

Corporate Scrutiny Committee: Monday 28 September 2020

Call in of the Cabinet's decision with respect to the, "Loan Investment in Perpetuus Tidal Energy Centre (PTEC)", taken on Thursday 10 September 2020.

Questions (with answers) from Councillor Michael Lilley

- 1. The Additional recommendation made to Cabinet on 10th September 2020, involved the conditions and security of the current outstanding £1M loan from IW Council to PTECH. Please can we have site of the original conditions of this loan alongside the now suggested conditions?**

The details are summarised in the report to Cabinet of the 8 January 2013, when the decision was taken to invest £1m as a loan to PTEC. Paragraph 30 of the report sets out that: *"the council's investment of £1 million will be treated as an unsecured loan (attracting interest at base rate plus 1% per annum)"*

- 2. Was there a risk analysis of this additional recommendation? If so, please can we have sight of this?**

The risk which sets the context for this decision is set out in para 45 of the paper: *"There is a major risk that if the council does not make this investment, the project will end by default and so will never secure the economic and environmental benefits expected from the council's initial investment"*.

And in para 52, *"However, the risk is high that PTEC will not be able to raise the funds through this route and that the project will fail and not deliver the anticipated economic benefits to the Island or the council"*

- 3. What is the financial and legal implications and risks associated with the recommendation to the current loan? What is the advice and opinion of these implications to IWC from the Director of Finance, Chris Ward, and the Monitoring Officer, Geoff Wild? Would it be possible for Mr Ward and Mr Wild to attend Corporate Scrutiny so the Committee could ask questions?**

This advice will be available prior to the meeting.

- 4. As the changes to the conditions of the loan could increase risk of IWC loosing £1M, it could be seen as an issue for Audit? Has the Audit Committee had sight of the PTECH proposals and have the external and internal auditors been referred to and if so, please can we have their comments? Is PTECH listed on Audit's risk register along with a mitigation strategy to ensure IW Council's loan is secure? Please can we have sight of the risk register entry and the mitigation strategy?**

The role of the audit committee (see the constitution) is, *"to provide independent assurance of the adequacy of the risk management framework and the associated control environment including independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment. And to oversee the financial reporting process, including the external audit of the council's"*

accounts and any matters arising from that audit.” Therefore, these issues are without the remit of the audit committee

- 5. IWC have an appointed director on the board of PTECH. Is this appointment listed on IWC outside bodies register, who appoints this director and who is he/she? Would it be possible to ask them to attend the Call-In meeting? Again this would help us.**

Under the original shareholders’ agreement, an officer represents the council on the Board. The role is undertaken by the Economic Development Project Manager and as a formal director of PTEC one of their 7 statutory duties is to promote the success of the company.

- 6. What assets do PTECH currently have and what security is available for the current IWC loan in the event the loan is defaulted?**

The company’s only assets are its licences for the development of the site, which expire shortly. The council’s loan is unsecured (see answer to question 1)

- 7. Originally PTECH requested a further £250K loan in addition to current loan to secure the seabed and other licences needed as they were about to expire? Has the expiry date passed and what is the position on these licences as without them PTECH has no viability?**

These details are set out in para 14 of the report to Cabinet:

“Agreement for Lease (providing the option for a 25-year lease) – issued by The Crown Estate to the Isle of Wight Council in 2012. Renewed under Member’s delegated decision in January 2017 and further renewed for the period to April 2021”.

“Marine Licence and section 36 (s36) consent – granted by the Marine Management Organisation (MMO) - the s36 consent is due to expire in April 2021 and the marine licence will need to be extended”.

- 8. Does PTECH and IW produced tidal energy have an agreement with National Grid that gives them a guaranteed % of output that can be exported to grid with a guaranteed income? For example: IW has an agreed amount of renewable and other energy such as from Cowes Power Station that it can export/sell to National Grid and this output is divided percentage-wise into types of energy produced. What is the % for Tidal Energy set by National Grid/SSE and what is the current value? This would be seen as an asset to PTECH and an asset that you would expect IWC has as security to loan?**

The current arrangements for grid connections are set out in para 14 of the paper to Cabinet:

“Grid connection – PTEC will either negotiate an extension of the current grid connection offer to include a payment schedule linked to project milestones and / or an alternative flexible connection or a new connection application will be made, which at this stage is the likely route forward.”

- 9. The original PTECH proposal was for a Tidal Wave test bed facility for turbines not actually producing energy? What is the current actual proposal?**

The report to Cabinet in January 2013 identified that the project if delivered in full, *“will deliver up to 20 MW of renewable energy into the Island’s grid”*. This was later increased to 30MW, which is the current position.

- 10. Is there any information available within IWC of the current market and trend position of tidal wave produced energy In the UK and World market that would inform the risk to IWC? What is the current price of tidal energy as against other renewables such as Solar and Wind which are not subsidised?**

No information available.

- 11. The planning permission for the land base for the PTECH proposal has expired and what is the Planning Officer’s view of an application in the future? Is the land still available? Does PTECH own the land?**

The cabinet are making an investment decision on basis of the information presented in the report. A view from the authority acting in its capacity as the Local Planning Authority (LPA), distinct from the cabinet acting as an investor, will be sought if necessary.