

WARRINGTON BOROUGH COUNCIL
RECORD OF DECISION TAKEN BY AN OFFICER

DECISION TITLE: SOLAR FARM INVESTMENT

Executive Board Decision No and/or Forward Plan No (Executive decisions only)	EB EB69 & EB73 - 8 th October 2018
Directorate Ref No (Non Executive decisions only) If applicable	N/A
Decision detail	<p>Further to the Executive Board report of 8 October 2018 and the Record of an Officer Decisions (Records) of 31 October 2018, and 21 December 2018 the Director of Corporate Services and the Head of Legal and Democratic Services, after consultation with the Leader of the Council, decided on the acquisition method and transactional arrangements for each of the solar farms.</p> <p>The delegation from the 8 October 2018 Executive Board is summarised in the previous Records.</p> <p>As was set out the previous Records in order to secure the grid connections with Northern Powergrid (without which the project will not be able to proceed), the Council agreed to make interim staged payments to the SPVs as detailed below:-</p> <ol style="list-style-type: none"> i. £359,640.70 plus VAT in respect of the Hull site Northern Powergrid costs; ii. £372,000.00 plus VAT in respect of the York site Northern Powergrid costs; iii. £138,750 plus VAT in respect of the Hull site Gridserve costs; iv. £140,000 plus VAT in respect of the York site Gridserve costs. <p>Collectively known as “the Advance”.</p> <p>As part of the structuring of the agreement to make payment of the Advance, Gridserve/the SPVs agreed to repay the Advance to the Council, by no later than 31 December 2018 this was detailed in the Record of 31 October. As detailed in the Record of 21 December they were further deferred to 31 January 2019.</p> <p>Due to a change in the financing arrangements put in place by Gridserve, the primary funder Investec has advised that they will not fully fund the entire scheme. As a consequence Gridserve have been working to, and have now obtained, alternative funding for the remaining part of the York Scheme with Hull to be confirmed. This process has however lead to a delay in finalising all the documents and as a consequence a delay to the funding being available to Gridserve.</p> <p>To ensure the Council was protected, a number of securities were put in place in the event that the Advance was not repaid. Those securities are still in place and to confirm, if Gridserve default in making the repayment of the Advance the Council are able to:-</p> <ul style="list-style-type: none"> - Enforce a share charge over the SPVs; or

- Novate the grid connections agreements from the SPVs; and/or
- Exercise the option on the leases for both sites.

In summary, the protections would enable the Council to take overall control of the projects for both sites.

As advised previously, whilst the Council would be able to take the projects forward at each site if we exercised the options, a significant amount of work would be required as detailed below:-

- Procurement of a contractor to construct the two solar farms;
- Re-negotiation of the construction contracts which are almost in an agreed form;
- The Council would likely have to find a new Sleeving/balancing contractor as Statkraft comes as part of the Gridserve deal

At this stage the Council does not believe that this would be the best course of action in relation to the successful running of the project, particularly due to the inevitable delay to the construction and commissioning of both solar farms, which in turn would result in a delay in the Council obtaining the savings from sleeving energy for Hull solar farm, and the income from the York site.

The recommendation is therefore that the deadlines that Gridserve are to pay the Advance is extended until 28 February 2019.

This should enable all relevant document to be agreed and for Gridserve to secure the external finance require to fund the project and in turn repay the Advance and comply with the agreement, at which time the Council's securities would be lifted.

Reason for decision	<p>The Executive Board delegated the approval of the acquisition method as well as completion of all necessary contracts any related documents to complete the transaction to the Director of Corporate Service and the Head of Legal and Democratic Services.</p> <p>The previous Record of an Officer Decisions recorded the decisions taken by the Head of Legal and Democratic Services and the Director of Corporate Services, which were decisions that were delegated from Executive Board on 2 October 2018.</p> <p>As the proposal to extend the deadline for payment is being recommended beyond the previous dates stated in the previous Record, this Record sets out the reasons for why this has been made.</p>
Decision Maker/Responsible Officer	Lynton Green, Director of Corporate Service and Caroline Owen, Legal Services Manager and Acting Monitoring Officer.
Directorate	Corporate Services
Lead Executive Board Member consulted	Cllr Russ Bowden – Leader of the Council

(if applicable)	
Decision Date	31 January 2019
Date Decision was published / notified (normally within 2 clear working days of decision being made)	12 February 2019
Summary of options considered	Should the Council choose to decide not to proceed in the way proposed in this Record, Gridserve would likely default in repaying the Advance which would likely lead to the Council having to take over the projects, which in turn would the delays and complications as set out in the "Decision Detail" section.
Interests declared	None
Background Papers (if applicable) <i>(period expires after 4 years from date of decision)</i>	Executive Board Report 8 October 2018. Record of an Officer Decision 31 October and 21 December 2018
Confidential / exempt information Category (if applicable)	Part 2 report Category 3, Schedule 12A.

NB. This form expires after 6 years.