

CABINET (HOUSING) COMMITTEE

22 SEPTEMBER 2011

INSTALLING SOLAR PHOTO VOLTAIC PANELS ONTO COUNCIL OWNED HOMES

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

[CAB2068](#) - Installing Solar Photo Voltaic Panels Onto Council Owned Homes – 13 October 2010.

[CAB2096](#) - Installing Solar Photo Voltaic Panels Onto Council Owned Homes and Corporate Buildings – 8 December 2010

[CAB2163](#) - Installing Solar Photo Voltaic Panels Onto Council Owned Homes and Corporate Buildings – 13 April 2011

EXECUTIVE SUMMARY:

Over the last year, Cabinet has considered proposals for exploiting an opportunity to work with partners to provide solar photo voltaic (PV) panels to Council dwellings, offering free electricity to tenants at certain times of the day and potential income to the Council with no requirement for capital investment.

Having taken Counsel's Opinion on procurement options, it was concluded that the proposals would have to be subjected to EU procurement rules. The Council now has the opportunity to call off from a local framework agreement that satisfies this requirement.

However, subjecting this proposal to an EU-compliant process under the framework agreement has resulted in final tendered prices or roof rental payments being very low and the promised potential financial returns of the proposal are negligible.

The report recommends that the "roof rental" model not be pursued at this stage, but that the Council continue to pilot the use of solar PV as one of many measures aimed at further improving the energy efficiency of Council housing stock.

RECOMMENDATIONS:

- 1 That proposals to provide solar photo voltaic (PV) panels to Council dwellings through a “roof rental” model as set out in the report not be pursued at this stage.
- 2 That existing plans to fund a small number of installations directly from the Council’s maintenance programme be continued.
- 3 That options for indentifying additional resources to fund the installation of solar PV panels, along with other energy efficiency improvements to Council dwellings, be incorporated into the Housing Revenue Account (HRA) Business Plan as part of the Council’s preparation for the introduction of “Self Financing” for Council housing.

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DETAIL:

1 Introduction

- 1.1 In April 2011, Cabinet received a report about the opportunities arising in respect of renewable energy and the Feed-in Tariff (FIT) associated with renewable electricity generation. The report advised Members that the Government was providing a financial incentive (i.e. an index-linked payment guaranteed for a 25-year period - the FIT), to individuals and organisations that installed PV Panels and generated electricity. Current (and relatively generous) tariff levels are only guaranteed if panels are installed and operational by April 2012, when the scheme will be reviewed.
- 1.2 With the installation of a 2kw PV Panel system costing in the region of £7,000, the current level of FIT payments could provide sufficient return to fund the full cost of the installation in approximately 8-9 years. With FIT payments guaranteed and index-linked for 25 years, this provides a very real opportunity to generate a significant long term income stream whilst helping to reduce the District's carbon footprint and potentially address fuel poverty issues.
- 1.3 Most public bodies and social housing providers are currently considering proposals for large scale installations on social housing stock. A number of councils and registered providers across the country have undertaken a significant number of installations and many others are planned for the next six months, particularly when they have been in a position to fund these themselves. However, progress with the "roof rental" approach being considered in Winchester has proved more difficult and there are very few examples where this has been completed and none are yet working effectively in this region (other than very small scale trials such as the A2 Dominion properties in Winnall).
- 1.4 Unfortunately, the current proposals for Council Housing Reform, which included a cap on housing borrowing, mean that it would be inadvisable for the City Council to fund (by additional borrowing) any largescale project and so officers have been investigating the feasibility of adopting a "roof rental" approach and working with a provider who is able to fund installations, retain some or all of the FIT and pay a rental for access to Council roofs.

1.5 The benefits to the Council and to tenants, along with the potential risks and general questions were all covered in a previous paper ([CAB2096](#) dated 8 December 2010 refers).

1.6 Initial proposals put forward to the Council suggested that 50% of properties (around 2,500) could benefit from such installations.

2 Progress Update

2.1 Since December, Council officers have continued discussions with potential providers. Further work has also been completed to review the wide range of potential legal and technical issues that will need to be resolved.

2.2 In the first half of 2011, officers had detailed discussions with a number of potential providers offering a range of models and options. Proposals were received from three potential providers, all proposing to offer the Council a “roof rental” in return for a lease for space above roofs of relevant Council properties. All three providers offered very similar potential roof rents, although, as with all other providers, they had a limited track record to demonstrate they had resolved all the potential legal issues in relation to this model.

2.3 Many public bodies have established trial schemes and/or have progressed projects on a negotiated basis, avoiding a full formal EU procurement process. In light of the immature state of the market, it was considered that legal advice on this approach should be taken, and a Counsel’s Opinion obtained as a result advised that the “roof rental” approach could in fact be classed as a “works concession”. This would mean that full compliance with EU Procurement rules would be required.

2.4 The Council has now satisfied this requirement through the “SolarBourne” Framework agreement. The procurement process has been administered by Eastbourne Borough Council for public bodies in the south east and Winchester has been specifically included within the framework agreement.

2.5 Site surveys of all Council properties have also been completed. Whilst these have confirmed that there is potentially 2,100 properties that could be suitable for Solar PV panels due to their orientation, the potential outputs that could be achieved is lower than suggested by potential providers in previous estimates, due to the number of communal blocks, the extent of shading and limited suitable roof space. It is also estimated that with the number of properties that fall within a conservation area, those where roofs may need repair/renewal in the near future and those where tenants may refuse access, the final number where panels could be installed before April 2012 would be between 1,000 and 1,500.

3 SolarBourne Framework Agreement

3.1 The procurement process coordinated by Eastbourne Borough Council sought to identify appropriate providers in two lots. The first lot was for a self-funded approach for organisations with sufficient capital resources to fund the full

cost of installations. In this case, all receipts from the FITs would be retained by the council. Lot 2 was to provide a “roof rental” solution in accordance with the approach which the City Council has been evaluating.

- 3.2 Whilst the tender process sought to identify up to three providers who could deliver a “roof rental” approach for a minimum 500 properties with each partnering organisation, only one provider eventually satisfied the tender requirements.
- 3.3 Under the framework, the successful provider will supply and install panels to appropriate roofs. They will retain ownership of the panels and retain all the FIT payments. In return for the access to Council roofs, they would pay a “roof rental” per property. Details of the tendered rates, and a comparison with the projected figures suggested by other providers, are given in the exempt appendix.
- 3.4 The exempt appendix sets out the potential receipt which could be generated for the City Council under the Solarbourne agreement, if roof rental agreements could be reached for 1,000 properties. However, this takes no account of potential costs as a result of roof repairs or of the cost of officer time in managing and monitoring the project. The projected level of income must be considered negligible and not, in itself, a reason to proceed,
- 3.5 Completing a substantial number of installations ahead of the April 2012 deadline could still be possible, although it is recognised that the City Council would be competing with other public bodies for the remaining capacity. Completing all tenant consultation and liaison and property surveys between now and December would allow 3 months to coordinate installations.
- 3.6 The ability to call off the framework does now allow the City Council to pursue a large scale roll out of solar PV installations, although the option also has its drawbacks. The merits of the proposal include:
 - a) Reduced electricity costs for some tenants
 - b) Potential to further improve the energy efficiency ratings of Council properties
 - c) The option requires no financial investment required from the Council.
- 3.7 However, drawbacks include:
 - a) Income generated is not sufficient to invest in energy efficiency measures for the majority of tenants who will not benefit from solar PV installations
 - b) It would prevent the use of south facing roof space to exploit future energy opportunities or technologies (self funded solar PV panels and/or solar thermal panels)

- c) The long term viability and effectiveness of the “roof rental” model remains unproven. This has resulted in tendered prices being much lower than anticipated and in effect makes the whole proposal far less attractive.

3.8 The tendered prices cannot be considered as good value for money compared to the potential returns from self-funded schemes. Tying up access to Council roofs for the next 25 years for such a small return and at a time when options for improving energy efficiency of housing stock is developing all the time is therefore not recommended.

4 Alternative Options

4.1 Whilst the City Council is currently not in a position to fund a large number of solar PV installations, it has included some provision in the 2011/12 Maintenance Programme to fund installations (see paragraph 9 below). The restrictions regarding future housing borrowing are subject to further clarification as part of the Housing Finance Reform proposals. Also, the potential to generate additional resources through effective treasury management of the overall housing debt could also provide a solution in future years.

4.2 The FIT will be subject to review in April 2012 and this has resulted in many public bodies rushing to exploit the current rate. However, it is likely that the FIT will remain (albeit at a reduced level) and further opportunities to use it to fund installations will exist for some time. It is likely that equipment costs will come down in future years, due to economies of scale, which would go some way to offset any reduced FIT.

4.3 It is therefore recommended that the provision of additional funding within the Council’s maintenance programme to fund solar PV installations to suitable Council dwellings be considered as part of developing the HRA business plan for 2012 and beyond.

5 Other Energy Efficiency Initiatives

5.1 The Council has invested in improving the energy efficiency of its housing stock for many years. The stock is double glazed and cavity wall insulated where possible, meets and in many cases significantly exceeds loft insulation standards and overall has an average energy efficiency rating that is one of the highest of all English council landlords. It is also significantly exceeds the average rating for private housing in the Winchester District.

5.2 As part of the annual maintenance programme, £1 million is invested each year in replacing gas heating systems with modern energy efficient boilers (insulation is always supplemented to 25cm with every boiler upgrade).

5.3 Some stock does rely on less efficient heating systems such as solid fuel and Economy 7 and the Council is currently trialling alternative solutions, such as

air source heat pumps, with a view to improving heating and energy efficiency at these properties.

- 5.4 A number of funding opportunities for energy-related improvements exist and the Council is currently bidding against the Department for Energy and Climate Change fund for renewable heating projects in social housing, which has allocated £3m for relevant projects. Bids have been submitted for funding the provision of additional air source heat pumps to replace existing solid fuel and electric heating systems. The outcome of the application process will be reported to the next meeting of the Committee.

6 Conclusion

- 6.1 The outcome of the formal tender process is disappointing, in light of the expectation raised by earlier proposals. However, the fact that none of the previous providers negotiating with the City Council were prepared to consider a formal tender submission could well indicate that some of the potential returns being offered could not be guaranteed.
- 6.2 In light of the low return offered through the framework agreement, progressing with a large scale Solar PV “roof rental” approach is not recommended.
- 6.3 The potential to generate resources to fund further installations will be reviewed as part of preparing the HRA business plan.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 8.1 This proposal, if pursued, would make a positive contribution towards achieving the High Quality Environment outcomes included within the Sustainable Community Strategy.
- 8.2 It would also help to address Fuel Poverty issues in the two main priority neighbourhoods.

9 RESOURCE IMPLICATIONS:

- 9.1 In June 2011, this Committee approved a £100,000 programme of investment in self-funded solar PV panels for Council dwellings (£65,000 of which is subject to availability of capital receipts) within the current year’s maintenance programme ([CAB2195 \(HSG\)](#) refers). This will allow the Council to trial and assess the impact of panels across different property types and locations and compared to other renewable energy solutions, whilst at the same time generating an income stream to fund further works. The first panels will shortly be installed on a property in Stanmore which has had a number of energy efficiency improvements added as part of recent void works. Further properties to be included in this trial are currently being assessed.

10 RISK MANAGEMENT ISSUES

- 10.1 Recent pilot “roof rental” approaches have highlighted a number of legal and technical issues. By subjecting the proposal to a full EU procurement process, it has been possible to clarify the level of risk the provider is prepared to take on as part of the project. Whilst this has reduced potential risks to the Council, it has resulted in a lower tender price than was anticipated.
- 10.2 Many risks do remain that the Council will need to consider and manage if the project were to proceed, such as the potential visual impact on estates and gaining tenant acceptance and cooperation. A detailed risk assessment would be required in this case.

11 TACT Comment

- 11.1 TACT will be meeting to consider all reports for this Committee on Wednesday 21 September. It has not been possible to consult the full group on the reports prior to dispatch to members. However, the initial comment below has been provided by the Chair of TACT. Additional views of the wider group will be reported verbally if necessary at the meeting.
- 11.2 The recommendations made in this paper, cannot truly reflect the many meetings and time spent on the subject. Janet Berry from TACT has spent many hours fighting her corner for the installation of such panels on council properties.
- 11.3 However having gone through the paper with Richard Botham, I was pleased to hear a start was being made on installing solar photo voltaic (PV) panels would be under way shortly in Stanmore funded by the council, and once the options for identifying additional resources had been made further properties included. Not in large quantities but at least a start.
- 11.4 Many companies consulted did not turn out to be as promising, as their brochures would have one believe. TACT will monitor proceedings with interest.

BACKGROUND PAPERS

Background papers held in the Landlord Services, and Environment Teams (other than papers which are exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)).

APPENDICES:

Exempt Appendix – Financial Information