



PRCC.18 13/14

Committee Prosperous  
Communities Committee

Date 3rd September 2013

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**Subject: West Lindsey Civic Renewables Project**

Report by:

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Purpose / Summary:

To provide members with information concerning a potential civic renewable project as part of the Council's commitment to both creating a Green District and undertaking entrepreneurial activities which support the continuation of service delivery at a time of severe financial pressure

**RECOMMENDATIONS:**

1. That Members note the proposed future actions referred to in the report and agree that update reports be brought to this Committee as the project develops through the Policy and Resources committee.

## IMPLICATIONS

### Legal:

The Project Team calls upon legal advice from Lincolnshire's Shared Legal Services

### Financial: FIN 6/14

This project has significant financial implications as it may require the need to either utilise reserves or borrow monies from the Public Loans Board. This is in order to purchase the necessary land and to fund the purchase and installation of the required renewable technology. If a decision is made at a later stage to go ahead, the Council is in a position to do either of these options subject to member approval. At this stage in the project however, without a preferred site having been finally identified, the financial implications are still 'indicative'. On 25 July 2013 Members of P & R supported continued work on exploring the options for this project and asked for a detailed report with full financial costing to be prepared for consideration, at later stages.

A project budget to cover external advice and support to develop a viable project was approved, with officers given permission to call upon reserves of up to £30k.

### Staffing:

Current activity on this project was being led by the Director of Communities and Localism but on her departure from the authority the Chief Executive has taken overall strategic sponsorship. The project team involves staff from across the Council and is supported by 'specialist external' assistance through APSE.

### Equality and Diversity including Human Rights :

*NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).*

### Risk Assessment:

A detailed Risk register has been drawn up for this project and risks are being actively managed. Once a preferred site and clear option is arrived at, a full risk assessment will be attached to the report in order to provide members with a full basis for making a decision. This will capture all of the direct and indirect risks and show how they are being mitigated.

**Climate Related Risks and Opportunities:**

The successful delivery of the project would support the Council's green strategy and allow the Council to offset carbon emissions from its energy consumption. 'Green' and renewable energy that is produced could be used by local consumers or fed into the national grid.

**Title and Location of any Background Papers used in the preparation of this report:**

Civic Renewables paper P & R 25 July 2013, Green strategy October 2012 and renewable energy statement March 2012 to be inserted.

**Call in and Urgency:****Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

X

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

X

No

**Executive Summary**

The Government remains committed to increasing the amount of energy generated by solar technology as it seeks to meet EU renewable energy targets. Solar power creates investment and local green jobs, reduces carbon emissions and helps provide energy security by reducing the reliance on overseas fossil fuel imports. To support solar development at the large scale, solar farms are eligible for financial incentives under the Renewables Obligation (ROCs) scheme. and the Feed-in Tariff Scheme (FITs).

Over the last 6 months, in order to continue our commitment to the Green agenda, and our entrepreneurial approach to dealing with government budget cuts, officers of the council have been exploring the potential of utilising solar technology - moving from our success at buildings based schemes to looking at land based opportunities. Officers have been looking at the possibility of a land based Civic Solar facility to generate monies that could be used for the benefit of the communities of West Lindsey.

Solar farms, or solar parks, are the large-scale application of Solar Photovoltaic (PV) installations used to generate electricity. They are increasingly common commercially and can cover large areas of land. Because of this they are usually developed in rural locations and approximately 25 acres of (non food producing) agricultural land would be required for a 5 megawatts (MW) civic solar facility. 5MW is enough to power 1,515 homes according to DECC figures

As members will be aware, solar farms go through a rigorous planning procedure to get approval. This takes into account the suitability of the site, any potential impact on the locality and relevant renewable energy targets. A number of potential sites have been identified and visits have been carried out. Detailed business cases prepared for each of the 5 preferred sites to help determine which would be most viable for the project.

A project budget was approved by members of the P & R Committee on 25 July 2013 to allow the necessary advice and specialist guidance in areas such as legal, procurement, and obtaining a grid connection. This is now required in order to provide Members with adequate information on which to make a sound decision.

Members supported the work to date and RESOLVED that:

- a) The continued exploration of a Civic Solar scheme for West Lindsey be endorsed and a report be requested for decision by September 2013;
- b) This Committee acknowledges the contribution made by and the expertise gained in this area of work by the Green Policy Development Panel and requests that they take forward the Civic Solar Farm project on behalf of the Council; and
- c) Members support the call on reserves of up to £30,000 for specialist services and that we look to local suppliers for free advice and local procurement where appropriate.

Note: Information is scheduled to be brought back to Members of the P & R committee in September along with the full business case necessary to make a final decision on whether to deliver a civic solar project for West Lindsey. Complications in negotiating an agreement for a site mean that this report is likely to be delayed however.

**The report below is the one that was presented to members of the P & R Committee on 25 July 2013**

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## **1 INTRODUCTION**

### **1.1 West Lindsey Green Strategy**

In 2012 the Council adopted its first Green Strategy which contained its commitment to a clear vision for the district, its residents, business and communities for the next 15 years.

#### **THE VISION**

West Lindsey strives to be the greenest district with a thriving green economy that results in improved wellbeing for residents and social equity, while significantly reducing environmental risks and threats to biodiversity. West Lindsey's operations are nationally recognised as being low carbon, resource efficient and socially inclusive.

Within West Lindsey's green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. These investments will be catalysed and supported by targeted expenditure from the Council, supportive policies and information support on regulations and funding.

We recognise the importance of our natural environment, and celebrate and promote it to residents, businesses and visitors. Development should maintain, enhance and, where necessary, rebuild our environment as a critical economic asset and as a source of public benefits, especially for our agricultural sector whose livelihoods and security depend on nature.

Our green vision means that our economic and development goals are balanced with a focus on social equity and maintaining environmental systems for present and future generations.

In order to deliver on this ambitious vision for the district the Council agreed a Green Strategy programme aimed at providing coordinated leadership of West Lindsey's drive to reduce its carbon footprint, its role in facilitating community initiatives and providing the foundations for a thriving low carbon economy.

## **2 CIVIC RENEWABLES**

2.1 The Council as part of the above Strategy programme already has a proven track record in utilising the opportunity of renewable energy on its own buildings, witnessed by the inclusion of rain water harvesting and solar PV on the new Guildhall building, finished in 2008 and the installation of Solar PV panels on the Festival Hall in Market Rasen and the Leisure Centre in Gainsborough. All of which has considerably decreased the cost of energy to these civic buildings and helped the Council exceed its Carbon management Plan targets, reducing carbon usage by 30%.

- 2.2 To achieve this Council carried out a through review of all of its assets to determine where renewable energy opportunities could be utilised. However the Council no longer has an extensive asset base and has largely depleted the assets available for further renewable initiatives. This has led to more ambitious schemes using land or assets not in the Council's direct ownership., A good example of this would be the Eco Homes project in Gainsborough delivered by Longhurst Homes for which the Council won a recent national award and the Lindum Terrace property in the South West area of the town which has utilised renewable energy solutions into the renovations.
- 2.3 As part of the APSE network West Lindsey District Council has effective relationships with a number of local authorities who are pioneering the use of renewable technology to support their local communities. Cornwall Council is perhaps the best known example of an authority delivering a range of 'green' projects including a large Civic Solar Farm among other initiatives. Closer to West Lindsey Preston Borough Council is actively pursuing a Civic Renewable Wind Scheme and Peterborough Borough Council have set out a range of extremely ambitious 'green' plans to support their area.
- 2.4 Over the last 6 months in order to continue our commitment to the Green agenda officers of the council have been exploring the potential of utilising renewable Solar PV technology , moving from our success at buildings based schemes to looking a land based opportunities .

### **3 THE PROPOSAL**

- 3.1 The Government remains committed to increasing the amount of energy generated by Solar technology over the next 20 years and despite reductions in the Feed in Tariff ( FiT) rate a couple of years ago, has maintained very attractive incentives to businesses and individuals to invest in Solar PV . At a strategic level the decrease in cost of Solar PV equipment has effectively filled the gap in the incentive rate, making this technology a good commercial investment.
- 3.2 The Council prides itself on its 'entrepreneurial' credentials and has thus been working up a detailed proposal around a land based Civic Solar facility for the benefit of the communities of West Lindsey.
- 3.3 The most effective size of facility is a 5 M W scheme, built and operated on low grade agricultural land within the District, taking advantage of the FIT incentive from central government over the next 20 years.

### **4 INCENTIVES**

- 4.1 The Government offers 2 key forms of incentive for solar renewable technology, the feed in tariff (FIT) and the Renewable Obligations Certificates (ROC). ROC requires the user to register as an energy provider and is only available at 5 MW and above while the FIT is available below 5MW.
- 4.2 Feed in Tariffs were introduced to make the system of renewable energy easier to navigate – ROCs were intended for professional energy generators;

- 4.3 The FIT level for a large installation is 6.85 pence per kWh;
- 4.4 In real terms, this means that ROCs will deliver about 14p per kWh at present, FITs only 12 p per kWh;
- 4.5 However the FIT system is far easier to administer and does not require the Council to register as an energy provider. There is however nothing to stop the Council reconsidering this position if in the future it wanted to develop new renewable projects.
- 4.6 The costs will be formed from the contract prices to supply and fit the panels, plus any other consultancy or procurement costs that have been incurred;
- 4.7 The income will be derived by calculating the irradiance (from national solar maps), the capacity of the installation and its proposed output, multiplied by the appropriate FIT or ROC rate;
- 4.8 The Project Team consider the FIT route as the most appropriate for West Lindsey given its ease to administer and the impact on deliverability but as the preferred site and option develops this can be reconsidered .

## **5 LAND**

- 5.1 To deliver a 5MW solar facility the Council would need a piece of land approximately – 25 Acres. It needs to be low grade agricultural land so as not to displace valuable food production and preferably should be rural , flat and in a location where there would be no visual impact on local residents .
- 5.2 As the Council does not have its own land this has made the project more difficult as the available land on the market currently has had to be assessed for suitability and cost. Sites have been selected from a long list of approximately 30 which match the initial criteria.
- 5.3 A shortlist of 5 preferred sites has been drawn up and extensive work is underway to capture all the necessary data on which to allow a clear assessment to be undertaken.
- 5.4 External support has been sought to help make an informed decision on the best site to meet the Council's needs and research from local agronomists has been utilised to ensure the land is of the correct low geologic value. Discussions are also on-going with potential partners over a shared agreement over some land but these are not at a stage to detail to members.

## **6 FINANCIAL MODELLING**

- 6.1 The headline costs of purchasing and installing a 5MW facility is approximately £1.2 Million per Mw resulting in an overall cost for 5Mw of approximately £6 Million. This is a headline cost which incorporates a range of variables. The cost of land and the costs to connect into the national grid are the most significant of these costs. These are not at this stage finalised in order to be

properly assessed in a final business case. However at a headline level the return per annum, at a worst case scenario is between 2 % – 5 % over 20 years. In addition the technology has a life of 25 years. The return is made up of the Government incentive paid through the FIT scheme and the price by kWh from the national grid for the electricity produced. The FIT scheme is guaranteed for 20 years with a slight digression depending on the level of new solar generation across the county but the price for electricity produced, according to likely market conditions likely to remain high for the 25 years of the life of the technology.

- 6.2 Initial financial modelling provides an indicative level of return at the end of the 20 years of between £1.0m and £6.2m. This is dependent on the level of borrowing required, which incurs additional costs, and the method of ‘selling’ the electricity on.

## **7 GRID CONNECTION**

- 7.1 As part of the building up of the business case initial costing for connection into the grid for the principle 5 sites have been obtained from the local District Grid Operators. These costs are relatively high and work is being progressed to assess the reasons for this and to explore the positively to a challenge to reduce the level of expense.

## **8 LEGAL POSITION**

- 8.1 Other local authorities are pursuing this type of renewable projects and legal advice has been and will be utilised in order to present any financial recommendations at the point when a decision needs to be made.

## **9 PROCUREMENT PROPOSAL**

- 9.1 The Council is amongst the leading pack of local authorities considering constructing a land based solar PV facility. In the private sector many of these have gone before, but these have mainly been commercial schemes. The Council’s scheme would be Civic – based on supporting the ‘green ambitions of the council and providing direct benefit to local people. As such it is important that the Council’s scheme is delivered by a company that understands the difference between a commercial and a civic project. The selection criteria for the tendering exercise will therefore need to be chosen carefully
- 9.2 It is anticipated that the design specification would be governed by conditions laid down in outline planning permission, but would be output in nature and not prescriptive. This would mean that method statements will be an essential part of the final submissions, but the onus would be on the contractor to design a system that would generate the anticipated amount of electricity per annum. If the system built by the successful bidder were to deliver any shortfall, they would be bound by the contract into making financial reparations to the Council.
- 9.3 In evaluating tenders, price, quality and social benefits will all be taken into account to ensure that this solar farm works fully in accordance with the business case. In light of this, we would likely seek local labour type clauses (so far as



permissible) to be included and we will need to choose our evaluation criteria carefully.

- 9.4 So far as evaluation criteria are concerned, it is anticipated that a small group of members would oversee the whole process on behalf of this committee (Policy and Resources Committee) and the Council. They would then approve the criteria and other process arrangements, with update reports brought at appropriate periods.

## **10 PRACTICAL CONSIDERATIONS AND NEXT STEPS**

- 10.1 A Project Team has been established which includes key officers from Legal Shared Services, Procurement Lincolnshire, Finance, Communications and Property Services. Steve Leary is the Project Manager for the project and has become extremely knowledgeable in the field of renewable technology. While the current Director of Communities and Localism is the Project Sponsor and chair of the Project Team, on her departure from the authority this role will be taken by the Chief Executive. This group receives external specialist support through APSE and has access to a range of key experts in the field of Legal, Financial modelling, land acquisition and other areas when required.
- 10.2 A detailed Project plan is used to manage the project and to ensure all tasks are adequately scoped and delivered. A risk workshop has been held to populate an extensive risk register. In line with the Officer governance it would be extremely useful to establish a Member working group to allow for the project to be effectively discussed and developed with councillor input. This Group could also support the potential procurement process should the project get to this stage.
- 10.3 Nominations are thus requested from the across the council for Members to form a Working Group to work alongside the Officer Project Team.
- 10.4 Site visits and detailed business cases for each of the 5 preferred sites have been carried out to help determine the most appropriate site for the project. This information will be brought back to Members (of the policy and resources cttee) in September along with a full business case necessary to make a final decision on whether to deliver a civic solar project for West Lindsey. Given the complexity of such a scheme a project budget is required to allow the necessary advice and specialist guidance to provide Members with adequate information on which to make a sound decision.
- 10.5 If Members are minded to endorse the work to date and to support future development of the potential civic solar project a thorough report with the detailed business case will be brought back to Members (of the Policy and Resources Committee) for decision in September 2013.