

Report to	-	Cabinet
Date	-	5 November 2018
Report of the	-	Executive Director
Subject	-	Solar Panel Installation

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**Recommendation:** It be **RESOLVED:** That:

- 1) £46,200 be invested in the installation of solar panels and associated works on Amherst Road offices and Bexhill Museum, funded from Rother 2020 earmarked reserves, to realise a return of £9,041 per annum; and
  - 2) delegated authority be granted to the Executive Director to agree future expenditure as per the CLS Energy Report on solar panel installations on Council owned assets where there is financial viability for energy efficiencies and increasing income, contributing to Rother 2020.
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**Head of Service: Ben Hook**

**Lead Cabinet Member: Councillor Hollidge**

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**Introduction**

1. The purpose of this report is to seek approval for the installation of solar panels on Council owned property and to outline the costs and income potential.
2. In May 2018, the Local Government Association (LGA) released their Productivity Expert Grant Programme, through which local authorities could apply for funding to seek expert advice on projects with objectives to make efficiency savings or increase income.
3. Rother District Council (RDC) applied and was awarded £7,000 to appoint experts (CLS Energy Limited) to review the opportunities for property investment and renewable energy. CLS undertook a review of a number of property assets, exploring the potential for solar installation and energy efficiency savings. The recommendations in this report are as a result of this work. A copy of the full technical CLS Energy Report is available in the Members' Room for reference.
4. Solar panel installation presents the opportunity to reduce expenditure on energy bills and receive long term payments via the Feed in Tariff (FiT), as well as contribute to reducing environmental impacts. The financial efficiencies and increase income will assist to address the revenue funding gap highlighted in the Medium Term Financial Strategy.

**Feed in Tariff and Deemed Export**

5. Solar panel installation offers three income opportunities; savings made through reduced bills; through the Government FiT which ends on 31 March

2019; and Deemed Export (DE) which is an additional payment for 50% of all power generated and is valid on solar installations up to 30kWp.

6. FiT is a payment made by the Government to the solar panel owner for 20 years, indexed linked to inflation and will be valued at £0.0387 per kilo Watt hour (kWh) generated for panels installed between January and March 2019. The current DE rate is £0.0503 per kWh generated.
7. Due to time constraints with the end of the Government FiT incentive in March 2019, two properties have been identified to comply with the requirements for solar installation and FiT registration. Amherst Road offices and Bexhill Museum have been identified and it is recommended that these are taken forward in the short term in which to apply for FiT DE payments. This has been discussed with the Bexhill Museum Board and they are keen to see this progressed.
8. Solar installations are best positioned where the majority of energy is used during daylight hours, known as solar gain, to generate electricity which is being used immediately. Appendix 1 provides a full financial appraisal for the installation of solar panels on the two recommended buildings.
9. Beyond the initial investment in these holdings, officers will use the CLS Energy recommendations to consider solar panel installation opportunities for other properties within the Council's portfolio, particularly the Town Hall building. However, it must be noted that there would not be any FiT payments and it is likely that DE would be reduced or removed on any future solar investments. Therefore the financial appraisal for any property beyond April 2019 could only consider the savings realised by not purchasing energy from the grid. No other Council buildings are being put forward for FiT and DE payment at this time as they do not meet the criteria required for FiT payments.

## **Conclusion and Recommendations**

10. The introduction of solar panels on the two identified properties by the FiT deadline of March 2019 will secure £3,063 per year of FiT and DE payments. This is over and above the savings of £5,978 per year through not purchasing energy from the grid, and will total £9,041 per annum combined savings/income on these two properties. The FiT and DE are guaranteed for 20 years, whilst the saving from importing from the grid will continue beyond that. This has been factored into the financial appraisal.
11. With the agreement of Cabinet, officers will procure and appoint a solar installation company via the East Sussex Procurement Hub, for each of the two identified properties in order to achieve completion and FiT registration by the end of March 2019. These works will be set out in stages, and would only progress subject to the outcomes of surveys and applications, and continuing to be financially viable. This is to be funded from the Rother 2020 earmarked reserves.
12. It is also recommended that Cabinet delegates authority to the Executive Director to approve future solar energy installations on Council assets. This will ensure that renewable energy opportunities for RDC assets will be considered alongside any acquisition or development proposals.

**Risk Assessment Statement**

If the installation of solar panels on the two identified properties is not complete and registered whilst FiT and DE is being offered as an incentive, the payback period will be longer and the return of investment percentage lower. However, this would not affect the savings on electricity bills. There is also a risk that the estimated return on future investment may not be fully achieved. To mitigate this, robust financial appraisals will be undertaken for all investments inclusive of project costs and contingencies.

## PROPERTY RECOMMENDATIONS AND FINANCIAL APPRAISAL

### Amherst Road Offices

The highest level of solar generation likely on this roof surface would realistically and for aesthetic reasons be around 15kWp, generating 15,990kWh per year. The budget cost estimation is £17,100 (exc. VAT).

Based on the above, in its first year, such an array would be expected to generate the Council:

• Energy not purchased from the Grid:	£2,078
• Payments from Government Feed in Tariff:	£619
• Deemed Export payment:	£402
• <b>Year 1 Payments:</b>	<b>£3,099</b>

Based on borrowing at 2.5% for 20 years:

- Payback would be 11 years
- Revenue income return of investment of 10.77% (average annual yield over 20 years)
- IRR at 8.77%

### Bexhill Museum

The highest level of solar generation likely on this roof surface would realistically and for aesthetic reasons be around 30kWp, generating 31,980kWh per year. The budget cost estimation is £29,100 (exc. VAT).

Based on the above, in its first year, such an array would be expected to generate the Council:

• Energy not purchased from the Grid:	£3,900
• Payments from Government Feed in Tariff:	£1,238
• Deemed Export payment:	£804
• <b>Year 1 Payments:</b>	<b>£5,942</b>

Based on borrowing at 2.5% for 20 years:

- Payback would be nine years
- Revenue income return of investment of 13.45% (average annual yield over 20 years)
- IRR at 12.08%