

Report of:	Head of Housing and Waste Management
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Portfolio Leader:	Housing
Key Decision:	Yes
Report Track:	Cabinet: 20/03/14

**CABINET
20 MARCH 2014
PROVISION OF PHOTOVOLTAIC (SOLAR) PANELS TO FURTHER COUNCIL
OWNED PROPERTIES**

1 Purpose of Report

- 1.1 To consider, following recommendations from the Housing Policy Development Committee, a proposed scheme from Southern Staffordshire Community Energy, to provide Photovoltaic panels to further Council owned dwellings, through a community share issue.

2 Recommendations

- 2.1 That a scheme to provide photovoltaic panels to up to 300 Council properties, through a community share issue is undertaken by Southern Staffordshire Community Energy, in accordance with a "roof lease" scheme.
- 2.2 That subject to the agreement of appropriate terms and conditions the Head of Planning and Regeneration following consultation with the Head of Housing and Waste Management is authorised to enter into the necessary Agreements with Southern Staffordshire Community Energy.
- 2.3 That the Head of Housing and Waste Management following consultation with the Housing Portfolio Leader is authorised to determine the properties included in the scheme.
- 2.4 That a further report is submitted regarding the evaluation of the scheme.

3 Key Issues and Reasons for Recommendation

- 3.1 The Housing Policy Development Committee on 20 January 2014 considered proposals from Southern Staffordshire Community Energy (SSCE) to provide Photovoltaic (PV) panels to further Council owned dwellings, through a community share issue.
- 3.2 The Committee supported the principle of the proposed scheme and agreed that following further development, a report was submitted for consideration by Cabinet.
- 3.3 SSCE could potentially install PV panels to up to 300 Council properties, subject to raising the necessary capital funding through a community share issue and procuring the PV panels in the region of £2,500 per dwelling. The panels would be owned and installed by SSCE in accordance with a "roof lease" from the Council, the principles of which would be similar to those already adopted for the Norton Canes PV panel pilot scheme. Subject to the necessary approvals it is considered that the PV panels could be installed during 2014-15.
- 3.4 As a result of the reduction in "feed in tariffs", the "PV energy provider market" has contracted substantially due to the "rate of return". The rate of return which is required by the SSCE scheme is, however, less than that generally expected by the "PV energy provider market" and is therefore considered to be viable at current "feed in tariff" levels.
- 3.5 Whilst SSCE believe that the scheme is to be deliverable it is ultimately subject both to SSCE being able to procure the panels at a sufficiently attractive rate to be viable and to being able to raise the funds through a share issue.
- 3.6 Tenants would benefit from up to 30% savings in their electricity costs, whilst it is also hoped to be able to establish a small "community fund" for reinvestment in other projects within the Cannock Chase area.
- 3.7 It is therefore proposed that the SSCE scheme is undertaken and that the Head of Planning and Regeneration following consultation with the Head of Housing and Waste Management, is authorised to agree terms and conditions.
- 3.8 It is further proposed that properties are selected by the Head of Housing and Waste Management, following consultation with the housing Portfolio Leader in accordance with the selection criteria detailed within the report.
- 3.9 The proposed scheme would be subject to evaluation, the results of which would be the subject of a future report.

4 Relationship to Corporate Priorities

- 4.1 The potential provision of PV panels to further dwellings within the Council's housing stock is a key action within the Housing Portfolio section of the agreed 2013-14 "Place" Priority Delivery Plan.

5 Report Detail

- 5.1 The Housing Policy Development Committee on 20 January 2014:-
- (i) Considered a report on the further evaluation of the Norton Canes Photovoltaic (PV) Panel Pilot Scheme.
 - (ii) Received a presentation from Southern Staffordshire Community Energy (SSCE) regarding the potential provision of PV panels to further Council properties through a community share scheme.
- 5.2 The Committee noted the results of the further pilot scheme evaluation and in relation to the presentation from SSCE resolved:-
- (i) That the principle of the proposed scheme submitted by Southern Staffordshire Community Energy to provide community owned photovoltaic panels for further Council owned dwellings is supported.
 - (ii) That subject to further development of the proposed community owned photovoltaic panel scheme, a report is submitted for consideration by Cabinet.

The Norton Canes Photovoltaic (PV) Pilot Scheme

- 5.3 A pilot scheme to provide Photovoltaic (PV) Panels to 39 Council owned bungalows in the Jerome Road/Jerome Drive/Yew Tree Close and High Street areas of Norton Canes was completed in April 2012.
- 5.4 The scheme was undertaken by Strategic Energy Limited and is based on them leasing the external roof space of the bungalows for 25 years and funding the installation and maintenance of the PV panels. The cost of providing the panels is then met through the sale of electricity to the National Grid and a "Feed in Tariff" from the Department for Energy and Climate Change.
- 5.5 Whilst the Council do not receive any income from the lease of the "roof space", bungalow tenants receive some "free" electricity and carbon emissions are reduced.
- 5.6 Following the installation of the PV panels, a majority of tenants report savings in electricity costs, with five tenants reporting that their bills had decreased by at least half. A detailed evaluation of electricity use in respect of three properties (over a 12 month period) suggests that electricity purchases have decreased by approximately 30%, with consequent annual cost savings of at least £72 per annum.

The Potential Installation of PV Panels to other Dwellings within the Council's Housing Stock

- 5.7 Information from the 2009 stock condition survey suggests that PV panels could potentially be installed on some further 1,350 Council properties (25% of the

housing stock). Not all properties are suitable as one side of the roof needs to be south facing to generate an economic return.

- 5.8 The estimated installation cost is £5,000 per property and whilst the cost of PV panels is reducing it is estimated that some £7.7 million would be required if PV panels were provided by the Council to all suitable properties. There is insufficient capacity within the HRA Business Plan to undertake this work for at least 10 years, if other investment priorities are to be met. (N.B. It should be noted that the £5,000 estimated cost is higher than the £2,500 estimated cost which South Staffordshire Community Energy consider viable).
- 5.9 The Norton Canes Pilot Scheme was undertaken and funded by a renewable energy company (Strategic Energy) under what is commonly termed a “rent a roof” scheme. This type of scheme has the advantage that the cost of installation and ongoing maintenance is met by the energy company, whilst the tenant of the property has reduced electricity costs.
- 5.10 The income generated from the sale of “the surplus” electricity to the national grid is insufficient to meet the capital cost of installing PV panels and as a result subsidy is required. This is provided in the form of “feed in tariffs” from the Department for Energy and Climate Change.
- 5.11 Prior to December 2011, the “feed in tariff” for social housing was 43.3 pence per kilowatt hour. At this level of subsidy there was considerable competition within the “PV energy provider market”, which resulted in providers offering an “annual rent” for leasing an external Council roof space. However, following a Government review there has been a progressive and substantial reduction in the amount of “feed in tariffs for social housing”, which currently stand at between 14.8 to 6.6 pence per kilowatt hour.
- 5.12 As a result of the reduction in “feed in tariffs”, the “PV energy provider market” has contracted substantially and the limited number of providers who remain in the market no longer offer annual roof rent.
- 5.13 Whilst the cost of providing PV panels is reducing, the majority of former “PV energy providers” do not consider it economic to install PV panels at the current “feed in tariff” levels. However, the economics are likely to change if an additional form of subsidy were provided.
- 5.14 The Stoke and Staffordshire LEP and the Greater Birmingham and Solihull LEP are both preparing their overarching European Structural and Investment Fund Strategies for the new programme operating between 2014-2020. The Council has submitted project ideas regarding the use of such European funding to meet 50% of the installation cost of providing PV panels to the Council’s housing stock. Meeting the remaining capital cost could then be a viable proposition for a renewable energy company, as they would be able to generate a “return” on their reduced investment from the sale of electricity to the national grid and the limited “feed in tariffs” which continue to be available.
- 5.15 The eligibility criteria for ERDF funding is, however, both restrictive and complex with particular issues regarding “state aid in relation to renewables which earn tariffs”. As a result, there is **considerable uncertainty** as to whether the

Council's project ideas for potential PV funding would be eligible for European Structural Funds, with the outcome not being known for potentially up to 12 months and with a need to work in partnership with other LEP partners to be viable.

Southern Staffordshire Community Energy – A Potential Community Share Scheme

- 5.16 Southern Staffordshire Community Energy (SSCE) was established in 2011 to promote energy efficiency in Southern Staffordshire. It is an "Industrial and Provident Society for the Benefit of the Community" and is owned by 54 shareholders, almost all of whom live in Southern Staffordshire. Further information about SSCE is provided on their website www.ssce.co.uk, whilst a summary is attached as Appendix 1.
- 5.17 SSCE could potentially install PV panels on up to 300 further Council properties subject to:-
- (i) Raising the necessary capital funding through a community share issue
- and
- (ii) Procuring the PV panels in the region of £2,500 per dwelling.
- 5.18 In relation to the community share issue, potential shareholders would receive a return of 5-6% and be eligible for 30% tax relief under the Enterprise Investment Scheme. This is lower than the return generally expected by the "PV energy provider market" and as a result SSCE consider that the scheme is viable at current "feed in tariff" levels.
- 5.19 The viability of the scheme is also dependent upon the price at which SSCE are able to procure the PV panel installation. Whilst the £2,500 estimated cost is considerably lower than the Council's £5,000 per dwelling estimate, SSCE have recent experience of PV installation market and consider that their cost estimate is achievable.
- 5.20 The framework for the proposed SSCE scheme is similar to that which was adopted in relation to the Norton Canes Pilot Scheme and the principle terms are set out below:-
- (i) The scheme would comprise of up to 300 properties jointly selected by SSCE and the Council.
 - (ii) The cost of providing and maintaining the PV panels would be the responsibility of SSCE.
 - (iii) The Council would lease the external roof space of the properties to SSCE for a period of 21.5 years at a nominal charge.
 - (iv) At the conclusion of the 21.5 year lease, SSCE would either remove the PV panels or "gift" them to the Council for continued use.

- (v) Existing tenants would have a choice of having PV panels installed on their homes but following installation new tenants would be required to “accept” the PV panels.
 - (vi) Tenants would be required to sign an Agreement with SSCE regarding the installation and use of the PV panels.
- 5.21 Although there are no direct benefits to the Council, tenants would potentially save up to 30% in their electricity costs, whilst the Council would be seen to be taking action to reduce carbon emissions. SSCE also consider that the scheme could potentially generate a small “community fund” over the lifetime of the scheme, the use of which would be decided in consultation with the Council, but this would be dependent on the cost of panel procurement.
- 5.22 The 300 further PV installations is, however, dependent on the success of the SSCE community share offer and price at which the PV panels can be procured. As a result and in order not to “build up” tenant expectations it is not considered appropriate to select the proposed Council properties and consult with individual tenants at this stage. It is therefore proposed that property selection is determined by the Head of Housing and Waste Management, following consultation with the Housing Portfolio Leader, in accordance with the following criteria:-
- (i) Properties will be situated in “dwelling groups” with priority being given to bungalows. (Note: The potential electricity cost savings can be expected to be greater in respect of bungalows as the occupants are more likely to be “at home” during the day).
 - (ii) Properties must be south facing, unshaded and be capable of achieving an energy efficiency rating of A-D following PV panel installation.
 - (iii) The roof structure must be capable of bearing the weight of the PV panels with no major repair work expected in relation to the roof covering for the next 21 years.
 - (iv) Permission for electricity grid connection being granted by the network operator.
 - (v) Properties will be selected with the view of achieving a “geographical spread” throughout the District.
- 5.23 It should, however, be noted that as a result of unfavourable orientation it is extremely unlikely that it would be economic to install PV panels to all the properties within any “dwelling group”. As a result, it is likely that a situation of “haves” and “have nots” would occur. In addition, as the PV panels are installed “on top” of the existing roof covering, their appearance may not be considered to be particularly attractive, although this is a matter of personal taste.
- 5.24 Subject to Cabinet’s approval of the proposed PV panel scheme, SSCE wish to proceed as quickly as possible, with a view (following a competitive tendering process) to installing the panels during the 2014-15 financial year. Tenants

would, however, be fully consulted regarding any potential PV panel installation on their home.

- 5.25 Any proposed scheme would be subject to evaluation, the results of which would be the subject of a future report.

6 Implications

6.1 Financial

The cost of installing and maintaining the PV panels would be met by Southern Staffordshire Community Energy. There are therefore no direct costs to the Council.

6.2 Legal

The Public Contract Regulations 2006 (otherwise often referred to as the EU procurement regulations) apply to any contract for goods, services or works above a specified threshold level where the Council, as a contracting authority, engages a person to either carry out or that person procures the means for the carrying out of the goods, services or works on the Council's behalf.

The 2006 Regulations do not apply where there is a "disposal of land". A disposal of land arises where there is the sale of land or a lease is entered into.

The approach adopted by Southern Staffordshire Community Energy amounts to disposal of land as it wishes to lease the roof space of the Council properties on which it will install the panels. The Council is not directly in receipt of any goods, service or works for the land rights granted to it by virtue of the lease. Consequently there is no obligation upon the Council to comply with EU procurement regulations for the pilot scheme (nor any prohibition from doing so should it choose to) nor to pursue a tendering exercise as might otherwise be required by the Council's Standing Orders.

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

The following risks have been considered:-

- (i) Southern Staffordshire Community Energy may not be able to procure the PV installations at a viable cost. If this were the case, the scheme would not proceed.
- (ii) Southern Staffordshire Community Energy may not generate sufficient capital to undertake the 300 PV installations through their community share issue. If this were the case the number of PV installations would be reduced.
- (iii) Roof maintenance works are required during the period of the 21 year lease. If this were the case (and the works required the PV panels to be temporarily removed and then replaced), the cost would need to be met by the Council.

However, the proposed property selection criteria specifies that PV panels can only be installed on properties where no major repairs to the roof covering are expected. This risk is therefore considered to be small.

6.8 Equality & Diversity

The provision of PV panels to further dwellings within the Council’s housing stock has been subject to an Equality Impact Assessment (EIA). The outcome of the PV panel EIA is that it would have a positive impact for certain of the protected characteristics with no identified negative implications.

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: Southern Staffordshire Community Energy

Previous Consideration		
Photovoltaic (Solar) Panels	Cabinet	21 July 2011
Norton Canes Photovoltaic (Solar) Panel Pilot Scheme	Cabinet	2 February 2012
Norton Canes Photovoltaic Panel Pilot Scheme	Housing Policy Development Committee	21 January 2013
Norton Canes Photovoltaic Panel Pilot Scheme – Further	Housing Policy Development Committee	20 January 2014

Evaluation

Provision of Community
Owned Photovoltaic
Panels to Further
Dwellings within the
Council's Housing Stock

Housing Policy
Development Committee

20 January 2014

Background Papers



SOUTHERN STAFFORDSHIRE COMMUNITY ENERGY

1. Southern Staffordshire Community Energy (SSCE) was established in 2011 by Low Carbon Lichfield and Whittington and Fisherwick Environment Group who had been active in promoting energy efficiency in their communities but wished to take their work to a new level across a wider geographical area. SSCE is an Industrial and Provident Society (IPS) for the Benefit of the Community (Bencom) which commenced trading in September 2011.
2. The structure of SSCE is very similar to that of a co-operative. The main difference is that a Bencom is for the benefit of the community and a co-operative for the benefit of its members. Both are democratic organisations where each shareholder member has one vote irrespective of the number of shares he/she holds. Shares in IPSs are non-tradable and can only be redeemed by the IPS itself.
3. There are 54 shareholders, almost all from the Southern Staffordshire area.
4. The aims of SSCE are to work with local residents, public bodies and businesses to promote:-
 - (i) Development, generation and operation of renewable energy sources.
 - (ii) Sustainable use of energy and reductions in carbon emissions through the provision of advice on energy efficiency and the supply of energy efficient products and services.
 - (iii) Public awareness of environmental and related issues and supporting educational initiatives related to renewable energy, energy efficiency and sustainability.
5. SSCE has a 7 member board as set out below:-
 - Mike Kinghan MBE (Chair) – Local Government, ex-Southern Staffordshire Partnership Director
 - Doug Haigh – Chartered Surveyor (retd)
 - John Coombes – Architect (retd)
 - Robin Powell – Chartered Engineer
 - Kate Sadler – M.Sc. Sustainable Architecture and Energy
 - Andrea Simpson Administrator (retd)
 - Robin Taylor – Social Enterprise Consultant

6. Board Members are unpaid but may receive remuneration for consultancy work on individual projects.
7. Previous and current projects are:-

- (i) Whittington, Lichfield

In December 2011 SSCE installed 29 kW of solar PV on two buildings in Whittington, near Lichfield, under a roof leasing agreement. The £54,000 cost was raised via the sale of community shares. SSCE supplies free electricity to the charities that own the buildings (St. Giles Hospice and Whittington Village Hall) and is using “feed-in tariffs” to pay a return to shareholders over 25 years and create a community fund to support other local projects.

- (ii) Staffordshire Sunny Schools

A scheme to fund the installation of PV panels on 25 schools across Staffordshire is currently being progressed. Working with another IPS, “GEN community”, £880,000 is to be raised through a further community share offer.

In conjunction with a £200,000 loan, this will fully fund the 25 installations. Total electricity savings are estimated to total over £90,000 per annum, whilst the scheme would benefit 15,000 schoolchildren and save the equivalent of 7,329 tonnes of carbon over the 20 year life of the project.

8. Further information is available on the SSCE website www.ssce.co.uk.