

COMMERCIAL AND INVESTMENT COMMITTEE: MINUTES

Date: 21 June 2019

Time: 10:00 -12:00

Venue: Kreis Viersen Room, Shire Hall, Cambridge

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

Apologies: None

239. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

No apologies for absence or declarations of interest received.

The Chairman welcomed Ned Teal, a year 9 student at Sancton Wood School in Cambridge to the meeting. He explained that Ed was attending the meeting representing the Eco-Schools Council.

240. MINUTES OF THE MEETINGS HELD ON 24 MAY 2019 AND ACTION LOG

The minutes of the meeting held on 24 May 2019 were approved as a correct record.

With regard to item 162, Councillor Rogers queried whether the development of a Care Home was still on the work programme. The Chairman requested that Councillor Rogers speak to the Chairwoman of the Adults Committee to request an update on this and a report back to a future meeting. **ACTION**

The Deputy Chief Executive and Chief Finance Officer explained that he was awaiting an update on the proposed regular member meetings with 'This Land' under action 209, and would update the Committee in due course. He explained that a shareholder monitoring report for 'This Land' would be added to the agenda for the next meeting in July. **ACTION**

The Deputy Chief Executive and Chief Finance Officer explained that a report on Capital Financing under Item 235-1 would be brought to the next meeting **ACTION**

It was resolved to note the action log.

241. PETITIONS AND PUBLIC QUESTIONS

There were no petitions or public questions.

242. COMMERCIAL STRATEGY AND ACTION PLAN

The Committee received a report outlining the programme of work over the next six months against the three key themes contained within the Commercial Strategy.

In presenting the report officers highlighted the three key themes of the strategy Contract and Procurement, Contributions and Funding and Acquisitions and Investments, and discussed the objectives that sat under each theme.

In discussing the report members:

- queried the use of 'Political Appetite' as part of the Opportunity Appraisal Framework. Officers explained that this was used to assess how acceptable an initiative was and how difficult a decision was to make. Officers acknowledged that there needed to be a clearer definition of what 'Political Appetite' covered.
ACTION
- discussed the savings made on contract spend. A member commented that cheaper contracts could lead to reduced wages and that they would like to see the Council think about a commitment for a real living wage for contractors.
- discussed the scaling of contracts and how small local business could be attracted to bid for contracts. Officers explained that there was a piece of work as part of the action plan, to understand the market in Cambridgeshire and Peterborough and open up the Council's services to a variety of businesses. There was a need to understand the needs of smaller businesses and how the council could engage with them. The Chairman commented that he found this strategy reassuring. One Member commented that there was a need to build partnerships to engage small business and that this would cost money. A Member requested that examples of different contracts be available as case studies going forward as this would be useful for other Committees too, to see what successful contracts looked like. The Chairman requested that this should sit alongside the KPIs that had been developed and asked that the Commercial Board reviewed this going forwards. **ACTION**
- queried the dates for the roll out of the E learning package. Officers explained that the package would be rolled out to County Council officers in July and that a generic package would be produced to market to other local authorities with a focus on a target of £50,000, by the end of the financial year (March 2020). Members requested that the wording be changed to 'delivered' and not 'launched' in the action plan (page 20 of the papers). **ACTION**
- questioned how the £200,000 saving would be made. Officers clarified that the work to review the smaller contracts would go towards this saving and that work was currently focussed on identify which contracts would go towards providing the savings.

A member commented that in principle the strategy and action plan were good but that they would like to see an assessment of the resources going in to this work and the outcomes. He commented that each of the areas should not be lumped into one strategy and that there should be some form of member engagement group to look at contract reviews. Officers explained that the Commercial Board met monthly and that the Board monitored the Key Performance Indicators (KPIs) and looked at contracts and the contracts register. Officers highlighted that there was member engagement on contracts through each of the Service Committees for the larger contracts and the smaller contracts were reviewed by the Commercial Board.

A Member queried what Grant Thornton were offering the council in terms of contract reviews. Officers clarified that they were providing the background information for benchmarking across Cambridgeshire and Peterborough. They explained that the councils internal audit team had sought additional resources to focus on contract reviews and renegotiations. Major contract reviews such as the Waste Contract had support from external resources who were specialists in the field. This was reviewed on a case by case basis.

One Member queried the cost of the new Commercial team. The Chairman requested that a report be brought to a future meeting. **ACTION**

It was resolved to:

note the programme of work over the next six months against the three key themes as contained within the Commercial Strategy.

243. BATTERY ENERGY STORAGE SYSTEM MARKET OPPORTUNITY AND RISK

The Committee considered a report outlining the opportunities and risks of developing battery energy storage projects.

In presenting the report officers highlighted four key points;

1. The market for renewables was growing in the UK and the demand for electricity across Greater Cambridge was forecast to triple by 2030, as electricity would be required for heating and transport.
2. More renewables were being installed. By 2030, the Government projected that 70% of all electricity would come from low carbon sources of which renewables would comprise up to 50%. This meant the grid would need to be stabilised and battery storage could support this.
3. The big uncertainty was around how and when Government would incentivise the low carbon market to deliver against its fourth and fifth carbon budgets as set out by the Climate Change Act.
4. There was a need to get projects 'shovel ready' for when Government clarified and incentivised the market to maximise the benefits to the Council. The report focused on the Council's appetite for risk in developing battery storage projects.

The Chairman drew the Committees attention to part d of the recommendations. He proposed, and was seconded by Councillor Hay, that the recommendation should be amended to read

- d) agree the proposal in paragraph 2.12 to set up a member working group to oversee the work of the Energy Investment Programmes ahead of any investment decisions on the projects.

The amendment was accepted unanimously by the Committee.

It was agreed that the following members would sit on the working group; Councillors Hay, Wotherspoon, Rogers, Jones and Jenkins.

One Member drew the Committees attention to the link to the study provided in the footnote on page 45 of the report, and encouraged further reading in terms of the development of energy storage, and highlighted their support for investing in the battery market.

A Member acknowledged that they looked forward to the work of the members working group and would like to see how the work linked up to the growth agenda, particularly with businesses in the South of the County.

In discussing the report further Members;

- highlighted the need to ensure that the Council learnt the lesson from the Soham solar farm development, in terms of ensuring that advanced planning and development of projects was done to understand the costs and minimise the risk to the investment when competition for revenue started.

It was resolved unanimously to:

- a) note the risks in developing battery storage projects,
- b) agree the continued development of battery storage projects within the context of a changing market
- c) agree the proposals in paragraphs 2.10-2.11 to monitor and shape the changes in the battery storage market, and
- d) agree the proposal in paragraph 2.12 to set up a member working group to oversee the work of the Energy Investment Programmes ahead of any investment decisions on the projects.

244. BABRAHAM SMART ENERGY GRID – INVESTMENT GRADE PROPOSAL STAGE 1 UPDATE

The Committee considered a report outlining progress against stage one of the Investment Grade Proposal for a smart energy grid at Babraham Park and Ride.

In presenting the report officers highlighted the key risks and explained that alternative options were being developed alongside battery storage. Officers highlighted an initial discussions with Addenbrookes to gauge their interest in purchasing green energy from the project, and that these discussions were positive dependent on the price of the electricity and their procurement processes. Officers clarified that the risks identified in the project were manageable and that reporting on the project would be quarterly with any significant issues and changes being reviewed with the member working group, and any significant risks brought back to committee.

In discussing the report:

- One Member queried whether there had been any recent engagement with Stagecoach in relation to electric buses. Officers explained that there had been conversations in the past through the Greater Cambridge partnership but that they would revisit the conversations with the new Stagecoach management team. **ACTION**

- A member sought assurances that the correct level of engagement had been carried out in terms of the impacts on the green belt. Officers reassured the Committee that initial engagement with all of the business and households in the area had been carried out. There was a need to recruit a Community Engagement Officer to oversee the Communications Strategy for the project and that the members working group would review the strategy when it had been developed.
- A Member queried whether other organisations on the biomedical campus had been approached. Officers confirmed that they had not been approached but that this would be looked into. **ACTION**
- One Member queried how the deliverables would be confirmed at each stage. Officers reiterated that the member working group would be kept up to date with the outcomes at each stage and that any significant changes would be reported back to the Committee. Officers highlighted that the working group would be useful in building a body of expertise and a mechanism of reviewing projects between full Committee meetings.

It was resolved by majority to:

- a) note the work conducted to date to reduce risk and approve progress from stage 1 into stages 2 – 4 of the Investment Grade Proposal (IGP);
- b) approve the drawdown of £350,039 for project development fees, internal costs, planning permission and other fees for completion of those IGP stages; and
- c) note the risk posed by OFGEM's Targeted Charging Review.

245. STANGROUND SOLAR PV AND BATTERY STORAGE PROJECT – INVESTMENT GRADE PROPOSAL STAGE 1 UPDATE

The Committee received a report that provided a progress update on stage one of the Investment Grade Proposal development process for the Stanground Solar PV and Battery Storage project and sought approval to proceed to stages two – four.

In presenting the report officers explained that the funding would take the project to a 'shovel ready' stage, to then proceed to construction. Officers clarified that findings from the stage one outline design work had shown that the projected energy output from the solar PV had increased by 30% and that the model capability had also been developed to look at different battery options. Due to the battery revenue uncertainty discussed earlier on the agenda, it was premature to select a preferred battery specification. However, the additional cost for batteries with a higher discharge rate was relatively low and these offered access to a broader range of revenue opportunities from grid services. There were no major concerns identified by pre-planning advice. Cost of connecting to the grid was a key risk identified prior to the start of stage one. A Flexible Distributed Generation feasibility study had been commissioned to provide an estimated cost, which had come back at less than half the cost allowed for in the initial business case, albeit with some curtailment. There were currently three potential customers and the council were looking at routes by which to engage with them to discuss entering into power purchase agreements. The next steps would include a full planning application

and work on a Community Engagement and Communications Strategy, which would be signed off by the members working group. Reporting would be through the members working group, the quarterly reports, and with the stage four business case being brought back to Committee.

One Member queried how any sunk costs from projects would be offset going forwards. Officers explained that the current proposition would be to offset them against the revenues generated from the wider programme of energy projects.

Members discussed the cost of an unconstrained connection to the grid which stood at an estimate of £22 million. Officers explained that the Flexible Distributed Generation feasibility study had estimated the cost of a constrained connection of £720,000 with 4.5% curtailment. The Chairman explained that the capacity in the grid had been reviewed by the Greater Cambridge Partnership and that the Executive Board had commissioned an Engineering Study for a new sub-station in the GCP area

One Member highlighted that officers should contact Opportunity Peterborough who would be able to help with discussions with potential business customers for electricity from the project.

It was resolved by majority to:

- a) note the findings of the Stage 1 work; and
- b) approve progression to Stages 2-4 of the Investment Grade Proposal (IGP); and
- c) approve the drawdown of £365,912 capital funding for project development, internal costs, planning permission and other fees for completion of these IGP stages.

246. COMMERCIAL AND INVESTMENT COMMITTEE AGENDA PLAN

Members considered the Committee's Agenda Plan and Training Plan. Members noted that a Shareholders report from 'This Land' would be added to the July agenda

It was resolved to note the agenda plan.

247. EXCLUSION OF PRESS AND PUBLIC

It was resolved unanimously to:

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

248. INVESTMENT ACQUISITION

The Committee considered a report recommending an investment acquisition opportunity, as part of the development of a commercial investment portfolio generating a revenue return.

The Chairman requested a recorded vote on the recommendations.

It was resolved by majority to:

- a) endorse the acquisition in accordance with the parameters set out in this report;
- b) recommend the acquisition to the General Purposes Committee for approval as per the governance framework set out in the Capital Strategy.

[Voting Pattern: Councillors Bates, Hay, Gowing, Rogers, Schumann and Wotherspoon voted in favour of the recommendations; Councillors Dupre, Jenkins and Shellens voted against, and Councillor Jones abstained]

Chairman