

| | |
|-------------------------|--------------------------|
| CABINET | AGENDA ITEM No. 5 |
| 23 FEBRUARY 2015 | PUBLIC REPORT |

| | | |
|--------------------------------|--|-------------------|
| Cabinet Member(s) responsible: | Cllr Gavin Elsey, Cabinet Member for Street Scene, Waste Management and Communications | |
| Contact Officer(s): | John Harrison, Executive Director Resources | Tel: 01733 452520 |

FUTURE OF WIND AND SOLAR PROJECTS

| | |
|--|----------------------------|
| R E C O M M E N D A T I O N S | |
| FROM : John Harrison, Executive Director Resources | Deadline date : n/a |
| <ol style="list-style-type: none"> 1. That Cabinet approves the cessation of the solar/wind projects at the Farms of Newborough and Morris Fen and the two planning applications be withdrawn. 2. That in respect of America Farm project a further report be presented to Scrutiny when the costs of grid connection have been established and a final business case can be considered. 3. That in line with the Council's budget strategy all cost be written off on the basis of a worst case scenario that the remaining scheme does not proceed. | |

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following an internal review by officers and consideration by the Cabinet Member.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to consider the way forward in respect of the two wind and three ground mounted solar PV projects namely:
- Farms of Newborough (wind and solar)
 - Morris Fen (wind and solar)
 - America Farm (solar only)
- 2.2 In October 2014, it was stated that Cabinet would receive a report that the plans for wind and solar schemes at Newborough Farm and Morris Fen in Thorney are to be ceased. Final evaluations are currently taking place to determine whether the third scheme at America Farm should progress.
- 2.3 At full Council on 8 October 2014 a motion was debated:

'That this Council recommends that the Cabinet halt the solar farm project in Northborough, Thorney and Eye with immediate effect. With the overwhelming local opposition to this project and the political realities within the Department for Communities & Local Government it is now the consensus that the time is right to call a halt to this project. At a time of serious financial difficulties it is the right time to release Council resources from a project that has been stalled for too long and is unlikely to be delivered at all.'

This motion, following debate, a vote was taken (24 for, 4 against, 17 abstentions) and the

motion was **CARRIED**.

2.4 The Council's published budget strategy for consultation is set out below:

The financial impact on the Council's budget has been based on the worst case scenario which is as follows:

1. *That none of the schemes will receive approval and all project costs are charged to the capacity building reserve; and*
2. *That all net costs and income are removed from the budget and medium term financial plan.*

2.5 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3 to take a leading role in promoting the economic, environmental and social well-being of the area.

3. **TIMESCALE** (If this is not a Major Policy item, answer **NO** and delete second line of boxes).

| | |
|---|-----------|
| Is this a Major Policy Item/Statutory Plan? | NO |
|---|-----------|

4. **PROPOSED WAY FORWARD FOR THE TWO WIND AND THREE GROUND MOUNTED PROJECTS**

4.1 **BACKGROUND**

Attached at Appendix 1 are the list of the reports that have been considered to date and their recommendations.

4.2 **FARMS OF NEWBOROUGH AND MORRIS FEN**

4.2.1 On 2 October 2014 the Government announced that support for large scale solar projects will be scrapped from April 2015. This is on the back of changes to national planning guidance on wind and solar schemes, national funding uncertainties for onshore wind schemes and local opposition to the proposed solar farm schemes, which have severely hampered the Council's ability to generate income from the projects.

4.2.2 Also taken into consideration was the report from the Solar and Wind Energy Review Group which was presented to the Cabinet meeting on 22 September 2014. Since that meeting further discussion has taken place around the areas identified by the review group which include delays which may be encountered by the Government calling in planning decisions relating to renewable energy projects; the impact of reductions in subsidy; and a slowing or reducing sale rate of energy.

4.2.3 In the light of all these factors it is recommended that the wind and solar schemes at these locations should not progress and the planning applications in respect of each be formally withdrawn (planning application numbers 12/01906/R3FUL and 12/01905/R3FUL respectively).

4.3 **AMERICA FARM**

4.3.1 The factors associated with the reasons for not progressing with the other two schemes are not applicable to this project and whilst the final scheme will be subject to the normal rigours of the planning process, it is believed that this scheme should progress to the next stage of the business case.

4.3.2 **Agricultural grading and land use**

The Council has commissioned a soil survey in accordance with DEFRA guidance which confirms the land to be grade 3a and not grade 1 as older records indicated.

The report adds that installation of a solar array would not result in permanent loss of agricultural land.

During the 25 year lifetime of the solar array, the land could be grassed down and grazed by sheep. Sowing with grass would reduce further peat decomposition also potentially reducing the release of trapped carbon within these soils into the atmosphere, and well managed grazing combined with sowing with appropriate grass seed mixes could be beneficial to long term soil fertility and the biodiversity of the site.

4.3.3 Planning

The original proposal, under planning application reference number 12/01904/R3FUL which has still to be formally determined by the Local Planning Authority (LPA), is for the installation of up to 8MW solar farm on America Farm.

An overview of the planning issues is attached at Appendix 2.

4.3.4 Determination by the Local Planning Authority (“LPA”)

The LPA, whether through delegation to the Planning and Environmental Protection Committee, or by delegation to Officers, must take decisions on planning applications in accordance with the development plan unless material considerations indicate otherwise. The LPA must only take into account material planning considerations, which can include public views where they relate to relevant planning matters. Local opposition or support for a proposal is not in itself a ground for refusing or granting planning permission, unless it is founded upon valid material planning reasons.

The Council's Constitution provides that planning applications which are likely to be of significant public interest may be determined by the Planning and Environmental Protection Committee, and it is proposed that this application will be determined by the Planning and Environmental Protection Committee.

In addition, the Secretary of State is monitoring the Council's current applications, including this one, and may choose to exercise their right to call in the application for determination.

4.3.5 Landlord

- a) The Council has gained vacant possession of America Farm through the tenant surrendering his lifetime tenancy. The short-term farm business tenancy granted to the tenant for a one year period to allow time to wind down his business has now come to an end. A tenancy to an adjoining owner has been agreed for the period of six months from the 1 October 2014 to provide security for the site. There will be a new tenancy available as part of the development including grazing if it goes ahead.

Whilst further work is undertaken on the business case, the land is to be offered to existing Council farm tenants and other known local farmers on a short-term tenancy for production of a crop this summer.

- b) The land at Newborough and Morris Fen would remain in agricultural use.

4.3.6 Financial

There is a need to review the overall size of the scheme following the government subsidy announcement for large scale ground mounted schemes (>5MW). Whilst this announcement provides certainty in the future it does mean that the optimal size of the scheme is likely to

be 5MW, subject to further financial assessment. The 7.2MW planning application will allow flexibility subject to this financial assessment.

The impact of this will require further modelling to consider the viability of the scheme but this cannot be completed until the technical work has been concluded and we have agreement from the statutory consultees. The financial impact on proceeding with the next stage of the process is outlined in para 9.1.4.

4.3.7 Technical

The grid in this area of the city has limited capacity and originally the three schemes had made allowance for £20m of grid costs particularly due to the nature and size of the other two potential solar developments. A separate stand-alone connection for Americas Farm had previously been considered, but UKPN have since advised that this is no longer technically viable. A request for an estimate of grid connection costs was obtained from UKPN in 2014. UKPN estimated a cost of £14.9m because severe operational constraints on the distribution network around Peterborough meant that a 38km long connection to Walpole grid sub-station would be required to take power generated by the project, in addition to a new 33/132kV transformer.

This could obviously not be contained within the scheme cost of viability and as such the Council has explored three alternative options.

- a. **UKPN 'PLUG AND PLAY'** this has been piloted in March and Norfolk and in effect provides for substantially reduced grid upgrade costs in return for UKPN having the right to suspend operation of electricity generators when necessary to prevent overloading of the network. Discussions are continuing to determine whether this is a feasible option and the timescales for rollout to the area.
- b. **CENTRICA.** This would involve connecting into the power station. Discussions are in progress.
- c. **GREEN ENERGY PARKS.** The development is currently in progress and the Council is exploring the feasibility of connecting into its grid connection.

5. CONSULTATION

- 5.1 The reports set out at Appendix 1 provide an overview of the significant consultation and discussions to date.
- 5.2 Given the motion debated by full Council on 8 October 2014 and that this report's first recommendation accords with that motion, it is not believed that any further consultations is needed on the proposed cessation of the Farms of Newborough and Morris Fen schemes.
- 5.3 It is proposed that the final business case for the America Farm solar scheme will be presented to Scrutiny prior to any consideration by Cabinet. This would be in advance of any planning committee consideration.
- 5.4 Furthermore, prior to any planning addendums being submitted, Council will hold additional "developer consultations" where the Council will update the communities directly impacted by the proposals to inform of them of progress, current status and to respond to any direct queries from members of the public.

6. ANTICIPATED OUTCOMES

- 6.1 Agreement to:
 - Cease the Farms of Newborough and Morris Fen solar and wind schemes; and
 - Allow the America Farm solar scheme to proceed to next stage following resolution of grid connection matters

7. REASONS FOR RECOMMENDATIONS

- 7.1 That the Farms of Newborough and Morris Fen schemes be ceased as a result of local opposition, planning and financial considerations.
- 7.2 That in view of the potential resolution of grid connection issues and financial viability of the project, the America Farm solar scheme be subject to further evaluation of planning, technical and financial considerations before a business case be presented.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The Farms of Newborough and Morris Fen solar and wind schemes be progressed. This is not deemed to be feasible due to the implications identified in this report. It is also not feasible to consider a reduced scheme in these locations for wind and/or solar for the same reasons.
- 8.2 That the America Farm solar scheme should not progress further and not be subject to final evaluation. However, the scheme is a potentially viable one and at this stage further evaluation regarding the grid connection and associated costs needs to be conducted before any final decision should be made.

9. IMPLICATIONS

9.1 Financial

A) GENERAL:

- 9.1.1 As part of the budget consultation phase 2 proposals published on Friday 9 January 2015, Cabinet made the following statement in respect of the three wind and ground mounted projects:

Wind and Solar Farms

Previous budget plans included income from the energy generated from the development of two wind and three solar farms. It was flagged at that time that if the projects did not go ahead then the budget gaps we face would widen.

On 2 October 2014, the Government announced that support for large scale solar projects would be scrapped from April 2015. This was on the back of changes to national planning guidance on wind and solar schemes, national funding uncertainties for onshore wind schemes and local opposition to the proposed solar farm schemes. Also taken into consideration was the report from the Solar and Wind Energy Review Group which was presented to the Cabinet meeting on 22 September 2014.

As a result, Cabinet announced on 7 October 2014 that it was to halt the renewable schemes at Newborough and Morris Fen. A motion was also put forward to Council on 8 October 2014 to halt these schemes.

Final evaluations are currently taking place to determine whether the third scheme at America Farm should progress. It is anticipated this will be reported to Cabinet in this municipal year together with the decision to cease the projects at Newborough and Morris Fen.

The financial impact on the Council's budget has been based on the worst case scenario which is as follows:

- 1. That none of the schemes will receive approval and all project costs are charged to the capacity building reserve; and*
- 2. That all net costs and income are removed from the budget and medium term financial plan.*

There is a one-off benefit in 2015/16, when project costs were expected to be higher than the income generated. There is however a significant budget pressure of £1,263,000 in 2016/17, rising to over £5m from 2018/19 onwards – this is because the net profit will no longer accrue from the schemes.

| <i>Issue</i> | <i>2015/16 £k</i> | <i>2016/17 £k</i> | <i>2017/18 £k</i> | <i>2018/19 £k</i> | <i>2019/20 £k</i> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>Removal of expected net profit from wind and solar farms</i> | -419 | 1,263 | 4,810 | 5,295 | 5,769 |

The table above is a forecast of future net profits and does not represent actual cash flow.

- 9.1.2 Normally capital costs are spread over the life of a specific scheme. If a scheme does not proceed all costs incurred on that scheme are met straight away. Attached at Appendix 3 are the schedule of costs analysed by project, nature of the costs and the source. These costs will be met from reserves the impact of which has already been incorporated into the Medium Term Financial Strategy.
- 9.1.3 In respect of the planning fees it should be noted that the fees paid to the Council for the three schemes total £454k. The cost of planning service dealing with the applications was £32k beyond the existing budgeted costs of the planning service. The Council has therefore made a profit of £422k which led to an improved financial position of the Council's budgetary outturn in 2013/14.
- 9.1.4 The scheme at America Farm awaits the outcome of the evaluation regarding options for a viable grid connection. The forecast costs for concluding the evaluation and other works including environmental studies £65k. If the scheme does not go ahead these costs will need to be met from existing budgets and not spread over the life of the scheme.

B) EXTERNAL AUDIT MATTERS:

- 9.1.5 PWC as part of their external audit work for 2013/14 looked over the schemes following matters raised by an elector. This work is summarised below:

What PWC investigated

We looked at this as 'targeted work' as part of our work on Use of Resources.

What PWC concluded

We gave an unmodified conclusion (i.e. unqualified) on Use of Resources.

Impact it had on final accounts

We completed the targeted work on Use of Resources in relation to this matter. No formal detailed objection in relation to 2013/14 was received from the elector. As a result we were able to issue our completion certificate in relation to our work for 2013/14.

Cost of the investigation

Additional work was required in considering the matter raised, meeting with the person to discuss the matter and our role as auditors and undertaking the targeted work as set out above. This has meant that costs over and above the scale fee have been incurred. The costs in relation to this element of our work amount to £8,235.

9.1.6 The Council spent £38k in providing information to the external auditor in support of their dealing with the matter raised by the elector.

9.2 **Legal**

9.2.1 Section 11(3) of the Local Government (Miscellaneous Provisions) Act 1976 had provided that local authorities may sell energy but only that produced from a heat source. This restriction was removed by The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 (SI 2010/1910) thereby allowing local authorities to sell energy they produce from renewable energy sources back to the national electricity grid. This change came into force on 18 August 2010. "Renewable energy sources" includes energy from wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogases, and thus encompasses the wind and solar options referred to within this Report.

America Farm was originally purchased to be used for agricultural use. In order for the land to be used for the purposes of a solar farm, the land will need to be appropriated for such use in accordance with s.122 Local Government Act 1972. In order to appropriate the land it will be necessary to establish that the land is no longer required for the purpose for which it is held immediately before the appropriation. It is intended that appropriation of the land will be considered following the grant of planning permission for the project. Once planning has been obtained a further report will be presented to Cabinet to consider appropriation of the land.

It is noted that Councillor Cereste and Councillor Holdich both have pre-declared interests in this matter and will not be taking part in any discussion or voting in connection with the matters contained in this report.

9.3 **Strategic Priorities: Environment Capital**

The proposals support the Council in its aspiration to become home of Environment Capital.

9.4 **Property**

The Sustainable Growth and Environmental Capital Scrutiny Committee are currently preparing a draft Strategy for the Retention and Development of the Farms Estate that will be presented to Cabinet of consideration.

10. **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

This page is intentionally left blank