

BRECKLAND DISTRICT COUNCIL

Report of: Interim Executive Director of Commercialisation (S151 Officer)

To: Council 19 January 2017

(Author: Tim Mills, Executive Manager Growth and Prosperity)

Subject: Snetterton Electricity Power Upgrade Project

Purpose: To accept a £2.3m grant from the New Anglia LEP in order to contract a major electricity power upgrade project benefiting the key Snetterton employment area.

Recommendation(s):

- 1) That the grant £2.3m for upgrade of electricity to Snetterton employment area be accepted.
- 2) That subject to the satisfactory completion of all necessary legal, and contractual due diligence, any negotiation with the funding body that arises from that process, and being satisfied that the project remains in the best interests of the Council and Breckland District, the Chief Executive in consultation with the Leader be given delegated authority to sign the grant contract and proceed with the project.

1.0 BACKGROUND

- 1.1 Snetterton Heath is identified as a strategic employment site within Breckland Council's adopted LDF Core Strategy (2009). It is located four miles south-west of the market town of Attleborough and lies both north and south of the A11, with existing, well-constructed access to the dual carriageway in both directions through an all-movement junction. It is a strategic site within the Cambridge-Norwich Tech Corridor as shown on the location map in Appendix A. The aim is that by 2013 the Cambridge-Norwich Tech Corridor will be a destination of choice for global technology. The enhancement of power at this site will significantly increase the currently available serviced employment land in the corridor and enhance inward investment potential for Breckland, Norfolk and the Tech Corridor.
- 1.2 Existing total electricity power available at the site is approximately 3MVA and this capacity is now close to 100% usage by the existing site occupiers. Although the new Biomass PowerStation will generate significant power, it has been designed to feed one-way to the national grid and currently there is no economically viable scheme to make the one-way power feed into a two-way feed-receive system.
- 1.3 In January 2016, Breckland Council committed an initial outlay of £38,000 to secure a contractual option (until October 2016) from UK Power Network ("UKPN") which would provide an additional 6MVA of electricity power to Snetterton Heath. In order deliver this additional power it will be necessary to install two 11KV cables from Attleborough Primary Substation to a new substation at Snetterton Heath. Further local distribution to employment sites north and south of the A11 will be required and we would plan to negotiate with the land owners for them to finance this onward distribution.
- 1.4 The proposed scheme came about as a result of technical consultancy commissioned by Breckland Council in 2015 and undertaken by SMS Plc. Two options were identified, these being;

Option 1 (the proposed project) is to install two 11KV cables from Attleborough Primary to a new substation in Snetterton Heath, giving an additional 6MVA of capacity at Snetterton.

Option 2 is to split the cable that is currently under construction from Snetterton Biomass to Diss – and implement various other infrastructural improvements - which would also give an additional 6MVA capacity at Snetterton but with the capability for further longer term increases and more integration into the national grid. This has a current estimated cost of £8.5m and is considered to be economically unviable at the present time.

- 1.5 After consultation with local land owners, Breckland Council took the decision to secure the contractual option for Option 1. We have written confirmation from UKPN expressing their willingness to extend the option beyond October 2016 now that we have confirmation of funding from the New Anglia LEP. The strategic aim of the project is to enable Snetterton Heath to be positioned as an attractive investable proposition within the Cambridge Norwich Tech Corridor.
- 1.6 In May 2016, Breckland Council submitted a business case to the New Anglia LEP for £2.3m grant funding to support the Snetterton power upgrade project. This application was approved on 19 October 2016 by the LEP board.
- 1.7 The grant requirement is to upgrade the electricity supply to the Snetterton. There is also expected to be an obligation to **report** for five years on the benefits outlined in section 4.0 and the anticipated private sector leverage of £600K from investment in on site power distribution infrastructure. However the achievement of those benefits is not proposed to as an obligation.

2.0 **OPTIONS**

- 2.1 Accept the £2.3m grant funding offer from New Anglia LEP and proceed with the Snetterton power upgrade project.
- 2.2 Decline the £2.3m grant funding offer from New Anglia LEP and allow the UKPN power option to lapse.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 Lack of electricity power at Snetterton has been a long standing issue to the development of industry at this major site. Snetterton has an estimated 68.1 hectares of underdeveloped employment land with a further 20 hectares proposed for allocation through the current Local Plan review. It has been estimated that there is sufficient land to deliver 200,000 sq m of B1, B2 and B8 employment space, providing potential for up 1,750 new jobs (and safeguarding a further 1,450 existing jobs in Breckland - local companies who require to relocate as part of their expansion plans).
- 3.2 There is growing interest from developers and companies to locate at Snetterton but no single development could afford an outlay of £2.3m to upgrade power to their site.
- 3.3 The core project would be 100% funded by New Anglia LEP with additional contributions from the local landowners to establish small local substations to serve their respective employment sites.

4.0 **EXPECTED BENEFITS**

- 4.1 3,200 gross (1,750 net) jobs created.

- 4.2 68.1 hectares of employment land increased in density with a further 20 hectares delivered over the Local Plan period to 2036.
- 4.3 218,690 sq m of employment floor space created.
- 4.4 Net additional GVA of £106m per annum.
- 4.5 Private Sector Investment £224m.
- 4.6 15 new businesses created.
- 4.7 Potential increase in Business Rates receipts of £2.4m per annum.

5.0 **IMPLICATIONS**

5.1 **Carbon Footprint / Environmental Issues**

- 5.1.1 Individual planning applications will detail any carbon footprint and environmental issues.
- 5.1.2 Additional employment opportunities at Snetterton have the potential to significantly reduce average travel to work distances for workers living in Breckland, many of whom travel to Norwich and Bury St Edmunds for work at present. This becomes particularly relevant as the two major house building schemes in Attleborough and Thetford get underway.

5.2 **Constitution & Legal**

- 5.2.1 The grant contract the broad principles of which are outlined in 1.7 offered by New Anglia LEP will be reviewed and where necessary negotiated to ensure that it is in the best interests of the Council and Breckland Council. It a draft agreement was received on 4 January 2017 and officers are currently reviewing it.
- 5.2.2 In terms of state aid issues, the intention is to operate the grant under the EU Article 56 Block Exemption – ‘Investment aid for local infrastructure’. This allows for public funding of infrastructure that contributes at a local level to improving the business and consumer environment and modernising and developing the industrial base. The increased electricity power would be available to interested users on an open, transparent and non-discriminatory basis, and at market prices.

The private sector will be expected to pay for local connection to their own sites once the central electricity infrastructure has been established, so there is a clear distinction between public funding that contributes to the public good and specific connections related to individual specific commercial developments.

5.3 **Contracts**

- 5.3.1 Breckland will be the accountable body for this grant and responsible for the procurement and delivery of the scheme. Any contract let by Breckland Council as a result of this decision will be done in according with;

(a) all relevant statutory provisions;

(b) the relevant European procurement rules (the EC Treaty, the general principles of community law and the European Union's public procurement directives implemented by the UK Regulations);

(c) the Council's constitution including these Contracts' Procedure Rules, the Council's Financial Procedure Rules and scheme of delegation; and

(d) the Council's strategic objectives and policies including the procurement strategy.

5.3.2 The contractual conditions are not yet finalised. However the Council's responsibilities are expected to consist of:

a) Ensuring delivery of the power supply infrastructure **to** site

b) Reporting for up to five years on the outputs on site including the estimated private sector leverage of £600K from investment in **on** site power distribution infrastructure.

The Council's obligation's are therefore limited to m

5.4 **Corporate Priorities**

5.4.1 This project will contribute to the Council priority 'Developing the local economy to be vibrant with continued growth'.

5.7 **Financial**

5.7.1 The project will be 100% funded from a grant received from the New Anglia LEP.

5.7.2 Cash flow will require to be managed throughout the project, however in principle; monies will be available on request from the New Anglia LEP, when required, to fund each stage of the project.

5.7.3 The current timeline for the project assumes signing of the grant agreement during January and based on this the phasing of the project spend is as follows;

2016/17	£860k
2017/18	£1,150k
2018/19	£290k
Total	£2,300k

5.9 **Reputation**

5.9.1 The major challenge of an infrastructure project of this nature is delivering on schedule and within budget. There could be reputational damage to the Council if there were significant timescale or budget overruns. This needs to be balanced against the long term negative publicity which the Council has faced for not addressing the power shortages at Snetterton sooner and for not capitalising on the opportunity to use the Snetterton BioMass Generator project as a means to deliver more electricity power to Snetterton.

5.10 **Risk Management**

5.10.1 This is a major specialist infrastructure project which carries the risk of both timescale and budget overruns. The estimated project costs have been provided by the Council's specialist consultant SMS Plc. Use of a framework agreement has been explored with Norfolk County Council but no suitable arrangement has been identified and a procurement of a specialist project consultant and a separate construction contract is currently identified as the best option.

- 5.10.2 It is extremely difficult to obtain a fixed cost for this type of project due to the probability of unforeseen problems along the route and potential delays in obtaining access to land for cable laying along the route.
- 5.10.3 Mitigation of the risk of budget overspend will be achieved through undertaking design of the project along with a full survey of the proposed route prior to commitment to the construction contract. This will enable identification of the sufficiency of the budget prior to proceeding with construction. By minimising the potential issues through prior work further reduction of the risk should be achievable in the design of the procurement of the construction contract.
- 5.10.4 On any large project such as this there are procurement risks. The engagement of specialist consultants coupled with application of the Council's procurement practices and team will assist in managing these risks. Procurement will also ensure that construction is fit for purpose so that the supply can be adopted.
- 5.10.5 Effective project management of the contract will be important to control the potential for budget over runs, ensure quality and timing. This will be managed by employment of specialist consultants given the nature of the contract and will be subject to a full project management framework. This will be overseen by the designated project manager from the Council and reported through the Council's governance framework.
- 5.10.6 The risks relating to the grant relate primarily to the non delivery of the project. If the risks described above are appropriately managed this risk will be mitigated.
- 5.10.7 The main risks are described above. A full risk register would be created for the project and reviewed on a regular basis if it proceeds.

5.11 **Staffing**

- 5.11.3 The resource required to ensure effective contract management of the project has been identified and is subject to separate processes. The Council will require specialist consultancy services to design the project and to project manage the major contractors which will need to be procured.

5.12 **Stakeholders / Consultation / Timescales**

- 5.12.3 The Council has been meeting with the major Snetterton landowners on a regular basis before and since the decision to invest in the power option was taken. We would continue these meetings to discuss and agree local power distribution routes and substation facilities. These are held on a bimonthly basis.
- 5.12.4 The Council has continued to communicate with the local management of the Snetterton BioMass Generation Plant. We continue to explore future options which might permit this local generator to contribute to power supply at Snetterton at some time in the future.
- 5.12.5 Norfolk County Council (NCC) are a potential partner for this project due to their experience of major civil works. NCC is also considering undertaking a wider review of electricity power supply along the A11 Corridor. This may be helpful to other Breckland locations including Thetford which has a known electricity supply capacity issue.
- 5.12.6 UK Power Networks (UKPN) is the regional manager of the national electricity grid and is an important stakeholder in this project. The Council currently holds a Power Connection option with UKPN which is the contractual mechanism securing the means of connecting the proposed Snetterton power upgrade to the primary substation in Attleborough. The

Council has already met with UKPN to discuss the project and would meet UKPN on a regular basis throughout the project duration.

- 5.12.7 There are no major planning implications currently identified for the project which would affect local residents. The detailed design process will identify any specific impacts which could arise from the project.
- 5.12.8 Snetterton Land owners will be consulted on the cable route for the project to ensure that the final design is most cost effective in delivering power to the major employment sites in Snetterton. Additional consultations will take place to ensure that a costed plan for local power distribution is agreed and affordable.
- 5.12.9 The project is estimated to be deliverable over a three financial year period, 2016-17, 2017-18 and 2018-19. A detailed project plan would be drawn up as part of the project design phase.

6.0 **WARDS/COMMUNITIES AFFECTED**

- 6.1 The provisional electricity cable route will pass through the following wards;

District Wards

All Saints and Wayland
Attleborough Burgh and Haverscroft

Parish Wards

Snetterton
Quidenham
Attleborough

- 6.2 The current plan is to locate the new Snetterton electricity substations on employment land with the agreement of the major Snetterton landowners. Connection at the Attleborough end of the cable will be to an existing primary Sub-station.
- 6.3 There should be no major disruption to communities. Wherever possible, cables will be lay along the verges of existing secondary roads.

7.0 **ACRONYMS**

- 7.1 New Anglia LEP : New Anglia Local Enterprise Partnership
UKPN : UK Power Networks
Norfolk County Council : NCC

Background papers:- Cabinet Report – Cambridge-Norwich Tech Corridor 11 Oct 16
Cabinet Report– Inward Investment & Growth 17 May 16
Cabinet Report– Open for Business 3 Nov 15

Lead Contact Officer

Name and Post: Tim Mills, Executive Manager Growth and Prosperity
Telephone Number: 01362 656845
Email: Tim.Mills@breckland-sholland.gov.uk

Key Decision: No

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix A Cambridge-Norwich Tech Corridor map and Snetterton site map.