

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 03 April 2017

| | |
|-----------------------------|--|
| Portfolio: | Policy & Resources |
| Subject: | National Grid IFA2 Project Update |
| Report of: | Director of Finance and Resources |
| Strategy/Policy: | Corporate Strategy |
| Corporate Objective: | A Dynamic, prudent and progressive Council |

Purpose:

To note the progress in agreeing detailed terms for the National Grid IFA2 project, and to agree the scope of work for the forthcoming technical studies.

Executive summary:

In December 2015, the Executive agreed terms for the lease of land at Daedalus to National Grid for the purposes of constructing the IFA2 Interconnector and delegated authority to the Director of Finance and Resources to agree the detailed terms. The Executive further agreed to reinvest the proceeds of the disposal of land to support the Vision for Daedalus.

Over the course of 2016, National Grid undertook a range of site investigations and detailed design work to enable them to progress a planning application and procure a construction partner for the project. The Planning Committee considered the hybrid application, and resolved to grant planning permission in January 2017. At the same time, work was undertaken to develop the detailed land agreements and, after extensive negotiations with National Grid representatives, these have now been concluded.

The next key stage is the commissioning of two technical studies to consider the compatibility of IFA2 with the Council's future plans for Daedalus, with one study considering the technical elements and the other considering business compatibility.

The Report includes the scope of work for each study, which the Executive are asked to endorse.

Recommendation:

That the Executive:

- a) notes the progress with the IFA2 project, including the conclusion of the detailed land agreement documents; and
- b) endorses the scope of work for the two technical studies, set out in the appendices A and B of the report.

Reason:

To enable the technical studies relating to the IFA2 project to commence.

Cost of proposals:

Consultancy costs related to the technical studies are met by National Grid, and the full financial implications are set out in appendix D.

Appendices:

- A:** Technical Study - scope of work for future Airport operations
- B:** Technical Study - scope of work for business compatibility
- C:** CONFIDENTIAL Heads of Terms as agreed in December 2015)
- D:** CONFIDENTIAL Summary of agreed terms
- E:** CONFIDENTIAL Legal report of Land agreements

Background papers: File of correspondence

Reference papers: Executive report (December 2015)
Technical studies submitted by National Grid in support of the IFA2 planning applications

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

| | |
|---------------------|-----------------------------------|
| Date: | 03 April 2017 |
| Subject: | National Grid IFA2 Project Update |
| Briefing by: | Director of Finance and Resources |
| Portfolio: | Policy and Resources |

INTRODUCTION

1. At its meeting in December 2015, the Executive considered proposals for the lease of land at Daedalus to National Grid, for the purposes of constructing the IFA2 Interconnector.
2. Having considered the proposal, the Executive resolved to
 - a. approve the draft Heads of Terms, as set out in the confidential Appendix; (see *Appendix C to this report*);
 - b. delegate authority to the Director of Finance and Resources in consultation with the Executive Member for Policy and Resources to agree the detailed terms, as appropriate; and
 - c. agree to reinvest the proceeds of the disposal of land under this agreement into the delivery of actions that support the Vision for Daedalus, including the airport, the business park and the open space.
3. This report provides an update on progress with the land agreement, including the steps that were put in place to provide assurance that the Interconnector use was compatible with the wider uses and vision for Daedalus.

PROGRESS OF THE PROJECT

4. Over the course of 2016, National Grid's IFA2 team carried out a range of site investigations and detailed design work to enable them to submit a planning application for the project and to procure a developer for the construction phase. A significant amount of technical work has also been carried out in support of the planning process, and to provide the Council as landowner with assurance over the compatibility of IFA2 with the broader uses at Daedalus.
5. In January 2017, the local planning authority considered the hybrid planning application and resolved to grant outline consent for the converter buildings and mitigating open space, and detailed consent for the cabling.

6. National Grid developed their project design for the purposes of submitting a planning application and since approving the Head of Terms, Officers have been working closely with the IFA2 team in preparing a suite of detailed legal documents that enable the development to proceed once all relevant planning and landlord conditions have been satisfied.
7. In preparing the land agreement documents, the Heads of Terms have been used to guide the commercial aspects and they have been drafted to enable the project to proceed in line with National Grid's delivery programme but with a clear priority on securing a safe co-existence of the facility with the Council's business parks and the Airport, such that the Council's Vision for Daedalus is not undermined.
8. Separate to the land agreements, Officers have been preparing for the design and development of the open space to the north of Daedalus, Daedalus Common. This will be a Community portfolio-led project and a series of community consultation events will be held before a detailed proposal is submitted for the local planning authority to consider. National Grid has recognised the importance of early delivery of part of the open space and has agreed a programme which will enable plans to be submitted in the summer 2017 for delivery to commence in 2017 if planning consent is secured.

LAND AGREEMENTS

9. The legal documents have been prepared jointly by legal representatives of the Council and National Grid with the support of a commercial property consultant acting for the Council and with full reference to the heads of terms which were agreed by the Executive in December 2015.
10. There are four documents in the suite that make up the land agreement with national grid. These are:
 - The option agreement, which gives National Grid an option over the land where the converter station would be built, and the land where the cables would be installed. The option sets out the pre-conditions that must be satisfied before the option can be exercised, the covenants on both parties during the option term and the commercial arrangements for the land agreement.
 - A construction lease, which is granted to National Grid if it exercises the option. This sets out the rights and restrictions for National Grid during the construction of the project.
 - A converter station lease, which is granted when the project has been completed and which sets out the rights and restrictions on the National Grid during the operational period, as well as the arrangements at the end of the operational life of the converter.
 - A Deed of Easement, which is similar to the converter lease but grants specific rights and restrictions over the cable operations.
11. Having completed the legal documents, the Council's legal advisers, Veale Wasbrough Vizards (VWV), have prepared a report to summarise the various elements of the land agreements. The key features of the legal agreements are shown in confidential Appendix D, and the report from VWV is shown in Appendix E.

12. The report from VWV forms part of the due diligence checks on the documents and this has been supplemented with an independent “sense check” review by the Southampton and Fareham Legal Services Partnership.
13. Officers are content that the detailed land agreement documents reflect the Heads of Terms agreed by the Executive in 2015, allowing them to be completed.

LANDLORD CONDITIONS

14. In addition to the planning conditions that the local planning authority has imposed on the IFA2 project, the land agreements have a wide range of conditions and covenants in them to provide confidence that the Council's long term vision for Daedalus is not undermined by the IFA2 development.
15. One of the most important pre-conditions within the Option is an “Airfield Condition” where the Council needs to be satisfied with the compatibility of the Interconnector with the Council’s vision for the Airport operations and with the Faraday and Swordfish business park developments. To inform that decision, two technical studies will be undertaken, both at National Grid’s cost, to explore the compatibility issues in detail and make recommendations of how to address any matters that may have an adverse impact.
16. The scope of work for the technical study relating to future Airport operations is shown in Appendix A. This work will be commissioned by National Grid as a joint commission on behalf of it and Fareham Borough Council and will be undertaken by Arcadis, as a second phase to the initial work it undertook, to inform the planning application for the development.
17. The scope of work for the technical study relating to business compatibility is shown in Appendix B. This work will be commissioned by the Council and carried out by its retained property agents, Lambert Smith Hampton, but fully funded by the National Grid as a joint commission.
18. To oversee the two technical studies, an officer Technical Working Group comprising representatives of the Council, National Grid and the Airport Operator has been set up and will meet for a fortnightly basis to review the consultants work and to proactively manage any technical challenges or incompatibility risks as they arise. Only once the Council is satisfied that the outcomes of the technical studies demonstrate that the development is compatible with the Council’s Vision for Daedalus, will the development be able to proceed.

FINANCIAL IMPLICATIONS

19. The financial implications are shown in the confidential Appendix D. Professional costs relating to the land agreement preparation have been met by National Grid. National Grid is also meeting the costs of the two technical studies, which the Council require in order to determine the compatibility of IFA2 with the Council's vision for Daedalus.

CONCLUSIONS

20. The Executive agreed terms to lease land for the development of IFA2 in December 2015. Officers have now concluded the detailed terms of the lease, which the Executive is asked to note.

21. The next key stage in the project will be to satisfy the Council of the compatibility of the Converter and cables in relation to its Vision for Daedalus. The scope of work for each of the technical studies is included in the report and the Executive is asked to agree these.
22. It is anticipated that technical studies will be concluded by the Summer, and the outcomes of this work will be reported to the Executive at the appropriate time.

Enquiries:

For further information on this report please contact Andrew Wannell (Ext 4620)