

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Maidstone Leisure Centre solar microgeneration

Final Decision-Maker	Policy and Resources
Lead Head of Service	David Edwards, Director of Environment and Shared Services
Lead Officer and Report Author	Marcus Lawler, Commercial Projects Manager
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That the Committee approves the installation of a solar microgeneration system (solar panels) at Maidstone Leisure Centre.
2. That a budget of up to £270,000 is made available for the delivery of the project.
3. That officers be instructed to obtain the necessary permissions and licences to implement the recommendations including: registration for Feed in Tariff; sale or export of electricity; and appropriate agreements with the District Network Operator; and to assign those permissions and licences as appropriate.
4. That the Committee delegates authority to the Head of Commercial and Economic Development, in consultation with the Head of Legal Partnership, to enter into and conclude negotiations with Maidstone Leisure Trust and Serco regarding their purchase of the electricity generated.

This report relates to the following corporate priorities:

- **Keeping Maidstone Borough an attractive place for all** by reducing the carbon emissions produced within the Borough. The extra value delivered by the implementation of this scheme will allow the Council to maintain services delivered to residents.

Timetable

Meeting	Date
Policy and Resources Committee	21 st October 2015

Maidstone Leisure Centre solar microgeneration

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Council will be producing a Low-Emissions Strategy during 2015/16, and it is due for adoption in November 2016. A central theme of the Strategy is the reduction of carbon emissions across the Borough. The previous Carbon Management Plan will be superseded by the Low Emissions Strategy. Approving the recommendations within this report will support delivery of the carbon reduction theme in the Low-Emissions Strategy, and implementing the recommendations within this report will generate a carbon reduction of up to 86.4 tonnes of carbon, per annum.
- 1.2 Implementing the recommendations in this report will also make a predicted income contribution to the Council of £35,399 per annum for 20 years; equivalent to a 13.11% return on capital employed. The pay back is predicted to be 7.6 years.

2. INTRODUCTION AND BACKGROUND

- 2.1 On 24th June 2015 the Committee considered a report of the Director of Environment and Shared Services entitled, "Installing Renewable Energy Technology". An extract from the Record of Decision shows that:

Decision Made

1) That the purchase, installation and operation of photovoltaic technology be approved on the following buildings with the Council's estate:-

- (a) Lockmeadow Market Hall – 50kw Array
- (b) Vinters Park Crematorium – 10kw and 4kw Array
- (c) Magnolia House – 24kw Array

2) That the purchase of renewably generated electricity from a third party at Maidstone House be approved;

3) That a budget of £125,000 to implement the recommendations be approved;

4) That delegated authority be given to the Commercial Projects Manager to spend the budget and enter into the appropriate contracts to implement the recommendations;

5) That delegated authority be given to the Commercial Projects Manager to obtain the necessary permissions and licences to implement the recommendations including the registration for Feed in Tariff; sale, export or purchase of electricity; and appropriate agreements with the District Network Operator; and to assign those permissions and licences as appropriate;

6) That the progression of the work towards entering into an assignable power purchase agreement with a generator of renewable energy be approved and the trial for Maidstone House and the Gateway be agreed.

- 2.2 With the exception of 2 and 6 (relating to securing a power purchase agreement at Maidstone House and the Gateway) those decisions have now been implemented. The decision to delay the implementation of 2 and 6 is a result of the 27.08.2015 announcement by Department of Environment and Climate Change that a severe reduction in the Feed in Tariff would occur in January 2016; and the release of a consultation on the issue. In essence DECC will implement an 83% cut in generation tariffs for schemes registered after 01.01.2016. It is felt that for the Council to enter into a 20 year agreement with a company that has a potentially commercially terminal threat hanging over it would not be prudent. We are therefore delaying implementing these decisions until after the results of the consultation. This decision has been taken in a period of considerable uncertainty in the private sector with two leading solar suppliers (Mark Group) recently going into administration with the loss of over 1,000 jobs. The customers of this company may well lose the money they have invested in solar microgeneration.
- 2.3 Solar microgeneration schemes registered before 01.01.2015 will be protected from the proposed reduction in tariff rates. The Council therefore has the opportunity to install more technology in support of carbon reduction and the generation of savings. The Leisure Centre is the Council owned asset consuming the most energy and so, when considered with the installation potential (physical size of the building) is the prime candidate in the estate for an installation. This site will generate the largest single reduction in carbon emissions and generate the single largest saving for the Council.
- 2.4 Discussions with the District Network Operator (UK Power Networks) indicate that, due to the volume of schemes registering since the announcement of the proposed reduction in generation tariff, they are likely to restrict the opportunity at the Leisure Centre to the installation of a 200kWp array, but possibly up to 250kWp, which is the size of array that we originally hoped for.
- 2.5 The opportunity at the Leisure Centre has been assessed, using Microgeneration Certification Scheme irradiation datasets and the predicted performance will be as follows:

Site	Array	Orientation	Pitch	Shading	IR factor	Performance
Leisure Centre	200kWp	0	23 (nominal)	0	1098	219,600kWh

- 2.6 The costs involved with installing the array (subject to selection of final supplier) are as follows:

Item	Amount
Estimated cost of arrays and installation	£220 – 245,000
QA of project estimates and reports	£1,500
QA of technical aspects by structural engineer	£1,500
Building control	£500
Post project QA	£1,200

Project manager contingency	£20,000
Total	£269,700

- 2.7 The Council has two revenue opportunities in regard of this project as it does not directly use any electricity at the site. This means energy cost savings will not be achieved. It will receive the current generation tariff and revenue from the sale of the electricity. For planning purposes it is assumed that the electricity will be exported at the legally set minimum. As referenced at paragraph 2.7 we hope to sell the electricity to Maidstone Leisure Trust; should we be able to do so the predicted financial returns will increase. As a minimum the Council will receive £35,399 per annum.
- 2.8 On 5th October 2015 officers were invited to discuss the proposed installation with the trustees of Maidstone Leisure Trust. The trustees fully supported the proposal, subject to decision by the Committee. They instructed their managing agent, Serco to make an offer for the electricity after analysing power usage at the Centre; should the Committee approve the installation. Any offer greater than the legally defined minimum export rate will improve the financial projections in this report.
- 2.9 DECC carbon emission reduction ratio per kWh of produced electricity is .432kg. This array will therefore reduce carbon emissions originating within the Borough by 86.4tonnes.
- 2.10 The principal risk to the successful delivery of the project will be the issue of District Network Operator permissions to connect the proposed array to the grid. Currently processing new applications can take between 6 weeks and 90 days. The Council already has an application submitted by its existing supplier, at risk which will be processed in time to allow the project to be delivered. A new application will not be processed in time to allow execution of the proposal in time to benefit from the current tariff rates. This has procurement implications which can be read in paragraph 7. The existing supplier has completed all of the Council's work to date and was selected after a tendering process. This company has conducted itself impeccably and we are extremely happy with their work to date.
- 2.11 Due to the urgent nature of this work, to achieve the deadline of 01.01.2015, it is proposed that the council utilises the current contractor, procured to carry out installation work at the depot, to complete this installation. EU regulations that control a procurement of this value would allow other providers to appeal this decision and a low risk of additional cost exists. The likely maximum is equivalent to one year's surplus proposed by the scheme.

3 AVAILABLE OPTIONS

- 3.8 Carrying out the installation, or not:

Option	Advantages and disadvantages
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Carry out the installation	<p>A contribution in excess of £35,000 will be received by the Council which will count towards the Commercialisation targets of the MTF5.</p> <p>The Council will off-set in excess of 89 tonnes of carbon, contributing to the carbon reduction theme of the draft Low Emissions Strategy.</p> <p>Although the risks are small there are some attached to the procurement approach proposed for this investment.</p>
Do not carry out the installation	<p>There will be no risk or opportunity cost.</p> <p>The Council will not realise any of the benefits outlined in this report.</p>

4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.8 The preferred option is that the Committee approves the project and its funding. Both the financial and carbon emission benefits will make a good contribution to the strategic aims of the Council.

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.8 There have been no consultations undertaken in this matter.

5.9 At a previous meeting of the Committee on 24th June 2015, members expressed a desire to continue the utilisation of renewable energy technology, where appropriate. This included further solar microgeneration installations and the Leisure Centre was discussed as a specific site.

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.8 The following core tasks will need to be carried out to complete the installation:

Action	Date
Committee decision to proceed	21.10.2015
District Network Operator application and approval (application already made, at risk).	In hand.

Survey of site by installer and structural engineer (arranged at risk).	In hand.
Selection and appointment of supplier	Start 22.10.2015
Review of supplier proposals by the Council's external quality assurance (Aylesbury Vale District Council).	On appointment of supplier.
Ordering of equipment.	Tbc.
Installation.	Tbc.
ROOFIT application and sign-off (commissioning).	Must be complete by 23.12.2015

6.9 A press release will be prepared by the Communications Manager.

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This measure will assist in getting best value from the Council's contract with Maidstone Leisure Trust and their managing agent, Serco. The Council will benefit from a 33% share of any improved financial performance by Maidstone Leisure Trust under the terms of our agreement.	Dawn Hudd, Head of Commercial and Economic Development
Risk Management	Risk management provision is contained within the Commercialisation Strategy and the project is covered by those provisions. The risks associated with this project will be identified on a risk register.	Richard Clarke, Head of Audit Partnership
Financial	The project will be funded from capital resources and provide a revenue benefit of £30,000 p.a. for a maximum of 25 years. The annual rate of return is therefore 11%.	Paul Riley, Head of Finance and Resources
Staffing	Nil	Dawn Hudd, Head of Commercial

		and Economic Development
Legal	<p>The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 provide a power allowing local authorities in England to sell electricity generated from renewable sources including solar.</p> <p>Confirmation of Permitted Development Rights at each proposed site should be sought from Planning as part of project assurance.</p> <p>Confirmation that no restrictive covenant or other title issue exists at each proposed site should be sought from Mid-Kent Legal as part of project assurance.</p>	Estelle Culligan, Deputy Head of Legal Partnership
Equality Impact Needs Assessment	Not required.	Dawn Hudd, Head of Commercial and Economic Development
Environmental/Sustainable Development	The installation of this equipment is covered by permitted development rights and no planning application needs to be made.	Dawn Hudd, Head of Commercial and Economic Development
Community Safety	Not required.	Dawn Hudd, Head of Commercial and Economic Development
Human Rights Act	Not required.	Dawn Hudd, Head of Commercial and Economic Development
Procurement	Due to the urgent nature of this work, to achieve the deadline of 01.01.2015, it is proposed that the council utilises the current contractor, procured to carry out installation work at the depot, to complete this	Paul Riley, Head of Finance & Resources

	installation. EU regulations that control a procurement of this value would allow other providers to appeal this decision and a low risk of additional cost exists. The likely maximum is equivalent to one year's surplus proposed by the scheme.	
Asset Management	Energy reduction and the opportunity to introduce renewable energy generation is an important element of good asset management.	Commercial Projects Manager

8 REPORT APPENDICES

- Nil.

9 BACKGROUND PAPERS

- Nil.