

## Commissioning and Procurement Executive Committee – 10 December 2024

<b>Subject:</b>	Solar PV operation and maintenance services		
<b>Corporate Director:</b> <b>Director:</b>	Colin J Parr – Communities, Environment and Resident Services Michael Gallagher – Environment and Sustainability		
<b>Executive Member:</b>	Councillor Sam Lux - Carbon Reduction, Leisure and Culture		
<b>Report author and contact details:</b>	Roisin Hickey <a href="mailto:roisin.hickey@nottinghamcity.gov.uk">roisin.hickey@nottinghamcity.gov.uk</a>		
<b>Other colleagues who have provided input:</b>	Susan Turner – Finance Richard Bines – Legal Sue Oliver – Procurement		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<b>Subject to call-in</b>
			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b>	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision		<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital		
<b>Total value of the decision:</b> Up to £2,299,498			
<b>Section 151 Officer expenditure approval</b>			
Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a			
Spend Control Board approval reference number: 11372			
<b>Commissioner Consideration</b>			
Has this report been shared with the Commissioners' Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Any comments the Commissioners wish to provide are listed in section 6 below.			
<b>Wards affected:</b> All			
<b>Date of consultation with Executive Member:</b> 03/10/2024			
<b>Relevant Council Plan Key Outcome:</b>			
Green, Clean and Connected Communities	<input checked="" type="checkbox"/>		
Keeping Nottingham Working	<input type="checkbox"/>		
Carbon Neutral by 2028	<input checked="" type="checkbox"/>		
Safer Nottingham	<input type="checkbox"/>		
Child-Friendly Nottingham	<input type="checkbox"/>		
Living Well in our Communities	<input checked="" type="checkbox"/>		
Keeping Nottingham Moving	<input type="checkbox"/>		
Improve the City Centre	<input type="checkbox"/>		
Better Housing	<input checked="" type="checkbox"/>		
Serving People Well	<input checked="" type="checkbox"/>		
<b>Summary of issues (including benefits to citizens/service users):</b>			
Nottingham City Council (NCC) own and operate over 3,200 domestic solar PV systems installed on NCC social homes. These assets are split into two phases: Phase 1 which were purchased via the Housing Revenue Account (HRA) and Phase 2 which are owned directly by NCC. Around 10% of the total portfolio are installed at private houses where a tenant has opted to purchase the property under the right to buy scheme after solar panels were installed. NCC also owns and operates around 30 individual commercial solar PV systems, installed on operational buildings, and commercial buildings owned by NCC and leased privately.			
Around 95% of assets receive Feed-in Tariff (FiT) payments, which was a government incentive to			

install renewable generation. The FiT income for both phases is detailed in Table 1, below. The commercial solar PV systems installed on NCC's operational buildings also offer bill savings, as the building can use some free electricity produced by the solar panels rather than paying to import electricity from the grid. These significant bill savings to the authority are detailed in Table 1, below.

**Table 1 - FiT income, estimated tenant and authority bill savings**

Phase	FiT Income	Annual Bill Savings
Domestic Phase 1	~£1.6m	No bill savings for the authority. Tenants benefit from the free electricity, saving an average of £300 per year/home
Domestic Phase 2	~£0.26m	
Commercial	~£0.1m	~£0.14m
<b>Total FiT income and bill savings</b>	<b>~£1.9m</b>	

Funding for maintenance works has been secured via several budgets:

**Phase 1:** budget has been secured for this financial year, FY 2025/26 and FY 2026/27. This will be funded via the HRA, and the Solar Hub will re-charge them quarterly for all works completed during the period. HRA spend on solar maintenance has been agreed with the relevant Programme Manager in Housing Services.

**Phase 2 & Commercial:** budget has been secured for this financial year. Funds will be drawn down from reserve and allocated to cost centre 13021. It is anticipated that the budget allocated for this financial year will not be completely spent by March 2025. This has led to the recommendation for a sinking fund/reserve to be requested to be set up to ensure that the funding for the maintenance costs is available moving forward into the future financial years, thereby reducing possible impact on future MTFP.

Currently, an annual payment of ~£220k is made from the General Fund to the HRA to repay a loan that funded the installation of the solar panels. There is a LKD currently in progress to transfer ownership of Phase 2 domestic assets to the HRA which would remove this payment. Should this be agreed, funding for the next two financial years will come from the savings this would release. If not agreed, budget for the next two financial years would need to be identified elsewhere at a later date.

The invitation to tender will stipulate that we may spend up to £2,299,498, but there will be no commitment to spend this in total.

Table 2 **Error! Reference source not found.** gives a summary of the financial forecast across the whole solar portfolio.

**Table 2 – Summary financial forecast**

	2024/25	2025/26	2026/27	Total
Phase 1 – HRA funded	£543,838	£425,968	£438,747	<b>£1,408,554</b>
Phase 2 – NCC/ General Funded	£309,985	£231,072	£237,405	<b>£778,462</b>
Commercial – NCC/ General Funded	£45,466	£20,000	£47,016	<b>£112,482</b>
<b>Phase 2 &amp; Commercial Total</b>	<b>£355,451</b>	<b>£251,072</b>	<b>£284,421</b>	<b>£890,944</b>
<b>Portfolio Total</b>	<b>£899,289</b>	<b>£677,040</b>	<b>£723,168</b>	<b>£2,299,498</b>

Where the forecast exceeds the available budget, priority will be given to the safety of assets to ensure they are operating safely, and those with a higher FiT rate to maximise returns to NCC and ensure budgets are not exceeded.

A detailed breakdown of the forecast for domestic and commercial solar assets can be find in sections 2.3 and 2.4 of this report.



**Table 4 - Phase 2 known issues and financial forecast**

Item	Phase 2 quantity	Phase 2 cost - 2024/25	Phase 2 quantity	Phase 2 cost 2025/26	Phase 2 quantity	Phase 2 cost 2026/27
Known inverter failures that require replacing	96	£ 57,482	-	£ -	-	£ -
Known metering faults that require new generation meters	105	£ 27,578	-	£ -	-	£ -
Metering failure rate @ 8 per month	96	£ 25,214	96	£ 25,971	96	£ 26,750
Failure rate of inverters @ 11 per month	132	£ 79,038	132	£ 81,409	132	£ 83,851
Inspection and testing	300	£ 88,065	300	£ 90,707	300	£ 93,428
Roof inspections @ 12 per year (fault finding)	12	£ 12,607	12	£ 12,985	12	£ 13,375
Contingency budget	1	£ 20,000		£ 20,000	1	£ 20,000
<b>Total</b>		<b>£ 309,985</b>		<b>£ 231,072</b>		<b>£ 237,405</b>
		<b>£</b>				<b>778,462</b>

2.4 Table 5 shows the financial forecast for commercial solar assets.

**Table 5 - Commercial financial forecast**

Item	Commercial quantity 2024/25	Commercial cost - 2024/25	Commercial quantity 2025/26	Commercial cost - 2025/26	Commercial quantity 2026/27	Commercial cost - 2026/27
Bi-annual Inspection and testing	32	£ 25,466		N/A	32	£ 27,016
Contingency budget	1	£ 20,000	1	£ 20,000	1	£ 20,000
<b>Total</b>		<b>£ 45,466</b>		<b>£ 20,000</b>		<b>£ 47,016</b>
		<b>£</b>				<b>112,482</b>

### 3. Other options considered in making recommendations

3.1 Do nothing - doing nothing means that NCC will neglect its duty of care to ensure that the authority's solar PV assets are operating safely and pose no danger to building users and citizens. Systems that have developed a fault would no longer be providing free electricity to tenants/homeowners and the authority would not receive the expected FiT income nor electricity savings on commercial buildings where solar is installed. Furthermore, this would be a step back in the council's CN28 ambitions as more properties would rely on carbon-intensive grid electricity.

3.2 Use internal resource – this would require multiple MCS qualified electricians to be hired or trained up within NCC and housing services; these skills do not currently exist within the council. Currently housing services electricians cannot work on Phase 2 solar assets due to the ring-fencing of HRA funds. Additional team resource would also be required for making appointments, buying in stock, processing any changes to systems etc. Due to anticipated fluctuation in the management of the solar assets, there is a risk with this option that the right level of internal resource would not be able to be maintained for a full-scale maintenance program. It is more favourable to have continuity of the program through the procurement of an external supplier.

### 4. Consideration of Risk

4.1 Nottingham City Council have a duty of care to ensure that the solar arrays installed on homes and commercial buildings are safe and pose no risks to

the tenant, homeowner, building users and or staff. It is therefore important that these systems are inspected and tested on regular intervals with testing reports issued back to the authority. Solar systems that are found to be a hazard will need to be safely isolated until they are fixed and safe to operate.

**Mitigation action:** Commence inspection and testing regime and rectify all faults.

- 4.2 NCC receive in the region of £1.6m in FiT payments for generating electricity and save more than £140,000 annually from using solar generated electricity and not importing from the grid. To ensure that these funds are received, and bill savings realised, maintenance of the solar arrays is imperative.

**Mitigation action:** Maintain solar assets and fix the ones that are faulty.

- 4.3 Not maintaining the assets or fixing problems is likely to cause complaints into NCC and or housing services.

**Mitigation action:** Act swiftly to maintain or fix problems with solar assets.

## 5. **Best Value Considerations**

- 5.1 Best value will be demonstrated by working with procurement colleagues to secure the best value tender, with consideration given to cost, quality and service. A costing exercise, quality questions and previous customer testimonials will be required as part of the tendering process.

- 5.2 Solar PV maintenance is a specific skill considering the dangers of working with direct current (DC) voltage. Considerations have been given to utilising internal resource, however colleagues across NCC, including housing services currently do not have the skills, knowledge or experience to work with these systems and is unlikely to change in the near future.

## 6. **Commissioner comments**

- 6.1 Commissioners accept the need for necessary maintenance to the solar panels. They recommend the Council undertake a review of provision to assure it is maintained on a reasonable basis. (22/11/24)

## 7. **Finance colleague comments (including implications and value for money/VAT)**

- 7.1 This decision is seeking to go out to tender for the proposed level of Solar PV operation and maintenance for the Phase 1 and Phase 2 operations (including on behalf of HRA with their agreement as declared by the author) of up to a value of £2.299m and a request to create a reserve to support this ongoing requirement moving forward.

- 7.2 The council has invested in solar energy systems for public buildings and social housing units and needs to prioritise regular maintenance to maximise efficiency and longevity. Routine tasks such as cleaning, inspections, and prompt repairs help keep solar panels operating at full efficiency, which translates to best value long-term cost savings on energy and could avoid more significant repairs later in the asset's life and higher grid energy costs. This will also ensure that the existing FiT income will be consistent and in line

with current MTFP expectations, if these assets are allowed to deteriorate then this income could decrease with reduced efficiency.

- 7.3 It is anticipated that the budget allocated for this financial year will not be completely spent by March 2025 due to the timeline required to proceed with the tender process. This has led to the recommendation for a sinking fund/reserve to be requested to be set up to ensure that the funding for the maintenance costs is available moving forward into the future financial years, thereby reducing possible impacts on future MTFP both from an escalation of repair costs, asset end of life and FiT income perspective.
- 7.4 The 2024-25 funding has been identified from within the current MTFP for the NCC costs and the noted HRA/Housing agreement, although this will need to be monitored and ongoingly reviewed to identify any changes to the planned expenditure (also in conjunction with HRA). Future years expenditure is expected to be met for Phase 1 (in agreement with HRA supporting these assets as declared by the author). The Phase 2 and Commercial elements funding currently is linked to an "in progress" Leader Key Decision and is not yet agreed at this stage. Should this agreement not take place then the future year non-HRA funding would have to be reevaluated and either cost reduction or alternative mitigations sought before proceeding on any spend beyond the year 1 expectation.
- 7.5 This funding will also likely need to be used to support removal costs from the NCC properties in future if this is not already been accounted for elsewhere so these costs will need to be represented too when considering expenditure.

Susan Turner, Senior Commercial Business Partner - 14/11/2024

## 8. **Legal colleague comments**

- 8.1 Authority is sought to procure and approve the spend of up to £3,273,576 on Solar PV panel Operation and Maintenance (O & M) Services, to ensure compliant contracting of these services on the basis of a 3 year contract. Solar PV system operations and maintenance (O&M) services are understood to be technical services required to establish and maintain a specific performance level for an independent energy system, that cover preventive and corrective maintenance services.
- 8.2 The approval sought should be subject to Section 151 Officer expenditure (Spend Control Board) approval, due to the s.114 (3) of the Local Government Finance Act 1988 report status of the Council and spend not being exclusively HRA money (which is exempt from SCB process).
- 8.3 There are no significant legal issues from a procurement law perspective subject to compliance with the Council's Contract Procedure Rules and Public Contract Regulations 2015 (PCR) / or new Procurement Act 2023 regime (depending on when the procurement exercise is commenced) as the proposed spend on the supply of the above service is above the relevant service contract threshold (on the basis of the estimated value inclusive of VAT) specified for the purposes of the aforementioned regulations.
- 8.4 Regardless of the applicable procurement regime the contract remains a public service contract therefore the Council must ensure it complies with the core principles either in regulation 18 PCR 2015 to treat economic operators equally and without discrimination, act in a transparent and proportionate

manner and shall not artificially narrow competition, or in section 12 of the Act when it must have regard to:

- the importance of delivering value for money;
- the importance of maximising public benefit;
- the importance of sharing information for the purpose of allowing suppliers and others to understand the contracting authority's procurement policies and decisions;
- the importance of acting, and being seen to act, with integrity.

Section 12 also provides that, when carrying out covered procurement, contracting authorities must:

- treat suppliers the same unless a different treatment is justified;
- have regard to the fact that small and medium-sized enterprises may face barriers to participation and consider whether such barriers can be removed or reduced.

8.5 A compliant procurement process will also need to ensure that the best value duty under s3 of the Local Government Act 1999 is fully considered to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". This includes maximising social value in procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves.

8.6 Given the underlying services to be provided and serious Health and Safety ramifications in the performance of the service, appropriate consideration in the assessment of relevant tenders bid should take account of all of the relevant Health and Safety considerations including matters such as:

- effective Health and Safety (H&S) management standards are achieved;
- site and task-specific H&S documentation is produced by competent persons including Risk Assessment Methods Statement s(RAMS);
- providers have appropriate Employers' Liability Insurance as well as public and product liability insurance set at appropriate levels for the relevant H&S risks;
- compliance with all industry guidance (statutory and non- statutory) applicable to the delivery of Solar PV Panel O&M services

8.7 It should be noted that as the owner of many of the sites mentioned, the Council will have responsibility under the Construction (Design and Management) Regulations 2015 to check and ensure the roof access is safe to access for the eventual provider.

8.8 Legal advice and support will be provided to support with the drafting of the contracting arrangements to be put in place.

Richard Bines (Solicitor) Contracts and Commercial Team - 06.11.2024

## 9 **Procurement Comments**

9.1 Procurement will work with the client team to carry out the procurement exercises set out in the recommendations. Procurement activity will be carried out in line with the Public Contracts Regulations 2015 or the Procurement Regulations 2024 depending on when the tenders are published. Of the

tender required, we would consider it as a tender for new Repairs and Maintenance contract. This will most likely be an open procedure. Cashable savings are unlikely against previous costs; however, the tender may be able to demonstrate savings against a rising market

Sue Oliver, Category Manager for Places - 09/08/2024

**10 Crime and Disorder Implications (If Applicable)**

10.1 N/A

**11 Social value considerations**

11.1 Continued reduced carbon emissions for Nottingham City residents and visitors.

11.2 Continued electricity savings for Nottingham City Council and tenants of social homes with solar PV installed.

11.3 Local employment - as a result 3-year maintenance contract with a stipulation of local employment within the invitation to tender.

**12 Regard to the NHS Constitution (If Applicable)**

12.1 N/A

**13 Equality Impact Assessment (EIA)**

13.1 An EIA has been undertaken and due regard will be given to any implications identified in it.

**14 Data Protection Impact Assessment (DPIA)**

14.1 A DPIA has been undertaken and due regard will be given to any implications identified in it.

**15 Carbon Impact Assessment (CIA)**

15.1 A CIA has been undertaken and due regard will be given to any implications identified in it.

**16 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

16.1 None.

**17 Published documents referred to in this report**

17.1 None.