

CABINET

Energy Strategy 17th February 2015

Report of Chief Officers- (Resources), (Environment), & (Health and Housing)

PURPOSE OF REPORT			
To seek approval of the Energy Strategy and present Cabinet with the results of a feasibility study into a municipal solar farm, and to seek permission to progress the project to the planning stage, updating Cabinet's budget proposals accordingly.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	20 th January 2015		
This report is public, although Appendices B1, B2, B3 and B4 are exempt from publication by virtue of paragraph 3, of Schedule 12a of the Local Government Act 1972.			

OFFICER RECOMMENDATIONS:

- (1) That Cabinet approves the Energy Strategy / Action plan, recognising it as a working document to inform other corporate strategies and the allocation and prioritisation of resources.
- (2) That Cabinet agrees in principle to the development of a 5MW solar farm on its Middleton (former Shell/ICI) site.
- (3) That in order to progress the above, Cabinet approves the use of the Invest to Save Reserve to fund the project to the point where it can be submitted as a planning application.
- (4) That Officers report back on the outcome of the further detailed appraisal of the project in order to inform Cabinet's final decision.
- (5) That Cabinet's budget proposals for 2015/16 onwards be updated to provide for the above.

1.0 Introduction

1.1 Included in the Council's ethos as set out in the Corporate Plan are-

- **Stewardship**- ensuring the social, economic and environmental

wellbeing of the local area.

- **Municipal entrepreneurialism**- capturing opportunities for collaborative innovation and income generation.
- **Sustainability**- ensuring the Council contribute positively to the challenge of climate change and the need to manage our environment.
- **Value for Money**- focusing on economy, efficiency and effectiveness.

One of the priorities for the Council is 'Clean, Green and Safe Places'. This includes the outcome of minimising the Council's impact on the environment.

1.2 In order to contribute to the delivery of the above Cabinet (24th June 2014) agreed the following-

- That the Renewable Energy Strategy's overall aims and targets be agreed in principle.
- That the Renewable Energy Strategy's Action Plan be agreed in principle.
- That Cabinet confirms its preferences for renewable energy projects being biomass boilers, biomass supply chains, small scale solar farms and exploring the potential through partnership for a wind turbine at Middleton; and that consideration be given to the most advantageous way of delivering these projects.
- That Cabinet confirms that delivery of the Renewable Energy Strategy is a priority and in view of this approves the proposed use of the Invest to Save Reserve (for the General Fund) and the Business Support Reserve (for Council Housing) to meet the costs of consultants and in-house provision, as necessary, to allow proposals to be developed and brought forward for consideration and final approval.

1.3 Since then much work has taken place to progress this. This report will detail that work and request some key decisions from Cabinet.

2.0 Proposal Details

2.1 Energy Strategy / Action Plan

Cabinet have already agreed these in principle. The current versions are presented in Appendix A1, A2. Cabinet are requested to approve these, as working documents to inform other corporate strategies, resource allocation and prioritisation. They clearly define the scope of the Council's activity in this area, within the context of the Council's strategic, financial and operating capacity and set meaningful targets.

2.2 **Update on Renewable Energy Projects-** The action plan in Appendix A2 provides progress with these. However in summary-

- **Biomass boilers-** a strategic approach to energy management on the Council's estate is being taken. Rather than just embark on a biomass boiler installation programme a detailed assessment of individual buildings and how energy can be best managed within in them has been commissioned (starting initially with Salt Ayre Sport Centre). The assessment will recommend what energy management measures will provide the best value for money and sustainability. The results of the Salt Ayre assessment are expected soon. This will then help inform how capital funding allocated to already identified property issues will be spent, and whether any further investment is required.
- **Biomass Supply Chain-** for this to progress collaboration with a number of other authorities / organisations (including the County Council) is required. Early discussions have taken place and there is some interest. However, at this point in time the priority for most Councils is dealing with the immediate impact of central Government funding reductions. It is expected that if feasibility can be demonstrated this will be a more medium-term aim.
- **Wind Turbine at Middleton-** since the previous report to Cabinet it has been established that as things stand the most immediately advantageous use of the land would be for the location of a solar farm. Perhaps in the future, a solar farm as described below would not necessarily preclude this option also, at least in simple site terms, although clearly this does not consider or address the operational, planning and financial and implications.
- **Municipal Solar Farm on Council land at Middleton-** a detailed feasibility study has been commissioned. This and further supporting information is provided in Appendix B1, B2, B3, B4 (All Exempt). The feasibility study demonstrates that the most advantageous route for the Council would be to develop a 5MW solar farm which would utilise approximately 15 hectares of the 40 hectare site that belongs to the Council. This would offer an indicative return of £4M in total over 20 years, from investment estimated at £5.2M. In order to progress this, the next stage would be to commission the detailed work needed to submit a planning application. It is estimated the fees involved in this would cost £70-80K. The work is detailed in Appendix B4 but includes detailed topographical surveys, habitat studies, deposit for connection to grid by network operator etc. There are clearly risks attached to this stage and these include-
 - Planning permission may not be granted.
 - Detailed surveys may show there are issues that impact on the overall cost / viability of the project.
 - National / local government policies radically change after the elections.

However, without making a positive decision to embark on the next stage no

further progress can be made on this project. Delaying this stage means that the FiT rate will have reduced further which then reduces the amount of income / rate of return for the project and conflicts with the Council's agreed ethos and priorities.

In parallel with this phase of the project, work would take place to appraise how construction of the solar farm is best financed and procured. Detailed work would also take place to provide detailed appraisal of the costs and income of the project over its 20 year lifecycle.

3.0 Details of Consultation

- 3.1 As outlined in the report. This report has also been forwarded to the ward councillor. It will also be considered at the next meeting of Overview and Scrutiny.

4.0 Options

- 4.1 **Option 1a-** To approve the Energy Strategy / Action plan as a working document to inform other corporate strategies, resource allocation and prioritisation.
- 4.2 **Option 1b-** To not approve the Energy Strategy / Action Plan.
- 4.3 **Option 2a-** To agree in principle that the Council uses some of its land at Middleton to develop a 5MW solar farm and authorise Officers to progress the project up to planning application stage, and make appropriate provision within Cabinet's budget proposals. This is on the basis that Cabinet would take the final decision on the project, rather than it be a matter for full Council. This is considered appropriate given the Council's existing corporate priorities and timescales for the project (and in any event, call-in would apply to the final decision).
- 4.4 **Option 2b-** To not agree to the development of a solar farm.

5.0 Officer Preferred Option (and comments)

- 5.1 The officer preferred options are 1a and 2a.

6.0 Conclusion

- 6.1 This report sets out a strategy and action plan for the delivery of a key element of the Council's Corporate Plan. Furthermore, it provides a practical option for a flagship project that would help the financial sustainability of the Council's Corporate Plan over the next 20 years.

RELATIONSHIP TO POLICY FRAMEWORK

As outlined in the report

CONCLUSION OF IMPACT ASSESSMENT
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(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

As outlined in the report and appendices. If the project progresses more detailed impact assessment work will be undertaken.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments

FINANCIAL IMPLICATIONS

Energy Strategy- there are no direct additional financial implications arising from the energy strategy / action plan.

Solar Farm- As mentioned earlier, based on a preliminary submission, the potential solar farm site at Middleton would offer an indicative return on investment of £4M over 20 years.

The scheme is estimated to generate around £430K of income in the first year from feed in tariffs and energy export. This amount of income (or more) would be expected annually for a period of 20 years. The actual annual budgetary savings would be less, as the operational and capital financing costs would need to be covered. Nonetheless, the estimated payback period is 13 years.

The capital costs have been estimated at £5.2M, but Officers believe that due to the current state and prior use of the site, this cost may be considerably higher. Substantial site preparation works would erode the return and lengthen payback period.

The full financial implications are covered in the exempt appendix.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

As outlined in the report and appendices.

Open Spaces:

As outlined in the report and appendices.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has contributed to the production of this report, which is her name in part (as Chief Officer (Resources)).

As the development of a solar farm would require a significant increase in the Council's underlying need to borrow or Capital Financing Requirement (CFR), to be met by either internal or external borrowing, then matters relating to its affordability, sustainability and prudence must be considered, drawing on the requirements of the Prudential Code, which provides a statute-backed framework for managing capital investment in local authorities.

Indications are that these factors are readily manageable, based on the information available

to date, but clearly figures could well change, perhaps significantly so.

This report is not seeking a final decision from Members, however. This provides an opportunity to reassess the proposal's financial appraisal prior to committing to significant investment. Nonetheless, taking a decision to progress this initiative will commit the Council to some early expenditure, as identified in the report. Also, time constraints mean that once a detailed business case has been completed, a timely final decision would be required. Cabinet is advised to note these points.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None

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