 In July 2019, a 200 metre borehole was drilled on Goodwin Farm, as part of plans to host an energy centre for the Swaffham Prior heat project. The borehole drilling was testing the heat quality of the ground to accurately define the number of boreholes needed to support the village heat network and in addition, estimate capital costs for the scheme. Detailed design work and further modelling has been developed leading to an updated scheme that links a number of low carbon technologies together to achieve a 100% decarbonised heating system for the village. The Council provided £29,700 match funding for this element of the project. A major result for the project is the commitment from over 160 homes to bring this scheme forward for the village. A further application for funding has been submitted to BEIS and its Heat Network Delivery Unit on 31<sup>st</sup> October 2019 for a total cost of £287,000, of which the Council is match funding £66,000 if the application is successful. The grant requested will cover the submission of a planning application to Cambridgeshire County Council or East Cambridgeshire District Council early in the new year, dependent on legal opinion on whether this project is a Regulation 3 or not; the development of an Investment Grade Proposal, legal support to scope options for the commercial structure for the financing and governance of both the energy centre and the heat network and detailed advice for accessing the Renewable Heat Incentive for a community project of this type.

### **Further community heat projects**

- 2.10 There are more than 10,000 homes dependent on oil across Cambridgeshire. The Swaffham Prior project is a pilot to identify options/approaches to decarbonise our rural communities. In September 2019, Great Staughton Community Land Trust (Huntingdonshire) supported the concept of developing a heat project for its village and is now looking to access Rural Community Energy Funding for an initial high level assessment of possible options.

Table 3. Community Energy scheme investment and forecasted income

| Project                              | Grant /Value                      | Match funding agreed | Investment to date to June 2019 | Forecast Council Investment value | Forecast income over 25 years |
|--------------------------------------|-----------------------------------|----------------------|---------------------------------|-----------------------------------|-------------------------------|
| St. Ives Smart Energy Grid           | ERDF/£1.8million                  | £1.8M                | *£265,000                       | £1.8million                       | £1.5million (IRR 4.2%)        |
| Swaffham Prior Community Heat Scheme | BEIS<br>HNDU/Round 8/<br>£100,300 | £0.0957 M            | **£29,700                       | £3.357million                     | TBA                           |
| <b>TOTALS</b>                        | <b>£1,900,300</b>                 | <b>£1.8957M</b>      | <b>£294,700</b>                 | <b>£5.157 million</b>             | <b>TBA</b>                    |

\* Please note spend to date on the St. Ives Smart Energy Grid Demonstrator Project is £265,000. This includes the EIU's time negotiating the grant application process. The excess will be reduced once ERDF grant is secured.

\*\*Round 8 Funding for Swaffham Prior has drawn down £29,700 of the £95,700 agreed by Committee.

## 2.11 Energy market changes, opportunities and risk

- Discounted Local Infrastructure borrowing rate.** The EIU and Finance team submitted a bid to HMT to access a discounted local infrastructure rate for Public Works Loan Board (PWLB) borrowing for energy projects. This bid has been successful and the Council will have an entitlement of £60.8 million of discounted PWLB borrowing at the local infrastructure rate, gilts +60 basis points. It covers community energy projects of up to £7.0 million for investment into three energy projects (renewable heat scheme in Swaffham Prior, retrofitting schools to make them more energy efficient and installation of solar panels at St.Ives Park & Ride) and £53.8 million for five solar farm and battery projects. This finance must be drawn down between 1 November 2019 and 1 November 2022 to be eligible for this rate. In simple terms, the impact of a recent 1% interest rate increase on PWLB borrowing would have impacted our business cases – this impact has been softened by this award and provides a slight overall benefit.
- The Innovate UK bid Greater Cambridge and East Cambridgeshire: Energised for Growth** has not been awarded grant funding. This is disappointing news for the consortium that worked hard on the project proposal. There are many good aspects of the proposal that should be progressed and the next step is to review how to progress the project ambitions without the grant. Greater Cambridge Partnership are keen to support aspects of the project that would continue to facilitate clean growth.
- Electricity upgrades to unlock growth in the Cambridge Southern Fringe –** Greater Cambridge Partnership has paid for a study to identify how increased demand and generation from clean growth would impact the electricity network

across Greater Cambridge. This identified that a tripling in electricity demand would be required by 2030 and that immediate work to unlock commercial growth in the Southern Fringe is a priority. Subsequently, Greater Cambridge Partnership has paid UK Power Networks (UKPN) to deliver an engineering study for the Southern Fringe to identify details of the upgrades needed and at what cost. UKPN have issued a report end of October 2019 which will now be analysed and discussed by the Greater Cambridge Partnership early next year.

- **Smart Export Guarantee** – New solar homes and businesses creating and exporting electricity to the grid will be guaranteed a payment from suppliers under new laws to be introduced by the government. The Smart Export Guarantee (SEG) will ensure small-scale electricity generators installing solar, wind or other forms of renewable generation with a capacity up to 5MW will be paid for each unit of electricity they sell to the grid - tracked by their smart meter starting 1<sup>st</sup> January 2020.
- **Capacity Markets** – The Capacity Market is part of the government's Electricity Market Reform package to ensure security of electricity supply. The capacity market was in suspension but the European Commission has confirmed that the GB Capacity Market scheme is compatible with EU State Aid rules. On 25 October 2019 the Secretary of State notified the Electricity Settlements Company Limited (ESC) of the Commission's decision and triggered the restart of the GB Capacity Market scheme. It is a mechanism introduced by the Government to ensure that electricity supply continues to meet demand as more volatile and unpredictable renewable generation plants come on stream.
- **Offshore wind** –In 2018/19 the UK government agreed a sector deal for offshore wind that would see offshore wind contribute up to 30GW of generating capacity by 2030 and over £40bn of infrastructure investment in the next decade. In the most recent Contracts for Difference auction, government secured almost 6GW of new renewables capacity, without spending any of the £65m budget allocated for the auction, due to the record low clearing prices. A new wave of offshore wind farms around the UK will generate power more cheaply than burning coal and for the first time will not require any subsidy. The cost of power from offshore wind has plummeted 30 per cent in two years with a raft of 12 new energy projects coming in at a record low price of between £39.65 and £41.61 per megawatt hour (September 2019).
- **Targeted Charging Review**. OFGEM has been consulting on changes to its charging regime for use of the network for all asset types (non-domestic, domestic, generation and demand) across the UK power system. It started in 2017 and is ongoing with the most recent consultations taking place during September refining the charging bands across different levels of the network and capacity needed. It is unclear whether the proposed impact on solar and battery projects is still under review or not.
- **The Open Networks Project**. The Energy Networks Association has been leading a major industry initiative since 2017 that will transform the way our energy networks operate, underpinning the delivery of the smart grid. The project seeks to enable the uptake of new smart energy technologies by more and more homes, businesses, and

communities in the UK and looks at how to change networks operations to facilitate the transition to a smart, flexible energy system. It is reviewing how the Distribution Network Operators take a more active role in managing their networks, allowing them to address periods of high and low demand, and power outages efficiently, with new low-carbon solutions. The project brings together the nine British and Irish electricity grid operators, the British Government, the energy regulator Ofgem, respected academics, and NGOs and is looking at a whole energy system approach.

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

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

Utilising the Council's assets to help the community to reduce greenhouse gas emissions and improve local air quality for residents.

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

Investments into clean energy projects support the local economy through developing the local supply chain skills and knowledge, supports local energy generation providing local jobs for operations and maintenance of systems and helps the economy to move off fossil fuels and better manage future energy costs.

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

The Community Energy projects in particular will help prevent vulnerable households falling into fuel poverty by providing cheaper and cleaner alternatives. The schools energy work will free up resources that can be redirected to hiring teaching staff.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

All development projects carry risk which need careful management. Sometimes projects cannot progress as planned due to unforeseen changes or issues. The impact of this on the Council's budget and forecast revenue projections will need to be monitored carefully but it is anticipated that overall benefits can be realised for the Council and its communities.

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

Exploring and testing new business models and schemes can bring procurement and contractual risk.

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

There are no statutory, legal or risk implications of this progress update.

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



There are no significant implications in this category.

#### 4.5 Engagement and Communications Implications

All energy projects require engagement activities. For projects in close proximity or involved closely with the community require good communication and engagement strategies to ensure acceptance of schemes.

#### 4.6 Localism and Local Member Involvement

Where projects are based in local areas Members are kept informed on progress with project development.

#### 4.7 Public Health Implications

There are no negative public health implications.

| Source Documents  | Location  |
|---|---|
| The Council's Corporate Energy Strategy   | <a href="https://www.mlei.co.uk/section-1/ccc-energy-strategy/">https://www.mlei.co.uk/section-1/ccc-energy-strategy/</a>   |
| Trumpington and Babraham Outline Business Cases – May 2018 C&I Committee  | <a href="https://tinyurl.com/yaya9xgj">https://tinyurl.com/yaya9xgj</a>   |
| Woodston and Stanground Closed Landfill Outline Business Cases – Sept 2018 C&I Committee  | <a href="https://tinyurl.com/yxpbhmf5">https://tinyurl.com/yxpbhmf5</a>   |
| Clean Growth Strategy   | <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf</a> |
| Outline Business Case for Solar Farm on Rural Estate Land at Mere Farm– Jan 2019 C&I Committee                                  | <a href="https://tinyurl.com/y4nvgmlc">https://tinyurl.com/y4nvgmlc</a>   |
| Babraham Smart Energy Grid - Investment Grade Proposal Stage 1 Update, 21 June 2019 Commercial and Investment Committee meeting | <a href="https://tinyurl.com/y2ml34y4">https://tinyurl.com/y2ml34y4</a>   |

Stanground Solar PV and Battery Storage Project  
– Investment Grade Proposal Stage 1 Update, 21  
June 2019 Commercial and Investment Committee  
meeting

<https://tinyurl.com/yywsjt48>

Investment Grade Proposal (IGP) Stage 1 update  
on the development of the North Angle Solar  
Farm, 12 July 2019 Commercial and Investment  
Committee meeting

<https://tinyurl.com/y2ncl6k5>

Revised Capital Business Cases for Stanground  
and Babraham

Not published, available  
from EIU Project Managers

| Implications   | Officer Clearance                                    |
|--|--|
|  |  |
| <b>Have the resource implications been cleared by Finance?</b>   | <b>Yes</b><br>Name of Financial Officer: Ellie Tod   |
|  |  |
| <b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b> | <b>Yes</b><br>Name of Officer: Jon Collyns           |
|  |  |
| <b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>  | <b>Yes</b><br>Name of Legal Officer: Fiona MacMillan |
|  |  |
| <b>Have the equality and diversity implications been cleared by your Service Contact?</b>  | <b>Yes</b><br>Name of Officer: Elsa Evans            |
|  |  |
| <b>Have any engagement and communication implications been cleared by Communications?</b>  | <b>Yes</b><br>Name of Officer: Joanna Shilton        |
|  |  |
| <b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>                                   | <b>Yes</b><br>Name of Officer: Emma Fitch            |
|  |  |
| <b>Have any Public Health implications been cleared by Public Health</b>   | <b>Yes</b><br>Name of Officer: Iain Green            |

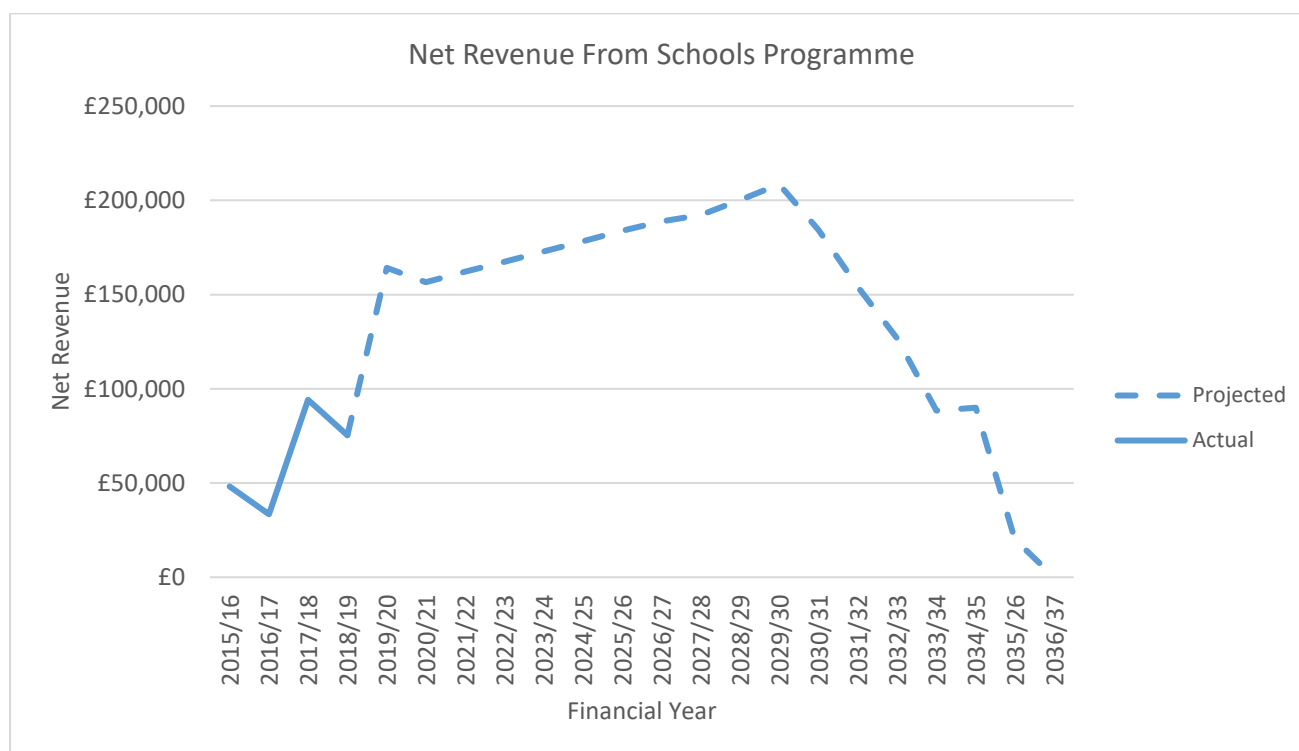
## Appendix A: Schools Programme

|                    | Number of schools | Total Value Loaned | Net Income over Loan/managed service Period* | Annual Savings to Schools    |                     |                        |
|--------------------|-------------------|--------------------|--|------------------------------|---------------------|------------------------|
|                    |                   |                    |  | Cost Saving (£) <sup>1</sup> | Energy Saving (MWh) | Carbon saving (tonnes) |
| Maintained Schools | 32                | £2,482,144         | £495,792                                     | £175,586                     | 2,091               | 765                    |
| Academies          | 24                | £6,809,382         | £1,396,639                                   | £554,144                     | 7,289               | 2,541                  |
| <b>TOTAL</b>       | <b>56</b>         | <b>£9,291,526</b>  | <b>£1,892,431</b>                            | <b>£729,730</b>              | <b>9,381</b>        | <b>3,305</b>           |

\* Loans are typically 15 years duration

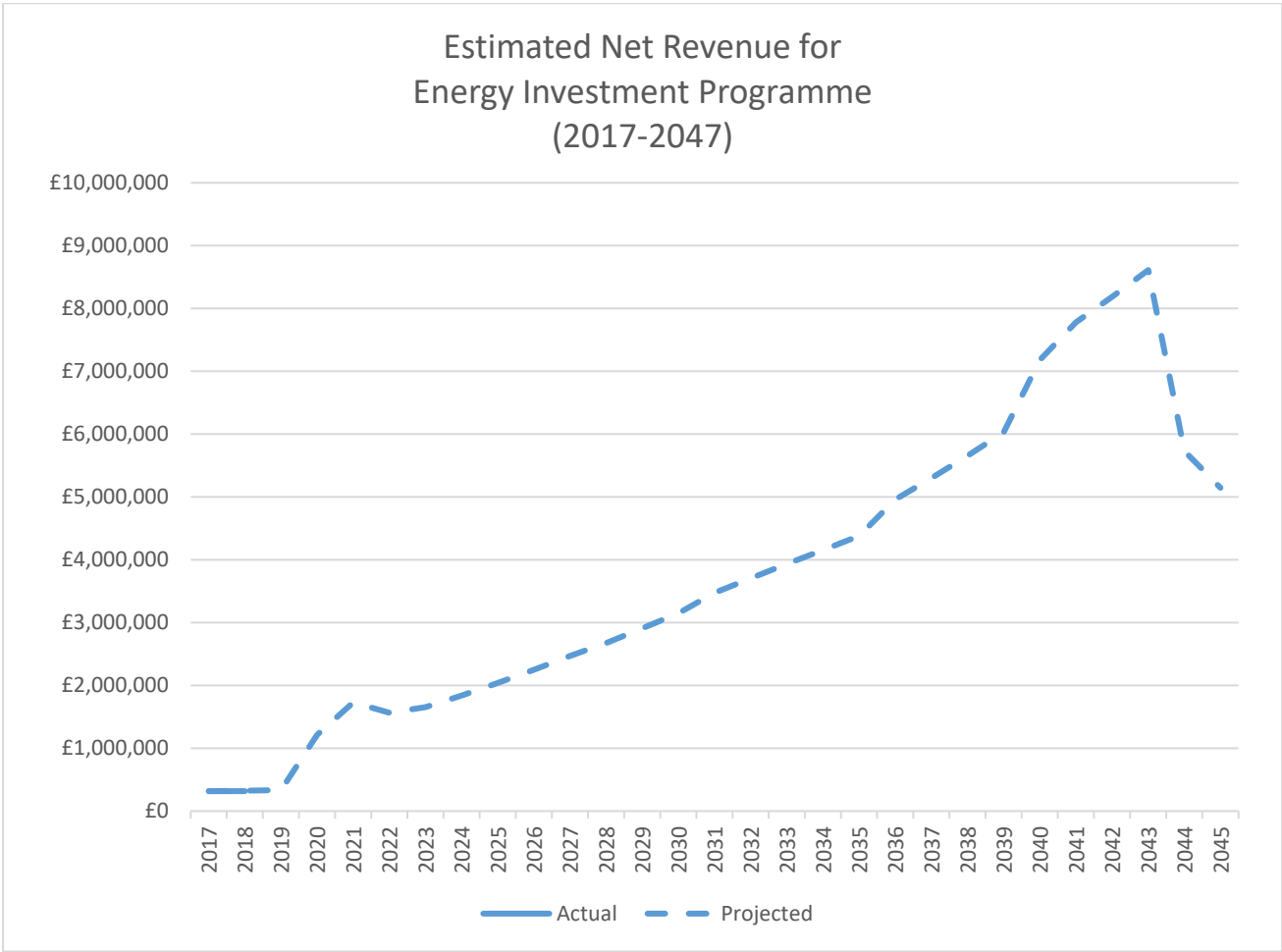
<sup>1</sup> Gross saving prior to loan repayment, based on first year of operation

Figure 1. Net Revenue from Schools Programme



Appendix B: Energy Investment Programme

Figure 2. Estimated Net Revenue for Energy Investment Programme



**UPDATE ON PROPERTY SERVICES**

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

*Meeting Date:* **22 November 2019**

*From:* **Interim Head of Property / Deputy Chief Executive**

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

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

*Purpose:* **The Committee is asked to note the update.**

| <b><i>Officer contact:</i></b> |  | <b><i>Member contacts:</i></b> |  |
|--------------------------------|--|--------------------------------|--|
| Name:                          | Alex Gee   | Names:                         | Councillors Joshua Schumann and Anne Hay   |
| Post:                          | Interim Head of Property   | Post:                          | Committee Chair/Vice-Chair   |
| Email:                         | <a href="mailto:Alex.gee@cambridgeshire.gov.uk">Alex.gee@cambridgeshire.gov.uk</a> | Email:                         | <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a><br><a href="mailto:anne.hay@cambridgeshire.gov.uk">anne.hay@cambridgeshire.gov.uk</a> |
| Tel:                           | 07770 283154   | Tel:                           | 01223 706398   |

## 1. BACKGROUND

- 1.1 The Audit and Accounts Committee received a report identifying a number of risks and weaknesses from the Property Services Team within the Resources Directorate. As a consequence, Commercial & Investment Committee were asked to ensure progress was made. This report outlines the progress made and steps that have been put into place to improve service provision and manage risk.

## 2. MAIN ISSUES

- 2.1 The audit report into Property Services highlighted the following deficiencies within the service:
- Management of property assets and associated data
  - Management of FM contractors
- 2.2. To address these, the Interim Head of Property has reviewed the strengths and weaknesses of the team and has implemented the following changes:
- 2.2.1 Property Services Structure: Two technical leads, covering Mechanical and Electrical Engineering and Building Surveying, have been acting up in role for the last 3 months. This ensures decisions are being made with the appropriate skill base to identify longer terms cost effective solutions. An interim staff structure has been in place which has seen much closer integration within the Property Services team, and across property more widely and with stakeholders across the Council.
- 2.2.2 Maintenance Contracts: Weaknesses with maintenance contractors have been reviewed and contracts with Imtech and Grahams for FM services have ended. The tender for the new contract contains significantly greater depth of specification and performance indicators which are being tracked weekly to ensure service standards are being met and any poor performance can be addressed with the new supplier Team Q. Included in the specification is a Schedule on Inspections (**Appendix 1**)
- 2.2.3 Property Data: Significant discrepancies were evident between data held by Property Services and other Property Teams. As part of the SPOKES work, the teams have reconciled this data. There is now only one asset list detailed in **Appendix 2** that lists the total assets held within Property and the subset Property Services maintain. Additional temporary resource has been put in place to ensure that the full lease obligations are clear and disseminated for each lease held. As there are a large number of assets this process will be complete by December 2019 so it can be imported into a new asset management database. Detailed in **Appendix 3** is the annual spend of Property Services and the categories of spend. A target will be to identify savings in the 20/21 Financial Year.
- 2.2.4 K2 Software: The K2 software contract expires in February 2020. This contract has been in place for the last 5 years and no more exemptions are allowed. A combined project with IT to align systems with Peterborough has identified that Technology Forge is a more appropriate system to move to and a procurement exercise is underway. This will cover all aspects of Property Estate Management and Services, including asset management, planned and reactive maintenance programming, and building condition and compliance works. This system will also cover Education Capital works.

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

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

The report above sets out details in paragraph 2.2 the resource implications.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

#### **4.7 Public Health Implications**

There are no significant implications for this priority.

| Source Documents                               | Location                              |
|--|---------------------------------------|
| Audit & Accounts Committee reports and minutes | Room 117,<br>Shire Hall,<br>Cambridge |



| Asset Description   | Weekly | Monthly | Quarterly | 6 Monthly | Yearly |
|---|--------|---------|-----------|-----------|--------|
|   |        |         |           |           |        |
| Electric Shower   |        |         |           |           | ✓      |
| Extract fans  |        |         |           | ✓         | ✓      |
| Disabled W/C alarm  |        |         |           | ✓         | ✓      |
| Tea boiler  |        |         | ✓         |           | ✓      |
| General Lighting  |        |         |           | ✓         | ✓      |
| Emergency Lighting  |        | ✓       |           |           | ✓      |
| Grilles and diffusers   |        |         |           |           | ✓      |
| Thermostaic Mixing taps and valves                              |        |         | ✓         |           | ✓      |
| Electric water heaters  |        |         |           |           | ✓      |
| Fire Dampers  |        |         |           |           | ✓      |
| Distribution Boards   |        |         |           |           | ✓      |
| Fire Alarm  | ✓      |         | ✓         |           | ✓      |
| Lifts   |        | ✓       |           |           | ✓      |
| Lightning protection  |        |         |           |           | ✓      |
| Commercial Gas Boiler   |        |         |           |           | ✓      |
| Cisterns/Tanks  |        |         |           |           | ✓      |
| Expansion Vessels   |        |         |           | ✓         | ✓      |
| HWS Calorifiers/Cylinders                                       |        |         |           |           | ✓      |
| Pumps - General   |        |         |           |           | ✓      |
| Motorised zone valves commercial                                |        |         |           |           | ✓      |
| Motorised zone valves domestic                                  |        |         |           |           | ✓      |
| External Lighting; including lamp posts                         |        |         |           | ✓         | ✓      |
| Sprinkler Systems   |        |         |           | ✓         | ✓      |
| Domestic Gas Boilers  |        |         |           |           | ✓      |
| Boiler Controls - domestic and commercial                       |        |         |           |           | ✓      |
| Fan Convectors  |        |         | ✓         |           | ✓      |
| Air Conditioning systems  |        |         |           | ✓         | ✓      |
| Fire suppression/Inergen System                                 |        |         |           | ✓         | ✓      |
| UPS   |        |         |           | ✓         | ✓      |
| Auto Doors  |        |         |           | ✓         | ✓      |
| Boiler room supply fans   |        |         |           |           | ✓      |
| Warm air units  |        |         | ✓         |           | ✓      |
| Over door door curtains   |        |         | ✓         |           | ✓      |
| Gas Shut Off Valves   |        |         | ✓         |           | ✓      |
| Fan Coil Units  |        |         | ✓         |           | ✓      |
| Chiller Units   |        |         |           | ✓         | ✓      |
| Building Management Systems/Controls                            |        |         |           |           | ✓      |
| Water Treatment   |        |         |           |           | ✓      |
| Electric Tube HTR (Where installed)                             |        |         |           |           | ✓      |
| Handwash/driers   |        |         |           |           | ✓      |
| LP & NG Fired Room Heaters                                      |        |         |           |           | ✓      |
| Chilled Beams   |        |         |           |           | ✓      |
| Plate heat exchanger  |        |         |           |           | ✓      |
| Oil Storage Systems   |        |         |           |           | ✓      |
| Air Handling Units  |        |         |           | ✓         | ✓      |
| Air Source Heat Pumps   |        |         |           | ✓         | ✓      |
| Caretakers Maintenance  |        |         |           |           | ✓      |
| Roller Shutters   |        |         |           |           | ✓      |
| Sewage pumps  |        |         |           |           | ✓      |
| Barriers/Rising Bollards - Car Park                             |        |         |           | ✓         | ✓      |
| Fire Curtains   |        |         |           | ✓         | ✓      |
| Reverse Osmosis Unit  |        |         | ✓         |           | ✓      |
| RPZ Valves  |        |         |           |           | ✓      |
| Underfloor heating systems                                      |        |         |           |           | ✓      |
| Strainers   |        |         |           |           | ✓      |
| Scale buster  |        |         |           |           | ✓      |
| Heat Recovery Units   |        |         |           |           | ✓      |
| Auto windows  |        |         |           |           | ✓      |
| Generators  | ✓      |         |           | ✓         | ✓      |
| Dry Bed Coolers   |        |         |           | ✓         | ✓      |
| Smoke Extraction Systems  |        |         |           | ✓         | ✓      |
| Aqualeak Detection System                                       |        |         |           |           | ✓      |
| Trench heaters  |        |         |           |           | ✓      |
| Cisterniser   |        |         |           |           | ✓      |
| Patient Hoists  |        |         |           |           | ✓      |
| Height Adjustable bed/wall mounted electric changing/shower bed |        |         |           |           | ✓      |
| Water cooler  |        |         | ✓         |           | ✓      |
| Blakely Safe Supply Unit  |        |         |           |           | ✓      |
| Dust extractor  |        |         |           | ✓         | ✓      |



| Uban Asset List         |        | Property Services Property List |      |      |      |        |           |            |  |
|-------------------------|--------|---------------------------------|------|------|------|--------|-----------|------------|--|
|                         |        | Property Maintenance            |      |      |      |        |           |            |  |
| Asset                   | Number | Total                           | Full | Part | None | Vacant | Leased In | Leased Out |  |
| Academy                 | 64     | 4                               |      | 4    | 60   |        |           |            | TBAP                                   |
| Academy Playing Fields  | 8      | 0                               |      |      | 8    |        |           |            |  |
| Adventure Playground    | 1      | 1                               | 1    |      | 0    |        |           |            |  |
| Car Park                | 13     | 0                               |      |      | 13   |        |           |            |  |
| Catering Centre         | 1      | 0                               |      |      | 1    |        |           |            |  |
| CE School               | 49     | 0                               |      |      | 49   |        |           |            |  |
| Child and Family Centre | 30     | 24                              | 8    | 16   | 6    |        | 2         | 3          |  |
| Child Care Centre       | 1      | 0                               |      |      | 1    |        |           |            |  |
| Church School           | 3      | 0                               |      |      | 3    |        |           |            |  |
| CKTR-HSE                | 13     | 0                               |      |      | 13   |        |           |            |  |
| CKTR-HSE-AS             | 5      | 0                               |      |      | 5    |        |           |            |  |
| CKTR-HSE-MS             | 53     | 35                              | 35   |      | 18   | 5      | 1         |            |  |
| College                 | 2      | 1                               |      | 1    | 1    |        |           |            | Bellerbys                              |
| Contact Centre          | 2      | 0                               |      |      | 2    |        |           |            |  |
| Country Park            | 3      | 0                               |      |      | 3    |        |           |            |  |
| Community Asset         | 3      | 0                               |      |      | 3    |        |           |            |  |
| Community Education     | 10     | 0                               |      |      | 10   |        |           |            |  |
| Community Use           | 34     | 9                               | 9    |      | 25   |        |           |            | Community Centres & Supervised Contact |
| County Farms            | 279    | 0                               |      |      | 279  |        |           |            |  |
| Cycleway                | 1      | 0                               |      |      | 1    |        |           |            |  |
| Day Centre              | 20     | 8                               | 7    | 1    | 12   |        | 2         |            |  |
| Depot                   | 6      | 4                               | 4    |      | 2    |        |           |            | Highways                               |
| Desk space              | 3      | 0                               |      |      | 3    |        |           |            |  |
| First School            | 1      | 1                               |      | 1    | 0    |        |           |            | Gamlingay                              |
| Former Depot            | 4      | 0                               |      |      | 4    |        |           |            |  |
| Former Landfill Site    | 3      | 0                               |      |      | 3    |        |           |            |  |
| Former Library          | 1      | 0                               |      |      | 1    |        |           |            |  |
| Former Staff House      | 3      | 0                               |      |      | 3    |        |           |            |  |
| Former Youth Centre     | 10     | 2                               | 2    |      | 8    |        |           |            |  |
| Healthcare Centre       | 2      | 0                               |      |      | 2    |        |           |            |  |
| Home /Domestic          | 17     | 0                               |      |      | 17   |        |           |            |  |
| Hospice                 | 1      | 0                               |      |      | 1    |        |           |            |  |
| Hospital                | 3      | 0                               |      |      | 3    |        |           |            |  |
| HWRC                    | 10     | 0                               |      |      | 10   |        |           |            |  |
| Industrial Estate       | 4      | 0                               |      |      | 4    |        |           |            |  |
| Investment Properties   | 5      | 0                               |      |      | 5    |        |           |            |  |
| Landfill Site           | 6      | 0                               |      |      | 6    |        |           |            |  |
| Library                 | 34     | 32                              | 30   | 2    | 2    |        | 6         |            |  |
| Maintained Nursery      | 2      | 0                               |      |      | 2    |        |           |            |  |

|                            |             |            |            |           |            |          |           |           |                                    |
|----------------------------|-------------|------------|------------|-----------|------------|----------|-----------|-----------|------------------------------------|
| Maintained School          | 90          | 0          |            |           | 90         |          |           |           |                                    |
| Misc Land                  | 30          | 1          |            | 1         | 29         |          |           |           | Morley Memorial                    |
| Nursery School             | 2           | 0          |            |           | 2          |          |           |           |                                    |
| Offices                    | 51          | 30         | 25         | 5         | 21         |          | 6         |           |                                    |
| Outdoor Centres            | 3           | 3          |            | 3         | 0          |          |           |           | Outdoor Centres x 3                |
| Park & Ride                | 8           | 8          |            | 8         | 0          |          |           |           |                                    |
| Playing Field              | 18          | 0          |            |           | 18         |          |           |           |                                    |
| Police House               | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Post Office                | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Public House               | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Residential / Respite Care | 18          | 7          | 5          | 2         | 11         |          |           | 11        |                                    |
| Resource Centre            | 3           | 0          |            |           | 3          |          |           |           |                                    |
| Retail                     | 2           | 0          |            |           | 2          |          |           |           |                                    |
| Science Park               | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Special Housing            | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Special School             | 3           | 0          |            |           | 3          |          |           |           |                                    |
| Sports Centre              | 9           | 0          |            |           | 9          |          |           |           |                                    |
| Staff Housing              | 1           | 0          |            |           | 1          |          |           |           |                                    |
| Storage                    | 4           | 0          |            |           | 4          |          |           |           |                                    |
| Studios                    | 1           | 1          |            | 1         | 0          |          |           |           | Cambs Music                        |
| Traveller Sites            | 9           | 0          |            |           | 9          |          |           |           |                                    |
| Treatment Plant            | 2           | 0          |            |           | 2          |          |           |           |                                    |
| Under 5 Provision          | 87          | 6          | 4          | 2         | 81         |          |           | 7         | Playgroups - ex-children's centres |
| Utilities                  | 7           | 0          |            |           | 7          |          |           |           |                                    |
| Village College            | 5           | 0          |            |           | 5          |          |           |           |                                    |
| Windmill                   | 2           | 0          |            |           | 2          |          |           |           |                                    |
| <b>Total</b>               | <b>1070</b> | <b>177</b> | <b>130</b> | <b>47</b> | <b>893</b> | <b>5</b> | <b>17</b> | <b>21</b> |                                    |

## Annual FM Property Services Expenditure Summary

|   |          |                     |
|---|----------|---------------------|
| Intruder Alarm Mtc + Monitoring                     | £        | 23,075.00           |
| CCTV Mtc  | £        | 2,422.50            |
| Keyholding  | £        | 3,467.50            |
| Mobile Patrols                                      | £        | 12,219.60           |
| Static Guarding                                     | £        | 96,000.00           |
| Locks & Unlocks                                     | £        | 127,552.00          |
| NEW Installation                                    | £        | 19,403.54           |
| Miscellaneous                                       | £        | 1,240.00            |
| <b>TOTAL</b>  | <b>£</b> | <b>285,380.14</b>   |
| Access Control                                      | £        | 52,294.55           |
| <b>Total Security &amp; Access</b>                  | <b>£</b> | <b>52,294.55</b>    |
| Cleaning  | £        | 919,382.57          |
| Washroom Services                                   | £        | 40,500.00           |
| Window Cleaning                                     | £        | 15,144.50           |
| <b>Cleaning Contract TOTAL</b>                      | <b>£</b> | <b>975,027.07</b>   |
| Grounds Mtc   | £        | 89,879.73           |
| <b>Grounds Mtc TOTAL</b>                            | <b>£</b> | <b>89,879.73</b>    |
| Waste General                                       | £        | 39,294.60           |
| Waste DMR   | £        | 18,321.52           |
| Waste Confidential                                  | £        | 21,144.00           |
| <b>Waste TOTAL</b>                                  | <b>£</b> | <b>78,760.12</b>    |
| Planned Preventative Maintenance (PPM)              | £        | 384,270.00          |
| <b>Planned Preventative Maintenance (PPM) TOTAL</b> | <b>£</b> | <b>384,270.00</b>   |
|   |          |                     |
| <b>TOTAL</b>  | <b>£</b> | <b>1,865,611.61</b> |



**FINANCE MONITORING REPORT – SEPTEMBER 2019**

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

*Meeting Date:* **22<sup>nd</sup> November 2019**

*From:* **Chief Finance Officer**

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

*Forward Plan ref:* **N/a**

*Key decision:* **No**

*Purpose:* **To present to Commercial and Investment (C&I) Committee the September 2019 Finance Monitoring Report for C&I Committee.**

**The report is presented to provide C&I Committee with an opportunity to comment on the projected financial and performance outturn position, as at the end of September 2019.**

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

- **review, note and comment upon the report**
- **recommend to General Purposes Committee to approve additional budget of £52m, funded Prudential Borrowing, for Commercial Investments**
- **recommend to General Purposes Committee to approve additional Prudential Borrowing of £21m for Commercial Investments, to replace Capital Receipts funding**

| <b><i>Officer contact:</i></b> |  | <b><i>Member contacts:</i></b>   |  |
|--------------------------------|--|--|--|
| Name:                          | Eleanor Tod  | Cllrs Schumann and Hay   |  |
| Post:                          | Strategic Finance Manager  | Committee Chair and Vice-Chair   |  |
| Email:                         | <a href="mailto:Eleanor.Tod@cambridgeshire.gov.uk">Eleanor.Tod@cambridgeshire.gov.uk</a> | <a href="mailto:Joshua.schumann@cambridgeshire.gov.uk">Joshua.schumann@cambridgeshire.gov.uk</a><br><a href="mailto:Anne.hay@cambridgeshire.gov.uk">Anne.hay@cambridgeshire.gov.uk</a> |  |
| Tel:                           | 01223 715333   | 01223 706398   |  |

## 1. BACKGROUND

- 1.1 Commercial and Investment Committee will receive the Commercial and Investment Finance Monitoring Report at all of its meetings (except June, as there is no April report), where it will be asked to review, note and comment on the report and to consider and approve recommendations as necessary, to ensure that the budgets for which the Committee has responsibility remain on target.

## 2. MAIN ISSUES

- 2.1 Attached as **Appendix A**, is the September 2019 Finance and Performance report.
- 2.2 **Revenue:** At the end of September, Commercial and Investment Committee is forecasting an overspend of £427k on revenue budgets. There are three new significant forecast outturn variances by value (over £100k) to report since the last report that Committee received for August 2019.
- 2.4 **Capital:** At the end of September, Commercial and Investment Committee is forecasting an underspend of £4,995k on the capital programme budget. There is one new significant forecast outturn variance by value (over £250k) and one change in budget (over £250k) to report since the last report that Committee received for August 2019. **Commercial & Investment Committee is requested to recommend to GPC the approval of an additional £52m budget for Commercial Investments, funded by Prudential Borrowing, and a further £21m of Prudential Borrowing to replace Capital Receipts funding.**

## 3. ALIGNMENT WITH CORPORATE PRIORITIES

### 3.1 A good quality of life for everyone

There are no significant implications for this priority.

### 3.2 Thriving places for people to live

There are no significant implications for this priority.

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

There are no significant implications for this priority.

## 4. SIGNIFICANT IMPLICATIONS

### 4.1 Resource Implications

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.

| <b>Implications</b>  | <b>Officer Clearance</b> |
|--|--------------------------|
|  |                          |
| <b>Have the resource implications been cleared by Finance?</b>   | Yes<br>Eleanor Tod       |
|  |                          |
| <b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b> | N/A                      |
|  |                          |
| <b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>  | N/A                      |
|  |                          |
| <b>Are there any Equality and Diversity implications?</b>  | N/A                      |
|  |                          |
| <b>Have any engagement and communication implications been cleared by Communications?</b>  | N/A                      |
|  |                          |
| <b>Are there any Localism and Local Member involvement issues?</b>   | N/A                      |
|  |                          |
| <b>Have any Public Health implications been cleared by Public Health</b>   | N/A                      |

| Source Documents                             | Location   |
|--|--|
| C&I Finance Monitoring Report (September 19) | 1 <sup>st</sup> Floor, Octagon,<br>Shire Hall, Cambridge |

**Commercial and Investment****Finance Monitoring Report – September 2019****1. KEY INDICATORS**

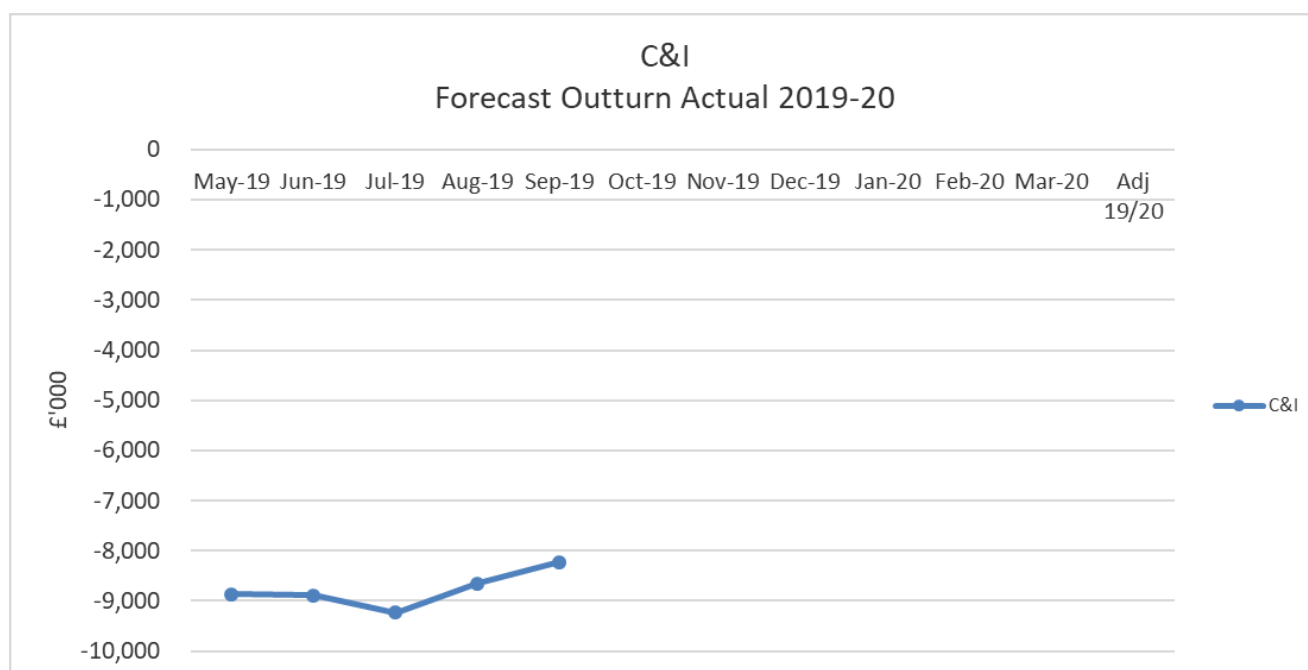
| <b>Previous Status</b> | <b>Category</b>        | <b>Target</b>                   | <b>Current Status</b> | <b>Section Ref.</b> |
|------------------------|------------------------|---------------------------------|-----------------------|---------------------|
| <b>Amber</b>           | Income and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

**2. REVENUE EXECUTIVE SUMMARY****2.1 Overall Position**

- 2.1.1 To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each FMR. The same format is also applied to the Integrated Finance Monitoring Report (IFMR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

| <b>Outturn<br/>Variance<br/>(Aug)<br/>£000</b> | <b>Directorate</b>  | <b>Budget<br/>£000</b> | <b>Actual<br/>£000</b> | <b>Outturn<br/>Variance<br/>(Sep)<br/>£000</b> | <b>Outturn<br/>Variance<br/>(Sep)<br/>%</b> |
|--|---------------------|------------------------|------------------------|--|---|
| 16   | Commercial Activity | -11,354                | -1,711                 | 155  | 1.4%  |
| 63   | Property Services   | 6,229                  | 3,465                  | 224  | 3.6%  |
| -66  | Strategic Assets    | -3,301                 | 256                    | -66  | 2.0%  |
| 102  | Traded Services     | -343                   | -424                   | 229  | 66.8%                                       |
| <b>115</b>                                     | <b>Total</b>        | <b>-8,768</b>          | <b>1,585</b>           | <b>542</b>                                     | <b>6.2%</b>                                 |

- 2.1.2 Commercial and Investment (C&I) has a negative budget as it has an income target for 2019/20 of -£8,768k. As such, the forecast outturn variance of £542k means that C&I is expecting to achieve a net income position of -£8,226k by year-end as demonstrated in the following chart:



2.1.3 The service level budgetary control report for Commercial and Investment for September 2019 can be found in [C&I Annex 1](#).

## 2.2 Significant Issues

2.2.1 At the end of September 2019, Commercial and Investment is forecasting an underachievement of income of £542k in 2019/20, which is an increase of £427k from the previous forecast. The change in forecast is mainly due to changes within Commercial Activity, Property Services and Traded Services, and is offset by some additional income in Commercial Activity.

### 2.2.2 Commercial Activity

The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20, which is an increase of £150k from the previous forecast. This is due to the targets for savings and additional income not being expected to be met in the year. However, work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once the team is in place. In addition, it has been concluded that whilst there may be some financial benefit for charities of creating a CCC lottery, this could be outweighed by the possibility of losing support through direct contributions and anxieties about control and financial burden. Resources will therefore be refocused to support other commercial initiatives.

### 2.2.3 Property Services

The Facilities Management budget is forecast to overspend by £241k in 2019/20, which is an increase of £178k from the previous forecast. This is due to additional works following service in operational buildings, which are necessary for those buildings to meet required standards.

#### 2.2.4 Traded Services

The Outdoor Education budget is expected to overspend by £229k in 2019/20, which is an increase of £127k from the previous forecast. This is due to a one-off cost relating to backdated pay for staff at Grafham Water Centre as a result of National Minimum Wage requirements.

- 2.2.3 A detailed explanation of the position for Commercial and Investment Committee can be found the commentary on the forecast outturn position in [C&I Annex 2](#).

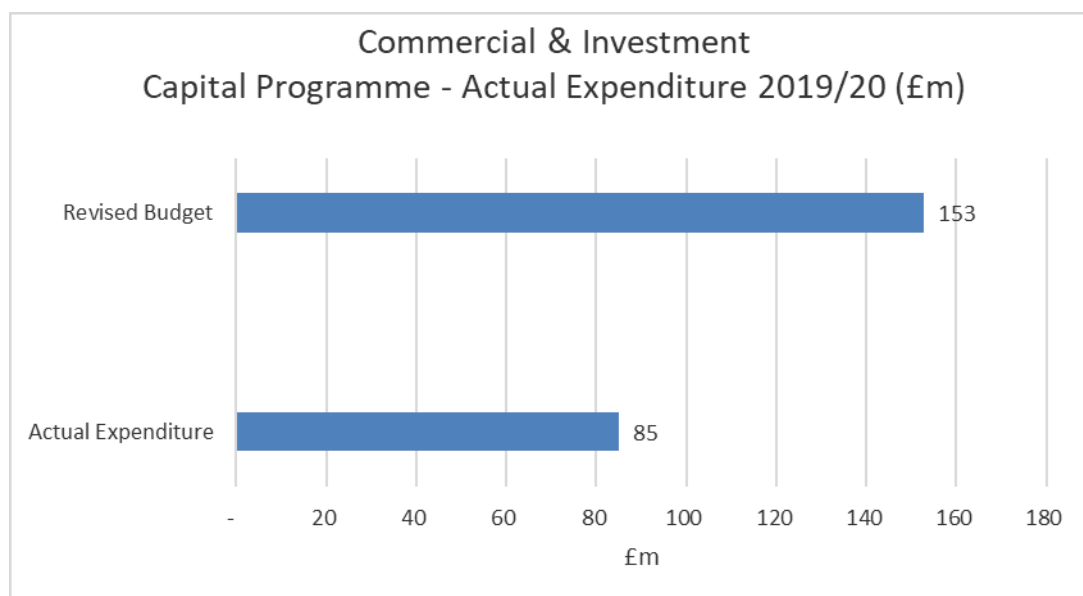
### 3. **SAVINGS TRACKER SUMMARY**

- 3.1.1 The savings tracker is produced quarterly; the next update will be in the October report.

## 4. CAPITAL EXECUTIVE SUMMARY

### 4.1 Expenditure

- 4.1.1 Commercial and Investment Committee has expenditure of £85.0m to date on the Capital Programme, against a revised budget of £152.6m:



In-year, an underspend of £4,995k is forecast. The total scheme forecast is on budget.

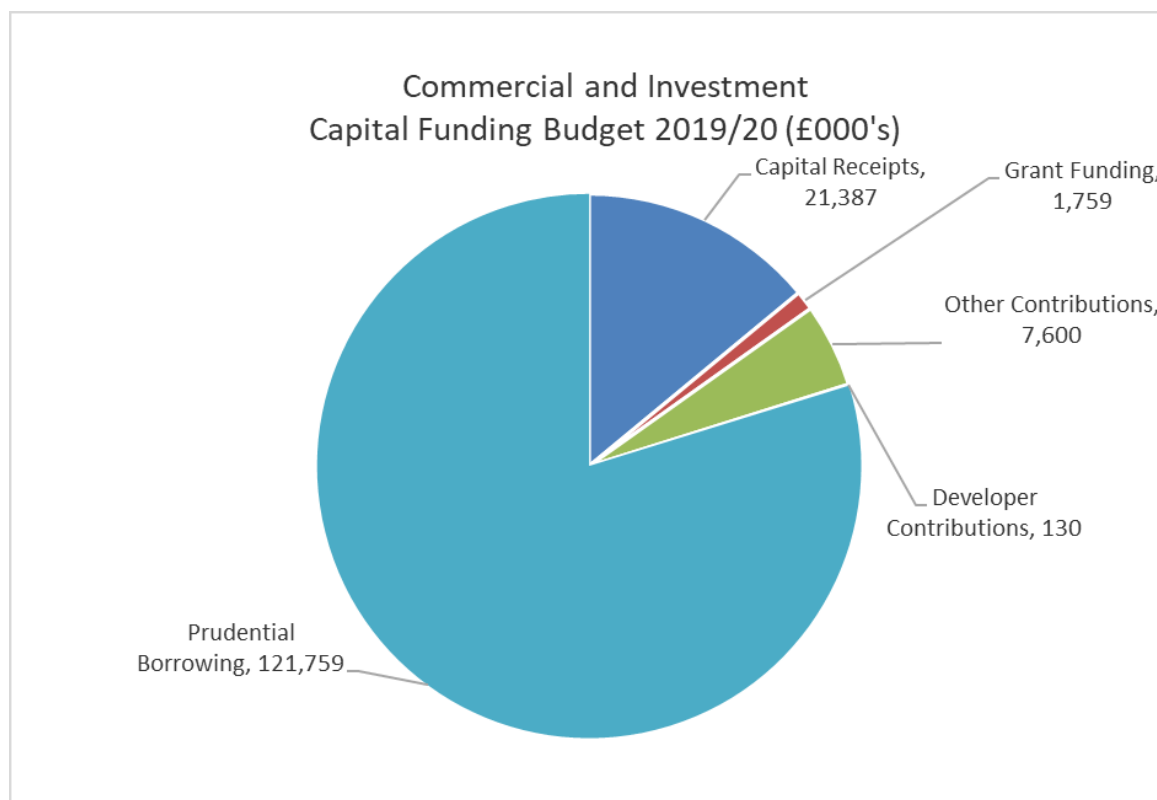
#### 4.1.2 Commercial Activity

The Council has spent, or has committed to spend, £105m on commercial property investments in 2019/20 – please see [Annex 6](#) for further details. This is to be funded from a combination of Capital Receipts and Prudential Borrowing, as detailed below. **Commercial & Investment Committee is requested to recommend to GPC the approval of an additional £52m budget for Commercial Investments.**

The Housing Schemes budget is forecast to underspend by £26m in 2019/20, which is an increase of £24m from the previous forecast. This follows reprofiling of expected loans in relation to both overage and construction.

### 4.2 Funding

- 4.2.1 Commercial and Investment Committee has a capital budget of £152.6m in 2019/20, which is funded by the following capital resources:



#### 4.2.1 Commercial Activity

As reported above, C&I is requested to recommend to GPC the approval of an additional £52m budget for Commercial Investments. This also requires an amendment to the capital funding for Commercial Investments. This will reduce funding from Capital Receipts by £21m and increase the Prudential Borrowing requirement by £73m. The reduction in available capital receipts is due to rephasing of the timing of expected overage payments from This Land. **Commercial & Investment Committee is requested to recommend to GPC the approval of an additional £73m of prudential borrowing for Commercial Investments.**

#### 4.3 Variations Budget

4.3.1 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<br>£000 | Forecast Variance - Outturn (Sep)<br>£000 | Capital Programme Variations Budget Used<br>£000 | Capital Programme Variations Budget Used<br>% | Revised Forecast Variance - Outturn (Sep)<br>£000 |
|---------|---|---|--|---|---|
| C&I     | -26,312                                     | -31,307                                   | -26,312  | 100%  | -4,995  |

4.3.2 A detailed explanation of the capital programme position for Commercial and Investment Committee can be found in [C&I Annex 4](#).

## **5. TECHNICAL NOTE**

5.1.1 Technical financial information for C&I covering grants, reserves and budget virements is included in [C&I Annex 5](#).



## C&I ANNEX 1 – Budgetary Control Report

The variances to the end of September 2019 for Commercial and Investment are as follows:

| Forecast<br>Outturn<br>Variance<br>(Aug) |  | Budget<br>2019/20 | Actual<br>September<br>2019 | Forecast<br>Outturn<br>Variance |            |
|--|--|-------------------|-----------------------------|---------------------------------|------------|
| £000's                                   |  | £000's            | £000's                      | £000's                          | %          |
| <b>Commercial Activity</b>               |  |                   |                             |                                 |            |
| 0  | Property Investments                       | -4,700            | -956                        | 0                               | 0%         |
| -250                                     | Shareholder Company Dividends              | -206              | 0                           | -250                            | -121%      |
| 401                                      | Housing Investment (This Land Company)     | -5,728            | 74                          | 401                             | 7%         |
| 200                                      | Contract Efficiencies & Other Income       | -449              | 0                           | 350                             | 78%        |
| -335                                     | CCLA Managed Investment                    | 0                 | -117                        | -335                            | 0%         |
| 0  | Renewable Energy Investments               | -271              | -711                        | -11                             | -4%        |
| <b>16</b>                                | <b>Commercial Activity Total</b>           | <b>-11,354</b>    | <b>-1,711</b>               | <b>155</b>                      | <b>1%</b>  |
| <b>Property Services</b>                 |  |                   |                             |                                 |            |
| 63                                       | Facilities Management                      | 5,369             | 3,019                       | 241                             | 4%         |
| 0  | Property Services                          | 655               | 380                         | 0                               | 0%         |
| 0  | Property Compliance                        | 205               | 65                          | -17                             | -8%        |
| <b>63</b>                                | <b>Property Services Total</b>             | <b>6,229</b>      | <b>3,465</b>                | <b>224</b>                      | <b>4%</b>  |
| <b>Strategic Assets</b>                  |  |                   |                             |                                 |            |
| -66                                      | County Farms                               | -4,114            | -179                        | -66                             | -2%        |
| 0  | Strategic Assets                           | 813               | 434                         | 0                               | 0%         |
| <b>-66</b>                               | <b>Strategic Assets Total</b>              | <b>-3,301</b>     | <b>256</b>                  | <b>-66</b>                      | <b>2%</b>  |
| <b>Traded Services</b>                   |  |                   |                             |                                 |            |
| 0  | Traded Services - Central                  | 0                 | 37                          | 0                               | 0%         |
| -6                                       | ICT Service (Education)                    | -200              | -794                        | 0                               | 0%         |
| 0  | Professional Development Centres           | -71               | -63                         | 0                               | 0%         |
| 0  | Cambridgeshire Music                       | 5                 | 184                         | 0                               | 0%         |
| 108                                      | Outdoor Education (includes Grafham Water) | -77               | 212                         | 229                             | 297%       |
| <b>102</b>                               | <b>Traded Services Total</b>               | <b>-343</b>       | <b>-424</b>                 | <b>229</b>                      | <b>67%</b> |
| <b>115</b>                               | <b>Total</b>                               | <b>-8,768</b>     | <b>1,585</b>                | <b>542</b>                      | <b>6%</b>  |

## C&I ANNEX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

| Service   | Current Budget<br>£000 | Forecast Outturn Actual<br>£000 | Forecast Outturn Variance |             |
|---|------------------------|---------------------------------|---------------------------|-------------|
|   |                        |                                 | £000                      | %           |
| <b>Shareholder Company Dividends</b>  | <b>-206</b>            | <b>-456</b>                     | <b>-250</b>               | <b>-121</b> |
| The Shareholder Company Dividends budget is forecast to overachieve by £250k in 2019/20. This is due to the estimate for the dividend to be received from ESPO, which is higher than the budget.  |                        |                                 |                           |             |
| <b>Housing Investment (This Land Company)</b>   | <b>-5,728</b>          | <b>-5,327</b>                   | <b>401</b>                | <b>7</b>    |
| An underachievement of income of £401k is forecast on Housing Investment. This relates to interest received on loans made to This Land, and the underachievement is a result of delays in making those loans.   |                        |                                 |                           |             |
| <b>Contract Efficiencies &amp; Other Income</b>   | <b>-449</b>            | <b>-99</b>                      | <b>350</b>                | <b>78</b>   |
| The Contract Efficiencies & Other Income budget is forecast to underachieve by £350k in 2019/20, which is an increase of £150k from the previous forecast. This is due to the targets for savings and additional income not being expected to be met in the year. However, work is underway to achieve this target in future years, and is expected to be taken forward by the Commercial Team once the team is in place. In addition, it has been concluded that whilst there may be some financial benefit for charities of creating a CCC lottery, this could be outweighed by the possibility of losing support through direct contributions and anxieties about control and financial burden. Resources will therefore be refocused to support other commercial initiatives. |                        |                                 |                           |             |
| <b>CCLA Managed Investment</b>  | <b>-</b>               | <b>-335</b>                     | <b>-335</b>               | <b>-</b>    |
| An investment in the CCLA Managed Investment Fund was approved by Commercial & Investment Committee in February 2019. The investment in this fund is expected to make a return of £335k in 2019/20.   |                        |                                 |                           |             |
| <b>Facilities Management</b>  | <b>5,369</b>           | <b>5,610</b>                    | <b>241</b>                | <b>4</b>    |
| The Facilities Management budget is forecast to overspend by £241k in 2019/20. This is due to additional works following service in operational buildings, which are required for those buildings to meet required standards.   |                        |                                 |                           |             |

| Service  | Current Budget<br>£000 | Forecast<br>Outturn<br>Actual<br>£000 | Forecast<br>Outturn<br>Variance |             |
|--|------------------------|---------------------------------------|---------------------------------|-------------|
|  |                        |                                       | £000                            | %           |
| <b>Outdoor Education</b>   | <b>-77</b>             | <b>152</b>                            | <b>229</b>                      | <b>297%</b> |
| <p>A structural pressure of £113k has been identified at Grafham Water Centre during budget preparation and has been reported from the beginning of 2019/20. This has been partially offset by underspends elsewhere in the service. A Business Development Plan is underway to address the financial sustainability of the service.</p> <p>In addition to this, there is a one-off cost in this year which is estimated at £114k, which relates to backdated pay for staff at Grafham Water Centre as a result of National Minimum Wage requirements.</p> |                        |                                       |                                 |             |

### **C&I ANNEX 3 – Savings Tracker**

The savings tracker is produced quarterly; the next update will be in the October report.

## C&I ANNEX 4 – Capital Expenditure and Funding

### 1. Capital Expenditure Summary 2019/20

| Commercial & Investment Capital Programme 2019/20 |   |   |                                    |                              |                                  |                                   |
|---|---|---|------------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Total Scheme Revised Budget<br>£000               | Original 2019/20 Budget as per BP<br>£000 | Scheme                                    | Revised Budget for 2019/20<br>£000 | Actual Spend 2019/20<br>£000 | Forecast Spend - Outturn<br>£000 | Forecast Variance 2019/20<br>£000 |
| 164,068   | 51,907                                    | <u>Commercial Activity</u>                |                                    |                              |                                  |                                   |
|   |   | Commercial Investments                    | 104,605                            | 73,213                       | 104,605                          | -                                 |
| 153,009   | 43,067                                    | Housing Schemes                           | 56,847                             | 10,042                       | 30,372                           | (26,475)                          |
| 3,645   | 3,280                                     | St Ives Smart Energy Grid                 | 3,378                              | -                            | 202                              | (3,176)                           |
| 11,399  | 383                                       | Babraham Smart Energy Grid                | 452                                | -                            | 350                              | (102)                             |
| 6,969   | 292                                       | Trumpington Smart Energy Grid             | 314                                | -                            | -                                | (314)                             |
| 9,745   | 397                                       | Stanground Closed Landfill Energy Project | 454                                | -                            | 291                              | (163)                             |
| 2,526   | 246                                       | Woodston Closed Landfill Energy Project   | 285                                | -                            | 100                              | (185)                             |
| 23,219  | 672                                       | North Angle Solar Farm                    | 695                                | -                            | 908                              | 213                               |
| 374,580   | 100,244                                   |   | 167,030                            | 83,255                       | 136,828                          | (30,202)                          |
|   |   | <u>Property Services</u>                  |                                    |                              |                                  |                                   |
| 6,000   | 600                                       | Building Maintenance                      | 1,338                              | 1,178                        | 1,338                            | -                                 |
| 6,150   | -   | Shire Hall Campus                         | 81                                 | 7                            | 81                               | -                                 |
| 345   | -   | Office Portfolio Rationalisation          | 47                                 | 27                           | 47                               | -                                 |
| 550   | 550                                       | Investment in the CCC asset portfolio     | 550                                | 0                            | 550                              | -                                 |
| 13,045  | 1,150                                     |   | 2,016                              | 1,212                        | 2,016                            | -                                 |
|   |   | <u>Strategic Assets</u>                   |                                    |                              |                                  |                                   |
| 1,000   | 100                                       | Local Plans Representations               | 100                                | 15                           | 100                              | -                                 |
| 3,000   | 300                                       | County Farms Investment                   | 300                                | 9                            | 216                              | (84)                              |
| -   | 4,616                                     | MAC Joint Highways Project                | -                                  | -                            | -                                | -                                 |
| 1,950   | 910                                       | Community Hubs - East Barnwell            | 1,041                              | -                            | 200                              | (841)                             |
| 18,326  | 5,633                                     | Shire Hall Relocation                     | 7,971                              | 467                          | 7,971                            | -                                 |
| 113   | -   | Marwick Centre Roof Repairs               | 113                                | -                            | 113                              | -                                 |
| 295   | -   | Meads Farm House Replacement              | 295                                | -                            | 115                              | (180)                             |
| 24,684  | 11,559                                    |   | 9,820                              | 491                          | 8,715                            | (1,105)                           |
| 134   | 81  | Capitalisation of Interest Budget         | 81                                 | -                            | 81                               | -                                 |
| (40,969)  | (22,591)                                  | Capital Programme Variations Budget       | (26,312)                           | -                            | -                                | 26,312                            |
| <b>371,474</b>                                    | <b>90,443</b>                             | <b>TOTAL</b>                              | <b>152,635</b>                     | <b>84,959</b>                | <b>147,640</b>                   | <b>(4,995)</b>                    |

## 2. Capital Funding Summary 2019/20

| Commercial and Investment Capital Programme 2019/20            |                         |   |                         |                            |
|--|-------------------------|---|-------------------------|----------------------------|
| Original 2019/20<br>Funding<br>Allocation as<br>per BP<br>£000 | Source of Funding       | Revised<br>Funding<br>for 2019/20<br>£000 | Actual<br>Spend<br>£000 | Actual<br>Variance<br>£000 |
| 42,077   | Capital Receipts        | 21,387                                    | 23,409                  | 2,022                      |
| 2,309  | Grant Funding           | 1,759                                     | -                       | (1,759)                    |
| 7,600  | Other Contributions     | 7,600                                     | 7,600                   | -                          |
| 130  | Developer Contributions | 130                                       | -                       | (130)                      |
| 38,327   | Prudential Borrowing    | 121,759                                   | 116,631                 | (5,128)                    |
| <b>90,443</b>  | <b>TOTAL</b>            | <b>152,635</b>                            | <b>147,640</b>          | <b>(4,995)</b>             |

## 3. Reported Exceptions – Capital Expenditure and Funding

| Revised<br>Budget for<br>2019/20<br>£'000   | Forecast<br>Spend -<br>Outturn<br>(Sep)<br>£'000 | Forecast<br>Variance<br>(Sep)<br>£'000 | Variance<br>Last<br>Month<br>(Aug)<br>£'000 | Movement<br>£'000 | Breakdown of Variance             |                    |
|---|--|--|---|-------------------|-----------------------------------|--------------------|
|   |  |  |   |                   | Underspend/<br>Overspend<br>£'000 | Rephasing<br>£'000 |
| 104,605   | 104,605  | -                                      | -   | -                 | -                                 | -                  |
| <b>Commercial Investments</b>   |  |  |   |                   |                                   |                    |
| <p>Commercial &amp; Investment Committee is requested to recommend to GPC the approval of an additional £52m budget for Commercial Investments, but an additional £73m of Prudential Borrowing. The Council has spent, or has committed to spend, £105m on commercial property investments in 2019/20. This also requires an amendment to the capital funding for Commercial Investments. This will reduce funding from Capital Receipts by £21m and increase the Prudential Borrowing requirement by £73m.</p> <p>The reduction in available capital receipts is due to rephasing of the timing of expected overage payments from This Land.</p> |  |  |   |                   |                                   |                    |
| <b>Housing Schemes</b>  |  |  |   |                   |                                   |                    |
| 56,847  | 30,372   | -26,475                                | -1,944                                      | -                 | -                                 | -26,475            |
| <p>The Housing Schemes budget is forecast to underspend by £31m in 2019/20, which is an increase of £29m from the previous forecast. This follows reprofiling of expected loans in relation to both overage and construction.</p>   |  |  |   |                   |                                   |                    |

| Revised Budget for 2019/20<br>£'000   | Forecast Spend - Outturn (Sep)<br>£'000 | Forecast Variance (Sep)<br>£'000 | Variance Last Month (Aug)<br>£'000 | Movement<br>£'000 | Breakdown of Variance         |                    |
|---|---|----------------------------------|------------------------------------|-------------------|-------------------------------|--------------------|
|   |   |                                  |                                    |                   | Underspend/Overspend<br>£'000 | Rephasing<br>£'000 |
| 1,041   | 200                                     | -841                             | -841                               | -                 | -                             | -841               |
| <b>Community Hubs – East Barnwell</b>   |   |                                  |                                    |                   |                               |                    |
| <p>The Community Hubs – East Barnwell scheme is expected to underspend by £841k. This is due to difficulties in obtaining the relevant planning permission, which means that the only costs in 2019/20 will be related to planning, and any construction costs will be in future years.</p>   |   |                                  |                                    |                   |                               |                    |
| <b>St Ives Smart Energy Grid</b>  |   |                                  |                                    |                   |                               |                    |
| 3,378   | 202                                     | -3,176                           | -3,188                             | -                 | -                             | -3,176             |
| <p>The St Ives Smart Energy Grid scheme is expected to underspend by £3.2m in 2019/20. Commencement of work on this project has been delayed due to prolonged negotiations over securing the land title, settling the State Aid position, customer negotiations, retendering the works, and discharging planning conditions.</p> <p>This will reduce the grant funding applied in this year by £1,759k and will reduce the prudential borrowing requirement in year by £1,417k.</p> |   |                                  |                                    |                   |                               |                    |
| <b>Babraham Smart Energy Grid</b>   |   |                                  |                                    |                   |                               |                    |
| 452   | 350                                     | -102                             | -72                                | -                 | -                             | -102               |
| <p>The Babraham Smart Energy Grid scheme is expected to underspend by £102k in 2019/20. Development work on the Investment Grade Proposal for the Babraham Smart Energy Grid Project has been slower than anticipated due to uncertainties in the battery energy storage market and the simultaneous development of several large energy projects in 2018/19.</p> <p>This will reduce the prudential borrowing requirement in year by £102k.</p>                                    |   |                                  |                                    |                   |                               |                    |
| <b>Trumpington Smart Energy Grid</b>  |   |                                  |                                    |                   |                               |                    |
| 314   | -                                       | -314                             | -313                               | -                 | -                             | -314               |
| <p>The Trumpington Smart Energy Grid scheme is expected to underspend by £314k in 2019/20. Pending guidance from the Property team and Members on whether the site will be put forward for housing in the Local Plan, work on any clean energy project at the existing Trumpington Park and Ride site has been suspended.</p> <p>This will reduce the prudential borrowing requirement in year by £314k.</p>  |   |                                  |                                    |                   |                               |                    |

| Revised Budget for 2019/20   | Forecast Spend - Outturn (Sep) | Forecast Variance (Sep) | Variance Last Month (Aug) | Movement | Breakdown of Variance |           |
|--|--------------------------------|-------------------------|---------------------------|----------|-----------------------|-----------|
|  |                                |                         |                           |          | Underspend/ Overspend | Rephasing |
| £'000  | £'000                          | £'000                   | £'000                     | £'000    | £'000                 | £'000     |
| <b>Investment in the CCC Asset Portfolio</b>   |                                |                         |                           |          |                       |           |
| 550  | 550                            | -                       | -                         | -        | -                     | -         |
| This scheme was reported in the 2019/20 Business Plan as funded from Capital Maintenance Grant. The scheme will actually be funded from Prudential Borrowing, and the revised funding has been updated to reflect this.  |                                |                         |                           |          |                       |           |
| <b>Meads Farm House Replacement</b>  |                                |                         |                           |          |                       |           |
| 295  | 115                            | 295                     | -                         | -        | -                     | -         |
| Commercial and Investment Committee is requested to recommend to General Purposes Committee the approval of £295k capital budget for the demolition and rebuilding of the house at Meads Farm which has been deemed structurally beyond economic repair. This project will preserve the value of the asset and the rental income received from it, and will meet the Council's current obligation as a landlord but will not generate any additional income. |                                |                         |                           |          |                       |           |

## C&I ANNEX 5 – Technical Note

### 1. Grant Income Analysis

There is no additional grant income recorded in 2019/20.

### 2. Virements and Budget Reconciliation

|   | £'000         | Reported    |
|---|---------------|-------------|
| <b>Budget as per Business Plan</b>  | <b>-9,502</b> |             |
| Movement of Contract Efficiency saving target from Corporate Services                                   | -49           | May 2019    |
| Clear Traded Services Central income target from Central Services Risks budget                          | 58            | May 2019    |
| Deployment of budget to Housing Investment to mitigate overspends, as agreed by GPC July 2019           | 122           | June 2019   |
| Transfer budget from Debt Charges and Interest for the debt charges relating to the Triangle solar farm | 603           | August 2019 |
| <b>Revised Budget</b>   | <b>-8,768</b> |             |

### 3. Reserve Schedule

| Fund Description                              | Balance at<br>01 April<br>2019 | Movements<br>in 2018/19 | Balance at<br>30<br>September<br>2019 | Forecast<br>Balance at<br>31 March<br>2020 | Notes |
|---|--------------------------------|-------------------------|---------------------------------------|--|-------|
|   | £'000                          |                         | £'000                                 | £'000                                      |       |
| <b><u>Equipment Reserves</u></b>              |                                |                         |                                       |  |       |
| The ICT Service (Education)                   | 56                             | 0                       | 56                                    | 0  | 1     |
| subtotal                                      | 56                             | 0                       | 56                                    | 0  |       |
| <b><u>Other Earmarked Funds</u></b>           |                                |                         |                                       |  |       |
| North Cambridge Academy site demolition costs | 600                            | 0                       | 600                                   | 679  | 2     |
| subtotal                                      | 600                            | 0                       | 600                                   | 679  |       |
| <b><u>Capital Reserves</u></b>                |                                |                         |                                       |  |       |
| General Capital Receipts                      | 20,415                         | 13,208                  | 33,623                                | 0  | 3     |
| subtotal                                      | 20,415                         | 13,208                  | 33,623                                | 0  |       |
| <b>TOTAL</b>                                  | <b>21,070</b>                  | <b>13,208</b>           | <b>34,278</b>                         | <b>679</b>                                 |       |

#### Notes

- 1 ICT Equipment Reserve will to be used to replace critical equipment in 2019/20
- 2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 General Capital Receipts received during 2019/20 will be used to fund the capital programme at year-end, and This Land Capital Receipts will be used for Commercial Investment.



## **C&I ANNEX 6 – Financing Commercial Investments**

- A. This year the Council has pursued a number of commercial investments in accordance with its Commercial Strategy and the investment section of the Capital Strategy. Following this protocol, individual acquisitions have been assessed according to a standardised multi-measure evaluation process with governance overseen by GPC, the C&I Committee, or its Investment Working Group dependent on the value. Since last year £144m has been approved for investment assets, £105m of this in the current financial year.
- B. With growing certainty about the total anticipated spend on commercial acquisitions for the current year, proposals for further financial investments suggested by the appointed investment advisor, Reddington, and rising confidence about the level of capital receipts anticipated as the year progresses, it is now timely to consider the sum and balance of prudential borrowing required to contribute to financing this activity.
- C. In terms of budgeting, the financing mechanism for assets is consequential:
- Where investments are funded from capital receipts, there are no costs of capital.
  - Where investments are funded from borrowing, there are interest/cost of borrowing costs from the date of acquisition, and a Minimum Revenue Provision applied (effectively the cost of the principal) from the year after the acquisition.
- D. We anticipate there will be around £32m available by year-end in capital receipts. This would therefore require £73m of borrowing to fund the remaining portfolio. This approach will mean that the C&I Committee delivers its commercial investment targets on track for this year (subject to acquisition dates and performance of individual assets), alongside supporting local economic development through this major investment.
- E. To date, the investment evaluation/business case for individual investments assesses prospects without regard to financing, i.e. the yields for comparator purposes reflect the performance and risk associated with each property rather than the availability of funds or the individual balance of funding for each asset. However, within the investment appraisal all asset yields are compared to a hurdle rate, being the interest cost on a loan to finance the asset over 50 years.
- F. The impact of the additional 100 basis points added by Public Works Loans Board to lending rates will be significant for local authority capital programmes. The dust still needs to settle on this development. In the short term, the Council expects to be able to meet its currently planned costs of borrowing within existing budgets: £100m of borrowing was secured from PWLB prior to the rate rises, the Council is active in securing good value borrowing from other lenders (principally other local authorities) and overall remains 'internally borrowed' (utilising cash balances to mitigate the level of external borrowing). In the more medium term, the rate change does effectively increase the hurdle by which commercial schemes will need to be judged.
- G. The target net return from the investment properties is £4.7m.

Under the financing scenario proposed, this target is met in 2019/20 (subject to the performance of individual assets and achieving capital receipts to timescale). There is an additional cost of MRP applied to the debt financed assets in 2020/21, partly offset by the benefit of owning the assets for the full year. However, with potential opportunity for further investment funded by future capital receipts, it is anticipated that the target will also be met in 2020/21 and beyond.



# COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Published on 1st November 2019  
Updated on 14<sup>th</sup> November 2019



Cambridgeshire  
County Council

## Notes

Committee dates shown in bold are confirmed.

The definition of a key decision is set out in the Council's Constitution in Part 2, Article 12.

\* indicates items expected to be recommended for determination by full Council.

+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.

The agenda dispatch date is six clear working days before the meeting.

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

- Minutes of previous meeting and Action Log;
- Finance Report;
- Agenda Plan, Appointments to Outside Bodies and Training Plan.

| Committee Date  |   |                             | Reference if key decision | Deadline for draft reports | Agenda despatch date |
|-----------------|---|-----------------------------|---------------------------|----------------------------|----------------------|
| <b>22/11/19</b> | Babraham Smart Energy Grid – Options Appraisal                            | Cherie Gregoire             |                           | 13/11/19                   | 14/11/19             |
|                 | + Shire Hall Heads of Terms   | Chris Malyon                |                           |                            |                      |
|                 | Update on Property Services   | John Macmillan/<br>Alex Gee |                           |                            |                      |
|                 | Mobilising Local Energy Investment: Quarterly finance and progress update | Sheryl French               |                           |                            |                      |
| <b>16/12/19</b> | This Land – Strategic Financing: Construction and Acquisitions            | Tom Kelly                   | 2019/068                  | 04/12/19                   | 05/12/19             |

| Committee Date  |  |   | Reference if key decision | Deadline for draft reports | Agenda despatch date |
|-----------------|--|---|---------------------------|----------------------------|----------------------|
|                 | Financing and progress at LGSS Law   | Tom Kelly                                   |                           |                            |                      |
|                 | Alconbury Civic Hub  | Kim Davies/<br>Andy Preston                 |                           |                            |                      |
|                 | Hinchingbrooke Country Park  | Alex Gee                                    |                           |                            |                      |
|                 | Proposed land swap at Swavesey:<br>Cambridgeshire County Council and Mr J Shepperson                 | Jane Webster                                |                           |                            |                      |
|                 | Revised proposed Business Case to fund the roof works required at the Marwick Centre, March PE15 8PH | Julia Carroll                               |                           |                            |                      |
|                 | Draft Revenue and Capital Business Planning Proposals for 2020-21 to 2024-2025                       | Chris Malyon                                |                           |                            |                      |
|                 | Northstowe Heritage Facility – partnership with Highways England & Homes England                     | Quinton Carroll                             |                           |                            |                      |
| <b>17/01/20</b> | High Level Assessment for Longstanton Park and Ride energy project                                   | Cherie Gregoire                             |                           | 08/01/20                   | 09/01/20             |
|                 | Quarterly performance reporting against Commercial Strategy KPIs and Risk Register                   | Amanda Askham                               |                           |                            |                      |
|                 | Deployment of Investment Funds   | James Gemmell                               |                           |                            |                      |
| <b>21/02/20</b> | Mobilising Local Energy Investment: Quarterly finance and progress update                            | Sheryl French                               |                           | 12/02/20                   | 13/02/20             |
|                 | Cambridgeshire Music OFR   | Cllr Hudson/<br>Matthew Gunn/<br>Sarah Rust |                           |                            |                      |
| <b>20/03/20</b> |  |   |                           | 11/03/20                   | 12/03/20             |
| <b>24/04/20</b> | Loans to Voluntary Organisations   | Tom Kelly                                   |                           | 15/04/20                   | 16/04/20             |
|                 | Quarterly performance reporting against Commercial Strategy KPIs and Risk Register                   | Amanda Askham                               |                           |                            |                      |
| <b>22/05/20</b> | Confirmation of Chairman/Vice Chairman   | Dawn Cave                                   |                           | 13/05/20                   | 14/05/20             |

| <b>Committee Date</b> |  |               | <b>Reference if key decision</b> | <b>Deadline for draft reports</b> | <b>Agenda despatch date</b> |
|-----------------------|--|---------------|----------------------------------|-----------------------------------|-----------------------------|
|                       | Mobilising Local Energy Investment:<br>Quarterly finance and progress update | Sheryl French |                                  |                                   |                             |

To be programmed: St Ives Football club – ransom strip benefit for CCC (John Macmillan) ICT Future Delivery Options (John Chapman); Oasis Centre, Wisbech (Hazel Belchamber); Property Services OFR (Paul Tadd); Trumpington Park & Ride Smart Energy Grid (Sheryl French)



# COMMERCIAL AND INVESTMENT COMMITTEE TRAINING PLAN

| Ref | Subject  | Desired Learning Outcome/Success Measures   | Date   | Responsibility   | Attendance by: |
|-----|--|---|--|--|----------------|
| 1.  | Provisional training slot  |   | 24 <sup>th</sup> April 2020 (12-3pm)           | Tbc  | C&I            |
| 2.  | <b>Provisional training slot</b>                                     |   | <b>24<sup>th</sup> January 2020 (10am-1pm)</b> | <b>Tbc</b>   | C&I            |
| 3.  | Committee Training: MLEI/Energy projects                             |   | 18 <sup>th</sup> October (12-3pm)              | Sheryl French  | C&I            |
| 4.  | Nearly Zero Energy Buildings members/officers workshop               |   | 24 <sup>th</sup> May 2019(1-2.30pm)            | Sarah Wilkinson/Sheryl French                            | C&I and GPC    |
| 5.  | Commercialisation training (all Members)                             |   | 26 <sup>th</sup> April 2019 (1-4pm)            | Amanda Askham  | All Members    |
| 6.  | Finance/KPIs   |   | 3 <sup>rd</sup> December 2018 (1pm)            | Tom Kelly/Ellie Tod/Amanda Askham/Sue Grace              | C&I            |
| 7.  | Commercial Strategy  |   | 9 <sup>th</sup> November 2018 (12.30pm)        | Amanda Askham  | C&I            |
| 8.  | Members' duties and obligations in considering Promotion Agreements. |   | 2 <sup>nd</sup> November 2018 (12.30pm)        | Chris Malyon   | C&I            |
| 9.  | Future Smart Energy Systems Demonstrator Project                     |   | 18 <sup>th</sup> October 2018 (13.30)          | Sheryl French/Emily Bolton                               | C&I            |
| 10. | Finance/Performance Indicators                                       |   | tbc  | Tom Kelly/Ellie Tod                                      | C&I            |
| 11. | This Land Performance Workshop                                       |   | 12 <sup>th</sup> March 2018                    | David Gelling/David Bethell /Chris Malyon/John Macmillan | C&I            |
| 12. | Asset & Risk Workshop  | <ul style="list-style-type: none"> <li>• Asset Strategy</li> <li>• CHIC</li> <li>• Risk approach and risk register</li> <li>• Site tenure mix and retention of rental housing</li> <li>• Affordable housing</li> <li>• Community Land Trusts</li> </ul> | 20 <sup>th</sup> October 2017                  | Chris Malyon/Stephen Conrad/ David Gelling               | C&I            |

|     |  |   |                                 |   |     |
|-----|--|---|---------------------------------|---|-----|
| 13. | Business Planning Session                                      |   | 15 <sup>th</sup> September 2017 | Chris Malyon/ James Wilson                                    | C&I |
| 14. | CHIC Workshop  |   | 27 <sup>th</sup> June 2017      | Chris Malyon/ David Gelling/<br>David Bethell/ John Macmillan | C&I |
| 15. | Introductory Session for the Commercial & Investment Committee | The Committee's remit, focus on work areas e.g. CHIC, Strategic Estates, Facilities Management and Horizon Scanning | 26 <sup>th</sup> May 2017       | Chris Malyon/<br>John Macmillan                               | C&I |

Updated 10/10/19