

Cabinet

7 April 2020

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor J O’Boyle

Director Approving Submission of the report:

Deputy Chief Executive

Ward(s) affected:

All Wards

Title:

European Regional Development Fund (ERDF) Grant funding towards Roof Mounted Solar PV Installations

Is this a key decision?

Yes - the proposals have financial implications in excess of £1m per annum.

Executive Summary:

Approval is sought for acceptance of ERDF grant funding to support the delivery of roof-mounted solar photovoltaic systems on 39 public buildings owned and operated by Coventry City Council.

Under current UK policy, there is a need to deliver projects that will transition the UK towards a “net Zero” target by 2050. The proposals set out in this report are a first step to addressing how CCC can meet part of its electrical demand from local low-carbon or renewable sources. This will contribute to the aims of the city’s climate change strategy which has a clear objective of delivering reductions to the City’s carbon emission levels.

The proposed project will deliver 899kWp of Solar PV panels across the 39 eligible properties capable of generating 644 MWh of renewable electricity each year to council owned and operated properties across the city. The cost of delivering this project is £1.26m, however there are opportunities currently available to reduce the investment required significantly through grant funding and finance. Coventry City Council have been invited to submit a full application for ERDF funding to cover 50% of the project cost. Due to the value of the grant that would be offered, Cabinet approval of the grant acceptance is required. If the application is submitted following this report a grant award is expected to be made in May 2020. Award would be contingent on the commitment of Coventry City Council to provide the match funding required (50%) in return for net revenue savings estimated at £75k per year.

Recommendations:

The Cabinet is asked to:

- 1) Approve the proposal for the implementation of the Roof Mounted Solar PV Installations as set out in the report (“the Project”).
- 2) Approve the proposal for the Council to act as Accountable Body and, if the Council’s grant bid is successful, the acceptance of the ERDF grant funding offer up to the value of £630k from the Ministry of Housing, Communities and Local Government to support delivery of the Project.
- 3) Delegate authority to the Director of Finance and the Director of Project Management and Property Services, following consultation with Director of Law and Governance, to finalise the terms and conditions of the ERDF grant and any other legal agreements required to facilitate delivery of the Project and incorporate the grant within the Capital Programme as necessary.
- 4) Approve the proposal to spend the grant award on the delivery of the Project as set out in the report.
- 5) Approve the commencement of any necessary procurement exercises and following completion, to award such contracts to the preferred supplier.
- 6) Approve the provision of a further £630k match funding either entirely from earmarked reserves or a combination of earmarked reserves existing resources and an interest free loan offer from Salix Finance Ltd which shall be used solely for the delivery of the Project.
- 7) Request that officers continue to pursue feasibility options for ground based solar arrays on Council owned land around the city and explore suitable funding routes.

List of Appendices included:

None

Background papers:

None

Other useful documents

Coventry City Council – Solar PV Feasibility Study, Spirit Energy, September 2019

Document Location – SHEQ / Energy Management Sharepoint File

Contact Details – Lowell Lewis, SHEQ Manager, Facilities Management

Lowell.lewis@coventry.gov.uk.

Setting Climate Change Commitments for Coventry: Quantifying the Implications of the United Nations Paris Agreement on Climate Change for Coventry. Feb 2020

Document Location - <https://carbonbudget.manchester.ac.uk/reports/E08000026/print/>

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Climate Change Strategy for Coventry

https://www.coventry.gov.uk/downloads/file/4874/climate_change_strategy_for_coventry

Coventry & Warwickshire Local Enterprise Partnership – European Structural and Investment Funds Strategy: ERDF, EAFRD and ESF Priority Descriptors

https://www.cwlep.com/sites/default/files/coventry_and_warwickshire_esif_priority_chapters_dec_2016_vfinal.pdf

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: European Regional Development Fund (ERDF) Grant funding towards Roof Mounted Solar PV Installations

1. Context (or background)

- 1.1 Under current UK policy, there is a need to deliver projects that will transition the UK towards a “net Zero” target by 2050.
- 1.2 The current Climate Change Strategy for Coventry (2012-2020) states an ambition to investigate how we can generate our own energy from renewable sources. As a result a feasibility study was undertaken in Summer 2019 on the potential for roof-mounted solar photovoltaic (Solar PV) systems to be installed on council properties for the purpose of generating electricity for use on site.
- 1.3 The current Climate Change Strategy for Coventry aimed for a 27% reduction in emissions by 2020 from a 2005 baseline. The next 5 yearly emissions target is yet to be determined, however, if this is to fall in line with guidance published by Tyndall Centre for Climate Change, this is likely to require around a 60% reduction from a 2015 baseline.
- 1.4 The feasibility study identified a total of 63 council properties within Coventry that could have Solar PV systems installed on them. Planning consent/listed building consent will need to be sought as necessary.
- 1.5 The improvement of public buildings to reduce their associated carbon emissions is one of the core strands of the EU funded European Structural and Investment Funds (ESIF) ERDF programme which ends in 2020. Under this programme Coventry and Warwickshire Local Enterprise Partnership has published a strategy for deploying allocated funding within the region. The deployment of renewable energy solutions that enable public sector emissions reductions are included in this strategy, therefore the identified schemes from the Solar PV feasibility study were potentially eligible for ERDF Grant support.
- 1.6 Review of the grant scheme eligibility criteria has identified 39 schemes that meet the EU funding requirements and would be eligible for a 50% grant towards the cost of delivery. The project costs associated with the delivery of the 39 schemes is estimated at £1.26m Coventry City Council has been invited to apply for a 50% grant towards these costs.

2. Options considered and recommended proposal

- 2.1 Options considered in relation to the deployment of Solar PV to increase Coventry City Council’s capacity for electricity from renewable generation and reduce carbon emissions.

2.1.1 Option 1 – Do Nothing and rely on UK grid improvement (Not Recommended)

- 2.1.1.1 The UK electrical grid has seen significant improvement in its carbon intensity over the past 5 years. The average carbon emissions relating to grid electricity have fallen by 38% since 2016. This has been achieved through significant investment in large scale renewable schemes such as offshore wind energy and large-scale solar arrays. National Grid have a target of reducing this further to 0.1 kgCO₂/kWh by 2030.

- 2.1.1.2 Whilst this has been the significant driver for the council's current emissions reductions, it has resulted in significant increases in the cost of delivered energy. The increase in non-commodity costs (the additional charges added on top of the wholesale energy cost) has resulted in a 26% rise in grid delivered electricity rates in the last 3 years.
- 2.1.1.3 It is forecast that these increases will continue as further major investment projects that will benefit from subsidies are due to come on line over the next decade, therefore continuing to be fully dependent on grid supplied electricity is likely to result in significant cost increases
- 2.1.1.4 Coventry City Council could also specify the procurement of renewable energy through its utility contracts however this would not directly support the deployment of additional renewable generation and would result in additional cost increases as green tariffs carry a premium. This approach would also not impact the reported emissions as we are required to use UK Grid emissions factors for any power sourced from the grid regardless of whether a green tariff is procured.

2.1.2 Option 2 – Large Scale Ground Mount Solar (Not Recommended)

- 2.1.2.1 The lowest cost delivery of solar PV is usually through the deployment of large-scale ground mount solar arrays as project delivery reductions can be achieved through increases in scale. These arrays can either be traditional ground mounted solar arrays (Solar Farms) or elevated arrays above large surface car parks (Solar Carports).
- 2.1.2.2 As part of the solar feasibility study scoping exercise it was identified that the opportunities for large ground mounted arrays in close proximity to council buildings was very limited. It was also identified through discussions with the Distribution Network Operator that connections for large scale generation schemes would be problematic before necessary grid upgrades (currently expected after 2023) are completed. Ground mounted solar was therefore removed from the scope of the initial study however it is intended this will be revisited at the earliest possible date to ascertain what options might be available to the Council.
- 2.1.2.3 A detailed feasibility study into the potential for locating large ground mount arrays on Coventry's land holdings is required to fully understand the potential for the deployment of large-scale solar projects. The timescales that would therefore be required to deliver projects of this scale would rule out the opportunity to leverage current ERDF grants meaning alternative finance options would also be required.
- 2.1.2.4 Ahead of significant investment in large scale renewable energy projects a review of the wider context of future energy scenarios for the city is advised. This will ensure that the schemes invested fully fit within an overarching strategy for Coventry. There are current ongoing projects that will support this agenda, namely the HNDU funded heat mapping and master planning project and the UKRI funded Regional Energy System Operator (RESO) project.

2.1.3 Option 3 – Distributed Roof-mounted Solar (Recommended Option)

- 2.1.3.1 The Solar PV Feasibility Study that was completed in 2019 identified 63 council properties that offer potential for roof-mounted solar arrays to provide renewable power for use onsite.
- 2.1.3.2 A total of 39 of these schemes would also be eligible for 50% grant funding through the final round of ERDF funding that is available. The remaining properties are subject

to ongoing consultation in relation to either disposal, redevelopment or change of use and therefore would present risk of potential funding clawback if included in the project. It is proposed that the 39 eligible sites are brought forward as an initial phase of solar PV deployment for Coventry City Council. The properties included in the 39 are presented below:

Building	System Size (kWp)	Energy Savings (kWh/yr)	CO2 savings (tCO2e/yr)
Whitley Depot Transport Block	140.25	87,906	24.35
Broadgate House	67.93	55,735	15.44
Coombe Abbey Country Park	83.33	52,378	14.51
Maurice Edelman House	44.55	39,332	10.89
1 South Street	41.25	29,467	8.16
Tile Hill Library	33.28	26,937	7.46
Memorial Park Golf Centre	28.60	24,067	6.67
Gilbert Richards Centre	32.73	23,073	6.39
Maymorn Club	30.25	20,643	5.72
Council House	23.38	21,884	6.06
Limbrick Wood Centre	25.03	18,425	5.10
Wilfred Spencer Centre	30.25	18,836	5.22
Friargate one	23.38	17,769	4.92
Eric Williams House	19.80	15,958	4.42
Canley Crematorium	15.68	14,567	4.03
Brandon Wood Farm	21.45	13,205	3.66
Wyken Young Peoples Centre	20.35	13,501	3.74
Broad Park house	18.15	12,076	3.35
Frank Walsh House	14.85	11,524	3.19
20 Watcombe Road	16.50	11,727	3.25
257 Stretton Avenue	15.13	11,459	3.17
Cannon Park Annexe	13.20	10,697	2.96
Cheylesmore Manor House	13.48	10,286	2.85
Memorial Park Tennis Centre	12.65	10,203	2.83
Swanswell ELC	11.00	8,893	2.46
1-3 Lythalls Lane	12.38	8,428	2.33
57 Ribble Road	12.10	7,937	2.20
2 Fulwood Close	11.00	7,506	2.08
Holbrook Park	9.90	7,128	1.97
London Road Cemetery	7.43	5,095	1.41
Whitmore Park Annex	8.25	4,790	1.33
33 Gravel Hill	6.60	3,708	1.03
Whitley Common	5.50	3,515	0.97
Longford Park	4.95	3,610	1.00
Lentons Lane Cemetery	3.58	3,094	0.86
2 Dover St	3.85	2,981	0.83
34 Jobs Lane	3.30	2,394	0.66
254 Broad Lane	2.20	1,821	0.50
160 Grayswood Avenue	1.65	1,456	0.40

2.1.3.3 The eligible schemes would cost £1.26m to deliver and would result in the addition of 889 kWp of solar panels across our property portfolio. The schemes would generate 747 MWh of electricity each year with approximately 644 MWh available for use directly within our operational buildings. This would equate to approximately 12% of the current power demand for the 39 sites and would reduce the council's expenditure on imported power by circa £80k per year. Additional lifecycle and maintenance costs of approximately £5k per year that are associated with the project will be funded from this expenditure reduction with the remainder being realised savings for the council.

- 2.1.3.4 The systems have an expected life of 25 years during which time a total of 17,193 MWh of electricity will be generated and used on site, avoiding emissions of up to 4,000 tCO₂e and generating a potential overall financial saving to the council in excess of £900k after initial project costs and lifecycle costs have been accounted for.
- 2.1.3.5 If the application for ERDF grant support is successful, 50% of the proposed project costs would be funded, reducing the capital investment required by £630k. This would significantly improve the financial benefit realised by the council, raise the potential overall lifetime savings to over £1.5m and reduce the payback to circa 8 years or an ROI of 12% based on the projected annual net imported energy cost savings of £75k.
- 2.1.3.6 The award of the grant would reduce the overall payback to less than 10 years making the project also eligible to lever additional finance support in the form of a Salix Loan. Salix is a government backed loan scheme designed to support the delivery of energy efficiency projects in public sector organisations. The support is in the form of range of 0% interest loans depending on the payback and carbon saving outputs of projects. The proposed schemes with less than 5-year payback would be eligible for full Salix Support (ie. no Council match funding required) whilst the remaining would be eligible for partial support through a match-funded recycling scheme. If the council chose to take up these opportunities, and is successful in being granted such a loan, it would reduce the required capital investment further.
- 2.1.3.7 If the application for ERDF grant support is not successful, a review of the project scope will be required to confirm if the project remains financeable. The schemes that do not have a suitable business case without the grant funding support would need to be removed from scope in order to maintain the required investment performance of the project.
- 2.1.3.8 These schemes have had initial feasibility completed and would be capable of being delivered within 2 years therefore presenting a significant opportunity for Coventry to make early progress towards our next 5-year emissions reduction target.
- 2.1.3.9 This option is fully in line with the council's core aim of reducing operating costs and carbon emissions.
- 2.2 Options considered in relation to the acceptance of the 50% grant for development of local renewable power generation on council properties.

2.2.1 Option 1 - Do Not Accept the Grant (Not Recommended)

- 2.2.1.1 This option would mean not accepting the £630k grant offer along with the associated terms and conditions of ERDF grants from MHCLG.
- 2.2.1.2 This would represent a failed opportunity to secure additional contribution to the cost of our climate change actions. The projects identified as eligible for the grant as described in proposal 2.1.3 meet the financial performance expected for investment appraisal. The projects may therefore still be able to be delivered to achieve the carbon savings presented, however significant borrowing would be required, and the financial benefits of the project would be reduced.
- 2.2.1.2.1 The risk is that following re-appraisal of the projects based on fully a financed option it would result in some of the proposed schemes being removed to enhance the payback of the project to meet Salix Loan scheme requirements. This would result in a lower emissions and cost saving to the council.

2.2.2 Option 2 – Accept the Grant (Recommended)

- 2.2.2.1 Acceptance of the grant would significantly reduce the financial investment required for the project by £630k increasing the financial benefits to the council. It would also enable the leverage of further finance support through the Salix Loan scheme.
- 2.2.2.2 The risks associated with the ERDF grant is that funding clawback can occur if the delivered properties are changed in such a way that results in them becoming ineligible within 5 years of the grant award. To mitigate this risk properties that are potentially subject to reviews in terms of redevelopment, disposal or transfer of ownership have already been excluded. Further mitigation is proposed by specifying systems that can be re-deployed to alternative qualifying sites should an unforeseen change to the estate occur within the 5-year window.
- 2.2.2.3 This option is fully in line with the council's core aim of leveraging additional funding through grants and bids.

3. Results of consultation undertaken

- 3.1 Consultation with the Head of Facilities Management was undertaken in relation to potential changes to the property estate. This was to ensure the risk of property disposal or redevelopment was understood and included during the evaluation of which schemes could be brought forward.

4. Timetable for implementing this decision

- 4.1 The deadline for applying for the £630k ERDF grant is the 6th March 2020 with the final grant award decision by MHCLG is expected to be made in May 2020.
- 4.2 Following award of the grant, acceptance would be required within 30 days after which point the procurement and recruitment processes relating to this project can commence.
- 4.3 The proposed timeline for the project is as follows:

6th March 2020 – Apply for Grant

May 2020 – Notice of Grant Award and Acceptance of Grant

June 2020 – Begin Procurement & Recruitment Process

September 2020 – Contractor Appointment

January 2021 - December 2022 – Project Delivery

January 2023 – March 2023 – Project Completion & Financial Close

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

- 5.1.1 The financial benefits of the preferred proposal as described in the report will include a return on investment of circa 12% as a result of an expected annual net energy cost savings of £75k per annum. If approved by members, it is therefore proposed that the Council's share of the investment required of £630k is funded from earmarked reserves set aside for the purposes of commercial investment where there is a return on the investment or saving as a result. This would enable a £75k saving to be attributed to the Council's Medium-Term Financial Strategy.

Officers will determine whether some of the Council's investment can be achieved through a successful application for (repayable) Salix funding, which would alleviate some of the initial investment required on an interest free basis.

5.2 Legal implications

5.2.1 The approval of the Council acting as the Accountable Body as outlined in this report will be achieved through a contractual relationship and signature of a grant funding agreement.

5.2.2 Legal colleagues are available to advise on and support the completion and signature of the grant funding agreement and to also ensure that risk to the Council is fully understood and mitigated through appropriate governance. Furthermore, support will be made available in ensuring the delivery of the project as and when required by the anticipated project team. There is a risk of clawback in the event of non-compliance with EU rules and regulations. Strict monitoring of compliance will be undertaken to minimise this risk.

5.2.3 Any procurement exercise will be conducted to comply with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015, and supported by relevant officers.

5.2.4 The delegations sought are consistent with a proposal of this nature.

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

This project directly meets two of the objectives of the Council Plan. It will directly reduce the operating cost and carbon emissions of Council activities and it will also lever up to £900k of external finance to deliver the schemes.

6.2 How is risk being managed?

The main risk is in relation to the potential clawback of funding as a result of unforeseen property changes as a result of ongoing review of council services and strategies. Should a property that has used the grant subsequently become ineligible within 5 years there is potential for a proportional amount of the grant funding to be required to be paid back. To minimise this risk the proposal has focused on properties that are owned and operated by Coventry City Council and are not currently within the scope of potential property disposal, change of use or redevelopment discussions. The systems are also proposed to be re-deployable so that there is the potential for relocation of the panels to alternative buildings if required.

6.3 What is the impact on the organisation?

The proposed project includes providing additional match funded staffing to support the delivery of the project. This will improve the in-house capability of the council in relation to projects of this type. The proposed project will improve our corporate property and deliver financial and environmental benefits.

6.4 Equality and Consultation Analysis (ECA)

Under the terms of the ERDF grant the council had to show that the proposed project meets EU equality rules. This project was shown to not have any implications to the council's Public Sector Equality Duty as the properties proposed to have Solar PV

installations have been selected based on their technical feasibility and their eligibility for grant funding.

6.5 Implications for (or impact on) climate change and the environment

The proposal will make a significant, measureable and demonstrable contribution towards improving Coventry City Council's transition to a low carbon future. The project will reduce the direct emissions relating to the council's activities by generating renewable, zero carbon electricity for 25 years. This would be the first deployment of fully zero carbon energy solutions on council property and is in line with our overarching Climate Change Strategy. Unfortunately, the Feed-In-Tariff scheme is no longer available for projects of this type as it ended in April 2019.

6.6 Implications for partner organisations?

None

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