



Finance & Performance Sub Committee 17 February 2020

Stanwick Lakes – Replacement of Sluice Gates

Purpose of report

The purpose of this report is to provide an update to the position presented at Finance and Performance Sub Committee on 8 July 2019 regarding the replacement of the existing sluice gates and implementation of a hydropower scheme.

Attachments

None

1.0 Background

- 1.1 On 8 July 2019 Members considered a report from the Project Finance Manager updating them on the position presented at the meeting of the Sub-Committee on 11 February 2019 and seeking approval for the proposed hydropower scheme at Stanwick Lakes, replacing the existing sluice gates, now that the conditions imposed at that meeting had been met.
- 1.2 At the July Sub Committee meeting it was resolved that:
 - (1) the progress with the delegations resolved at the meeting of the Sub- Committee on 11 February 2019 be noted;
 - (2) authority be delegated to the Chief Finance Officer, following consultation with the Chair of this Sub-Committee to legally accept responsibility for the sluice gates upon confirmation that the final commuted sums are confirmed and deemed to be adequate, and all funding is in place and verified; and
 - (3) authority be delegated to the Head of Customer and Community Services, following consultation with the Chair of this Sub-Committee to sign the updated lease with Rockingham Forest Trust (RFT) once satisfied with the relevant legal documentation and all other delegations have been implemented.

2.0 Update on Actions and current position

- 2.1 The table below sets out an update on the outstanding delegations resolved at the 11 February 2019 committee meeting.

Delegation/Action	Status	Comments
The Environment Agency (EA) has confirmed the value of sums to be commuted in respect of the sluice gates.	Completed	Funding confirmed by Environment Agency in letter dated 17 th December 2019.
Legal agreement has been obtained that neither ENC nor Rockingham Forest Trust (RFT) will be liable for any flooding in other areas of the valley.	In progress	The Environment Agency has confirmed that this will be detailed in the legal agreement. This will be finalised within the legal agreement.
Confirmation that no other liabilities will transfer to ENC as a result of this agreement.	In progress	This will be finalised once the back to back legal agreements have been completed.
The liability for the gates will be transferred to RFT in a back to back agreement.	In progress	This will be finalised once the back to back legal agreements have been completed.

2.2 Below is an update on delegations resolved at the 8 July 2019 committee meeting.

2.4 There are two elements of the delegation:

1) *"confirmation that the final commuted sums are confirmed and deemed to be adequate,"*

Assurance with regards to this element has been achieved through a letter from the Environment Agency.

2) *"and all funding is in place and verified"*

The funding position for the scheme is set out below:

	Business Case FPSC (July 2019) (£k)	Latest Estimates (Dec 2019) (£k)	Change (£k)	Is all funding in place and verified?
Estimated Cost	522	616	+94	
Funded by				
Environment Agency	265	265	0	<ul style="list-style-type: none"> • Yes. • Funding confirmed by Environment Agency in letter dated 17th Dec 2019.

RFT Reserves	170	173	+3	<ul style="list-style-type: none"> • Yes. • RFT have confirmed in email monies raised to date. • £150k raised to date and £23k RFT seed funding.
RFT Fund raising	87	178	+91	<ul style="list-style-type: none"> • No. • RFT have confirmed this money is not in place and is planned to be raised through crowdfunding. • If crowdfunding is insufficient RFT would apply for a loan to finance the shortfall.
Total Funding	522	616	+94	

2.4 The table above shows that not all of the funding is in place and verified, so the delegation to transfer the sluice gates cannot progress until assurance is provided with regards to the funding certainty.

3.0 Important issues to consider

3.1 To benefit from the feed-in tariff, RFT only has until March 2021 to raise the rest of the money for the hydro scheme, get the sluice gates work completed and hydro installed.

3.2. To enable this to happen, the transfer of the sluice gates needs to be completed by the end of March 2020, because ideally the work needs to take place during the summer months when there is less likelihood of poor weather conditions.

3.3 RFT is disinclined to start the crowd funding until the sluice gates transfer is completed. Although best endeavours will be made to maximise the amount raised through crowd funding, there is a significant risk that there may be a shortfall in funding. As set out in paragraph 2.2 above, the sluice gates cannot be transferred until “all funding is in place and verified” in accordance with the delegation.

3.4 The intended timeline for the project is as follows:

- Transfer of sluice gates February – March 2020
- Crowd funding April – June 2020
- Construction and implementation July – October 2020.

4.0 Funding options

4.1 There is currently a £178k shortfall in funding.

4.2 The council could consider a grant to RFT for £178k, to ensure that the window of opportunity to implement this scheme isn't missed. However, any monies received from public funds means that RFT would not be eligible for the feed-in tariff, so it would not generate the estimated income of c£30,000 per annum over 20 years for the site.

4.3 It is proposed that the council acts as ‘the funder of last resort’. This means a financing facility of up to £178k can potentially be provided to RFT; the exact amount will be dependent on the amount that is raised through crowd funding.

5.0 Next steps

5.1 If the council agrees the financing facility in principle, the following activities will take place:

- Exploration of funding options
- Selection and implementation of preferred funding option
- Due diligence
- Legal agreement for the funding

5.2 • The preferred financing option will need to adhere to the following conditions:
For the amount of up to £178k

- RFT to repay all monies to the council over a timeframe commensurate with the project business case
- The terms of the facility to provide a commensurate return to the council in accordance with the risk
- Have a legally binding financing agreement in place
- Provide adequate security to the council
- Clearly set out the legal power within which the council is providing the financing facility
- Adhere to the council's financing accounting requirements
- Adhere to the requirements of the Feed-In Tariff secured by RFT

6.0 Equality and Diversity Implications

6.1 An equalities impact assessment has been completed and there are only positive implications arising from this report.

7.0 Privacy Impact Implications

7.1 There are no privacy implications arising from the contents of this report.

8.0 Health Impact Assessments

8.1 There are no known health implications arising from this report.

9.0 Legal Implications

9.1 Our legal responsibilities were already highlighted in the previous two reports, in addition to these, legal advice will be sought when considering funding proposal options.

10.0 Risk Management

10.1 Risks were included in detail in the previous two reports; there is now a further risk regarding RFT's ability to repay the financing facility; however their business case demonstrates that this project is financially sustainable and able to afford any repayments. This will be mitigated further by the due diligence undertaken and the financing facility agreement that will be in place.

11.0 Resource and Financial Implications

11.1 The funding from the Environment Agency that comes with taking on the responsibility for the sluice gates would go directly to RFT to help fund the project. The financial risk

associated with this needs to be balanced with the financial risks related to the costs of future flood damage (where the council is responsible for the upkeep of a number of assets on the site, as set out in the lease agreement), and the lost opportunity to generate hydropower and control energy costs at the site.

- 11.2 In terms of the hydro power scheme, in the long term this could bring additional benefits to North Northamptonshire Council in terms of a reduction in the need for support in funding as Stanwick Lakes becomes more sustainable and creates an additional revenue stream. This scheme also recognises the social value that Stanwick Lakes brings in terms of positive impacts on the community and the environment.
- 11.3 There are likely to be costs (e.g. for legal work and other external expertise) of undertaking the due diligence, assessing the conditions set out in paragraph 5.2 above and drafting the financing agreement. It is estimated these costs would be no more than £10,000, which can be financed from underspends within the council's revenue budget for 2019/20 or from reserves.
- 11.4 At this stage we are unable to confirm the source of the financing and which budget this will affect e.g. revenue, capital or reserves; this will not be known until the financing options have been explored and the preferred option selected.

12.0 Constitutional Implications

- 12.1 There are no constitutional implications arising directly from this report.

13.0 Implications for our Customers

- 13.1 The revised funding agreement will enable our customers to continue to use Stanwick Lakes

14.0 Corporate Outcomes

- 14.1 These proposals will contribute to the achievement of the following corporate outcomes:
- **Effective Partnership Working:** Supporting and enabling our partnership arrangement with Rockingham Forest Trust to develop.
 - **Value for Money:** Ensuring sustainability of Stanwick Lakes through supporting investment in hydro power
 - **Prosperity:** Supporting the local tourism offer and supporting a scheme that is both educational and environmentally sound.



15.0 Recommendation

- 15.1 The Sub Committee is recommended to

1. Resolve to recommend to Policy and Resources Committee to:
 - (i) Agree that this council will, in principle, act as the funder of last resort for a sum of up to £178k.
 - (ii) Agree that the funding for the project is now in place and verified.

2. Note progress with the delegations resolved at FPSC on the 11 February 2019 and 8 July 2019.
3. Delegate authority to the Chief Finance Officer, following consultation with the Chair of Finance and Performance Sub Committee, to explore and assess potential funding options.
4. Delegate authority to the Chief Finance Officer, following consultation with the Chair of Finance and Performance Sub Committee, to implement the preferred funding option in accordance with the conditions set out in paragraph 5.2 of the report.

(Reason – To support Stanwick Lakes and its future sustainability)

Legal	Power: Local Government Act 2000				
	Other considerations:				
Background Papers: Report to Finance and Performance Sub-committee – Stanwick Lakes – Replacement of Sluice Gates – 8 July 2019 Report to Finance and Performance Sub-committee – Stanwick Lakes – Replacement of Sluice Gates – 11 February 2019					
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Date: 06 February 2020					
CFO 07/02/20		MO 07/02/20 (Deputy)		CX 06/02/20	