

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

2600

Author:

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Department:

Development

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Subject:

Commercial Solar Photo Voltaic (PV) Investment Programme

Total Value:

£750,000 (Type: Capital)

Decision Being Taken:

1. To approve spending of up to £0.75m over two years (2016/17 and 2017/18) on commercial solar PV projects that meet the minimum financial criteria outlined below.
2. For the Portfolio Holder to delegate authority to the Head of Energy Projects to approve spending on projects that meet these criteria (with contract value in line with delegated financial responsibility).

Summary of Issues**Minimum financial criteria:**

This proposal is to invest £0.750m of Council funds from the 2016/17 Energy Development Fund into the installation of PV panels onto Council properties in order to make a commercial return of at least 5% after notional borrowing costs have been considered. Projects with a return on investment of less than 5% will be referred back to the Portfolio Holder for decision.

A provision of £0.750m will be made within the capital programme; this will be funded from existing revenue budgets within Energy Services. The unspent balance of the approved allocation will be carried forward into 2017/18 to fund works to be undertaken in this period.

A financial model has been developed with Finance in order to evaluate the proposals on a site by site basis. This will be used for all schemes and will be the basis on which the decision about whether the scheme meets the required financial return will be made.

The rates used within the model will be based upon published data from the Department for Business, Energy & Industrial Strategy (BEIS) and HM Treasury to ensure a consistent approach. The notional rate of borrowing to be included in the model will be determined by the Treasury Management team and will reflect the cost of borrowing to the Council.

The financial contribution towards the Council Medium Term Financial Plan (MTFP) from this proposal will not be known until all of the schemes have been identified and installed, however based on a rate of return of 5% it would be anticipated that it would exceed £75,000 per annum. There is an element of risk associated with this forecast as it is dependent upon the performance of the panels and the weather, however maintenance costs (panel failure) potential theft and energy output degradation are included within the investment model.

The Energy and Waste Big Ticket savings target for 2016/17 includes £35,000 from the installation of new commercial PV sites, the income from this scheme will contribute towards this target; alternative proposals will be identified to meet any shortfall arising.

Business cases for these schemes include savings made as a result of using electricity generated by the PV panels rather than that purchased via the Council's electricity contract. The Council also has targets for achieving energy efficiency savings and on-going monitoring and annual performance reporting will be carried out through the existing Energy and Waste Big Ticket reporting process to ensure targets are being met.

Commercial solar PV installations will include, but not be limited to canopy (car port) and rooftop installations. Project progress will be reported via the existing Energy and Waste Big Ticket monthly review meeting schedule, which will allow installation locations and energy and revenue generation to be detailed.

Projects will be delivered, where possible, by Highway and Energy Infrastructure's direct labour organisation (DLO). Projects outside the capacity/capability of the DLO will be undertaken by third-party contractors (i.e. canopy installations). Any spend arising will be in accordance with Public Contract Regulations and Contract Procedure Rules and the Council's financial regulations. Any necessary consent will be sought and gained prior to commencements, i.e. planning applications, electrical connection.

Reasons for Decision

The programme will contribute directly to NCCs commercialism strategy, which seeks to maximise income to the authority in order to protect the provision of services to citizens of Nottingham. Opportunities to invest capital for revenue return is a key element of this strategy where this supports the Council's overall financial position. The investment in solar panel infrastructure will provide a net positive surplus for the Council and contribute an attractive invest-to-save opportunity, which has been made possible by the extension the Government's Feed in Tariff (FIT) subsidy which provides payments for locally generated renewable electricity.

This programme, by taking advantage of the Feed in Tariff (FIT), a 20-year Government subsidy for the generation of renewable electricity and by enabling on-site electricity savings, will allow the Council to generate an annual surplus in excess of £75,000.

Other Options Considered:	The alternative is not to undertake solar panel installations. This would pass up the opportunity to take advantage of feed-in-tariffs (FIT) currently being offered by the government and would not contribute to the Council's energy strategy or manifesto commitments. Based on the current FIT rates the Council will benefit from a revenue return over the next 20 years that is linked to RPI.
Background Papers:	Refer to Energy Strategy 2010-2020 (April 2010)
Published Works:	N/A
Affected Wards:	Citywide
Colleague / Councillor Interests:	N/A
Consultations:	Those not consulted are not directly affected by the decision.
Crime and Disorder Implications:	Potential theft of solar panels. To be mitigated as far as is possible through design and on site security.
Equality:	EIA not required. Reasons: EIAs are not required as part of the planning process for the type of solar panel installations covered within this DDM.
Social Value Considerations:	<p>The economic wellbeing of the City has been considered, as projects will generate work for the DLO (internal) and the energy generated by the solar panels will offset NCC's energy costs over a 30 year period.</p> <p>A social benefit created by investing in solar panels is the contribution towards Nottingham's visibility as a leader in the field of energy and sustainability. The Energy Projects team will engage with building users where solar panels are installed, to ensure the benefits are understood.</p> <p>An environmental benefit of solar panel installations is the reduction of the City's carbon emissions and other pollutants linked to the generation of electricity through fossil fuels.</p>
Relates to Council Property Assets:	Yes
Decision Type:	Portfolio Holder
Subject to Call In:	Yes

Call In Expiry date: 28/09/2016

Advice Sought: Legal, Finance, Procurement, Property

Legal Advice: This decision seeks authority for the Portfolio Holder to sub-delegate authority to the Head of Energy Projects to spend up to £100,000 on individual projects. Any spend on individual projects must be in accordance with public contract regulations and the council's financial and contract procedure rules. The report author advises that the intention is for the Council to establish a framework for the call-off of projects requiring specialist expertise, for eg, solar panel installations on carports which will be the subject of a separate decision. Advice provided by Sarah O'Bradaigh (senior solicitor) on 08/09/2016.

Finance Advice: Advice included in attachment Advice provided by Gary Robbins (Finance Analyst) on 01/08/2016.
Advice documents: Commercial PV DDM.docx

Procurement Advice: Provided that any spend arising out of this project is spent in accordance with Public Contract Regulations and Contract Procedure Rules there are no significant issues with the recommendations set out in the report. We advise that you engage with procurement in advance of engaging suppliers to ensure compliance with the above. Advice provided by Sue Oliver (Category Manager - Procurement) on 19/08/2016.

Property Advice: The proposed 5% return threshold in the context of competing capital investment opportunities in commercial property is appropriate on the basis that the returns from the feed in tariff are government backed and guaranteed for a 20 year period. We recommend that appropriate provision in financial modelling is made for ongoing repair and vandal damage as well as periodic panel replacement. We have discussed the paper with the author in detail and support the proposal. Advice provided by Peter Carroll (Head of Portfolio Investment & Development) on 19/08/2016.

Signatures
Alan Clark (Councillor) (Portfolio Holder For Energy and Sustainability)
SIGNED and Dated: 20/09/2016
Andrew Vaughan (Corporate Director Commercial and Operations)
SIGNED and Dated: 20/09/2016