

# Agenda



## Delegated Decisions - Joint Cabinet Member

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Date: Thursday, 19 December 2019

To: Councillor D Davies and M Rahman

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Item		Wards Affected
1	<u>Provision of renewable electricity to Newport City Council via community owned roof-mounted solar panels</u> (Pages 3 - 12)	All Wards

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# Report

## Cabinet Member for Assets and Cabinet Member for Sustainable Development

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### Part 1

Date: 19/12/2019

**Subject** Provision of renewable electricity to Newport City Council via community owned roof-mounted solar panels

**Purpose** To gain approval to commit to 21 year roof space leases on up to 24 sites to facilitate the installation of the solar panels to deliver carbon savings, revenue savings and educational benefits.

### Reason for Urgency

Installation works (requiring signed lease agreements) are due to start on the 6<sup>th</sup> of January 2019. Due to the creation of new Cabinet Member portfolio's and Cabinet Member availability, the initial Cabinet Member report submission date of the 16<sup>th</sup> of December has been extended to the 19<sup>th</sup> of December to facilitate a joint briefing including the Cabinet Member for Sustainable Development. This extension means that the standard consultation period (originally planned to start on the 16<sup>th</sup> and to complete on the 31<sup>st</sup>) would not finish until after the planned installation start date, causing delays and additional costs to the programme. Delays would lead to some installations not being completed by the 31<sup>st</sup> of March 2020 meaning that the Council would see reduced revenue benefit from the scheme over the 20 year period.

**Author** Ross Cudlipp – Energy and Sustainability Manager  
Ben Hanks – Housing and Assets Manager

**Ward** All Wards

**Summary** A Welsh community energy group (Egni Co-op) have offered Newport City Council free solar panel installations and renewable electricity supply at up to 25% below our current contract rates for the solar power output for the next 20 years.

The offer is to install solar panels on 24 sites including 19 schools (please see full list at the end of this document). This will increase Newport Council's renewable energy installations from 100kW to 1900kW in capacity. This scheme will be a significant contribution towards achieving carbon neutral by 2030.

The full business case was submitted to the Capital Strategy Asset Management Group (CSAMG) and approved in November 2019. In order to proceed with this opportunity a 21-year lease of specific rooftop needs to be agreed between Newport City Council as the Landlord and Egni Co-op as the Tenant. As the leases are over 7 years in length, Cabinet Member approval is required.

**Proposal** Agree to leases and proceed with the CSAMG approved scheme

**Action by** The Carbon Reduction Team within Regeneration Housing and Investment

**Timetable** Immediate action required. Agreement to be signed and works to commence w/c 6<sup>th</sup> January 2020.

This report was prepared after consultation with:

- Bev Owen - Director of Place
- Corporate Management Team
- Kier Duffin – Head of Regeneration, Investment and Housing
- Gareth Price - Head of Law and Regulation
- Owen James - Assistant Head of Finance
- Rhys Cornwall – Head of People and Business Change
- Fiona Mannings – Newport Norse Associate - Valuation and Estate Management

**Signed:**

## **Background**

In March 2019, Newport City Council was approached at a senior level by a Welsh community energy group named Egni Co-op with the offer of free solar panel installations and renewable electricity supply at up to 25% below our current contract rates for the solar power output.

The proposal was to establish a long list of potential sites suitable for solar PV installations (carrying out Energy Performance Certificates where required) and to pre-register these sites for the renewable energy Feed-in Tariff which, from April 2019, is only available to community groups such as Egni Co-op. Permission was given for the surveys and pre-registration to take place.

CSAMG later took the decision to allow officer resource to be used to support further feasibility work in order to facilitate a firm proposal from Egni Co-op on the basis that even if the project did not proceed, a large amount of valuable survey work would be available to the Council at no cost. Feasibility work which has already been undertaken at risk by Engi Co-op is as follows:

- EPC surveys
- Solar PV design work
- Grid Connection applications to WPD
- Structural surveys
- Legal work on draft leases and Power Purchase Agreements

Egni Co-op have now provided an offer to install circa 1800kW of solar PV on 24 sites including 19 schools.

## **Reasons / Rationale**

As part of the Welsh public sector, there is a requirement for Newport City Council to decarbonise by 2030. The installation of on-site solar PV is one of the major solutions to truly decarbonising the electricity we consume. This community group's current offer of over £1.5m worth of investment in up to 1800kW of solar PV for no capital outlay to the Council is an attractive proposal.

Reasons for engaging with the proposal include:

### **Environmental**

- Would assist Newport Council to hit carbon targets (organisational and national).
- To support the Welsh Government's Low Carbon Pathway targets for 70% of energy consumed in Wales to be from renewable energy generated in Wales by 2030.
- To support the Welsh Government's targets for all new renewable projects to have an element of community ownership by 2020 and for 1GW of capacity to be in community ownership by 2030.

### **Financial**

- Ability to realise revenue savings for sites from year 1.
- Community Energy Shares will be donated to all schools in Newport irrespective of whether they have solar panels installed.

### **Educational**

Engagement with schools/pupils on climate agenda and all profits will go into education projects for schools in Wales which will include;

- A plan to develop teaching resources to enable schools to integrate data from the solar panels in different lessons.
- To fund an Education Officer who will visit schools and support teachers.

## **Other**

- Opportunity to deliver significant amount of renewable energy capacity in a very short time frame, far more than possible delivering a scheme internally.
- Investment of officer time much-reduced vs delivering projects in house. The Council have also benefited from free EPC surveys, structural surveys, grid applications and design work.
- Streamlined procurement as direct award justifiable (VEAT notice).

## **Legal implications**

Newport City Council are required to enter into 21year roof space leases and 20 year power purchase agreements to benefit from this offer. Any of the individual power purchase agreements and therefore lease agreements can be terminated by the Council at any time and the solar panel installations purchased at a reduced rate from which point the would be 100% owned by the Council.

## **Timescales**

Cabinet Member for Assets decision required before Christmas 2019. The scheme must start installation in January 2020 and be complete by the 31st of March 2020.

## **Staffing Issues**

There will be a requirement for varying levels of staff resource from a range of services to deliver the scheme, these include RIH, Legal, Education (via site managers), H&S and from Newport Norse to support with landlord consent and leases.

## **Financial Summary**

This scheme will deliver revenue benefits through a reduction in energy bills from year 1, revenue benefits will increase in line with energy price rises (typically 5% per year) for the 20 year power purchase agreement period.

## **Risks**

In terms of long term leases, the main risk is a site being demolished or sold and no alternative location being able to found for the equipment which would mean a the system would have to be bought by the Council (at a depreciated value, based on years since commissioned). As much as possible has been done to mitigate project risks by going through a thorough process of site and roof section, only progressing viable locations with reasonable roof conditions and where site longevity is expected.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Unfavourable lease terms	M	L	The lease have been reviewed in detail by several officers including the Head of Law and Regulation to check terms.	Head of Law and Regulation
Site demolition or sale	L	L	Only considered sites with a high probability of longevity	Carbon Reduction Team
Roof Replacement	L	M	The lease states that Egni Co-op will remove and replace the installation to facilitate roof works an unlimited number of times over the 20 year period.	Carbon Reduction Team / Newport Norse / Egni Co-op

## Links to Council Policies and Priorities

The Environment Act (Wales) 2016 mandates that Wales must achieve a carbon reduction of 80% on 1990 levels by 2050, to help meet this goal the Welsh Government is setting interim Carbon Budgets. Welsh Government has set out the requirement for the Welsh Public Sector to show leadership and become net carbon neutral by 2030.

Newport Council reflects the net carbon neutral ambition in our draft Carbon Management Plan.

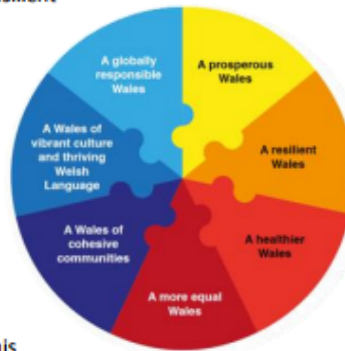
In order to achieve carbon neutral by 2030, The Council needs to undertake projects of a significant size and impact, such as the ambitions rollout of 1800kW of solar panels in a short timeframe.

The Council’s Corporate plan 2017-2022 has four well being objectives:

### Building a better Newport

The Well-being of Future Generations (Wales) Act (WFG Act) became law in Wales on 29 April 2015. The Act is about improving the social, economic, environmental and cultural well-being of Wales. It will make the public bodies listed in the Act, including our council, think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach. The Well-being objectives that have been adopted by our council are;

1. To improve skills, educational outcomes & employment opportunities
2. To promote economic growth and regeneration whilst protecting the environment
3. To enable people to be healthy, independent & resilient
4. To build cohesive & sustainable communities



The Welsh Government and the Future Generations Commissioner have made it clear that duties to set and report on well-being objectives should not be treated as separate from any objectives that guide and steer the actions and decisions of organisations. The table below shows how our council’s Well-being Objectives link to the manifesto commitments of the Administration (outcomes), which in turn are supported by the areas for action within this Corporate Plan.

\*Our well-being statement is set out in appendix 1

<b>Well-being Objectives</b>	Promote economic growth and regeneration whilst protecting the environment		Improve skills, educational outcomes & employment opportunities	Enable people to be healthy, independent & resilient	Build cohesive & sustainable communities		
<b>Manifesto commitments</b>	Working Newport: Jobs, growth & the economy	Sustainable Newport: Environment & transport	Learning Newport: Education & skills	Future Newport: Well-being & social care	Fairer Newport: For all our residents	Safer Newport: Community safety & antisocial behaviour	Vibrant Newport: Creativity & culture
<b>Corporate plan actions</b>	A thriving city		Aspirational people		Resilient communities		
<b>Supporting function</b>	A modernised council						
	Objective 1	2	3	4			

This proposed project meets Objective 1 (highlighted above): Promote economic growth and regeneration whilst protecting the environment.

### **Options Available and Considered**

#### Option 1 - Do Nothing

*Do not approve the lease arrangement and do not install Solar PV systems by March 2020.*

This option would delay the decarbonisation of Newport City Council.

#### Option 2 - Deliver the scheme internally or by another method

*Do not accept the lease agreements and work to deliver the scheme by another method.*

This is currently not a realistic proposition. Aside from the resource requirement, the financial case for Local Authorities to invest in building mounted solar PV is challenging. Even if 10-year, interest-free loans are taken, the 10-year paybacks on investment mean that there would be no net-revenue benefits for the first 10 years of the installation. Unlike Egni Co-op, the Council would not be eligible for the Government Feed-in Tariff and would be liable for increased business rates of circa £2-3m over the 20-year life of an installation of this size.

#### Option 3 – Proceed with the scheme

*Agree to the lease arrangement and work to deliver the scheme by March 2020.*

This option would assist the council in achieving revenue savings, carbon savings and deliver educational benefits via a schools engagement.

### **Preferred Option and Why**

#### Option 3 – Proceed with the scheme

*Agree to the lease arrangement and work to deliver the scheme by March 2020.*

The rationale for this recommendation is explained above and covers a range of benefits as compared to Options 1 and 2. The principle benefits being the delivery of renewable energy capacity, carbon savings, financial savings, educational and community benefits

### **Comments of Chief Financial Officer**

There are no initial capital or revenue costs related to the above report and overall it should deliver energy cost savings to many sites across the Council's estate. The level of savings is subject to the number of sites that can be delivered within the timescale available.

However, it needs to be noted there is a risk that the Council will need to purchase the Solar PVs if they need to be removed, this would lead to a capital cost and subsequent revenue capital financing costs to fund this. The impact of this would be dependent on the site and size of the removal. This has been mitigated by using on sites with expected longevity and suitable roof space.



## **Comments of Monitoring Officer**

The proposed grant of these leases is in accordance with the Council's legal powers under section 123 of the Local Government Act 1972. The grant of leases for more than 7 years constitutes a "disposal" of property for the purposes of the 1972 Act and there is also an obligation for the Council to secure best value for the grant of these leases. Although no premium or rental will be paid for the leases, the community energy groups are only being granted rights to install and maintain the solar panels on the roof space of various council-owned buildings, including schools, and right to the airspace above them for a period of 21 years. The "consideration" for the leases is the benefit to the Council of the reduced electricity costs under the associated Power Purchase Agreement, the sustainability and well-being benefits in terms of renewable energy and the educational benefits for schools. These social, economic and environmental benefits can legitimately be taken into account when determining best value and consideration for the grant of the leases. The leases will be drafted to be co-terminous with the Power Purchase Agreement and the two will be linked, so that the leases would terminate automatically if the Council exercised its right to withdraw from and terminate the electricity supply and purchase agreement. The direct award to Engi Co-op of the concessionary rights to install the panels and to provide electricity supplies to the Council is in accordance with the Public Contracts Regulations and Contract Standing Orders as they are the only registered providers who are able to deliver this technical solution. A VEAT notice has been published to explain the basis of the direct award and to ensure that there is no subsequent legal challenge to the process.

## **Comments of Head of People and Business Change**

The report details arrangements for Newport City Council to benefit from renewable energy via roof-top mounted solar panels. Within the report the potential HR implications are highlighted, although these are purely around the commitment to ensure adequate capacity from within existing resource.

Consideration of how this supports Newport City Council's strategic planning is well developed. The report details how this opportunity supports both the Corporate Plan and Newport's Wellbeing Objectives through Objective 1: Promote economic growth and regeneration whilst protecting the environment.

## **Comments of Cabinet Member**

*The report author is to confirm that the Cabinet Member has approved the report for consideration by cabinet.*

## **Local issues**

No specific local issues.

## **Scrutiny Committees**

No Comments

## **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard,

although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

### **Children and Families (Wales) Measure**

Although no targeted consultation takes place specifically aimed at children and young people, consultation on planning applications and appeals is open to all of our citizens regardless of their age. Depending on the scale of the proposed development, applications are publicised via letters to neighbouring occupiers, site notices, press notices and/or social media. People replying to consultations are not required to provide their age or any other personal data, and therefore this data is not held or recorded in any way, and responses are not separated out by age.

### **Wellbeing of Future Generations (Wales) Act 2015**

The proposed scheme takes into account the long term needs of the Council as well as the short term by being implemented rapidly and through securing real carbon and revenue savings over a 20 year period.

The scheme helps to prevent/mitigate increased financial pressures experienced from energy price rises in over time; the carbon reductions from the scheme will help to prevent climate change.

The installation principally supports the council's well being objective to '*Promote economic growth and regeneration whilst protecting the environment*'. Further information can be found in the links to policies and priorities above.

The Carbon Reduction Team has collaborated with and involved a range of stakeholders to develop the scheme, including Egni Co-op, Newport Norse, service areas and host sites themselves via communications and face-to-face engagements.

### **Crime and Disorder Act 1998**

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

### **Consultation**

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

## Intended Site List

Site	Size (kW)
Blaenypant House APH	10
Maesglas Tip	50
Newport Velodrome	500
Parklands APH	30
Telford Depot	66.7
Bassaleg Comprehensive School	75
Llanwern High School	200
Lliswerry High School	100
Newport High School	200
Caerleon Comprehensive School	61
John Frost High	230
St. Julians High School	50
Lliswerry Primary School	30
Maindee Primary School	30
Malpas Court School	30
Monnow Junior School	30
St. Andrews Primary Infants	10
St. Andrews Primary Junior	4
Eveswell Primary School	17
Maesglas Primary	15
Marshfield Primary School	15
Pillgwenlly Primary School	21
St. Julians Primary School	15
Ysgol Gymraeg Casnewydd	27.6

NB: These sites are not guaranteed until all final surveys, checks and scheduling can be agreed with site managers.

**Dated 19<sup>th</sup> December 2019**

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