

**MINUTES OF A MEETING OF THE
SCRUTINY COMMISSION FOR RURAL COMMUNITIES
HELD IN THE
BOURGES & VIERSEN ROOMS, TOWN HALL, PETERBOROUGH
ON 16 DECEMBER 2013**

Present: Councillors D Over (Chairman), D Lamb, D McKean, D Sanders, D Harrington
N Sandford and E Murphy

Also Present: Councillor Seaton Cabinet Member for Resources
Jo Gresty Farms Estate Manager
Neal Kalita Consultant, EC Harris
Peter Feehan Partner, Pinsent Masons LLP
Mick Krupa Assistant Director, Deloitte LLP

Officers in Attendance: John Harrison Executive Director – Strategic Resources
Michelle Drewery Renewable Energy Finance Manager
Lee Collins Area Manager , Development Management
Phil McCourt Legal and Governance Interim
Dania Castagliuolo Governance Officer

1. Apologies for Absence

No apologies were received.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest.

3. Minutes of the Previous Meeting Held on 16 September 2013

The minutes of the meeting held on 16 September 2013 were approved as a true and accurate record, subject to the word sunk costs under 'ACTIONS' 1. on page 7 being changed to projected costs.

4. Update on Proposed Ground Mounted and Wind Developments at Newborough, Morris Fen and America Farm

The Executive Director of Strategic Resources introduced the report which provided the Commission with a detailed update on the current business model compared to previous published models and the results of various studies and surveys that had since been carried out.

The following subjects were raised within the report:

- Dual Use Proposals.
- Alternative available land for the Ground Mounted Solar Panels.
- Sensitivities around the two sites near America Farm (Oxney Grange and Flag Fen)
- The future of Council Farms Estate and Tenant Farmers
- Tenant Farmers Strategy and Strategic Working Group
- Clarification of consultations to date and planned
- Details of reports commissioned in relation to ecological and biodiversity concerns

- Financial model robustness
- Financial Risk: Market Volatility
- Planning Conditions Update: Archaeology
- Soil Surveys
- Planning Risk: Public Inquiry
- Planning Risk: Community Engagement
- Legal Implications

The Commission was asked to consider the report and feedback any comments.

Observations and questions were raised and discussed including:

- Councillor Harrington requested permission to record the meeting. His request was approved by the Chairman, the Commission and members of public.
- Mr Richard Olive, Peterborough Friends of the Earth addressed the Commission and commented that Friends of the Earth would like to ensure that the Council's proposals to have Ground Mounted and wind developments at Newborough, Morris Fen and America Farm were sound and would not harm the future reputation of renewable energy. Friends of the Earth had studied the Council's proposed scheme and have drawn the conclusion that the scheme was not economically viable. It was possible to get higher returns through other forms of investment. In summary Friends of the Earth did not believe that the Council was taking the full cost of the scheme in to account. *The Executive Director of Strategic Resources agreed to reply to Mr Olive outside of the meeting. The reply would be circulated to Members in writing.*
- Members commented that that they had been made aware that a Member of the Commission had engaged in a discussion with the Executive Director of Strategic Resources prior to the meeting and had been given the opportunity to send questions to him. Members queried why they did not get the same opportunity to submit their questions prior to the meeting. *The Executive Director of Strategic Resources advised Members that it was a purely opportunistic meeting at the railway station. Due to the number of questions the Member had to ask, the Member was asked to submit the questions in writing to give sufficient time for accurate answers.* Members suggested that in future the Executive Director of Strategic Resources gave this opportunity to all Members.
- Members were concerned that the Council would spend hundreds of thousands of pounds on the project when there was a big risk that the proposal could be refused. *Members were advised that it was only the Morris Fen site that was subject to any decision making by the Secretary of State, therefore there was only one site out of the three which was under the Communities and Local Government's official scrutiny.*
- *The Cabinet Member for Resources informed the Commission that the key reason for this project was to generate income for the Council to protect its services. There was a Government Policy in place of eradicating fuel poverty by 2016. Being able to freeze fuel energy prices for local people would be a very important contribution towards the eradication of fuel poverty.*
- Members queried how the Cabinet member for Resources could be sure that this project would lead to future freezing of energy prices. *The Cabinet Member for Resources advised members that if Peterborough could generate its own income and energy from this project, then the council would be free to set energy prices for local people.*
- *The Executive Director of Resources informed Members that Renewable Obligation Certificate (ROC) would eventually be superseded by Contract for Difference (CfD) . The change in incentive regime would impact the business case, if the projects were delayed sufficiently that the ROC was too low and the projects affected needed to apply for CfD. The Council would monitor this as the project programme progress.*

The latest models assumed that there could be a decrease from £1m to £900k per MWp installed and the 10% difference had been put in to a contingency.

- Members queried whether the recommendation from the meeting held on 16 September 2013 had been considered, which was for Cabinet to take in to account the alternative Plan B option – Dual use possibilities. *The Cabinet Member for Resources advised Members that this recommendation was being looked in to but Cabinet were not currently in a position to bring it to the Commission.*
- Members requested information on alternative available land for PV's brown field buildings. *The Executive Director of Resources advised members that some of the best potential alternatives around the city were largely landfill sites but were found to be unsuitable for Solar Farm installations. There were commercial and private roof spaces that were being investigated as alternatives. The council was also investigating sites outside of the city boundaries.*
- Members commented that 5.4, 5.5 and 5.6 of the report referred to the Council making considerable efforts to ensure tenants of core farming businesses were not unduly affected and where core businesses were affected, they would be offered terms that would enhance their businesses. Members requested confirmation that only one tenant farmer was not prepared to accept the Council's offers of alternative land and longer term security. *The Farms Estate Manager confirmed that the statement in the report was correct. With the other longer term core farms where tenants would be affected, one had been completed, the way forward had been agreed with another and the tenant was currently occupying some of the land he would be moving to and none of the other farms were long term tenancies which would directly affect core businesses.*
- Members requested information on the cost of the Scrutiny Commission's meeting as there were eleven officers in attendance and commented that the consultation process was not included within the report.
- Members requested a written reply to the following questions to accompany the minutes.
- Members queried if the project was called in, would the Council have a judicial review, what would the duration of the judicial review be and how would that effect the model. *Members were advised that if the Secretary of State called in the decision and it went to public enquiry for one year, there would follow a period of six weeks to bring a judicial review which could last around a year (guidance only).. It was noted the Judicial Review procedure had now reduced in terms of time scale.*
- Members queried what the vale was for each site and if America Farm would be in deficit of £60k or come back neutral then why was the Council looking to invest in it. *Members were advised that 100% of the business rates from renewable energy would be given to the Local Authority and not taken by Government.*
- Members commented that they had no confidence in in the delayed scenarios or in continuing with the America Farm project.
- Members queried how the Council was funding this project so far and if the decision got called in by the Secretary of State and a Judicial Review had to take place, how would this effect the Council if the project was called to a halt. *Members were informed that any Capital Scheme as part of the Council's Capital Programme was managed within its overall capital financing rates. If none of the project was implemented then the money would have to come from the Council's Revenue Budget.*
- Members queried how much more money would be spent if delayed options were used by the time any of the project was operational. *Members were advised that the figures ranged from £3.1m with no delay and £3.6m with delay.*
- Members were concerned that the estates were in need of improvements and queried whether these improvements were included within the financial model. *The Farms Estate Manager advised Members that the farms estate was in need of some modernisation and this would be something that would have to be built in to a plan for the agricultural estates in the longer term. The Executive Director of Strategic*

Resources informed Members that the cost of reinstatement was technically built in to the contract as costs that were paid annually, although it was not a direct cost built in to this particular financial model.

- *Members were concerned with part 6.6.6 of the report where it discussed financial risk and did not understand the statement in 6.7.2 regarding mitigation of the risk. The Executive Director of Strategic Resources advised Members that this was implying that since the financial model had been started, more work had been carried out on talking to the big contractors in the market place, therefore this was a forecast of what the asset may be.*
- *Members queried the terminology in part 6.8.1 of the report with regards to America Farm. The Area Manager, Development Management, who is seconded to the project from Planning Services, informed Members that test pits had been dug across America Farm and Newborough and it was confirmed that nothing of archaeological significance was discovered at America Farm despite it being in close proximity to Flag Fen. There were items found at Newborough and reports for these test pits were being processed and they would be submitted to the Council at the end of December 2013. This report would be in the public domain and available to all Members immediately. In the New Year the Local Planning Authority and English Heritage would discuss the next steps.*
- *Members queried whether the trenches had been dug deep enough to the level of the pillars in Flag Fen. Members were informed that the Council's archaeologists and English Heritage were confident that the trenches had been dug deep enough.*
- *Members queried exactly how far down the trenches were dug. The Farms Estate Manager advised members that the trenches went down through the whole of the peat layer, to the clay and the peat was roughly one and a half feet deep. One of the trenches had been five meters wide and two feet deep, this was referred to on page 165 of the report.*
- *Councillor Arculus addressed the Commission and asked for information in the form of a written response on the current value of America Farm, Newborough and Morris Fen. He commented that the Council would benefit more from putting America Farm on the market.*
- *Members queried whether using roof space within the city to position the solar panels had been considered and if there had been any negotiation with the hospital over using their roof space. The Executive Director of Resources advised Members that there were several big roof spaces that could be used. Discussions were required with the building owners.*
- *Members queried if the decommissioning costs were safe and what would happen if the solar panels failed in less than 25 years. Members were advised that the capital costs should deal with the decommissioning of the site at the end of the period. The solar panels would be covered by the contractor's liability guarantee, which covered all defects in the kit and equipment for two years from the date of commissioning.. A separate performance warranty would be provided for the solar panel, guaranteeing the panels performance which would be split in to two parts, for the first 12 and a half years for 90% efficiency and for the second 12 and a half years 80% efficiency.*
- *Members were concerned that the Council was going to commit to a 25 year project which would leave them unable to move forward if technology advanced.*
- *Members were concerned that if the project did not go to plan then the cost would have to be met from revenue, which would affect the Councils front line services.*
- *Members were concerned that grade 1 and 2 agricultural land would be taken out of production to facilitate this project.*
- *Members had a five minute adjournment before returning to make recommendations.*

RECOMMENDATIONS

The Commission recommends that cabinet:

- Immediately stops both options 1 solar and 2 wind for the America Farm project due to the negative income predicted for the delayed project
- Stops the solar panel option on all three sites (America Farm, Newborough and Morris Fen) due to the significant total expenditure of £296 million, a poor return of £21 million net income and a Net Present Value figure of only £10.5 million

ACTIONS

The Commission agreed that the Executive Director of resources:

- Talks with Mr Olive outside of the meeting regarding issues raised and informs the Commission of the outcome in writing.
- Advises the Commission on the cost of having 11 Officers in attendance for the meeting.
- Provides members with written replies to all questions asked at the meeting.
- Provides a valuation of the land which would be used for the project.
- Provides information on the Net Profit Value for each site.

The Commission agreed that the Area Manager of Development Management in his seconded role:

- Send a briefing note to the Commission regarding the depth of the poles for the solar panels.

The meeting began at 7.00pm and ended at 9.30pm

CHAIRMAN

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