

## **MINUTES OF CABINET MEETING HELD 24 FEBRUARY 2014**

### **PRESENT**

**Cabinet Members:** Councillor Cereste (Chairman), Councillor Holdich, Councillor Eley, Councillor Fitzgerald, Councillor North, Councillor Scott and Councillor Seaton.

**Cabinet Advisers:** Councillor Casey, Councillor Dalton, Councillor Goodwin and Councillor Todd.

### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Walsh.

### **2. DECLARATIONS OF INTEREST**

Councillor Dalton declared a pecuniary interest in item 4, Update on Proposed Ground Mounted Solar and Wind Farms at America Farm, Morris Fen and Newborough, and stated that he would leave the meeting room whilst the item was under discussion.

### **3. MINUTES OF THE MEETING HELD 3 FEBRUARY 2014**

The minutes of the meeting held on 3 February 2014 were agreed as a true and accurate record.

### **ITEMS FROM SCRUTINY COMMITTEES AND COMMISSIONS**

#### **4. UPDATE ON PROPOSED GROUND MOUNTED SOLAR AND WIND FARMS AT AMERICA FARM, MORRIS FEN AND NEWBOROUGH**

Cabinet received a report following a Scrutiny Commission for Rural Communities meeting held on 16 December 2013. The purpose of the report was for Cabinet to consider the recommendations arising from the Rural Commission meeting and to agree a way forward for the three energy parks. The recommendations from the Scrutiny Commission requested that Cabinet:

- i) Immediately stops both options (1) solar and (2) wind for the America Farm project due to the negative income predicted for the delayed project; and
- ii) Stops the solar panel option (1) 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'.

The report further provided Cabinet with an update on:

- i) An update of the latest financial projections for the three sites;
- ii) The latest position on survey results etc. at the America Farm site; and
- iii) The feedback received to date as part of the budget consultation launched at the 3<sup>rd</sup> February Cabinet meeting.

The Chairman advised that Councillor David Harrington, Ward Councillor for the Newborough Fen site, was present and had been permitted time to address Cabinet. In summary, key points of concern were highlighted as follows:

- Arable farmland needed to be protected in order to secure future food source. Reliance could not be placed solely on food coming in from abroad;
- Agricultural industry should not be disregarded as some other industries had been, such as engineering and nuclear technology;
- The Council needed to support the tenant farmers, and there were many ways this could be achieved such as through education and seeking joint ventures with other partners, for example in the likes of bio fuel production;
- This assistance would help to keep the land in production and to secure agricultural skills for the future;
- Renewable energy came in many forms and should be for the benefit of all, not at the expense of others;
- The project posed a major risk to the Council's reputation and services and it was unbelievable that the report proposed to ignore the concerns of the Scrutiny Commission;
- The success of the venture was not guaranteed and it would not be prudent to take a £250 million loan in order to fund such a risky venture;
- If the recommendations were approved, the Council would have to find at least £78.24 million in order to service the debt, causing further hardship to Peterborough; and
- It was Councillor Harrington's understanding that a cross party working group was being initiated to look at the proposals in detail and the financial implications across all three sites.

Councillor Seaton introduced the report and addressed the recommendations arising from the Scrutiny Commission. An overview of the updated financial position relating to the America Farm site was provided, taking into account revisions to costs following further consultation with the market, through advisors and other developers. The outcome of the revisions now showed that the net income to the Council could be forecast as £5.9m over the 25 years, in comparison to the previous position shown of only £1.2m.

Further key points were highlighted including confirmation from a soil survey that the land at America Farm was grade 3a and not grade 1 as older records had indicated; the Council gaining vacant possession of America Farm through the tenant surrendering his lifetime tenancy; the Council had assigned £3m to the cost of the grid connection which was deemed sufficient; the overall improved financial position on ground mounted schemes; the sensitivity of the financial viability of the proposals for the whole solar farms project under on time scenarios; and an overview of the budget consultation responses which highlighted very few responses received with very little opposition.

In summarising, Councillor Seaton requested that Cabinet agree that the project at America Far be progressed and taken forward to a Planning Committee and that further consultation on the future development options for Morris Fen and Newborough projects be undertaken with farmers, individuals and key stakeholders. A report on the outcome of which would be brought back to a future meeting for decision.

Cabinet considered the report and **RESOLVED:**

1. That the project at America farm be progressed and taken to a planning committee for a decision subject to the satisfactory resolution of the outstanding English Heritage issues;
2. That further consultation on the future development options for Morris Fen and Newborough projects be undertaken with farmers, individuals and key stakeholders;

3. And that a report be brought to the March Cabinet meeting to determine a way forward for these two sites; and
4. That at this stage the MTFS figures remain as set out in the budget report.

### **REASONS FOR THE DECISION**

Continuing with the solar farm at America Farm and subsequent successful completion would realise for the Council a net income of £6.64m over the 25 year period.

Continuing with the Option (1) Solar Farm only development and if successfully completed would realise for the Council a net income of between £93.62m and £86.67m over the 25 year period.

### **ALTERNATIVE OPTIONS CONSIDERED**

#### **America Farm**

- i) Do not progress the energy park.

#### **Morris Fen and Newborough**

- i) Do not progress the ground mounted solar only option; and
- ii) Do not undertake further engagement and consultation work.

### **STRATEGIC DECISIONS**

#### **5. FUNDING PETERBOROUGH'S FUTURE GROWTH**

Cabinet received a report which included detailed proposals for the delivery of growth and regeneration schemes in Peterborough and for the Council's involvement in those schemes. In summary, the report sought Cabinet's approval to:

- i) Establish a 50:50 joint venture company with a new Peterborough Investment Fund to prepare viable and consented development schemes for a series of sites;
- ii) Participate in the governance of the Peterborough Investment Fund through representation of the Fund's Investment Committee and Management Board;
- iii) Grant Option Agreements on the sites as listed within the report, to the Peterborough Investment Fund;
- iv) Approve the future Council office consolidation plan described in the report and enter into an Agreement for Lease with the Peterborough Investment Fund for new administrative offices to be developed on Fletton Quays; and
- v) Recommend to Council that the Treasury Management Strategy is amended to permit investments in Collective Investment Schemes to enable the Council to participate in the profits of the Peterborough Investment Fund, if it chose to do so.

The Chairman advised that work on proposals for a Joint Venture had been taking place since 2009 and it was an incredible opportunity for the city which would provide funding for delivery growth schemes. The investment would ensure that the city thrived, with continued growth in new jobs and homes.

The Director of Growth and Regeneration provided Cabinet with a further detailed overview of the report's main aspects including the significant challenges faced within the city; the Council's growth delivery arrangements following a series of measures agreed by Cabinet in December 2009 in the report entitled 'Peterborough's Growth Delivery Arrangements' which aimed at driving forward the city's growth ambitions in the wake of the economic downturn that began in 2007 and a summary of the

proposed model and how it would work going forward, including redevelopment of a number of council owned sites and Council office consolidation into a purpose built building on Fletton Quays.

Cabinet debated the report and comments and responses to queries included:

- There would be no funding from Government going forward, therefore those involved in the development of the scheme should be congratulated on the work undertaken;
- The role of Opportunity Peterborough would change to enable more focused economic development activity, skills and marketing of the city to businesses and investors;
- Once the fund had been established, information regarding investors into the fund would become available once the business had been listed on the stock market.

Cabinet considered the report and **RESOLVED** the following:

In order to facilitate the establishment of a Peterborough investment Fund to bring forward development through £130m of external investment, Cabinet is recommended to **approve**:

- (1) The business case for an investment joint venture as attached at Appendix 1 to the report;
- (2) The establishment of a Joint Venture Company with a Fund regulated by a UK registered fund manager with a 50% equal shareholding for each party;
- (3) Investment of £3m funded from the existing capital programme, representing the value of the 50% shareholding in the joint venture company and match funded by the Fund;
- (4) Granting of Option Agreements in favour of the Fund on the sites listed within this report, and to be included in the asset disposal list to be agreed by Council as part of the Capital Strategy;
- (5) An Agreement for Lease with the Fund for the development of offices on Fletton Quays.

Cabinet **RECOMMENDED** to Council:

- (6) Amendments to the Capital Strategy and Asset Management Plan as part of the Medium Term Financial Strategy to be approved by Council to include the revised capital programme, the sites listed in this report on the asset disposal list and the approach to granting Option Agreements;
- (7) Amendment to the Treasury Management Strategy as part of the Medium Term Financial Strategy to be approved by Council to allow the Council to elect to take the benefit of land transfers as units in the fund; and
- (8) Amendment of the Constitution 'Appointments to external organisations' to include the joint venture company and the Fund within the 'key partnerships category' to enable the Leader to appoint members to
  - a. the Board of the Joint Venture Company
  - b. the Fund investment committee
  - c. the Fund management board

Cabinet **DELEGATED** authority to the Director of Growth & Regeneration, in consultation with the Leader of the Council, the Director of Governance and Executive Director of Resources, to:

- (9) Agree the fund investment criteria, shareholders agreement and all other necessary documents to establish the joint venture company and the agreements with the Fund; and
- (10) Authorise the creation of additional organisations such as limited companies, or limited liability partnerships (a council wholly owned company) to hold any dividend bearing units in the Fund.

Cabinet **DELEGATED** authority to the Director of Governance, in consultation with the Executive Director of Resources, to:

- (11) Agree the terms of the Agreement for Lease and to execute the transfers of land in response to the exercise of the Option Agreements by the Fund.

## **REASONS FOR THE DECISION**

The proposals within the report offered the Council an opportunity to unlock significant investment to help bring forward key city centre regeneration sites, allowing the Council to further the city's growth and regeneration with minimal additional investment whilst delivering potential financial and other benefits to the Council and the city.

## **ALTERNATIVE OPTIONS CONSIDERED**

### **i) Use of prudential borrowing**

The Council had the ability to obtain finance directly from the Public Works Loan Board at preferential rates of interest. It could choose to borrow in this way and invest in some specific growth projects, either itself or through financing of a wholly owned delivery model.

There were, however, limitations to this approach that limited its attractiveness. For example, most of the schemes that the joint venture would enable would not create operational Council buildings on Council land. They were schemes for the city, not for the Council, and would not be schemes the Council would normally fund from borrowing.

There was also a cost to borrowing finance in this way, and the nature of regeneration schemes tended to result in significant upfront costs and delayed returns, so were the Council to take this approach there would be a period of time where it was paying a substantial interest charge without receiving income or receipts from a sale of capital assets that a scheme created to offset this. It would also mean that the Council was taking on 100% of the risk in the development. With the Council forecasting a budget deficit in 2015/16 of £18m, this approach would be extremely difficult.

### **ii) Traditional Local Asset Backed Vehicle**

A Local Asset Backed Vehicle (LABV) was a partnership or joint venture between a public body and a private sector investment partner, normally over the medium or long-term. The public partner generally inputted assets, with the private sector partner providing finance and technical expertise. In the past, there had been some high-profile examples created in the UK, but they were now less favoured. For example, the private sector firm that created the first UK LABV with Croydon Borough Council, John Laing, announced in January 2013 it would not be involved in any future partnerships.

The level of delivery of schemes by LABVs had been lower than expected. Where they worked best was where there were 'oven-ready' schemes and it was clear how to get the best out of specific sites. Peterborough had a number of complex regeneration sites that were not well-matched to this approach. LABVs, by their

nature, also tended to be constrained to work on sites the relevant public body had transferred to them, whereas the JVCo proposed here would be free to work more widely if it was Board approved.

### **iii) Allow the market to drive growth**

Whilst the UK economy was slowly recovering, it remained fragile. There were still many difficulties around bank lending and financing options that restricted the ability of the market to deliver growth projects. Peterborough had a number of key strategic sites, such as Fletton Quays, which failed to come forward during the height of the economic boom. With significantly less public sector subsidy available today and more difficulties in raising private finance, relying on the market alone could be a significant risk. Despite Peterborough's recent development successes, the market would also want to cherry-pick the easier, lower risk sites and leave the more difficult ones, of which the city had a number.

## **6. BUDGET 2014/15 AND MEDIUM TERM FINANCIAL STRATEGY TO 2023/24**

Cabinet received a report as part of the Council's agreed process for integrated finance and business planning.

The purpose of the report was to recommend to Council budget proposals for 2014/15 through to 2023/24, in line with the final local government finance settlement for 2014/15 and in advance of some Department for Education specific grants being finalised. The Medium Term Financial Strategy (MTFS) was presented at the meeting of Cabinet held on 3 February 2014 and remained the basis for Cabinet to recommend the budget for approval by Council. The report was supplemented with the MTFS and budget consultation and was due to be refreshed to include the updates contained within the report, for Council on 5 March 2014.

The report further provided an update on the budget consultation responses received so far, recognising that the consultation remained open until 4 March 2014 and that some meetings with key stakeholder groups had yet to take place. In addition, the report had regard to the revised budget timetable approved by Council at the meeting held on 4 December 2013

Councillor Seaton introduced the report and in the first instance acknowledged the number of consultation responses received, thanking all those involved and the hard work undertaken by officers in the development of the document.

Further key points highlighted by Councillor Seaton included the substantial number of consultation responses received in relation to the Children's Centres and St Georges Hydrotherapy Pool; the reduction in grant by nearly £44m in 2015/16; evidence of investment in the city including Peterborough having one of the lowest shop vacancy rates in the country; GSCE results in Peterborough being the sixth most improved in the county; an independent report of UK cities highlighted that Peterborough was the UKs fastest growing city and had the second highest private sector employment growth and the fifth highest housing stock growth; Peterborough had the sixth lowest council tax in the country and it was proposed to freeze the level for the next two years.

In summarising, Councillor Seaton advised that the budget proposed struck the right balance between supporting vulnerable people and minimising the impact on services, whilst also meeting the financial challenges and placing the Council on a sound financial footing moving forward and improving the city for all residents.

Councillor Seaton further added that he had an update on the Hydrotherapy pool. Following feedback from the Disability Forum and the recent petition received, Cabinet remained committed to trying to find a future solution for the users of St Georges Hydrotherapy Pool.

It remained unclear as to whether there was a long term future for the pool given the high levels of maintenance and repair that the site required, however all avenues would be explored and the Council would continue to keep the facility open beyond April, whilst working with others to consider future options. It was advised that a number of Councillors had pledged Community Leadership Fund money in order to keep the pool open for around another three months.

The Council would work with the user group and other interested parties to try and find alternative funding for the remainder of the year, including support from Health and other funding and grants which may be available. The search for funds would also identify whether such funding could be maintained into a second year, again maintaining the services whilst longer term options were considered.

Cabinet was therefore asked to agree in principle to keep the Hydrotherapy Pool open for a maximum of two years subject to necessary income and funds being raised to fund the service, including discussions with the Health and Wellbeing Board, and the facility not requiring capital investment during that period. Furthermore, Cabinet was requested to approve the Budget and MTFs in the report, as amended by the recommendations in the 'Funding Peterborough's Future Growth' report as the basis for consideration by Council on 5 March 2014.

Cabinet debated the report and comments and responses to queries included:

- It was requested that there be an amendment to the proposal in respect of the Hydrotherapy Pool to reflect that financial support from the NHS would be required;
- The Youth Council was to be acknowledged for their involvement and questions at one of the consultation events;
- It was requested that 'Recreation' be added to the priority for 'supporting the city's culture trust Vivacity to continue to deliver arts and culture *and recreation*'. This would encompass the sport aspect, which would ultimately support the healthy option, supporting the preventative agenda;
- The investment that the Council continued to make in Children's Services was to be acknowledged and the extremely sensitive and efficient way in which the recent cases, as heard at the Old Bailey, had been dealt with;
- The essential frontline services, both in Children's Services and Adult Social Care, which continued to be funded, unquestioned;
- There had been no proposals put forward in Children's Services or Adult Social Care that would in any way put people at risk; and
- The feedback from the External Auditors had been positive and complimentary particularly in relation to the standard of the working papers.

Following debate, the Leader wished for it to be put on record that, in relation to the recent cases heard at the Old Bailey, the Cabinet thanked all of the staff members who had been involved in bringing the issues to light, dealing with them so efficiently and protecting the lives of the young girls involved.

Cabinet considered the report and **RESOLVED** to:

1. Have regard to the consultation feedback received to date and statutory advice detailed in the report when determining the budget recommendations, noting that consultation remained open and further update would be provided at the Cabinet meeting and to the council meeting;
2. Agree that the budget proposals contained in the report to Cabinet on 3 February, updated for items in the current report and **as amended by the recommendations**

approved within the 'Funding Peterborough's Future Growth report, be approved and recommended to Council on 5 March 2014, namely:

- a) The revenue budget for 2014/15 and the medium term financial strategy to 2023/24, set in the context of the sustainable community strategy;
- b) The capital programme for 2014/15 to 2023/24, and associated capital strategy, treasury management strategy and asset management plan;
- c) The council tax freeze in 2014/15 and 2015/16 with indicative increases for planning purposes of 2% for 2016/17 to 2023/24;
- d) The proposals for setting fees and charges for 2014/15
- e) The reserves position including the current budget monitoring forecast;

and that a complete MTFFS document would be presented to Council.

3. Note the approved and submitted declaration of the surplus on the Collection Fund with regards to business rates for 2013/14 and the business rates forecast for 2014/15;
4. Approve the discretionary retail relief scheme to businesses and the discretionary reoccupation relief scheme for 2014/15;
5. Have regard for the continuing uncertainty of national public finances, the impact that dwelling and business growth locally will have on future funding arrangements; and
6. Recognise the challenge to close a significant forecast gap of £18m in 2015/16 and also the further gaps in later years.

Cabinet **FURTHER RESOLVED** to agree, in principle, to keep the Hydrotherapy pool open for a maximum of two years, subject to:

1. The necessary income and funds being raised to fund the service, including financial support from the NHS; and
2. The facility not requiring capital investment during that period.

#### **REASONS FOR THE DECISION**

- i) The Council must set a lawful and balanced budget;
- ii) The Council is required to set a Council Tax for 2014/15 within statutory prescribed timescales and in accordance with the local referendum requirements contained within the Localism Act 2011; and
- iii) Before setting the level of Council Tax, the Council must have agreed a balanced budget.

#### **ALTERNATIVE OPTIONS CONSIDERED**

Alternative levels of Council Tax increase and areas for growth/savings could be considered but this must be seen in the context of the Sustainable Community Strategy and other constraints, along with the loss of council tax freeze grant that any increase would lead to.

Chairman  
10.00am - 10.55am