

NORTH ANGLE SOLAR FARM PROGRESS UPDATE

To: Commercial and Investment Committee

Meeting Date: 20 March 2020

From: Steve Cox, Executive Director - Place and Economy

Electoral division(s): Soham South & Haddenham

Forward Plan ref: N/a **Key decision:** No

Purpose: To report progress on the North Angle solar farm project.

Recommendation: Committee is asked to:

- a) Note progress with the project
- b) Note the expenditure of the additional development budget of £500,000 as set out in paragraph 2.1

<i>Officer contact:</i>		<i>Member contact:</i>	
Name:	Claire Julian-Smith	Name:	Councillor J Schumann
Post:	Programme Manager – Energy	Post:	Chair
Email:	Claire.julian-smith@cambridgeshire.gov.uk	Email:	joshua.schumann@cambridgeshire.gov.uk
Tel:	01223 715349	Tel:	01223 706398

1. BACKGROUND

- 1.1 At the 18 January 2019 Commercial and Investment Committee meeting, a development budget of £600,000 for an Investment Grade Proposal (IGP) for an energy project at North Angle farm (previously referred to as Mere Farm) was approved.
- 1.2 In October 2019 Commercial and Investment Committee were made aware of the grid connection deposit payment of £500,000 required by UK Power Networks (UKPN). Approval was given to move the cost from the implementation phase to the project development phase and consequently increase the development budget to £1,100,000.
- 1.3 Work is continuing to compile a full planning application, ready for submission in May. This includes the completion of a number of land and biodiversity surveys, a proposed design layout and community engagement. Peterborough Environment City Trust (PECT) have been appointed to provide community engagement support for the project. They will seek the views of local residents, businesses and other stakeholders; providing an important feedback loop between the community and the project team.

2. MAIN ISSUES

- 2.1 **Project development costs** – the development budget of £1.1million was originally broken down into £600,000 to develop the Investment Grade Proposal (IGP) including all planning costs and £500,000 for the connection deposit to UKPN. The connection deposit payment has come through at a lower cost but the planning costs have increased substantially, as a result of the Environmental Impact Assessment (EIA). It is proposed that the savings on the grid connection deposit are redeployed to support the additional planning and crop compensation requirements set out in paragraphs 2.2, 2.3 and 2.4 below. This is all manageable within the current £1.1.million development budget.
- 2.2 **Planning** – Pre-application planning advice identified a requirement for an EIA. The additional planning requirements to meet the EIA, that were not anticipated when the business case was first produced, has resulted in additional costs of around £170,000. The most significant element of this is the archaeological evaluation at a cost of almost £100,000. The survey work involves the trenching of 3% of the proposed site (see **Appendix A**), which began at the end of February 2020. The Historic Environment Team have visited the site and have advised that the number of trenches needing to be excavated across the site can be reduced – due to lack of archaeological remains present. This has reduced the number of trenches required to 107, from 193 (each measuring 50m x 2m), which is anticipated to reduce the cost of the work.
- 2.3 Given the intrusive nature of this work and the impact on the land, the tenant farmer has agreed to an early surrender of the lease and negotiations are taking place between the Council's Rural Estates team and the tenant to agree a crop compensation payment. (Further details are included in the confidential **Appendix B**).
- 2.4 **Grid Connection** - In December 2019, a grid connection was secured with the payment of a £200,000 deposit to UKPN (in contrast to the anticipated £500,000 payment stated in paragraph 1.2). This reflects that a cheaper grid connection option is being pursued,

compared to the original offer, and that reported to C& I Committee in July 2019. For comparison, the costs are detailed below:

Table 1 – Changed grid connection costs

Date	Grid Connection Costs		
	Non-contestable Costs (£ excl. VAT)	Contestable Costs (£ excl. VAT)	Deposit required (£ excl. VAT)
July 2019	1,679,665.41	6,137,554.35	500,000 / 200,000
March 2020	1,430,347.05	3,361,552.84	200,000 - paid.

To enable the grid connection to be progressed and for the variation for the cheaper option to take place, acceptance was required of the original offer. To minimise risk, the deposit paid was based on the assumption that UKPN undertake the noncontestable works only. No further deposit will be required. It is intended that the £300k difference between the expected and the actual grid connection deposit payment will be used to cover the additional planning costs for work related to the EIA, additional planning costs for a PPA and a crop compensation payment.

- 2.5 **Business Case** - the additional development costs, along with the revised grid connection costs have been modelled as part of the business case and an updated Internal Rate of Return (IRR) is presented below.

Table 2 – Changes to expected returns:

Committee Report Date	Capital Cost	Assumed loan interest rate	Total interest cost	Payback Period (years)	IRR (Internal Rate of Return)
12/07/2019	£27,580,092	2.57%	£10,088,226	15.12	4.95%
20/03/2020	£25,163,736	1.28%*	£3,865,150	12.49	7.98%

* Reduced interest rate due to securing 1.4% Local Infrastructure Rate borrowing discount on loans from the Public Works Loan Board. To incentivise the construction of new infrastructure, at Autumn Budget 2017 the government announced that it would make available £1bn of lending at the Local Infrastructure Rate to English local authorities. In November 2019 HM Treasury approved the Council's bid to borrow a total of £60m for energy projects, including North Angle Solar Farm.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

There are no significant implications for this priority.

3.2 Thriving places for people to live

There are no significant implications for this priority.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

3.4 Net zero carbon emissions for Cambridgeshire by 2050

The aim of the project is to generate low-carbon electricity, whilst generating an income stream for the Council and provide solutions to the grid capacity problems experienced across Cambridgeshire.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

If, following the development of the detailed business case, the Council decides not to invest, the costs of developing the detailed business case will have to be funded from revenue. A contingency allowance of £200k was approved by GPC in March 2019 as part of the Energy Investment Unit's Transformation Fund bid to mitigate the impact of decisions taken to abort any individual projects. The current proposition is to offset any additional sunk costs against the revenues generated from the wider programme of energy projects being developed on our assets (excluding the schools and corporate building energy projects). Utilisation of the £200k Transformation Fund contingency allowance would leave £900k of the total £1.1m development costs to be offset against energy programme revenues. Using current estimates of the expected net revenues, it is anticipated that these costs could be offset within 4.6 years.

There are no implications for Information and Communications Technologies or data ownership.

Impact on human resources: The costs for County Council staff involvement to deliver the project are included in the project development budget.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Bouygues Energies & Services was procured under a mini-competition run under the Refit 3 Framework. There are no significant implications from a procurement or contractual standpoint.

4.3 Statutory, Legal and Risk Implications

All projects have to demonstrate compliance with State Aid requirements, even where there is no grant funding. The main way of doing that for this project will be to demonstrate that the Authority is acting commercially when generating and selling electricity.

The Council is able to sell electricity to the grid, and already does so through its extensive programme of schemes across schools, service buildings and County Farms Estate – including Triangle Farm.

4.4 Equality and Diversity Implications

There are no significant implications.

4.5 Engagement and Communications Implications

Given the number of solar farm projects coming forward in close proximity to the North Angle site, and the sensitivity of the area from a historic environment perspective, community engagement is a priority as the project develops to ensure that the North Angle scheme becomes the preferred community option. External support from PECT, as described in paragraph 1.3 has been appointed to gather feedback from the local community, relay key messages and deliver a series of community engagement events.

4.6 Localism and Local Member Involvement

The East Cambridgeshire Local Plan supports solar renewable energy generation. Concerns at loss of productive agricultural land is mitigated by siting the development on Grade 3 agricultural land.

4.7 Public Health Implications

There are no significant implications.

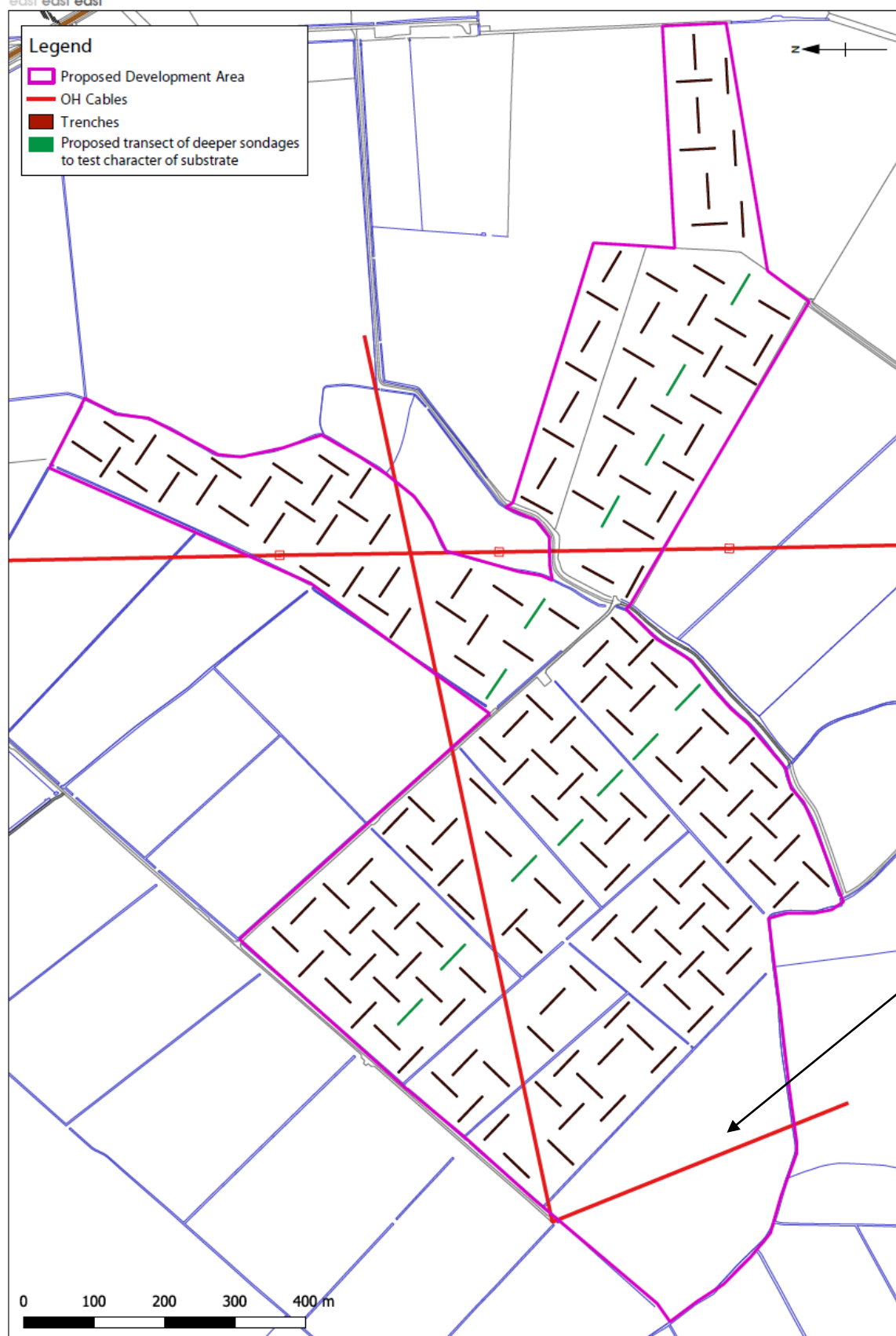
This renewable energy project will generate electricity from the sun, preventing the emission of around 91,440 tonnes of CO₂ over the lifetime of the project.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Ellie Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus de Silva
Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes Name of Officer: Elsa Evans
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Amanda Rose
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green

Source Documents	Location
Outline Business Case for Solar Farm on Rural Estate Land at Mere Farm– Jan 2019 C&I Committee	https://tinyurl.com/y64yk828
Investment Grade Proposal (IGP) Stage 1 update on the development of the North Angle Solar Farm, 12 July 2019 Commercial and Investment Committee meeting	https://tinyurl.com/y2ncl6k5

Approval for Grid Connection down payments for energy Investment Projects, 18 October 2019 Commercial and Investment Committee meeting	https://tinyurl.com/uo32y6c

Appendix A: Archaeological evaluation trenching plan:



Land at North Angle Farm, Soham - Trench Plan (January 2020)

© Oxford Archaeology East

