

Meeting: Finance Sub-Committee
Date: 19 July 2017
Title: Update on the Solar Panel Project

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Service: Finance Service

Wards affected: All

1. Purpose of the Report

At a previous meeting of Finance Sub Committee, the following query was raised:

“Councillor Cox requested a report on the solar panel project to include information on whether the expected returns are being achieved – is it possible to provide this report for this meeting?”

2. Recommendations

2.1 Finance Sub Committee are asked to note the content of the report.

3. Detail

Back in 2011 the Council entered into a contract with EON to install Solar Photovoltaic cells on a number of properties identified as suitable within the Council's Social Housing stock. This was at a time of significant volatility in the Solar PV market, when the Government was constantly reviewing the Feed-in-Tariffs (FIT) being paid for the electricity generated, which impacted on the deal we were entering into. In the end Solar PV systems were installed on 1,503 properties, which was at the time one of the biggest Social Housing installations in the country.

Highlights of the 25 year deal signed up to are:-

- All Solar PV systems were installed at no cost to the Council, and EON have responsibility for monitoring and maintaining all systems;
- Of the 1,503 properties
 - o 1,304 fitted prior to The Government change in the FIT rate on 3 March 2012 - A roof rental payment of £55 per property per annum
 - o 40 where there was an agreed overall reduction to the total roof rental received;
 - o 159 receive no roof rental but were approved because of the overall benefit to the tenants in terms of reduced fuel bills and to the borough in terms of carbon reduction savings;

- The Council received an upfront payment (on contract signature) of £150,000 to pump-prime an HRA Green Fund which was set up to fund further sustainable works to HRA properties, namely, those that did not benefit from the initial Solar PV installation;
- In addition the Council gets a Gain-Share of 30% of any additional electricity generated above the targets set at the outset, which is assumed to effectively be sold back to the grid;
- The roof rental, upfront payment and the gains share are all currently paid into a HRA Balance Sheet Account for Green Fund investments for investment in sustainable work to HRA properties
- The Council also received an upfront payment of £225,000 from EON to create a risk pot to fund compensation payments due to EON under the contract if Solar PV systems are removed to compensate them for lost FIT income over the remaining life of the scheme;
- All roof rental and gain-share payments are index-linked.

Green Fund Payments

Since the commencement of the project the Council has received the following sums which have all been taken to the HRA's Balance Sheet:-

	Roof Rental (£)	Gain-Share (£)	Other (£)	Total (£)
2011-12	0	0	150,000	150,000
2012-13	90,000	0	0	90,000
2013-14	72,000	38,000	0	110,000
2014-15	72,000	34,000	0	106,000
2015-16	74,000	44,000	0	118,000
2016-17	74,000	22,000	0	96,000
TOTAL	382,000	138,000	150,000	670,000

The sums received are to be drawn down into the Capital Investment Plan as suitable projects are identified. To-date £210,000 has been drawn down to complete installation of Voltage Optimisers in a number of properties. This leaves a current balance in the HRA Green Fund of £460,000.

Risk Pot

As stated above this reserve was created with an initial £225,000 contribution from EON, and sums are drawn down each year to fund compensation payments where systems are removed. There have been 28 compensation events to-date where systems have been removed, the main reason being mortgage conditions attached to tenants exercising their Right to Buy. These compensation events incur a termination charge which is on a reducing balance reflecting the remaining life of the contract. The payments made to-date are as follows:-

	Receipts (£000)	Compensation Events (No.)	Cost (£'000)	Balance on Risk Pot (£'000)
2011-12	225	0	0	225
2012-13	0	5	38	187
2013-14	0	6	36	151
2014-15	0	5	29	122
2015-16	0	4	21	101
2016-17	0	8	41	60
TOTALS	225	28	165	

It can be seen that within the next 2-3 years we are likely to exhaust the sums held in the risk pot, albeit the charges will be reducing. It is proposed that the first call on the Green Fund payments each year would be to meet these compensation events.

Ultimately it must be remembered that in addition to the financial benefits this scheme is realising significant benefits to some of our tenants in alleviating fuel poverty, as well as contributing to the Council's carbon reduction targets.

Summary

In summary the payments received have all been in line with the initial agreements so we are clear that the Solar PV project overall is delivering the expected returns at this point.