

## **CABINET**

**Decision Notices and Minutes of a meeting of the Cabinet held on Thursday, 10th July, 2014 at 5.00 p.m. at the AFC Telford Learning Centre, Haybridge Road, Wellington, Telford**

**PUBLISHED ON WEDNESDAY, 16th JULY, 2014**

**(DEADLINE FOR CALL-IN: MONDAY, 21st JULY, 2014)**

**PRESENT:** Councillor K.S. Sahota (Leader and Chair), E.A. Clare, S. Davies, A.R.H. England, W.A.M. McClements, R.A. Overton, H. Rhodes, C.F. Smith and P.R. Watling

**ALSO PRESENT:** Councillor A.J. Eade (Conservative Group Leader), Councillor W.L. Tomlinson (Liberal Democrat/Independent Group Leader)

**CB-13      APOLOGIES FOR ABSENCE**

None

**CB-14      DECLARATIONS OF INTEREST**

None

**CB-15      PROTECTING JOBS IN THE BOROUGH: DEVELOPMENT OF A LOGISTICS HUB AT MoD DONNINGTON**

**Key Decision** identified as **Development of a Logistics Hub at MoD Donnington** in the Notice of Key Decisions published on 11 June 2014.

**Part Recommendation to Full Council – decision (a) below not subject to Call-in**

Councillor W.A.M. McClements, Cabinet Member: Finance & Enterprise, presented the report of the Director: Development, Business & Customer Service, which provided Members with an update on the Ministry of Defence's Logistics, Commodities & Services (Transformation) Project, and sought approval for the Council to fund, on a commercial basis, the development of a Logistics Hub at MoD Donnington.

As Members were aware, in 2011 the Ministry of Defence announced a proposal to consolidate their warehousing and distribution facilities at one of the two current sites in the UK – Donnington being one of the sites. Delivery of the new National Defence Gateway would be through a new operational contract for warehousing and logistics, with the preferred solution being identified through a procurement process which was currently ongoing. Selection of the preferred bidder, and therefore ultimately the location for a

new Defence Gateway, would be determined by the MoD in September. As part of the bid evaluation process, the MoD would assess all areas of the bids (including planning, funding and land assembly) as part of due diligence.

In terms of planning, Telford's position had been significantly strengthened following the granting of planning permission for warehousing and associated buildings.

A major part of the MoD assessment would be around security of funding and would require bidders to demonstrate that they had the necessary funding in place to deliver proposals. Following the report to Cabinet in February 2014, a set of Heads of Terms had been developed and issued to all bidders. Central to the Heads of Terms was an offer to provide capital funding for the investment in Telford on the basis that the Delivery Partner uses the funding to construct the facility to meet their requirements. Approval for a maximum funding amount of £120m was being sought. Details of the proposed Finance and Lease Agreements were outlined in the report. The lease payments would be set at a level to ensure that the income received was sufficient to cover the costs of Council borrowing and repay the principal sum invested over the term, as well as delivering a small return for the Council. The MoD would guarantee all lease payments if there was a default.

In relation to land assembly, bidders were required to demonstrate that they had secured unencumbered land on which to deliver the development proposals. The Council had previously secured an option to buy a parcel of land, as shown in an appendix to the report, to facilitate development. This option would be exercised only if Telford was chosen as the location. There were also a number of small parcels of land associated with the development which could be acquired to allow for a more efficient approach to land assembly and potential operational activities.

The lead Cabinet Member and others further highlighted the importance that securing the MoD's Logistics Hub in Telford would have in terms of the local economy, jobs and prosperity, and that the Council needed to do all it could to facilitate this outcome.

## **RESOLVED**

- (a) to RECOMMEND to COUNCIL that the investment as outlined in the report and the approval of prudential borrowing of up to £120m to fund this commercial investment, and all associated changes to the capital programme, be approved.**
- (b) that subject to appropriate Council approval being secured as detailed above, authority be delegated to the Director: Development, Business & Customer Service, in consultation with the Cabinet Member for Finance & Enterprise, to approve the final business case for investment, and that it be noted that any such approval will be contingent upon the business plan demonstrating that risk has been properly managed through securing necessary agreements from the Delivery Partner and the MoD to ensure that,**

under the terms of the agreement, the Council will be fully indemnified against its own obligations to satisfy the terms of its borrowing;

- (c) that authority be delegated to the Director: Development, Business & Customer Service, in consultation with the Cabinet Member for Finance & Enterprise, to negotiate and agree the necessary land deals, loan documentation and other commercial and contractual arrangements with all interested, directly and indirectly, parties to ensure that, should a bid using the proposed Telford site be successful, it can be fully implemented within the programme;
- (d) that authority be delegated to the Assistant Director: Law, Democracy & People Services to execute all documents in accordance with the Council's Constitution so required to give effect to the proposals contained in this report.

The meeting ended at 5.09pm.

**Signed for the purposes of the Decision Notices**

**Jonathan Eatough**  
**Assistant Director: Law, Democracy & People Services**  
**Date: 16 July 2014**

**Signed:** .....

**Date:** .....