

# APPENDIX H

## WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 30 NOVEMBER 2010

---

### Title:

**INSTALLING SOLAR PHOTO VOLTAIC PANELS ONTO COUNCIL HOMES**

**[Portfolio Holder: Cllr Keith Webster]**

**[Wards Affected: All]**

---

### Summary and purpose:

This report advises the Executive about the opportunity to have solar PV panels installed onto homes in its ownership, without having to find the associated capital outlay. This has come about because of the Government's new Feed-In-Tariff (FIT) scheme. A number of energy companies are approaching local authority and housing association landlords with proposals to install Solar PV panels on the roofs of their homes, which generate electricity. The tenant enjoys the benefits of the electricity generated, thereby reducing their fuel bills. The energy company receives the feed-in-tariff being awarded by OFGEM, which will be used, to fund the capital acquisition of the Solar PV installations. The Council, as a landlord and public authority, benefits from promoting carbon reduction, in line with its Carbon Management Plan; is supporting tenants by helping to reduce fuel costs; and attracting significant capital investment into its homes that it otherwise would not be able to afford.

This report asks the Executive to:

- approve the proposal to install Solar PV panels on appropriate Council-owned homes;
- approve proposals to seek a partner to provide Solar PV panels and their installation at their cost, in exchange for the Feed-In-Tariff.

---

### How this report relates to the Council's Corporate Priorities:

This report relates to three of the Council's Corporate Priorities namely: **Improving Lives** – Improving the quality of life for all, particularly the more vulnerable within our society; **Subsidised affordable housing** – Working for more affordable housing to be built and managing council housing well; and **Environment** – Protecting and enhancing Waverley's unique mix of rural and urban communities.

### Equality and Diversity Implications:

There are none arising from this report.

### Climate Change Implications:

The installation of Solar PV panels on council-owned homes will make a positive contribution towards reducing CO<sub>2</sub>; it is consistent with the Council's commitment to

'greening' Waverley and achieving targets under the Climate Change Strategy. This initiative will significantly raise the profile of renewable energy in the Borough.

### **Resource/Value for Money Implications:**

The cost of installing Solar PV panels to a property is in the order of £7,000. Should 1,500 homes be capable of having Solar PV panels, some £10,500,000 investment could be made in the Council's housing stock. This proposal, if agreed by the Executive, will give the Council access to significant capital resources from the private sector. Tenants whose homes have Solar PV panels placed on them will enjoy reduced fuel bills.

### **Legal Implications:**

The Council will need to procure a partner and enter into a contractual relationship for a 25-year period.

---

### **Introduction**

1. This year Government introduced electricity Feed-In-Tariffs (FIT) to accelerate the implementation of technologies that create on-site renewable electricity. These rates are considered relatively generous and ultimately reward investment in renewable technologies. Combined with this, the payback periods have also been set at what is considered to be a realistic and competitive level.
2. Solar PV installation companies, together with the backing of private investment companies, have used these incentives to create a product for social landlords.
3. Companies are now willing to pay for the capital costs to install solar PV panels onto the roofs of homes if, in return, they receive most or all of the FIT incentive over the 25-year period. [The tariff (which is inflation proofed) for a small installation is likely to be 41p/kWh for generating electricity and an additional 3p/kWh for exporting it.] In addition, it should be possible for the Council to generate some additional income by some form of 'profit share' agreement.
4. This proposal will help tackle fuel poverty by reducing residents' electricity bills as they can use (free of charge) electricity that is being generated by the panels during the day, with a consequential minimal needs to draw upon the national grid electricity from a traditional supplier. This, in turn, will help the Borough to reduce its carbon footprint, as a number of residents will directly be using renewable energy to meet some of their electricity needs. Surplus electricity generated is fed back to the national grid thereby helping to reduce the need for electricity production from fossil fuels.
5. The Government has promised to guarantee the Feed-In Tariffs (set out in current legislation) for 25 years, although the current tariff levels are only guaranteed if panels are installed and operational by April 2012. Panels installed after that date will still benefit but at a reduced rate.

## **Potential Benefits**

6. The Council owns some 4,900 homes but not all of these are suitable for Solar PV installation because of their orientation – as south-facing roofs are needed to maximise sunlight. Other factors need to be taken into account – for example, pitch of roof, location of chimneys, and shading of roofs by trees.
7. Based on an estimate that (say) 1,500 roofs might be suitable, any PV proposal could create a reduction in CO<sub>2</sub> emissions in excess of 1,500 tonnes per year. There are clear reputational benefits in demonstrating specific action to reduce CO<sub>2</sub> emissions from the housing stock and builds on the Council's good track record in respect of thermal efficiency and insulation in its own housing stock.
8. Tenants in homes where PV panels are installed will receive free electricity generated during daylight hours only and therefore will enjoy reduced electricity bills. Clearly, how much they save will depend upon people using electrically powered equipment during the day. As many of the Council's tenants are over retirement age and at home during the day this is likely to be of particular benefit to them. It is estimated that a saving of between £80 and £125 per year could be achieved for tenants.
9. The Council's HRA capital programme is under pressure and has many demands upon it, particularly in respect of capital works towards meeting the Decent Homes Standard (DHS). The installation of Solar PV panels does not contribute towards the DHS. There is a clear need for capital investment in double-glazing; kitchen and bathroom installations and other structural works which will have an investment priority over Solar PV panels. The opportunity to secure external capital investment in the Council's housing stock would be an advantage – even if this means that the Council cannot directly benefit from the FIT.
10. It is our aim that a provider would share some of the FIT with the Council. If this is the case, the Council's HRA would enjoy a revenue stream. It would also be worth exploring with bidders the potential for extending the scheme to the Council's corporate properties. However, it may be more beneficial in the longer term for the Council's General Fund Capital Programme to invest in this technology in respect of corporate property on a 'spend to save' basis.

## **Procurement Issues**

11. It is possible that each dwelling could have approximately £7,000 worth of Solar PV panels installed onto each roof, including associated wiring within the dwelling. Assuming that approximately 1,500 homes were suitable, the total investment could be in the order of £10.5 million.
12. Usually with this likely level of potential investment the Council would be expected to procure the services of a partner in accordance with European Procurement Rules under the Public Contracts Regulations 2006 (as amended). However, the Regulations do not apply to contracts known as 'service concessions', which are public contracts under which the consideration given by the Council consists of or includes the right to exploit

the service or services to be provided. 'Exploitation means that the contractor assumes the economic risk arising from the provision and management of the services.

13. The Legal Services section has advised that under the proposed arrangement the provider would assume the risk because it would bear the cost of providing the services and would avoid a loss only if it succeeds in generating sufficient revenue to exceed its costs. The Council would not make any payment to cover any shortfall if the contractor fails to generate sufficient revenue.
14. While the award of a service concession is not within the scope of the Regulations, legal advice is that, given the level of expected interest, length of contract and high level of potential value to the contractor, it is in the Council's interests to formally tender for this type of arrangement in order to ensure transparency and secure the best possible value, and thereby minimise any risk of challenge. This would include the publication of a notice in the Official Journal of the European Union (OJEU), though one that makes clear this is a service concession. It will be necessary to seek a balance between environmental benefits and financial benefits.

### **Planning Considerations**

15. The installation of Solar PV panels is considered to be 'permitted development'. It is worth noting that Solar PV panels do have a visual impact on properties. It is likely that some restrictions will apply, such as in conservation areas, and where this is the case consideration will be given as to the relative merits of installing the panels and any appropriate consents obtained.

### **Options Appraisal**

16. The Council has been approached by a number of organisations, all keen to explore the opportunity offered by FITs.
17. Suppliers will ask the Council to retain Solar PV panels on roofs for a 25-year period. In return, the PV panels are installed and maintained at no cost to the Council or tenant, with supplier receiving the FIT due as a result. Suppliers would offer a payment to the Council in return for the right to receive the FITs, and the extent of such a payment would be the primary factor to be evaluated in selecting potential supplier(s).
18. All proposals we have seen offer similar benefits to tenants and the Council in respect of carbon reduction, although it has to be said that projected outcomes vary. Testing assumptions made by suppliers appear to have been based on computer modelling rather than significant field trials. It is recommended that any evaluation of proposals is based on guaranteed financial returns to the Council (e.g. a fee paid to access to roofs) rather than attempting an evaluation based on as yet unproven community and environmental benefits.

19. The Council could consider the potential to fund such work itself through prudential borrowing. If the potential profits claimed by some providers are to be believed, such borrowing could be fully funded and potentially surpluses generated. However, given the risks attached, and how finely balanced the HRA budget is, it is proposed that the scheme be fully-capital funded by the partner particularly as the Government's proposals for HRA reform are based on a borrowing cap which may well restrict additional borrowing in relation to the Council housing stock.
20. In order to benefit from the maximum FIT, the Solar PV panels would need to be installed and operational by April 2012.

### **Resource and Legal Implications**

21. There are potential risks and costs that the Council could face and it is proposed that any agreement ensure that all such costs are covered by the provider as part of the agreement, including:
  - any maintenance liabilities that arise in respect of roofs damaged by the installation
  - all maintenance costs of the panels themselves or associated elements of the installation
  - insurance cover for the panels
  - if the roofs need to be repaired/replaced within the 25-year period then there will be a cost to remove and re-install the solar panels
  - the ownership of the panels when affected homes are sold under the Right-to-Buy;
  - additional costs and implications of tenant liaison.
22. Depending on the nature of the final agreement, it is possible that the arrangement will need to be accounted for as a financial lease, with the panels appearing as an asset in the Council's balance sheet. This will mean that any income generated from the scheme on housing stock will need to be treated as a capital receipt and may be subject to pooling rules. This effectively means that that Council can only retain 100% of such receipts if they are reinvested in affordable housing, regeneration or meeting the Decent Homes Standard in the Council's housing stock. Any receipts generated from corporate property would benefit the General Fund and are not subject to the same pooling arrangements.
23. The cost of installing Solar PV panels to a property is in the order of £7,000. This proposal, if agreed by the Executive, will give the Council access to significant capital resources from the private sector, which the Council would not otherwise be able to secure. Investment in the order of £10,500,000 is possible (£7,000 x 1,500 properties). Tenants whose homes have Solar PV panel placed on them will enjoy reduced fuel bills.

### **Conclusion**

24. The Housing Portfolio-holder, Chairman of the Tenants Panel and officers have seen presentations from a number of companies which are offering to install Solar PV panels. The Landlord Services Partnership SIG has been

briefed on this subject and considers this is an opportunity to be actively pursued.

25. The Feed-In-Tariff provides the opportunity for the private sector to secure borrowing against a long-term revenue stream and therefore raise the capital to invest in Solar PV panels. The Council's HRA has very limited scope for borrowing and so entering into a partnership, following a formal procurement process would bring advantages to the Council in promoting the green agenda, to tenants through reduced fuel bills and generate an income stream for the Council – the scale of which is yet to be determined.

### **Recommendations**

It is recommended that the Executive:

1. approves the proposal for the Council to work with a partner to install Solar PV Panels on Council-owned homes;
2. instructs officers to seek tenders from suitable organisations to install Solar PV panels on relevant properties in the Council's housing stock, such tenders be evaluated on the basis of the most economically advantageous tender;
3. the tender be sufficiently flexible to test best value and allow, but not commit to, the inclusion of Solar PV provision on the Council's corporate properties.

---

### **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972 relating to this report.

---

### **CONTACT OFFICER:**

**Name:** John Swanton      **Telephone:** 01483 523361  
**E-mail:** john.swanton@waverley.gov.uk

G:\bureau\comms\executive\2010-11\301110\021 Renewable Energy Solar PV.doc