

Surrey Heath Borough Council

Executive

16 January 2024

Electricity Generation from PV on Places Leisure Camberley

Portfolio Holder:	Cllr Morgan Rise – Net Zero, Wellbeing & Environment Portfolio Holder
Strategic Director	Nick Steevens – Strategic Director of Environment & Community
Report Author:	Cameron Dent – Climate Change Officer
Key Decision:	Yes
Date Portfolio Holder signed off the report	22 December 2023
Wards Affected:	All

Summary and purpose

This report sets out the options we have to generate our own renewable electricity by installing solar photovoltaic panels (PV) on Places Leisure Camberley. Executive are asked to note the range and cost of interventions that have been identified. Executive is asked to support the bid for this project so it can be advanced, supporting the Council's aspiration of achieving our net-zero carbon emission target by 2030 as an organisation and contributing to making the Borough net zero by 2050.

Recommendation

The Executive is asked to RESOLVE that:

- i. the installation of solar photovoltaic panels at Places Leisure Camberley be agreed; and
- ii. the delivery of the project, including minor changes to the project plan or expenditure within the agreed budget, be delegated to the Strategic Director for Environment & Community in consultation with the Portfolio Holder for Net Zero, Wellbeing & Environment and the Strategic Director for Finance and Customer Services.

The Executive is advised to RECOMMEND to Full Council that a budget not exceeding the amount stated in the exempt Annex A to the agenda report be agreed for the installation of solar photovoltaic panels at Places Leisure, Camberley.

1. Background and Supporting Information

- 1.1 In 2019, Surrey Heath Borough Council declared a climate emergency and in response to this developed a Climate Change Action Plan. The action plan committed the council to “work towards achieving the ambitious net-zero carbon emission target by 2030 as an organisation and contribute to making the Borough net zero by 2050 (with the aspiration for net zero by 2030).
- 1.2 Work has been carried out to identify and cost renewable energy projects for the council’s estate. These projects have the benefit of either saving significant energy costs for the council or of generating energy that can be sold to tenants. If the council wishes to meet its public target of net-zero emissions by 2030, then these works will have to be completed shortly.
- 1.3 Solar Panel Installations (PVs) are a well-tested, cost-effective way of generating electricity that is quick and easy to install. Once installed, a PV system is expected to produce electricity for around 25-30 years before it needs replacing. It is worth noting that PVs degrade over time, with generation capacity falling by around 0.5% each year. This means after 25-30 years, generation capacity will be around 12-15% lower than the first year of generation. Some parts of the system, such as an inverter, will likely need replacing more frequently and there is a small annual cost for maintenance (cleaning the panels and checking wire connections). However, these costs are minor in comparison to the income/ cost saving benefits. As a renewable energy source, PV panels are generally considered to have recovered all the emissions created in the production and shipping process by the third year of operation meaning emissions are a net negative over the lifetime of the system.
- 1.4 This paper recommends that capital is provided to install PV at Places Leisure Camberley. However, there are other funding options available, including capital funding from Places Leisure, which are detailed in the exempt Annex A.
- 1.5 Under the terms of the Contract with Places Leisure, they as the operator assume responsibility for most of the operational risks; however, for utilities, there is a shared approach based on the following principles:
 - 1.5.1 Places Leisure bears all risk relating to utilities consumption
 - 1.5.2 The Council bears the risk of utilities tariff increases beyond the tendered level although they are also able to benefit if tariff rates fall below this level.
 - 1.5.3 This mechanism is referred to as Utilities Benchmarking and it can be requested by either the Council or Places Leisure.
 - 1.5.4 The Utilities Benchmarking process is complex and will make it difficult to understand how much income the installation of solar panels and directly caused. As such, it is felt the best way forward is to remove any Solar PV generation from the benchmarking process.

- 1.6 The project will save 16.3 tonnes of carbon in its first year. As this building is not operated by the council, it would not reduce the emissions that the council has some control over, i.e. its scope 1 & 2 emissions, but it would reduce our procurement emissions i.e. scope 3 emissions.
- 1.7 A structural survey has been completed. Unfortunately, this highlighted that only a small percentage of the roof is structurally suitable for the installation of PV, thus limiting potential for electricity generation and raising costs per sq meter. As the survey has already been completed, this project is ready to move forward as soon as funding is secured. Note that battery storage is not needed as the limited size of the PV array means that demand will always outstrip supply except on a few hours a year.
- 1.8 Quotes have been received for this site (quotes are for PV installation and commissioning only) and potential savings, income and costs have been assessed. Annex A (exempt) contains a document with detailed costing and income/ saving expectations. A condensed table of project financials is provided in Annex B (exempt). It is intended to proceed with the award of contract as soon as negotiations with Places Leisure are concluded and the budget is approved by the Full Council.

2. Reasons for Recommendation

- 2.1 The recommendation has been provided as the most financially advantageous option to the Council.

3. Proposal and Alternative Options

- 3.1 As an alternative option, Places Leisure Camberley could provide the capital for this project. In this case, the council would see none of the economic benefits from this work, however we have had a verbal agreement that the council will not incur costs under the energy benchmarking clause set out within the contract between the Council and Places Leisure. However, one potential benefit is that Places Leisure would be procuring and project managing the installation, reducing the level of Council staff resource required for delivery.
- 3.2 A third funding route comes in the form of grant funding. The council has applied for funding for this and other energy efficiency projects under the Swimming Pool Support Fund. Given the high energy efficiency of the centre, we are highly unlikely to receive funding under this route. We will be informed of the outcome of bids by end of March 2024.

4. Contribution to the Council's Five Year Strategy

- 4.1 The Five Year Strategy has a number of related actions as below:
 - 4.1.1 "Achieve at least 70% net reduction in the council's carbon emissions."

- 4.1.2 “Improve energy efficiency and increase local renewable energy production to transition to net zero-carbon energy status.”
- 4.1.3 “Adapt our estate and operations to meet the challenges of climate change.”

5. Resource Implications

- 5.1 The recommendations in this paper have capital resource implications as set out in 1.10 above, and will require staffing resource to progress with the installation. Where there is potential for external funding such as the Swimming Pool Support Fund to be used to support this project, officers will continue to pursue these as an alternative to Capital funding .

6. Section 151 Officer Comments:

- 6.1 The Council is facing a budgetary gap over its Medium Term Financial Strategy and as such any additional expenditure must be considered in the light of the need to close this gap.
- 6.2 This project will produce an income return and should be considered as an ‘invest to save’ project in the light of this. This means that revenue income budgets will be increased accordingly with a charge to the service to cover the cost of debt repayment and debt servicing (interest). Any borrowing would have to match the asset life, assumed in this instance to be twenty years; interest and repayment will be based on the PWLB interest rate, although the actual rate and time of borrowing may vary due to cashflow requirements.
- 6.3 Any income above the cost of debt financing can be retained by the service to support other projects.

7. Legal and Governance Issues

- 7.1 The required capital is outside the approved budgetary framework and as such the capital expenditure requires full Council approval.

8. Monitoring Officer Comments:

- 8.1 No matters arising.

9. Other Considerations and Impacts

Environment and Climate Change

- 9.1 Following the report recommendation will help to significantly reduce the emissions the Council is directly responsible for and the emissions within the borough.

Equalities and Human Rights

9.2 No matters arising.

Risk Management

9.3 In delivering the recommended project, there will always be risks to project delivery. Project management guidance will be followed to ensure risks are identified, tracked and action to mitigate the impact of any risks, in line with best practice. Delivering a solar PV project of this size is a relatively straightforward and quick project, as such, risks for the project are not expected to be significant. The biggest budgetary risk is likely to be inflationary pressure which may have increased costs since obtaining a quote in October 2023. This has been mitigated by the addition of a contingency sum of 10% in the budget and Officers will contact a range of providers to ensure value for money is secured. The biggest risk to timelines is likely to be the procurement process and the process of negotiating a unit rate for electricity with Places Leisure and making the necessary legal changes. A range of procurement frameworks have been identified to make this process quicker. Officers have also started having conversations with Places Leisure to understand likely price points and the needed changes to our existing contract.

Community Engagement

9.4 No matters arising.

Confidential Annexes

Annex A – Further Information

Annex B – PV Financials

Background Papers

Not Applicable