

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 18 January 2019

Time: 10.00-11.30am

Venue: Room 128, Shire Hall, Cambridge

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

Apologies: Councillors Dupré (Cllr Wilson substituting)

Also present: Councillor M Shellens

188. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were presented on behalf of Councillor Dupré (Councillor Wilson substituting).

Councillor Schumann declared a non-pecuniary interest in item 191 as Chairman of East Cambridgeshire District Council's Planning Committee.

189. MINUTES OF THE MEETINGS HELD ON 14 DECEMBER 2018 AND ACTION LOG

The minutes of the meeting held on 14th December 2018 were approved as a correct record.

The following Action Log items were discussed:

Action 125 – The Chairman asked if it would be possible to visit the Milton Road Library site, and officers confirmed that providing the relevant Health & Safety precautions were taken, this could be arranged. The Deputy Chief Executive agreed to pick this up at the This Land Board meeting on 22/01/19. **Action required.**

Action 182 – Energy project updates – it was noted that updates were now scheduled for the March meeting, and quarterly thereafter.

Action 183 – Disposal of St Ives ransom strip – this item had been deferred to a future meeting, as officers were looking in more detail at issues relating to possible school expansion.

On a general point, it was noted that “in progress” suggested that there was a defined end point; whilst “ongoing” was where there was no fixed end point but the issue was being monitored.

It was resolved to note the Action Log.

190. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

191. OUTLINE BUSINESS CASE FOR SOLAR FARM ON RURAL ESTATE LAND AT MERE FARM

The Committee considered a high level assessment for a 37MW solar farm to be sited at North Angle Farm, Soham, adjacent to the Council's established solar farm at Triangle Farm in Soham. The proposal had been developed by the Council's Service Provider, Bouygues Energies & Services. The proposed site covered 76 hectares (approximately 200 acres). It was noted that the site had previously been referred to as "Mere Farm", but would more accurately be referred to as "North Angle Farm" going forward.

A development budget of £600K was requested, and the detail of the business case was noted. The intention was to return to the Committee with a report at the end of the first phase of the investment proposal, and then at the end of the third phase, assuming the project was still viable. Whilst there were a number of challenges with the project, e.g. around access to the constrained grid and UKPN, there were clear advantages of the site given its proximity to the existing solar farm. It was confirmed that the £600K covered the total commitment for development costs, including all internal costs, external consultant fees and planning fees. Whilst there were risks in the proposal, these were lower than would be expected for a project of this size, and needed to be set against the benefits, which were considerable. Risks included currency risks (i.e. fall in the value of Sterling), as the solar panels were sourced from overseas. It was noted that the site was currently tenanted, but that officers had been unable to contact the current tenant, who was abroad.

It was noted that the first solar farm (Triangle Farm) had been developed under the previous funding regime, and had effectively been subsidised. These subsidies were no longer available, but costs had reduced significantly, so the capital costs were much lower and the anticipated revenue was similar to that of other solar farms.

Written comments from the Local Member, Councillor Hunt were noted:

"Since I am on both County and District Planning Committees, I do not intend to commit myself at this stage as I keep an open mind. I note, however:

- The land is mainly Grade 3 which is of low agricultural value;*
- I assume 80 hectares is about 195 acres (this is a measurement I better understand and it would be helpful if both hectares and acres were used);*
- I assume that fair proper conversations have been held with tenant farmer;*
- Enough power will be created to supply 9000 homes".*

Arising from the report:

- a Member queried why there was no control point between the first £70K of expenditure and the remaining £530K. It was pointed out that at the conclusion of the second stage, officers should have identified whether the project stacked up financially and obtained planning permission, and it would be difficult to understand what the benefit would be to bring it back to Committee at that stage. Additionally, there would be regular quarterly updates to Committee on all energy projects, and any issues could be picked up at that stage;

- a Member asked who the Crown Commercial Service was and what their role was in the project. Officers explained that Crown Commercial Service was the developer of the framework, and as users of the refit framework, the Council had to pay fees. Those fees were considerable because they scaled with the capital cost. The framework would ensure that the contracts for each part of the project complied with all the relevant requirements;
- a Member asked what the HLA benchmarks were, which were not specified in the report. Officers explained that the contractual terms defined the performance parameters – the Council would have a contractual arrangement with Bouygues, but if Bouygues did not meet the benchmarks set, the Council would not pay the £430K IGP fees if it chose not to continue with the project;
- noted that State Aid was not an issue as the whole project was being done on a commercial basis;
- in response to a Member question, it was confirmed that the £36K expenditure for the project included in the Finance & Performance report related to the proportion of the £70K that was profiled for expenditure in the current financial year;
- one Member commented that it was clearly a very good project, and he looked forward to it to going ahead and being successful. He was particularly pleased to note that it was completely free of subsidy or State Aid;
- a Member queried why a Net Present Value (NPV) rate of 5.73% had been chosen. Officers confirmed that this was a combination of expected RPI plus the current Public Works Loan Board rate for a 25 year loan. The assumed inflation rate was 2.75%;
- a Member commented that the most critical issue for cashflow calculations was usually the selling price, and asked what assumptions the calculations were based on. He also suggested that it would be helpful to have a sensitivity table reflecting issues such as reductions in wholesale energy prices. Officers advised that an interest rate of 2.9% had been assumed and inflation of 4.07% as on energy prices, based on BEIS statistics up to 2035. Energy prices were going up at a faster rate than regular inflation due to the costs of government programmes supporting the energy market and network charges increasing. The team was aware of exchange rate risk and managed this carefully. The Member commented that it would be helpful if future reports included more narrative on the robustness of the cashflow;
- a Member noted that the Service Provider being used was the same as for the adjacent solar farm, which had raised an additional 5% ahead of projections. In addition, the ground conditions were very similar to the adjacent solar farm. Based on the performance of the previous project, he suggested that this was a very promising prospect. Another Member queried if the increased return on the existing solar farm resulted from the unusually hot summer weather in 2018. Officers explained that this was a technical calculation and was over and above the increased returns resulting from the hot weather;

- in response to a question about the tenant, it was noted that the current tenancy agreement expired in 2020, and it was not anticipated therefore that the existing tenant would be paid compensation, as it was unlikely that this project would have reached the construction phase by that point;
- it was confirmed that all figures provided were estimates, based on Bouygues' view of the likely cost, but the actual cost could not be ascertained until Bouygues puts the individual bits of equipment out for tender, and that would not happen until there was more certainty about the scheme going ahead.

It was resolved unanimously to:

- a) agree the outline business case;
- b) provide in-principle support for a budget of £600,000 (as set out in Table 3 of the report) to fund the development costs of an Investment Grade Proposal (IGP); and
- c) approve work commencing on the first phase of the IGP.

The Committee agreed to defer the "Land at Mill Road, Over", which had a confidential appendix which Members wished to discuss, and consider it in the confidential session later in the meeting.

192. FINANCE AND PERFORMANCE REPORT – NOVEMBER 2018

The Committee considered a report on the financial and performance information relating to the areas within the Commercial and Investment Committee's remit, for November 2018.

At the end of the period, a forecast overspend of £6.135M was forecast. The underspend on the capital budget remained unchanged at £7.277M. An additional £36K of capital funding was requested for the development costs for the solar farm project which had been agreed in the previous report.

Arising from the report:

- a number of Members commented generally on the format of the report, stating that there was an element of repetition in the report and appendix, and occasionally text was not updated between monthly reports. Officers acknowledged these points and advised that the format and presentation of the report was being reviewed to make it more transparent;
- a Member asked officers how confident they were that the capital budget would meet the revised budget target of £138M before year end. Officers confirmed that they were confident as there were significant loans that This Land would be drawing down before the end of March. The loans process had taken longer than anticipated, partly driven by This Land's construction needs, but the Council was contractually obliged to sell two parts of the portfolio in the Spring. In future a more even pattern of loans to This Land was anticipated, rather than loaning in large tranches.

It was resolved unanimously to:

- a) review, note and comment upon the report;
- b) consider and recommend to GPC to approve £36K of prudential borrowing for the Renewable Energy – North Angle Solar Farm project.

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

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

It was agreed that following the meeting, Members would discuss how to schedule in This Land business plan items on to future agendas.

It was agreed that provisional dates for training days in 2019/20 would be identified and circulated. **Action required.**

Members were advised that the Member Development Panel had asked officers to schedule an all-day training session on commercialisation for all Members in March. It was noted that there would be a more in-depth session for Committee Members. The Committee felt that a whole day session would be poorly attended and suggested an alternative approach, such as two half days, was taken. **Action required.**

The following items were suggested for the training session on April 26th: Profit and Loss account, baselining of traded services and Measuring Social Value.

It was resolved to:

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

194. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved to:

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

195. LAND AT MILL ROAD, OVER

The Committee considered a report on a site owned by the County Council in Over.

In 2012, the County Council's Cabinet had agreed an option with a private developer for this site. The developer obtained reserved matters planning approval for 53 residential units on the land in June 2018, with a 40% affordable housing stipulation. The

developer was not seeking to develop the land, so it had been offered to This Land prior to being marketed openly. This Land had confirmed its wish to acquire and develop the site, and they would need loan and equity investment from Council. The business case for the site was viable, and gave the Council the dual advantage of both a capital receipt and income from the loan.

(the Deputy Chief Executive withdrew from the meeting)

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

- a) agree disposal of the site described in Section 1 of the report to This Land, further to a decision of Cabinet in 2012, and in accordance with the arrangements described in Section 2 of the report;
- b) agree to provide loan financing and equity investment to This Land, to enable the acquisition , in line with arrangements described in the appendix to the report.

(the Deputy Chief Executive rejoined the meeting)

196. CAMBRIDGESHIRE CATERING AND CLEANING SERVICE

The Committee considered an update on the arrangements for schools previously using CCS for catering and cleaning services, and also the latest financial position.

It was resolved:

- a) to note the update on final outcome including:
 - 1) closure position and the financial impact to Cambridgeshire County Council;
 - 2) impact on staff and number of staff made redundant;
 - 3) impact on schools.
- b) to keep Members updated on the final financial implications of the closure.

Chairman