

# Cabinet



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Suffolk Business Park/Eastern Relief Road, Bury St Edmunds: Update</b>	
<b>Report No:</b>	<b>CAB/SE/15/021</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	24 March 2015
	<b>Special Council</b>	25 March 2015
<b>Portfolio holder:</b>	Cllr John Griffiths Leader of the Council <b>Tel:</b> 01284 757001 <b>Email:</b> john.griffiths@stedsbc.gov.uk	
<b>Lead officer:</b>	Steven Wood Head of Planning and Growth <b>Tel:</b> 01284 757306 <b>Email:</b> steven.wood@westsuffolk.gov.uk	
<b>Purpose of report:</b>	<p>To provide an update with regard to the Eastern Relief Road project since the last report (Report No: CAB/SE/15/017 refers) dated 24 February 2015 was presented to Cabinet and Council. The report requested (among other requests) authority to forward fund electricity costs up to £4.5m.</p> <p>To request authority to enter in a loan agreement for the delivery of the electricity infrastructure.</p>	
<b>Recommendations:</b>	<p><b>Cabinet is asked to <u>NOTE</u> that negotiations are ongoing with a number of parties regarding the funding of the electricity infrastructure required to deliver the Suffolk Business Park and that due to timing issues,</b></p> <p><b>Cabinet is asked to <u>RECOMMEND</u> to Council that:</b></p> <p><b>(1) the Section 151 Officer allocates £4,528,871 within the Council's capital programme, initially financed from capital receipts, with a view to the project being funded by a combination of £1.4m from Taylor Wimpey, a £1.4m loan from New Anglia Local Enterprise Partnership (NALEP), and a loan from Suffolk County Council. Following the conclusion of the negotiations with these parties and the outcome of the NALEP application, if there is any shortfall, this will be funded by the Council and recovered through the loan repayments by</b></p>	

	<p><b>Taylor Wimpey, as set out in 2.9 and 2.10 of Report No: CAB/SE/15/021;</b></p> <p><b>(2) all of the above be subject to the satisfaction of the Section 151 and Monitoring Officers, in consultation with the Leader of the Council; and</b></p> <p><b>(3) subject to Recommendations (1) and (2) above, delegated authority be granted to the Head of Planning and Growth, in consultation with the Leader of the Council, to enter into a loan agreement with Taylor Wimpey to commission the electricity infrastructure works.</b></p>
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>The decisions require full Council approval.</p>
<p><b>Consultation:</b></p>	<p>The development of the Eastern Relief Road (ERR) and Suffolk Business Park is a long established policy of St Edmundsbury Borough Council (SEBC). Most recently the Vision 2031 documents confirm the allocation of the residential, commercial and leisure/community uses along with the ERR and junction 45 of the A14 Trunk Road upgrade.</p> <p>In June 2010 the Masterplan for the extension to Suffolk Business Park was adopted following the due consultation phase.</p> <p>A series of meetings have also been held with Rougham Parish Council; Moreton Hall Residents' Association; and local business representative organisations.</p>
<p><b>Alternative option(s):</b></p>	<p>Not to commission the electricity works would result in a delay to the programme such that electricity may not be available in time for the first occupiers of the school, homes or commercial land.</p>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>As detailed in the report</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Time and resources of existing staff to enable the project to progress</li> </ul>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>As detailed in the report</li> </ul>
<p><i>Are there any <b>equality</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>

<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
Growing Places Fund application is refused	Low	Early consultation with GPF officers. We could seek an alternative loan fund or make use of Council balances	Low
Taylor Wimpey is unable to provide its £1.4m contribution	Medium	Include security for the loan in the legal agreement to enable the funding to be recovered anyway.	Low
The costs increase throughout the programme or costs exceed the estimates	Low	Fix the prices in the legal agreement with the electricity provider.	Low
The commercial lets do not come forward within the timescale to repay the loan	Medium	Engage a commercial developer to promote the land.	Low
<b>Ward(s) affected:</b>	All Wards		
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	<a href="#">Report CAB/SE/15/017 to Cabinet and Council 24 February 2015</a> <a href="#">Report F97 to Cabinet: 2 September 2015</a> <a href="#">Report F120 to Council: 23 September 2015</a> Suffolk Business Park Masterplan dated June 2010		
<b>Documents attached:</b>	None		

## **Key issues and reasons for recommendation(s)**

### **1. Background**

- 1.1 Report CAB/SE/15/017, 'Eastern Relief Road, Bury St Edmunds: Update' made recommendations to Cabinet which were approved by Council on 24 February 2015. The recommendation was as follows:

***"Subject to the approval of full Council and the satisfaction of the Section 151 and Monitoring Officers, a commitment be made to the full £4,528,871 million programme of works for the provision of electricity to serve Suffolk Business Park, including an immediate financial allocation of £356,186 currently due on 27 February 2015, as detailed in Section 3 of Report No: CAB/SE/15/017"***

### **2. Electricity Infrastructure Funding**

- 2.1 An application for £4,528,871 of Growing Places Fund towards electricity infrastructure works has been sent to New Anglia Local Enterprise Partnership (NALEP). Initial discussions with NALEP have indicated that this amount is a significant proportion of their remaining fund and they are more likely to look favourably upon a loan of £1.4m. Also, the indication is that the decision would be likely to be made at the May 2015 NALEP board meeting. Originally, it had been hoped that the decision would be taken in March 2015, however applications for funding now have to be scrutinised by another group before being recommended to the board. There is no NALEP board meeting in April and therefore the next available opportunity would be May.
- 2.2 Council has already committed £4,528,871 of funding for the electricity works at its meeting on 24 February 2015. At that time it was considered that NALEP would be able to provide a loan for this full amount and therefore Council agreed to take on responsibility for the repayment of the loan and also for the immediate shortfall (which at that time was £356,186). It is now clear that NALEP will consider a loan of £1.4m instead. Therefore, this paper is seeking authority from Council to commit the full amount of funding from the Council's unallocated capital receipts to enable the electricity infrastructure works to be committed.
- 2.3 There are similarities between the electricity works and the Eastern Relief Road (ERR) itself. Both require high levels of upfront funding that make bringing the development forward unviable for a commercial developer. Without the injection of funds for the electricity works, the whole scheme will be delayed indefinitely. It could be argued that the role of councils and Local Enterprise Partnerships is to step in at the point of market failure – to make sure that developments succeed against the normal commercial odds.
- 2.4 In order for SEBC to realise the allocations set out in its Vision 2031 documents it needs to be proactive and provide support in cases such as this. This isn't new territory for SEBC as it has shown considerable commitment to this scheme already, including providing a loan to progress the design and preparation works for the ERR itself; and then subsequently committing to invest £3m towards the construction costs of the ERR. To commit to the funding for the electricity works at this point in time, will help to enable this

key strategic development of homes, jobs and education to come forward.

- 2.5 Whilst it is the role of councils to "enable" development it remains essential that any commitment of funding is subject to due diligence and accords with proper accounting principles. Should Members agree the recommendations to commit the funding for the electricity works, the Section 151 Officer and Monitoring Officer will have to be satisfied that the principles of the SEBC loan policy is being considered and the funds are not put at unnecessary risk.
- 2.6 The total remaining costs of the electricity works is £4,528,871. If NALEP agrees to loan SEBC £1.4m and Taylor Wimpey contributes £1.4m there would be a £1,728,871 cash shortfall.
- 2.7 Officers have been discussing this shortfall with Suffolk County Council (SCC) as it is reliant on infrastructure being in place to serve the new secondary school and lighting for the Eastern Relief Road. Initial discussions have been positive although no formal agreement to fund is currently in place.
- 2.8 The electricity infrastructure provider requires a commitment to the programme of works and therefore a commitment to fund these works to enable it to commence. As stated above, in the worst case scenario, SEBC could be required to fund the total amount. The payments would be required in stages starting with a payment of £359,572 at the end of April. The last payment would be required in the first quarter of 2017.
- 2.9 The electricity infrastructure works would be commissioned by Taylor Wimpey and therefore a loan agreement will need to be prepared between SEBC and Taylor Wimpey. Due diligence will be undertaken to the satisfaction of the Section 151 Officer and the Monitoring Officer prior to the loan being signed.
- 2.10 It is proposed that the £4,528,871 funding would be repaid firstly from the contribution from Taylor Wimpey (£1.4m) and then the remainder either from the commercial lets as they come forward for Suffolk Business Park or by the commercial developer who will be appointed to bring the land forward. Traditionally, such a commercial developer would raise finance for the upfront costs associated with providing services to the site; this includes the internal access road, utilities etc.
- 2.11 There is a significant lead in time to ensure that the electricity will be available in time for the first phases of development including the school. It is therefore essential that the infrastructure works are commissioned by the end of April. This date has changed since first reported; however for the reasons set out above it cannot be delayed further.
- 2.12 To enable the electricity works to be secured, Members are requested to commit to the programme of electricity works at a cost of £4,578,271.

### **3. Finance/Budget/Resource Implications**

- 3.1 If Members are minded to agree the recommendation above, SEBC will need to commit a total of £4,578,271 towards this project within its capital programme. This is considered to be the worst case scenario once other contributions such as the Taylor Wimpey and the NALEP loan is taken into

account. Officers are also working with SCC to share the responsibility for the funding to enable the electricity works to be commissioned.

- 3.2 SEBC will be taking responsibility for repaying the Growing Places Fund loan from NALEP including the interest payments. There is a risk that the NALEP board decides not to loan £1.4m or reduces the loan offer again, however in this scenario the Council will continue to fund the electricity works from its capital programme, based on the recommendation proposed, to enable the infrastructure to be completed.
- 3.3 The loan agreement between SEBC and Taylor Wimpey will clearly detail (inter alia) the nature of the security for the loan; the instalment dates/triggers for paying the loan; interest costs and the repayment schedule.