

Delegated Cabinet Member Decision Report

Decision Maker and Portfolio area:	Cllr Abdul Jabbar, Cabinet Member for Finance and Corporate Services
Date of Decision:	Capital Investment Programme Board 14 October 2019
Subject:	Wrigley Head Solar Farm
Report Author:	Andrew Hunt x6587
Ward(s) Affected:	Failsworth East, South Chadderton Ward members have been sent a briefing note via email

Reason for the decision:

To seek approval for:-

- a) A budget of £30,000 for immediate technical feasibility work to establish the viability of the Wrigley Head Solar Farm proposal (see separate Officer Delegated Decision Report)
- b) Subject to the above work indicating project viability, a further budget of £137,000 for detailed feasibility and project development for Wrigley Head Solar Farm
- c) To take part in a Greater Manchester consortium ERDF bid, comprising four Local Authorities and Energy Systems Catapult as the Lead Partner

Summary:

In March 2019, the Greater Manchester 5-year Environment Plan was launched, which commits the city region to achieving 'carbon neutrality' by 2038.

Then at Full Council in July 2019, the Council announced its commitment to being the UK's first Green New Deal Council, with a target of carbon neutrality for the borough by 2038, and for the Council itself by 2025.

Additionally, the Council spends around £5 million annually on energy. The last time the Council's energy contracts were procured, prices had risen 20% in the previous 12 months.

One approach to resolving the twin challenges of carbon emissions reduction and energy price rises that other Councils have taken is to construct renewable energy facilities such as solar farms to supply themselves with fixed-cost renewable energy. One such authority is Warrington, who are investing in around 60MW of ground-mounted solar PV generation.

The GM 5-year Environment Plan calls for an extra 45MW of solar PV across the city region over the next 5 years. This translates to 4.5MW per local authority area. This proposal for a solar farm at Wrigley Head would give Oldham its first 1MW of ground-mounted solar PV capacity.

Developing renewable energy generating capacity will be of the themes in the forthcoming Oldham Green New Deal Strategy. A schematic of the draft / developing delivery programme for this strategy can be found in Appendix A, which shows where the Wrigley Head Solar Farm proposal fits in the wider work.

Business case

Initial financial modelling by Electricity North West and Energy Systems Catapult for the proposed Wrigley Head solar farm suggests that as a stand-alone project, 100% financed by the Council or by the Council in partnership with a private or community developer, the project would be viable under two main scenarios:-

1. The electricity generated by the solar farm is sold to a local customer at a price of around 9p / kWh or more. There are a number of potential local customers, organisations with high energy consumption who are physically within a distance where the installation of a 'private wire' connection would be viable. One of these potential local customers could be the Metrolink tram network – supplying electric rail from a solar PV array is a proven concept elsewhere in the UK and globally.
2. The electricity generated by the solar farm is sold back to the Council at a price of 9p / kWh or more. This would need to be facilitated by a 'Local Energy Market' platform, which is a new technology and something which the Council is currently exploring for in Oldham. The Council currently pays just over 11p / kWh for its daytime electricity for the Civic Centre, so at a price of 9p / kWh, the solar farm would be viable with a 4% rate of return, and the Council would save 2p / kWh supplied. N.B. these figures are indicative and based only on the outline financial modelling carried out so far.

Under a third scenario, the solar farm could be viable simply exporting its electricity onto the grid. However, as a relatively low price is given for grid exported electricity (approx. 6p / kWh), this option would need grant support in order to make it viable.

The Council has an opportunity to join a Greater Manchester consortium bid for ERDF funding, along with Salford, Stockport and Wigan who all have similar solar PV projects which would benefit from funding. An ERDF grant would intervene at 40%. In June, a Stage 1 Expression of Interest was made to MHCLG which was approved. Submission of Stage 2 (full bid) will be made in November 2019, contingent on legal advice being received from Energy Systems Catapult (the Lead Partner) and the national ERDF contact point that the ESC proposed delivery model is compliant, to be confirmed in consultation with Finance, Procurement and Legal prior to submission.

The estimated cost of Wrigley Head Solar Farm is around £1 million, therefore a successful bid for ERDF funding would attract grant funding of around £400,000 – making the solar farm viable under this third scenario.

Costs associated with the proposed Solar Farm are as follows:-

£30,000 – Stage 1 & 2 feasibility. This work will confirm viability of the project (stop / go) and set out detailed costs, which are necessary if Oldham is to join the Stage 2 ERDF bid submission in November. This cost is addressed separately in the Delegated Officer Decision report.

£137,000 – Stage 3 feasibility, plus grid connection costs and planning application costs. This work will complete every other aspect of feasibility for the project and take it to full Planning Application. N.B. if the ERDF bid is successful, this sum could be eligible expenditure so in effect we would get 40% of this expenditure back.

£1 million – estimated capital cost of the scheme. This does not include any environmental works which may be necessary to improve the site in terms of amenity for local residents e.g. wildflower / hedge planting, footpath creation. If the feasibility work shows that the solar farm is viable, a further report will be brought to CIPB and Cabinet requesting capital funds for the project.

Risks and mitigations

The main risks to the proposal are as follows:-

1. The scenario where the ERDF grant application is unsuccessful, where no local customer can be found for the electricity from the solar farm, and where it is not possible to supply the Council with the electricity via a Local Energy Market type arrangement

Mitigation: If ERDF is not received to make the grid export scenario viable, construction of the solar farm would not be undertaken without

signing an Electricity Supply Agreement with a local customer. If no local customer can be found / agreed, and it is not possible for the Council to supply itself via a Local Energy Market arrangement (feasibility ongoing separately), then the facility would not be constructed.

2. Feasibility work finds that the costs for construction of the solar farm are higher than expected, the rate of return lower and this affects the business case in terms of viability

Mitigation: Construction would not be undertaken without a viable business case. However, there are a number of market trends which are in favour of delivery of the project over the longer term – the main two being the continuing rise in the market price of electricity (20% in 12 months is not unusual), and the falling cost of solar PV and the associated equipment such as inverters. It is therefore likely that it would be only a matter of time until the facility became viable.

3. Failure to obtain Planning Permission. Objections are received and Planning Permission is not granted.

Mitigation: preliminary discussions have been undertaken with Planning who have indicated that the site at Wrigley Head is designated “Open Space” and would be suitable for the facility. A pre-application discussion will be arranged as part of the feasibility work to anticipate any potential issues. Local Ward Members have been informed of the proposals via email. More detailed consultation will take place with Ward Members and local residents once feasibility Stage 1&2 is complete. Measures to improve the site for security, biodiversity and amenity will be included in the final designs.

4. No capital allocation is available in the Council’s Capital Programme to cover the cost of construction of the solar farm.

Mitigation: if the ERDF bid is successful, this will contribute 40% towards the capital cost of construction of the solar farm. If the ERDF bid is

not successful and feasibility shows the solar farm to be viable, the project could either be sold to a private developer or could be developed in partnership with Oldham Community Power as a community energy project.

Timescales

It is currently estimated that Planning Permission will be obtained in Q1 2020 and construction of the facility will be complete by Q1 2021.

What are the alternative option(s) to be considered? Please give the reason(s) for recommendation(s):

Option 1 - Do nothing: The Council would not seek to invest in renewable energy at the site, and would not contribute to GM targets to make the city region carbon neutral by 2038, and this site could not contribute to the Council's stated ambition to make ourselves 'carbon neutral' by 2025.

Option 2 – Proceed with feasibility and project development work and join the GM ERDF bid consortium The Council would participate in the UCEGM consortium bid for ERDF funding, led by ESC, and will continue the feasibility work and the further development of the planning application, subject to confirmation that Energy Systems Catapult have received legal advice advising them that their proposed approach is eligible

Option 3 – Proceed with feasibility and project development work without joining the GM ERDF bid consortium The Council would not participate in a consortium bid for ERDF funding, but will continue the feasibility work and the further development of the planning application, as set out in this report.

Recommendation(s):

Option 2 – Proceed with feasibility and project development work and join the GM ERDF bid consortium The Council would participate in the UCEGM consortium bid for ERDF funding, led by ESC, and will continue the feasibility work and the further development of the planning application, subject to confirmation that Energy Systems Catapult have received legal advice advising them that their proposed approach is eligible

This is recommended as the preferred option for the following reasons:

- Significant proportion of project costs covered through grant under ERDF, including potentially some of the feasibility work
- Significant contribution towards climate change targets and GM 5-year environment plan target for renewable energy capacity, as well as Oldham Council target to make our own operations carbon neutral by 2025
- Scope to generate revenue over project lifecycle and provide a template for investment on other sites
- Ability to learn from working with ESC and other councils to develop new business models that could be employed on other sites
- Significant proportion of project costs covered through grant under ERDF

Implications:

*What are the **financial** implications?*

Revenue Comments

The initial £30k technical feasibility work has already been agreed and the revenue cost will be funded from the Corporate Priorities reserve.

The £137,000 of detailed feasibility work, subject to a satisfactory conclusion to the initial feasibility work, will also be revenue and could be funded from the Corporate Priorities reserve. Should the outcome of this indicate that the project can progress it may be possible to capitalise the costs associated with this stage of feasibility.

The ongoing revenue implications once the solar farm is in operation will be dependent on the option chosen, whether ERDF grant funding is taken up and the price that can be achieved for the electricity generated.

Further feasibility and modelling work will need to be undertaken to determine which options are viable and what the preferred option is and will need to include both the expected income from

the operation and any ongoing revenue costs including maintaining and keeping the site secure.

Capital Implications

The costs of building the solar farm will be capital expenditure and will be a charge against the People and Place capital programme. The total costs for the build are expected to be £1.1m for which there is no specific provision within the current Capital Programme. Should ERDF funding be obtained the amount of financing required by the Council could reduce to £660k (assuming a 40% ERDF contribution).

The scheme could be financed from Funds for Emerging Priorities held as part of the Capital Programme. However, given that the scheme will generate income, additional prudential borrowing could be undertaken as part of setting the 2020/25 Capital Strategy, with the income generated repaying the borrowing costs. This will be dependent on the outcome of the feasibility studies and the detailed business case. Any capital allocation will be the subject of a separate Cabinet report when the total costs and benefits of the scheme are clarified. (James Postle)

What are the **procurement** implications?

The report is seeking approval of the following:

- A budget of £30,000 for immediate technical feasibility work to establish the viability of the Wrigley Head Solar Farm proposal (see separate Officer Delegated Decision Report).

Comments: This appointment has been concluded via a procurement process.

- Subject to the above work indicating project viability, a further budget of £137,000 for detailed feasibility and project development for Wrigley Head Solar Farm.

Comments: the appointment of a suitably experienced contractor will be required via a procurement process. Early engagement of the procurement team is key.

- To take part in a Greater Manchester consortium ERDF bid, comprising four Local Authorities and Energy Systems Catapult as the Lead Partner

Comments: Energy Systems Catapult as consortium lead, requires immediate further investigation to understand the structure and percentage fee implications, and more importantly, whether this approach is ERDF compliant. (Dan Cheetham, Procurement)

*What are the **legal** implications?*

There are no significant legal implications with regard to the Council participating in the Greater Manchester consortium bid for ERDF funding. However, the service will have to ensure that the Council's Contract Procedure Rules are followed in the letting of contracts for the Stage 3 Feasibility study. (Elizabeth Cunningham Doyle)

*What are the **Human Resources** implications?*

N/A

***Equality and Diversity Impact Assessment** attached or not required because (please give reason)*

N/A

*What are the **property** implications*

The proposals relate to Asset 1805 - land off Tweedale Way / Wrigley Head, which currently has an asset value of £7,000. At present, the land is accessed underneath a Metrolink bridge from Wrigley Head which is partly within an unregistered ownership. It is possible that these access arrangements would be inadequate to support the construction traffic needed to build the solar farm initially. Whilst this is likely to be explored in greater detail as part of the proposed feasibility, this represents a significant risk to the project. If the existing access arrangements are deemed to be insufficient then it would be necessary for the Council to explore other potential sources of permanent or temporary access. This could include the adjoining J22 Business Park on Tweedale Way, which was previously sold by the Council, albeit without any reserved rights to access the Council's retained land. If the Council do need to secure any rights, which could include utility easements in addition to access rights, the Authority would potentially be in a ransom situation with the adjoining

landowner with no guarantees of reasonable success.

That said, the proposal which seeks to explore a solution for this largely landlocked piece of land – which is unallocated in the Local Plan – should be welcomed. The recommended course of action is very much aligned to the Council's property rationalisation and financial investment strategies which seek to reduce / remove and where possible increase revenue opportunities from its land and property portfolio. Other benefits such as the commitment to pursuing green energy solutions and the commitment to becoming carbon neutral have been explained elsewhere in the report.

If additional access arrangements are required, this would be subject to a separate report in due course, which would be considered in accordance with the Council's scheme of delegation.

[Mark Prestwich, Surveyor]

Risks:

Given this is a feasibility study and funding from revenue has been found then there is no need for any risk comments. (Mark Stenson)

Co-operative agenda

This report is only seeking funding for feasibility work at this stage. However, if the solar farm goes forward to completion, the aim will be to deliver it in such a way that the site itself is improved in terms of visual appearance, security, amenity for local residents and biodiversity, to demonstrate how a renewable energy development can exist in an urban / post industrial location and improve all aspects of the site. (Andrew Hunt)

Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution?

Yes – Elizabeth Cunningham-Doyle

Has the relevant Finance Officer confirmed that any expenditure referred to within this report is consistent with the Council's budget?

Yes – James Postle

Are any of the recommendations within this report contrary to the Policy Framework of the Council?

No

There are no background papers for this report

Report Author Sign-off:	
Andrew Hunt	
Date: 27 September 2019	

Please list any appendices:-

Appendix number or letter	Description
A	Draft programme of delivery for forthcoming Oldham Green New Deal Strategy

In consultation with



Deputy Chief Executive - Helen Lockwood:

Date: 21 October 2019

Appendix A – draft / developing Oldham Green New Deal Strategy programme of delivery

