

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3551

Author:

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Department:

Commercial and Operations

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Subject:

Commercial Solar Photo Voltaic (P.V.) Investment Program

Total Value:

£0.750m (Type: Capital)

Decision Being Taken:

1. To approve the spend of up to £0.750m over two years (2019/20 and 2020/21) on commercial solar PV projects that meet the minimum financial criteria outlined below.
2. To delegate authority to the Head of Energy Services to approve spending on projects that meet the financial criteria, in line with the Commercial Business Partner covering Energy Services (with contract value in line with delegated financial responsibility).
3. To delegate authority to the Head of Energy Services to award contracts to support delivery of those projects.

Reasons for the Decision(s)

This proposal is to invest £0.750m of Council funds from the 2019/20 Energy Development Fund into the installation of P.V. 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 the Energy Development Fund within Energy Services. The unspent balance of the approved allocation will be carried forward into 2020/21 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 2019/20 includes £0.1m from the installation of P.V. sites, the income and savings 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 Energy Services Delivery Team. Projects outside the capacity/capability of Energy Services will be undertaken by third-party contractors (i.e. NCC Solar Framework). 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.

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 savings from grid energy and the Government's new Smart Export Guarantee (SEG) which provides payments for locally generated renewable electricity that is exported.

This programme, by taking advantage of 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 significant energy savings compared to grid prices and the governments SEG subsidy and would not contribute to the Council's energy strategy or manifesto commitments. This would also pass up the opportunity of agreeing PPA contracts with clients, further securing revenue for the council over a potential 30 year period. For this reason this option was rejected.

Background Papers:

Published Works: Energy Strategy 2010-2020 (April 2010) Commercial and Operations Commercial Business Plan 19/20

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.

Decision Type: Portfolio Holder

Subject to Call In: Yes

Call In Expiry date: 20/06/2019

Advice Sought: Legal, Finance, Procurement

Legal Advice: This report raises no significant legal issues provided any contracts awarded are in compliance with the City Council's Contract Procedure Rules. Advice provided by Andrew James (Team Leader Contracts and Commercial) on 11/07/2018. Advice confirmed as unchanged 16/05/2018

Finance Advice:

This proposal is to invest up to £0.75m of Council funds from the 2019/20 and 2020/21 Energy Development Fund into the installation of PV Panels onto Council properties in order to make a commercial return of at least 5% after nominal borrowing costs have been considered.

This will require a provision of up to £0.75m to be made within the capital programme, funded by the Energy Development Fund.

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 about whether the scheme meets the required financial returns will be made.

The financial contribution towards the Council Medium Term Financial Plan (MTFP) from this proposal is included in the Energy and Waste Big Ticket.

The Energy and Waste Big Ticket savings target for 2019/20 includes £0.100m from the installation of new commercial PV sites.

The unspent balance of the approved allocation will need to be carried forward into 2020/21 to fund works to be undertaken in the following period.

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

Each individual scheme will be signed off by the Head of Energy Services and the Commercial Business Partner for the Commercial infrastructure and Energy Directorae using the agreed proforma included in the financial appendix.

Advice provided by Clair Gavigan - Strategic Business Partner (Commercial & Operations) 16/05/2019

Advice documents: DRAFT Solar PV Investment Authorisation v2.docx

Procurement Advice:

There are no direct procurement implications with the approval to release funding or to award contracts in support of delivery of the project. Any contracts awarded must themselves be compliant with Contract Procedure Rules and where relevant the Public Contracts Regulations; and may themselves require further approvals to be sought depending on value and circumstances. The Procurement Team will be available to advise on these when required. Advice provided by Jonathan Whitmarsh (Lead Procurement Officer) on 11/07/2018. Advice confirmed as unchanged 16/05/2019

Signatures

Sally Longford (PH for Energy, Environment and Democratic Services)
SIGNED and Dated: 08/05/2019 Confirmed 13/06/2019
Andy Vaughan (Corporate Director Commercial and Operations)
SIGNED and Dated: 08/05/2019 Confirmed 13/06/2019