

Appendices

None

**CABINET REPORT****Report Title****Installation of photo voltaic panels on council homes****AGENDA STATUS: PUBLIC**

Cabinet Meeting Date:	8 February 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Chief Executive's
Accountable Cabinet Member:	Councillor Stephen Hibbert
Ward(s)	All

1. Purpose

- 1.1 Northampton Partnership Homes has been approached by Saliis Renewables Limited and its funding partner, Empower Community Solutions Peterborough LLP, with an offer to install Photo Voltaic (PV) panels, free of charge, on the roofs of council homes in order to reduce tenants' energy bills and carbon emissions.
- 1.2 The cost of providing, installing and maintaining the panels will be met by the contractor and, after 20 years, ownership of the panels will transfer to the Council.
- 1.3 The purpose of this report is to describe the 'PV for free' scheme and ask Cabinet to approve the scheme 'in principle' and to delegate to the Chief Executive and the Section 151 Officer (in consultation with the Cabinet Member for Housing & Wellbeing) the authority to formally approve the Roof Access Agreement, the fixing of third party equipment to the roofs of the Council's homes for a period of 20 years, and the appointment of Saliis Renewables Limited to undertake the PV installation work.

2. Recommendations

- 2.1 That Cabinet supports, 'in principle', the proposed installation of PV panels via a Roof Access Agreement and the fixing of third party equipment to the roofs of suitable council homes until ownership of the equipment switches to the Council after 20 years, subject to the Roof Access Agreement being amended to reflect the undertakings described in Paragraphs 3.2.16 and 4.2.5 of this Report and Northampton Partnership Homes monitoring the work undertaken on council homes to ensure that it is completed to a high standard; and
- 2.2 That Cabinet delegates to the Chief Executive and the Section 151 Officer (in consultation with the Cabinet Member for Housing & Wellbeing) the authority to determine that the requirements set out in Paragraph 4.3.2 of this Report have been met and approve the Roof Access Agreement, the fixing of third party equipment to the roofs of the Council's homes for a period of 20 years and, subject to the conditions in Paragraph 2.1 above, authorise Northampton Partnership Homes to appoint Saliis Renewables Limited to carry out the PV installation work.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Government has introduced feed-in tariffs to encourage the installation of renewable energy systems like Photo Voltaic (PV) panels. The tariffs offer premium prices for the renewable electricity generated by the systems.
- 3.1.2 Although the feed-in tariffs have been set at a level which should enable anyone investing in the installation of renewable electricity generating equipment to make a reasonable return on that investment over the presumed lifetime of the equipment, the tariffs have fallen sharply in recent years and 'PV for free' schemes are now quite rare.
- 3.1.3 Despite these lower feed-in tariffs, Empower Community – a social enterprise that provides expertise and access to capital for community renewable energy and energy efficiency projects – has demonstrated that panels can still be delivered through a unique community model partnership arrangement without any upfront capital costs or ongoing annual maintenance and operational costs.
- 3.1.4 The Empower Community model works by bringing in full funding to deliver the programme. Over a period of 20 years, income from the feed-in tariff covers all investor repayments and maintenance, administration, monitoring and operational costs, as well as generating surplus profits for the local community. This community profit is shared equally between the Council (which will ensure that all funds are credited to its Housing Revenue Account) and a Local Community Fund.
- 3.1.5 Following successful schemes in Tewkesbury, Blackburn, Preston and with the Northern Ireland Housing Executive, Saliis Renewables Limited has developed a proposal to supply, install and maintain PV panels in Northampton, free of charge, using funding that it receives from Empower Community Solutions Peterborough LLP.
- 3.1.6 Under the scheme, Saliis Renewables Limited is planning to install PV panels on the roofs of approximately 5,000 council homes, maintain them for 20 years and reduce tenants' electricity bills by, on average, £200 a year.

3.1.7 For each successful PV installation, Saliis Renewables Limited will also pay £10 a year to the Council (to invest in NPH's own renewable energy installations and fuel poverty measures) and £10 a year to invest in a Local Community Fund (to support community investment ventures).

3.2 Issues

Saliis Renewables Limited

3.2.1 The company was established in 2010, delivering energy, environmental and communications services to public and private sector customers in the UK and Ireland.

3.2.2 In 2015/16, the company was appointed by Keepmoat to install the PV panels on more than 1,200 council homes in Northampton. Northampton Partnership Homes has confirmed that the contract was managed very efficiently, delivered successfully within a short timeframe and attracted a high level of customer satisfaction.

Tackling fuel poverty

3.2.3 For many tenants, high fuel bills and low household income leave them struggling to heat their homes and living in fuel poverty. Whilst some tenants limit their use of electricity and heating, others do not use their heating at all.

3.2.4 The installation of the PV panels on council homes will save tenants money, combat fuel poverty and help reduce the homes' carbon footprint.

3.2.5 PV panels provide tenants with access to free energy by converting the sun's rays into a readily useable form of electrical energy via an installed inverter. Even on a cloudy day, the PV panels will generate power and, if tenants make best use of them – by using home electrical appliances during the day – they will be able to reduce their annual energy bills by more than the £200 quoted.

3.2.6 As the 'PV for free' scheme is entirely independent of the tenant's own electricity supply, tenants' choice of electricity supplier is totally unaffected by the scheme.

3.2.7 In order to ensure optimum output from the PV panels – for the benefit of the tenants and Saliis Renewables Limited – there will be remote monitoring of performance.

Exclusions and how the works will be carried out

3.2.8 All roofs will be considered for PV installations. Although the PV panels that are 'direct facing' east and west will not perform as well as the optimum performing PV panels that are facing 'due south', Saliis' financial model takes into account these variations in the performance of the various PV installations.

3.2.9 On the Council's behalf, Northampton Partnership Homes will provide Saliis Renewables Limited with a list of the homes it wants to be considered for PV panels. The installer will then determine whether or not each property is suitable, taking into account such factors as the roof orientation and any design or shading problems.

3.2.10 Some homes will be excluded due to the condition of the roof or how it has been constructed, or because the roof is shaded by trees or adjacent buildings. Where this happens, it will be highlighted at the detailed survey stage and the tenants informed

- 3.2.11 Tenants will be fully consulted about the works and how the works will affect them. Although the benefits of PV panels will be actively promoted, tenants will have the right to refuse the work if they feel unable, for example, to cope with the disruption.
- 3.2.12 Based on past experience, Saliis has assumed a 5% refusal rate.

Roof Access Agreement (Licence Agreement)

- 3.2.13 In order for the PV panels to be installed, the Council will need to sign a Roof Access Agreement (a licence agreement), authorising Saliis to install and operate the PV systems on the roof and, within the home, to connect to the mains electricity supply.
- 3.2.14 The 20 year Roof Access Agreement provides Saliis Renewables Limited with an ongoing right to access properties for the purpose of maintaining the PV panel installations and all related electrical installations.
- 3.2.15 As well as setting out the standards of installation and maintenance, and the need to obtain building regulations approval where necessary, the Roof Access Agreement contains a series of other terms and conditions which relate to such matters as insurance, liability limits, confidentiality and the termination of the agreement.
- 3.2.16 Although a standard exclusivity clause is also included in the Roof Access Agreement - preventing the Council and Northampton Partnership Homes from entering into similar agreements with other providers – the Agreement is being amended to reflect the fact that the exclusivity requirement will last only 12 months.
- 3.2.17 As the Roof Access Agreement requires the tenant's written consent, Northampton Partnership Homes and the contractor will work together to meet this requirement.

3.3 Choices (Options)

- 3.3.1 Empower Community is the only known provider of this type of scheme that does not involve a capital outlay and allows an annual return.
- 3.3.2 Although the Council could choose to install the PV panels itself and benefit from the feed-in tariff, it is estimated that the capital cost of installing panels on 5,000 council homes would be in the region of £12.5m - £15m. If this level of expenditure were to be approved, it would need to be funded by redirecting resources from the current HRA capital programme. This would have a significant impact on the HRA capital programme and require extensive re-prioritisation.
- 3.3.3 Cabinet can choose to defer a decision until all 'PV for free' schemes have been identified and evaluated. This will delay the approval and implementation of the Northampton scheme with no guarantee that a better scheme will be identified.
- 3.3.4 Cabinet can choose to do nothing, but this would result in up to 5,000 council tenants missing out on free daytime power and the local community missing out on a potential annual income of £100,000 per annum (£2m over 20 years). It would also contribute nothing to the reduction of the tenants' carbon footprint.
- 3.3.5 Cabinet can authorise Northamptonshire Partnership Homes to appoint Saliis Renewables Limited to carry out the PV installation work, and authorise the installation of PV panels on the roofs of approximately 5,000 of the Council's homes. This will enable surveys to commence in March 2017.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The action that the Council is proposing to take is in line with Council policy and reflects the priorities in the Corporate Plan 2016-20.

4.2 Resources and Risk

4.2.1 Although the proposed 'PV for free' arrangement does not require any funding from the Council or Northampton Partnership Homes in relation to the supply, installation and maintenance of the PV panels during the 20 year term – because these costs are being fully funded by the contractor – the scheme does have some cost implications for Northampton Partnership Homes because its staff will need to oversee the scheme and there may be cases where roof repair work is identified by Saliis at the detailed survey stage and needs to be undertaken before the PV installation.

4.2.2 Northampton Partnership Homes has confirmed that the staffing costs and the cost of the remedial work can be funded from its existing budgets. As its Asset Management Team will be monitoring the work undertaken by Saliis Renewables Limited, the risk of the contractor damaging the roofs and/or performing poorly will be minimised.

4.2.3 The payment of £20 per property per annum for each successful PV installation will generate an annual income for the Council (to be credited to the HRA) and the Local Community Fund to invest in renewable energy installations, fuel poverty measures and community investment ventures. If the scheme involves 5,000 homes, for example, this could be worth an estimated £100,000 a year (£2m over the next 20 years).

4.2.4 The Local Community Fund arrangements will be administered by the Empower Community Foundation which has registered charitable status and operates directly with the local authorities that sign up to the 'PV for free' scheme.

4.2.5 Although there is a potential financial risk to the Council in relation to future Right To Buy purchases if the tenant insists on the PV panels being removed, Saliis has confirmed that the option to remove the PV panels is rarely taken and that, if it is taken, Saliis will absorb the cost of removal and the loss of income. The only financial impact upon the Council would be the loss of the annual payment of £20 per home and, in the event of any large-scale terminations (such as demolitions and redevelopments) there will be a requirement for further negotiation in relation to the share of any costs incurred.

4.2.6 There is also a financial consideration for the Council at the end of the 20 year contract. There will be costs in relation to the removal (currently estimated to be £350 a home, in total £1.75m for 5,000 homes) or replacement of panels as they become less productive. However, this risk is likely to be limited immediately at the end of the 20 year contract as panels are estimated to have a useful life of up to 40 years.

4.2.7 It is a fact, however, that it is the Council (and not the contractor) that will incur the expense of removing the PV panels at the end of their useful life and that, except where the panels are being removed during planned roof maintenance, the cost of removal is likely to exceed the income received from the Roof Access Agreement. This financial impact will need to be factored into considerations when establishing the

HRA maintenance and capital programmes when the 20 year contract period comes to an end.

4.3 Legal

- 4.3.1 The Roof Access Agreement (the Agreement) entitles Saliis Renewables Limited to acquire the right to the airspace in which the PV equipment is to be installed. However, as it places no enforceable or binding obligation on the company to install the PV Panels under the Agreement, it can be argued on this basis that the proposal is not a contract for the supply of goods, works or services under the Public Contracts Regulations.
- 4.3.2 It is essential that the Council adheres to procurement regulations and that, before entering into the Agreement, the Council is satisfied that the soft market testing carried out by Northampton Partnership Homes sufficiently addresses the potential market to ensure that there is no other supplier that could provide the PV panels on a like for like basis to minimise any risks in this approach.
- 4.3.3 Saliis Renewables Limited has confirmed that the exclusivity referred to in 3.2.16 above will be restricted to 12 months. This will be reflected in the final draft of the Roof Access Agreement when it is signed by the Council.
- 4.3.4 The Roof Access Agreement will give the contractor a right to retain the PV equipment on Council properties for a period of 20 years. It contains provisions which deal with the situation should the tenant of one of those properties exercise the Right To Buy. In effect the tenant will have the option of either entering into a direct agreement with the contractor to novate the arrangement and allow the contractor to continue claiming the feed-in tariff or (subject to meeting a buy-out cost of the financing of the individual installation) purchasing the equipment. In the latter case, the tenant puts themselves in the same position as they would have been had they chosen to buy panels themselves at the outset. There is a residual risk that, in the event that a tenant refuses to co-operate (which is unlikely given that they would thus forego the benefit of free electricity) an array would need to be removed. However, the contractor's experience is that this is highly unlikely and it has confirmed that the cost of this would be met out of revenues from the scheme rather than being a direct charge to the Council.
- 4.3.5 The proposed Agreement also gives rise to some residual risks should the scheme prove to be unviable and the contractor fails financially. The ultimate risk would be of needing to remove the equipment and reinstate the rooftops. However, the likelihood in the case of financial failure would be that funders would pick up the 'business' and re-package it in order to recover their investment.
- 4.3.6 A draft of the proposed Roof Access Agreement has been reviewed by LGSS Law. Their view is that, subject to a satisfactory financial appraisal of the proposal, this Agreement can be brought to a satisfactory state with modest negotiation on specific amendments to ensure clarity in, particularly, the effect of Right To Buy cases.

4.4 Equality and Health

- 4.4.1 By reducing energy bills, helping to tackle fuel poverty and generating extra revenue to support community investment ventures, the installation of PV panels on residents' homes will improve the wellbeing and life chances of people with protected

characteristics, including older people and people with disabilities, and it will, therefore, have a positive impact on Equality and Diversity.

4.4.2 This initiative – which, over the next 20 years, is expected to reduce council tenants' energy bills by more than £20 million and generate additional revenue income of around £2m to tackle fuel poverty, improve renewal energy and support community investment – will help Northampton Partnership Homes and the Council to provide tenants with better homes and lift them out of fuel poverty.

4.4.3 During all stages of this project, the Council will work closely with Northampton Partnership Homes, have due regard to its Public Sector Duty and continue to work to tackle discrimination and inequality and contribute to developing a fairer society.

4.5 Consultees (Internal and External)

4.5.1 Tenants will be fully consulted about the works and how the works will affect them. Although the benefits of PV panels will be actively promoted, tenants will have the right to refuse the work if they feel unable, for example, to cope with the disruption.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The action proposed will help meet 2 of the priorities in the Corporate Plan:

- **Housing for Everyone:** It will improve tenants' comfort and enjoyment of their homes by reducing their energy bills and helping to lift them out of fuel poverty. Tenants who are at home during the day – including older people, people with disabilities and parents with young children – will achieve the biggest savings if they are using electric heating and other electrical appliances during the day.
- **Working Hard and Spending your Money Wisely:** It will help the Council and Northampton Partnership Homes to become more effective, make the most of the resources available and generate additional income to tackle fuel poverty, promote energy efficiency and support community investment.

Appendices

None

Background Papers

Roof Access Agreement

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