
SOLAR PV PROGRAMME FOR COUNCIL HOUSING STOCK

**Responsible Cabinet Member -
Councillor Veronica Copeland, Adult Social Care and Housing Portfolio**

**Responsible Director Paul Wildsmith -
Director of Neighbourhood Services and Resources**

SUMMARY REPORT

Purpose of the Report

1. To seek a decision to install Solar Photovoltaics (PV) to all suitable Council owned housing stock. This work will be completed at nil cost to the Council through the Service Concession procurement route.

Summary

2. In April 2010 the Government introduced the Feed in Tariff (FiT) Incentive Scheme for renewable energy technologies which generate electricity. This means that a guaranteed set rate is paid for every unit of renewable electricity generated on site for a period of 20 years.
3. It is proposed that Darlington Council complete a service concession¹ procurement for the install of Solar PV on the Council's housing stock and provide a 20 year lease on the roof spaces where Solar PV is installed. The successful contractor will complete the works and maintain the systems at nil cost to the Council but will be entitled to all FiT grant payments linked to the electricity generated by the panels.
4. The contract for this work will be awarded through a Service Concession and will be advertised on the North East Procurement Portal (NEPO).
5. Large scale Solar PV programmes can enable the installation of between 20%-60% of the Council housing stock depending on the type of model chosen. Key factors limiting where Solar PV is installed include where less than 6-8 panels can be fitted and where there are significant shading issues.

¹ A concession contract is an agreement between a contracting authority and suppliers (mostly private companies) where suppliers are given the right to exploit works or services provided for their own gain. Suppliers can either receive consideration for their services solely through third party sources or partly through consideration from the contracting authority along with income received from third parties. In a service concession, the supplier provides services of general economic interest (e.g. energy, water and waste disposal). Concessions are typically high value, complex and long-term contracts.

6. The primary beneficiaries of the Solar PV programme will be the Council tenants living in properties where the panels are installed. The Energy Savings Trust estimate potential savings in electricity bills in region of £120 per year.
7. It is anticipated that the Council, tenant and provider will need to enter into a 3rd party agreement. This agreement will focus on tenants' options linked to the Solar PV units in the event of a Right to Buy application. In the event of a tenant exercising their Right to Buy, the Council will drop out of the 3rd party agreement and the tenant would contract directly with the provider. Options for the former tenant at this point will include the ability to continue the leasing arrangement with the successful contractor directly or purchase the Solar PV units and claim the FIT directly. The former tenant would also have the option to remove the panels but if they did so they would be required to reimburse the provider for lost earnings. . As a result of the need to enter into a 3rd party agreement, it is proposed that Solar PV will only be installed if the tenant of the property agrees to the work and the resulting 3rd party agreement.
8. The installation of Solar PV will also play a significant role in the Council's green agenda. The energy generated by a typical Solar PV system is 3,800 kilowatt hours of electricity per year which saves nearly two tonnes of carbon dioxide every year. Using conservative estimates based on Solar PV being installed on 1,500 Council homes it will reduce the Borough's carbon dioxide generation by 3,000 tonnes per year.

Recommendation

9. It is recommended that :-
 - (a) Approval is given to the Director of Neighbourhood Services and Resources to proceed with the procurement of a service concession contract to enable the installation of Solar PV to all suitable Council properties.
 - (b) Authority is delegated to the Head of Legal Services to formalise the legal documentation in relation to the 3rd party agreement and lease and pre-lease of the roof space to the successful contractor.

Reasons

10. The recommendations are supported by the following reasons :-
 - (a) The proposed Solar PV programme will deliver financial savings to a large number of Council tenants, contribute significantly to the Council's green agenda and bring significant investment into the local economy.
 - (b) The use of a Service Concession procurement process is the most appropriate form of procurement for a contract where there is no direct payment from Darlington Borough Council to a contractor but the successful contractor stands to benefit from a significant amount of income from a third party, in this case the Government's Feed in Tariff payments.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report

Peter Akers : Extension 5921

S17 Crime and Disorder	Scaffolding can pose a risk to the security of a property due to easier access to windows. This risk will be significantly reduced due to the limited timeframe (no more than 4 days) that the scaffolding will remain erect.
Health and Well Being	The Solar PV programme will reduce energy bills for potentially 3000 Council tenancies. This will be extremely important in helping households who currently struggle to remain warm and healthy during the winter months.
Carbon Impact	The Solar PV programme has the potential to reduce carbon emissions within the Borough by circa 3000 tonnes per year.
Diversity	The Solar PV programme will seek to install panels in all suitable properties. It should be noted however that upper floor flats within a block are less likely to benefit.
Wards Affected	All wards with Council housing are affected.
Groups Affected	Council tenants.
Budget and Policy Framework	This decision does not represent a change to the budget and policy framework.
Key Decision	The approval of the Solar PV programme has been identified as a key decision due its potential impact on up to 3000 Council tenants.
Urgent Decision	No
One Darlington: Perfectly Placed	<p>More People Healthy and Independent</p> <ul style="list-style-type: none"> • Reducing energy bills for council tenants will play a key role in supporting thousands of residents to adequately heat their home. <p>More Business and More Jobs</p> <ul style="list-style-type: none"> • The proposal will generate between £5m and £7m of work with contracts ensuring local materials and labour will be used where ever possible. <p>More People Caring for Our Environment</p>

	<ul style="list-style-type: none"> The Solar PV programme has the potential to reduce carbon emission within the Borough by up to 3000 tonnes per year.
Efficiency	<p>Installation of Solar PV systems in sheltered schemes will reduce the energy cost for communal areas.</p> <p>It is anticipated the successful contractor would look to use Building Services as a sub-contractor for the 20 year Operation and Maintenance contract for all Solar PV units installed.</p>

MAIN REPORT

Information and Analysis

11. In April 2010 the Government introduced the Feed in Tariff (FiT) Incentive Scheme for renewable energy technologies which generate electricity. This means that a guaranteed set rate is paid for every unit of renewable electricity generated on site for a period of 20 years.
12. The introduction of the FiT has resulted in a wide range of models being developed to support individual households and organisations to generate green energy. Solar PV has been the most common form of access to FiT and models have largely focused around two approaches.
13. The first approach is a household or organisation funds the installation of the solar panels to their own property, usually through some form of loan, and seeks to generate a return on investment through a combination of reduced energy bills and FiT payments. In this model the household or organisation takes responsibility for the purchase, installation, maintenance and FiT applications for the systems.
14. The second approach has been for households or organisations to lease their roof space to another company. The household or organisation benefits from free energy during daylight hours and the company with the lease agreement will take responsibility for funding, purchasing, installing and maintaining the Solar PV system. The company with the roof space lease will also take responsibility for and receive all payments linked to quarterly FiT applications. This has become commonly known as the 'rent a roof' model.
15. As a stock retained authority with over 5,300 properties, the Council has a significant resource in which to consider a Solar PV solution. Due to this scale there are significant risks associated with the direct install option as the upfront capital funding would be in the region of £5-£7m, based on an average install cost of £5k per property and anticipated suitability of at least 1500 properties for this work.
16. Business modelling indicated that the return on investment for the Council would not make the direct install option attractive once maintenance and repair cost and down time on the panels when properties become void. This modelling did not take into account the considerable time and expertise required in terms of liaising with households, pro-actively monitoring performance and the overall administration of the scheme.

17. On the 22 July 2015 the Government announced a review of FiT to deliver savings. There were no timescales given in the announcement but it is anticipated that renewable energy grants such as FiT will be scaled back significantly within the next 12 to 18 months. As it could take up to six months for the Council to be in a position to begin delivering a direct install model there is a risk that the Council will only be part way through a programme by the time the FiT changes came into practice. This would result in a number of Council homes suitable for Solar PV failing to receive the panels and a missed opportunity to reduce the borough's carbon dioxide emissions and reduce council tenant's energy costs.
18. Due to the high initial capital investment, low return on investment and risk to the FiT rates the 'rent a roof' model is considered to be the most appropriate route for the delivery of Solar PV on the Council's housing stock.
19. Within the 'rent a roof' model there are broadly two delivery routes available. One option would be to work with a contractor to identify and install Solar PV on the buildings within the Council's housing stock with the highest return on investment; these would usually be south facing sheltered schemes and houses where more than 10 panels can be installed. Using this approach it would be expected the Council would agree an annual charge for use of the loft space with the contractor of between £10 and £50 depending on each install. On high level assumptions that 1000 installs would take place within this model (20% of the stock) and an annual charge of £30 per property would be achieved the Council could generate £30,000 per year. The primary problem with this approach is that only a small number of tenants would benefit from reduced energy bills.
20. The alternative 'rent a roof' model prioritises installing Solar PV on the widest range of homes rather than focusing on the most profitable. This model is popular with Social Housing providers as landlords can demonstrate that every effort has been made to ensure that the widest number of tenants benefit from reduced energy prices. The primary problems with this approach are that the Council receive no annual payment for the use of its roof space and at least 40% of tenants will still not benefit from reduced energy bills. However, overall this provides the best benefits to the widest range of tenants.
21. The Council's planning department have agreed significant development rights on both domestic and non-domestic buildings within key restrictions. It is anticipated that the contract for the Solar PV programme would be able to work within the key restrictions. The primary reasons for properties being excluded from the Solar PV programme will be those that are north facing, where less than 6 panels can be installed and where there are significant shading issues.
22. Approval from the Distribution Network Operators (DNO), companies authorised to distribute energy, will also need to be sought before any Solar PV installs can progress. The DNO's primary concern is whether Solar PV installations will disrupt the grid through an overload of additional energy being fed into it. Initial conversations with the DNO have been positive.
23. The proposed delivery model for the scheme will be to use a Service Concession contract. Legal, procurement and financial details of this approach are explained in more detail in paragraphs 30 to 35.

24. It is anticipated that the overall project from contract award to final install will be completed over a 12 month period with a commencement date of October 2015. Following the contract award an application will be made to the DNO for up to 3000 Solar PV installs. The successful contractor will then begin a process of identifying suitable properties for Solar PV installs using stock condition data provided by the Council, a desktop analysis of roof direction and shading issue with site visits for any potentially suitable properties.
25. Once a property has been identified as suitable for Solar PV a Customer Liaison Officer (CLO) will contact the tenant to discuss the proposed work and receive sign off for the 3rd party agreement. It should be noted the tenant will have the opportunity to refuse the Solar PV work if they do not wish to sign the 3rd party agreement. As part of this visit the CLO will provide guidance to the tenant in how to make most effective use of the Solar PV to reduce energy bills.
26. Solar PV programmes are capable of delivering 100 installs a week. Local labour will be sourced to deliver the work and apprenticeships provided where possible as part of the contract.
27. It should be noted that while the beneficiaries of the free electricity produced during daylight hours for houses is very clear, it is slightly more complex for blocks of flats where a number of tenants share a roof space. Decisions will need to be made on a site by site basis, taking into consideration the size of the PV system, the number of flats within the building and the level of electricity used by the communal area. Some broad principles have been defined however and these are outlined below:
 - (a) Where there is a block of flats with no communal areas lower floor flats will be prioritised unless they are leaseholders.
 - (b) Where there is a block of flats or scheme with a communal area the communal area and lower floor flats will be prioritised.

Financial Implications

28. There are no direct financial implications to the Council for the delivery of the proposed Solar PV programme as all installation and ongoing maintenance and monitoring costs will be borne by the successful contractor.
29. As part of the procurement specification the successful contractor will be expected to engage Building Service as the Operations and Maintenance contractor for the panels. This would involve the yearly service of the panels and completion of investigations and repairs where panels were identified as performing below expected standards.

Legal Implications

30. The Council will enter into a leasing agreement for the space above the roof for a period of 20 years and 3 months. After this period the Council will take ownership of the panels and be responsible for all associated costs. The panels have a 25 year warranty and are guaranteed to perform at a minimum of 80% of their original performance after 25 years.
31. If solar panels are installed on a property the tenant will need to opt in the 3rd party agreement due to impacts on Right to Buy arrangements. As a result the Council will only install Solar PV on Council properties where the tenants agree to the 3rd party agreement.
32. The 3rd party agreement is to recognise that where a tenant wishes to proceed with a Right to Buy application they have three options in relation to the Solar PV. Option one will be for the lease agreement to be transferred from the Council to the Right to Buy applicant at the point of sale. The major change for the former tenant will be that ownership of the system will transfer to the homeowner, rather than the Council, at the end of the lease agreement. Option two will be to purchase the panel and claim the FiT directly. Option three will be to request that the Solar PV system is removed and this cost alongside the reimbursement of lost earnings to the contractor will be borne by the property purchaser.
33. The 3rd party agreement will state that the installation of the Solar PV is not a landlord improvement and will not affect the valuation of the property in a Right to Buy situation.
34. Procurement will be undertaken on the basis of a Service Concession. The award will include the provision of a 20 year lease to the successful contractor for all roof spaces where Sol
35. Service concessions are not regulated by the European Procurement Directives and so are not regulated by the Public Contracts Regulations 2015 for England and Wales, save as to the requirement that DFAM accepts a duty not to discriminate in seeking offers in relation to, or in awarding, a contract for the purchase or hire of goods on the grounds:-
 - (a) of nationality, against a person who is a national of and established in a relevant State; or]
 - (b) that the goods to be supplied under the contract originate in another relevant State.

Consultation

36. Two consultation events have taken place to date with the Tenant's Board and the Task and Finish group, (Dec 14 and August 15). Both consultation events have resulted in the representing tenants being supportive of the proposal, particularly on the prioritisation of which properties to target, and the implications of tenants with regards to the distribution to ground floor flats, Right to Buy situations, and leaseholders.