

**EXECUTIVE
COMMITTEE**

23rd August 2011

**SOLAR PANEL SCHEME - OPTIONS FOR INTRODUCING SOLAR
PANELS AT HOUSING SITES IN REDDITCH**

Relevant Portfolio Holder	Cllr Brandon Clayton, Portfolio Holder for Housing, Local Environment & Health
Portfolio Holder Consulted	Yes
Relevant Head of Service	Hugh Bennett, Director of Policy, Performance & Partnerships
Wards Affected	All Wards
Key Decision - Yes	

1. SUMMARY OF PROPOSALS

- 1.1. Members will be aware of the financial benefit behind participating in the Government's current feed-in-tariff scheme (FITS); for which funds have already been agreed for installations at the Town Hall, Palace Theatre and the Crematorium.
- 1.2. Members are requested to agree that a capital allocation of up to £275,000 be allocated from the Housing Revenue Account (HRA) for further provision of solar photovoltaic (PV) at Housing sites.
- 1.3. Officers recommend that this is undertaken specifically to benefit the Council – all schemes will only be big enough to supply landlord demand. This will allow the Council to receive an income over 25 years which will benefit all tenants indirectly.
- 1.4. The precise nature of which sites are most suitable will be subject to a detailed feasibility study by the contractors chosen to tender for the entire solar PV project; although within the tender specification, contractors will be asked to prioritise St David's House and the category 'A' sheltered housing schemes (Arthur Jobson House, Harry Taylor House & Ibstock House).
- 1.5. Finally, there is potential for the Government to modify the Feed in Tariff scheme (FITS) and Members should be aware that these may impact on overall proposals for PV installations in 2010/11.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

- 1) up to £275,000 Capital Funding be allocated from the Housing Revenue Account (HRA) for the purposes detailed below; and**

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to RESOLVE that, subject to 1) above,

- 2) further solar photovoltaic (PV) be provided at Housing sites, as detailed in the report;
- 3) sheltered schemes be designated as priority schemes but that any RBC-owned landlord supply scheme may be chosen for investment;
- 4) the Committee note the changes to the FITS scheme and be aware that external factors may impact on the Council's plans; and
- 5) authority be delegated to the Climate Change Manager to manage all Council Solar PV schemes; performance and financing arrangements to be reported annually to the Executive Committee, in line with other energy efficiency projects, such as the Salix funded initiatives.

3. KEY ISSUES

Financial Implications

- 3.1 The Council currently has £5.4 Million set aside in an earmarked reserve to fund future HRA capital schemes. This fund will primarily be required to support the HRA capital programme in future years because of the restriction on future borrowing.
- 3.2 The scheme will supply landlords electricity demand at housing sites, for example at St David's where there is a kitchen, laundry, communal lounge and general lighting (current annual cost of £14,000 per annum) each individual system will be small (<10kWp).
- 3.3 Sheltered schemes are prioritised because the communal areas have high daytime demand are most likely to be occupied during the day when solar generation is highest.
- 3.4 Landlords supply demand will be rising shortly as Housing Capital are installing smoke and fire detection systems; and emergency lighting systems at 171 blocks. Redditch Borough Council as landlords are responsible for paying for the electricity required to run these systems.
- 3.5 This scheme means the Council directly saves on its own costs, potentially opening up for expansion of social PV (or other renewable) installations in the future - assuming FITS will still exist for new entrants.

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- 3.6 The disadvantage of this approach is that multiple smaller installations will result in less total capacity as the cost per scheme will be much higher; however, the smaller the scheme the higher the incentive – so a scheme <4kWp results in a tariff of 41.3p as opposed to <10kWp system gives a tariff of 31.4p/kWh (see Table at 3.9).

Legal Implications

Statute and regulation

- 3.7 The Government has used its powers laid down in the Energy Act (2008) to introduce the FITS scheme and OFGEM (Office of the Gas and Electricity Markets) will regulate the scheme.

Important update to the FITS scheme as of 1st August

- 3.8 Members are advised that there have been significant developments regarding the FITS scheme, resulting from un-anticipated take up of the scheme by large investment companies (e.g. acres of Cornwall are now covered in solar panels). Consequently, a Central Government fast track review concluded in June 2011 that there would be a significant reduction in the FITS available to installations over 50kW (now 19p/kWh as opposed to 31.4p/kWh) from 1st August 2011. Consequently; Officers advise that none of the Council's sites will now individually exceed 49kWp.

FITS tariffs

- 3.9 The current index linked FITS rates for Solar PV up until 31st March 2012 are:

Size of System	Tariff level (pence/kWh generated)
<4 kW (retrofit)	43.3
4-10kW	36.1
10-50 kW	31.4
>50 kW	19

Anticipated second FITS fast-track review (July 2011)

- 3.10 A further fast-track consultation on a "Comprehensive Review" of the FITS is anticipated by Officers in July 2011, although details are limited at present. The Department of Energy and Climate Change has only said "that aggregating the individual installations owned by a single organisation, such as a Council or housing association, will be consulted on. The objective would be to reduce the available FITS to installers with multiple locations".

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- 3.11 If the consultation results in Government classing all the Council's installations as one scheme for the purpose of setting the tariff level (in this case, 19p/kWh as combined capacity would be more than 50kWp), this significantly affects the payback period - by approximately 30%; so would still be viable, but not as attractive a financial proposition as the current scheme. Officers will inform Members of any changes.
- 3.12 Officers will respond to the consultation once it appears. In the meantime; Officers propose to proceed as planned with the assumption that any changes will not be retrospective (as per the >50kWp change above) and the Council should be exempt from any changes if the systems are in place prior to any change being made.

Service/Operational Implications

- 3.13 The scheme contributes to the Council's priority of clean and green by tackling climate change.

Customer / Equalities and Diversity Implications

- 3.14 Specific consideration has been given to the scheme in relation to equalities. The Council's Equalities Officer has been consulted and an Equality Impact Assessment undertaken. No unfairness has been identified as the installation of solar panels is not being proposed to establishments based on the age group of the residents in those properties.
- 3.15 Rather it is based on the suitability of those properties which will have the maximum gain for energy savings. Ultimately, the beneficiaries are the Council and the population as a whole who will benefit from energy savings measures and the financial gain to the Council.
- 3.16 The Legal Services Manager has been fully consulted while preparing this report.

4. RISK MANAGEMENT

There is a risk that schemes will not be in place before the Government changes the scheme. Officers will keep a close eye on this and advise Members as required.

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