

Financial Advice – Commercial PV Installations

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. This will require a provision of £0.750m to be made within the capital programme, this will be funded from existing revenue budgets within Energy Services.

A financial model has been developed 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.

The Energy & Waste Big Ticket savings target for 2016/17 includes £70,000 from the installation of new commercial PV sites, the income from this scheme will contribute towards this target; alternative proposals will need to be identified to meet any shortfall arising in 2016/17.

The business cases for these schemes include savings made as a result of using electricity generated by the PV panels rather than purchased via the Council energy contract. The Council also has targets for achieving energy efficiency savings therefore robust measurement and recording systems will be required to ensure that energy savings arising from these installations are not counted against other energy efficiency savings targets as well.

The unspent balance of the approved allocation will need to be carried forward into 2017/18 to fund works to be undertaken in this period.

All materials and subcontractors should be procured in accordance with the Council's financial regulations and procurement rules.

Advice provided by

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