

For the reasons set out in paragraphs **5.3 to 5.5** of this report, a decision to approve recommendations contained in **recommendations 2.1 and 2.2** in this paper are classified as urgent (and exempt from call-in) under rule 15.4 of the Overview & Scrutiny Procedure Rules in the Council's Constitution

C135
AMENDED

Cabinet

14 September 2011

Generating Income from Renewable Energy (Sep11/09)

1. Summary and Reasons for Recommendation

1.1 On 14 December 2010 full Council approved (minute 73 (B)(3) refers) that:-

RESOLVED:- That

- (1) subject to final survey, tender and further investigation of other sources of funding, up to £410,000 from the unallocated capital provision be allocated to fund renewable energy generation as identified in the investment models set out in Report B317;*
- (2) further analysis be carried out of a community-based investment model with the aim of realising an equitable return both for the Council and the community as well as energy and CO₂ savings; and*
- (3) the Cabinet be given delegated authority to approve the final scheme.*

1.2 On 16 March 2011 the Cabinet considered recommendations from the Growth Area Partnership Board and resolved (minute 140 (2) refers) that:-

Growth Area Major Development Projects: Renewable Energy Generation Scheme

The remaining balance on the Growth Area Capital Funds be allocated as a contribution to the Council's Renewable Energy Generation Scheme previously approved by Cabinet in December 2010.

1.3 On 25 May 2011 Cabinet approved (minute 6 refers) that:-

- (a) the preferred procurement routes, as outlined in paragraph 5.4 of Report C7, be adopted; and*
- (b) subject to survey, specific funding in the region of £17,000 be allocated from Growth Area Funding for the proposed installation of solar energy generation at the proposed Nowton Park Visitor Centre.*

1.4	This report summarises the procurement process that has been followed to secure a preferred supplier for the installation of solar photovoltaics on key Council property.
1.5	Details of the preferred bid are set out in <i>Exempt Annex 2</i> .
1.6	<i>Based on the tendering process, the unit cost of installed solar photovoltaics is predicted to be significantly lower than stated in Report B317. It has also shown that corporate property could accommodate more solar panels. The result is that the Council could achieve a higher return on investment than previously predicted.</i>
2.	Recommendations
2.1	That the preferred supplier set out in <i>Exempt Annex 2</i> of Report C135 be awarded the contract for the installation of solar photovoltaics on Council property.
2.2	<i>That funding up to £379,800 be allocated from the budget approved by full Council, that being the value of schemes which could be installed within the funding limit for which Cabinet has delegated authority to approve as identified in Exempt Annex 3.</i>
2.3	<i>That Cabinet recommend to Full Council up to an additional £205,700 be allocated from the unallocated capital provision to fund all renewable energy generation as identified in Exempt Annex 3 (termed "enhanced option").</i>

3.	Corporate Objectives
3.1	The recommendation meets the following, as contained within the Corporate Plan:-
(a)	Corporate Priorities: <ul style="list-style-type: none"> • 'raise standards and corporate efficiency'; • 'Improving the safety and well being of the community'; • 'Securing a sustainable and attractive environment'; and
(b)	Vision 2025: St Edmundsbury will be a place: <ul style="list-style-type: none"> • where communities and businesses have benefited from adopting a low carbon approach to energy (S8); • Which has adapted and mitigated the effects of climate change (S9);
(c)	Cabinet Commitments: <ul style="list-style-type: none"> • Clean and Green - Appropriate actions to mitigate for and adapt to climate change; promote sustainable and carbon neutral development.
3.2	The recommendation also supports the Council's Sustainability Policy and Climate and Energy Action Plan.

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Glossary of terms used in this report

Clean Energy Cash Back: A scheme introduced by the UK Government, funded by energy supply companies, where payments are made to produce energy from different forms of renewable and low carbon sources such as solar, wind, water and biomass.

Framework agreement: A procurement agreement with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement. Agreements

can be established in a way which allows access by others to buy goods or services using the same terms and conditions allowing best value on cost and quality.

FIT: A Feed-in Tariff, a system of payments to renewable/low carbon electricity generators.

Internal rate of Return On Investment – an indicator of the net benefits expected from a project over its lifetime, expressed as a percentage comparable to the interest rates.

Lifetime CO₂ savings – the amount of CO₂ which would have been generated by burning fossil fuels for the same amount of energy generated by a non-fossil energy source.

kWp: A Kilowatt Peak, the design generating capacity of a particular installation.

Payback – the length of time required to recover the cost of an investment.

Solar PV or PV: Photovoltaics, panels which can be attach to a roof, walls or floor mounted frame and generate electricity by converting sunlight.

4. Background

- 4.1 Cabinet and then full Council considered proposals for investing in renewable energy generation as a means of generating income and cutting CO₂ emissions by utilising the Government-backed Clean Energy Cashback (Report B317 refers). The introduction of Cashback in the UK has made installing smaller scale renewable electricity generation financially attractive.
- 4.2 The Council allocated up to £410,000 for this project and Cabinet was given delegated authority to approve the final scheme prior to commencement. The outcome of further research into alternative sources of funding identified that this project qualifies for green infrastructural capital investment using the Growth Area Fund. £60,500 from the Growth Area Fund was therefore allocated for this purpose in advance of using the Council's Unallocated Capital Provision (B512 refers).
- 4.3 Report C7 presented to the meeting of the Cabinet held on 25 May 2011, referred to the Council using a Framework Agreement negotiated by a group of public sector buying consortia (PRO5) to select a preferred supplier. This approach meets European Union (OJEU) procurement rules and is considered by officers as the most cost effective way to procure renewable energy technologies of this scale.
- 4.4 *Of the current £410,000 for which Cabinet has delegated authority to allocate to the project, approximately £393,000 remains since £17,000 was approved by Cabinet to fund solar energy at the proposed Nowton Park Visitor Centre (Paper C7 refers). Installation is now underway at the site.*

5. Progress to date

- 5.1 The results of the procurement process are set out in a separate Exempt Annex 2. *The tendering process excluded the proposed Bury St Edmunds Football Club which was originally included in Report B317 since this development is not at a sufficiently advanced stage.*
- 5.2 *The outcome of tendering shows that the unit cost of installed solar photovoltaics is predicted to be significantly lower than reported in Report B317. It has also revealed that the corporate property listed in Annex 1 could accommodate significantly more solar panels. This means that the Council could achieve a higher return on investment than previously predicted and that there is more space on which to install panels on Council property to realise the higher return.*
- 5.3 The project as a whole is due for completion by the end of March 2012. This is because the structure of the Government's Feed-in-Tariff favours 'early adopters'; entrants after April 2012 are likely to receive a lower tariff.
- 5.4 It is also understood that there has been a lot of interest from local authorities who plan to use the PRO5 Framework Agreement to procure renewable energy technologies before the end of March 2012. The impact of this demand on the suppliers is likely to adversely affect those local authorities which delay their entry into the market. This could result in some local authorities experiencing delay in securing installation dates before the end of March 2012 hence not securing the most advantageous tariff rates.
- 5.5 It is, therefore, essential that no undue delay in the timetable is experienced and, in particular, that the contract is awarded as soon as possible in September 2011. For this reason, the Mayor has agreed that, on grounds of urgency, the call-in procedure shall not apply *to recommendations 2.1 and 2.2 above*, since such a delay would prejudice the Council's and the public's interest.

5.6 All of the schemes remain subject to the outcome of structural surveys and negotiation of planning and other permissions.

6. Other Options considered

6.1 The options appraisal for the project as a whole is set out in Report B317 considered by Cabinet and then Council on 14 December 2010.

6.2 Options for the procurement process were set out in Paper C7 to Cabinet on 25 May 2011.

6.3 Based on the tendering process, it is proposed that schemes up to 198kWp for an approximate capital cost of £379,800 are approved by Cabinet using its delegated authority (full Council approved minute 73 (B)(3) of 14th December 2010 refers).

6.4 In addition, more generation capacity of 97kWp could be installed for an additional capital cost of approximately £205,700, as an enhanced option.

6.5 This does not include the proposed Bury Town Football Club. A separate report setting out the business case for the site will be submitted to Cabinet at the time of the construction tendering phase of the project, which is likely to be in Spring 2012.

6.6 Two of the sites, West Suffolk House and Haverhill Offices, are part of a joint partnering arrangement with Suffolk County Council. Negotiations have been initiated with a view to the Council and SCC sharing the costs and benefits of installations at these sites.

6.7 Discussions with Abbeycroft Leisure Trust have been initiated regarding the Trust receiving some of the energy saving arising from onsite electricity generation. The figures quoted in Exempt Annex 3 take this into account.

7. Community impact *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

7.1 The impact of the project as a whole on the Community is set out in Paper B317 and for the procurement and funding arrangements in Paper C7.

8. Consultation
8.1 The arrangements for consultation regarding the project as a whole are set out in Report B317.
9. Resource implications <i>(including asset management implications)</i>
9.1 The resource implications of the project as a whole are set out in Report B317. <i>It should be noted that Internal Rate of Return (IRR) should not be compared with the interest rate achieved on the Council's financial investments. This is because the capital is employed in purchasing the solar photovoltaic equipment which will then allow an income to be generated. Using the FIT, the capital is replenished with an investment return over the 25 year contract period.</i>
9.2 Based on the outcome of tendering, indicative financial costs and benefits along with CO ₂ savings, over a scheme lifetime of 25 years for electricity generation, are shown in Exempt Annex 3.
<i>9.3 Should Cabinet approve generating capacity up to the current capital allocation, it is predicted that the average annual income to the Council is likely to be in the region of £37,300 with an Internal Rate of Return on investment of 13%, payback of 7 years, and equivalent CO₂ saving of 1,800 tonnes.</i>
<i>9.4 Should Cabinet approve further capital allocation to fund the enhanced option, it is predicted that the average annual income to the Council could increase to approximately £53,000 with Internal Rate of Return on Investment of 12%, payback of 8 years, and equivalent CO₂ saving of 2,700 tonnes.</i>
<i>9.5 The capital expenditure and income projections take account of the proposed partnering arrangement with Suffolk County Council and accrual of energy savings by Abbeycroft Leisure Trust, should these arrangements be made formal.</i>
10. Legal or policy implications
10.1 The legal and policy implications of the project as a whole are set out in report B317.
10.2 The decision to approve the current capital funding allocation is deemed to be urgent, and exempt from call-in, under rule 15.4 of the Council's Overview & Scrutiny Procedure Rules of the Council's Constitution for the reasons explained in Section 5 above.
<i>10.3 Should Cabinet recommend funding the enhanced generating capacity, the decision would be subject to approval by Full Council.</i>
<i>10.4 As previously stated, all of the schemes remain subject to the outcome of structural surveys and negotiation of planning and other permissions.</i>

Wards affected	All	Portfolio Holder	Environment
Background Papers Report B317 Report B512 Report C7		Subject Area	Environment and Property Management

Sites proposed for installation of Solar PV

The following sites have been included as lots in the tendering process.

Lots

Lot 1

Ref	Site Name
1A	Visitor Centre - West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG
1B	Collections Building - West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG
1C	Land adjacent to West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG

Lot 2

Ref	Site Name
2A	Storage building - Council Depot, Homefield Road, Haverhill, CB9 8QP
2B	Office building – Council Depot, Homefield Road Depot, Haverhill, CB9 8QP

Lot 3

Ref	Site Name
3	Bury St Edmunds Leisure Centre, Beetons Way, Bury St Edmunds, IP33 3TT

Lot 4

Ref	Site Name
4	Haverhill Leisure Centre, Eringhausen Way, Haverhill, CB9 0ER

Lot 5

Ref	Site Name
5	Council Offices, Lower Downs Slade, Haverhill, CB9 9EE

Lot 6

Ref	Site Name
6	West Suffolk House, Western Way, Bury St Edmunds, IP33 3YU

How the Tender evaluation was carried out

2.1 The Council evaluated the tender bids based on the Most Economically Advantageous Tender (MEAT) with scores weighted as follows:

- Cost 60%
- Technical 40%.

2.2 Each Lot listed above was evaluated separately. The award criteria were applied to each Lot separately to find the Most Economically Advantageous Tender (MEAT) for each lot.