

CABINET	AGENDA ITEM No. 4
24 FEBRUARY 2014	PUBLIC REPORT

Cabinet Members responsible:	Cllr Marco Cereste - Leader of the Council and Cabinet Member for Growth, Strategic Planning, Housing, Economic Development and Business Engagement Cllr David Seaton – Cabinet Member for Resources	
Contact Officer:	John Harrison, Executive Director, Resources	Tel. 01733 452520

UPDATE ON PROPOSED GROUND MOUNTED SOLAR AND WIND FARMS AT AMERICA FARM, MORRIS FEN AND NEWBOROUGH

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director, Resources	Deadline date :
That Cabinet consider:	
<p>1. The recommendations made by the Scrutiny Commission for Rural Communities:</p> <p>‘The Commission recommends to Cabinet:</p> <p>a) Immediately stops both options (1) solar and (2) wind for the America Farm project due to the negative income predicted for the delayed project</p> <p>b) Stops the solar panel option (1) on all three sites (America Farm, Newborough and Morris Fen) due to the significant total expenditure of £296 million, a poor return of £21 million net income and a Net Present Value figure of only £10.5 million’</p> <p>2. The update of the latest financial projections for the three sites</p> <p>3. The latest position on survey results etc. at the America Farm site</p> <p>4. The feedback received to date as part of the budget consultation launched at the 3rd February cabinet meeting</p>	
And is asked to consider in the light of the above matters the following recommendations:	
<p>1. That the project at America farm be progressed and taken to a planning committee for a decision subject to the satisfactory resolution of the outstanding English Heritage issues</p> <p>2. That further consultation on the future development options for Morris Fen and Newborough projects be undertaken with farmers, individuals and key stakeholders</p> <p>3. And that a report be brought to the March Cabinet meeting to determine a way forward for these two sites.</p> <p>4. That at this stage the MTFs figures remain as set out in the budget report</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a Scrutiny Committee for Rural Communities meeting held on 16th December 2013.

2. PURPOSE AND REASON FOR REPORT

2.1 To consider:

- Recommendations of scrutiny
- The latest financial and planning issues update
- Budget consultation feedback to date

And agree a way forward for the three energy park projects

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2. 4, to promote the Council's corporate and key strategies and Peterborough's Community Strategy.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	n/a
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4. PROPOSED SOLAR FARM AT AMERICA FARM

4.1 America Farm: Financial Position – On time scenario

4.1.1 The financial position presented at the Scrutiny Commission for Rural Communities on 16th December 2013, showed a very prudent position for America Farm on the cost rates and it was assumed that the contingency allowed for in the financial model was fully used during construction of the solar farm.

4.1.2 The Council has further consulted the market, through its advisors, Deloitte, EC Harris and through other developers. As a result, the updated position presented here takes into account revisions to costs and assumptions to that presented on 16th December 2013 as follows:

- Grid Connection costs have been shown against the item and monies transferred from the contingency budget
- Removal of contingency for install capital costs (£100k per MWp installed)
- Reduction of O&M (running costs) rate based on current industry best practice
- Reduction in insurance costs as a result of Capital Cost reducing
- Business rates adjusted to reflect 2014/15 levy
- Inclusion of a Community Benefit Fund rate of £500 / MW per annum, index linked for the lifetime based upon a recent market comparator
- Increase in Interest due to revised capital cost and a change to PWLB forecast rates (weighted average from 4.38% to 4.55%)
- Revision of ROC income due to RPI update and market intelligence
- Revision of PPA indexation aligned to DECC central wholesale price scenario
- Updated RPI to reflect more recent HMT guidance over 5 year RPI estimates;
- Business rates income retained by the Council and not paid out to national government under "Green" business rates legislation.

4.1.3 The following table shows that the net income to the Council can now be forecast as £5.9m over the 25 years compared to the prudent position previously shown of only £1.3m – an increase of £4.6m

	Scrutiny Report	Amendments	Revised Case
Expenditure	£m	£m	£m
Capital :			
Installation	6.480	0.000	6.480
Grid Connection	1.777	1.223	3.000
Development Costs	0.360	0.140	0.500
Contingency	1.946	-1.696	0.250
Total Capital Costs	10.563	-0.333	10.230
Revenue:			
Maintenance	6.637	-3.454	3.183
Insurance	1.175	-0.437	0.738
Business Rates	1.042	-0.012	1.030
Contingency*	1.097	-1.097	0.000
Land Drainage*	0.000	0.503	0.503
Community Benefit Fund*	0.000	0.137	0.137
General*	0.000	0.000	0.000
Capital repayments	10.564	-0.334	10.230
Capital interest	7.026	0.085	7.111
Lost rental income	0.279	0.000	0.279
Total Revenue Costs	27.820	-4.609	23.211
Income:			
Income - ROC	12.016	-0.642	11.374
Income - PPA	17.075	-0.344	16.731
Total Income	29.091	-0.986	28.105
Net Profit & Loss	1.271	3.623	4.894
Business Rates Retained	0.000	1.030	1.030
Net benefit to PCC	1.271	4.653	5.924
NPV	0.72	2.32	3.04

*for the December scrutiny report Land Drainage, Community Benefit Fund and General Contingency were consolidated into one figure £1.097m.

4.1.4 The 5 year Profit and Loss position is as follows (the lifetime P&L position is included in the Appendices.):

Expenditure	Total*	2013.14	2014.15	2015.16	2016.17	2017.18
Total Capital Costs	10.230	0.089	9.912	0.000	0.000	0.000
Revenue P&L:						
Total Revenue Costs	23.211	0.007	0.258	0.857	0.862	0.868
Total Income	28.105	0.000	0.076	0.925	0.972	1.019
Development Net Profit	4.894	-0.007	-0.182	0.068	0.110	0.151
Business Rates Retained	1.030	0.000	0.002	0.030	0.031	0.032
Net Benefit to PCC	5.924	-0.007	-0.179	0.097	0.140	0.183

*Includes pre 2013-14 expenditure

4.2 America Farm: Financial Position – Delayed scenario

4.2.1 If the Secretary of State (SoS) decided to call in this particular development then this would delay the delivery timelines by over a year.

4.2.2 As such the Council has modelled a delayed scenario for America Farm.

	Scrutiny	Amendments	Revised Case
Expenditure:	£m	£m	£m
Capital Costs:			
- Install Costs	6.480	0.000	6.480
- Grid Connection	1.777	1.223	3.000
- Development Costs	0.408	0.142	0.550
- Contingency	1.946	-1.696	0.250
Total Capital Costs	10.611	-0.331	10.280
Revenue Expenditure:			
- O&M	6.794	-3.535	3.258
- Insurance	1.203	-0.447	0.756
- Business Rates	1.067	-0.012	1.055
-Contingency*	1.153	-1.153	0.000
-Land Drainage*	0.000	0.527	0.527
- Community Benefit Fund*	0.000	0.133	0.133
-General*	0.000	0.000	0.000
Principal Repayment	10.611	-0.331	10.280
Interest Costs	7.876	-0.198	7.678
Lost Rental Income	0.285	0.000	0.285
Total Revenue Costs	28.988	-5.016	23.972
Income:			
Income - ROC	11.417	-0.526	10.891
Income - PPA	17.598	-0.328	17.270
Total Income	29.015	-0.854	28.160
Net Profit & Loss	0.026	4.162	4.188
Business Rates Retained	0.000	1.055	1.055
Net Benefit to PCC	0.026	5.217	5.243
NPV	0.72	1.40	2.12

*for the December scrutiny report Land Drainage, Community Benefit Fund and General Contingency were consolidated into one figure £1.097m.

4.2.3 As such the impact of a potential delay is a reduction in Net Profit & Loss of £0.681m.

4.2.4 Similarly this changes the 5 year Profit & Loss position:

5 Year Profit & Loss

Expenditure	Total*	2013.14	2014.15	2015.16	2016.17	2017.18
Total Capital Costs	10.280	0.084	0.098	9.860	0.000	0.000
Revenue P&L:						
Total Revenue Costs	23.972	0.007	0.012	0.290	0.890	0.896
Total Income	28.160	0.000	0.000	0.147	0.945	0.991
Development Net Profit	4.188	-0.007	-0.012	-0.143	0.055	0.095
Business Rates Retained	1.055	0.000	0.000	0.005	0.031	0.032
Net Benefit to PCC	5.243	-0.007	-0.012	-0.138	0.085	0.127

*Includes pre 2013-14 expenditure

4.3 America Farm: Progress Update

4.3.1 The current proposal, which has still to be formally submitted to the Local Planning Authority (LPA), is for the installation of a 7.2MW solar farm on America Farm.

4.3.2 The Council to date has been completing additional surveys, which will form part of the additional package of information that will be submitted to the LPA for consideration. This includes the completion of archaeological surveys, the results of which were discussed with English Heritage and PCC's Archaeologist on 4 February 2014. Clarification of the following points were sought before formal amendments are submitted to the LPA:

- Agreed that no further excavation is required at this stage (pre-determination) on the site

Before any planning addendum submission the following matters are still to be finalised:

- Concerns that the pins method of fixing the panels in place may alter the hydrology of the sites if they were to penetrate the fen clay substrate. Concerns in relation to depth of cable trenches (dewatering). Council to undertake hydrological impact assessment of the pins foundations on the clay substrate and submission of hydrology baseline;
- Concerns raised in relation to the proximity of America Farm to Flag Fen – Council to provide additional photomontages to determine setting impacts before formal amendments to the scheme are submitted to the LPA
- The results of the C14 carbon dating and deposit model to be submitted to EH & PCC archaeologist for review and comments before formal amendments are submitted.

4.3.3 The Council has commissioned a soil survey in accordance with DEFRA guidance which confirms the land to be grade 3a and not grade 1 as older records indicated. The report adds that installation of a solar array would not result in permanent loss of agricultural land. During the 25 year lifetime of the solar array, the land could be grassed down and grazed by sheep. Sowing with grass would reduce or halt peat decomposition, with associated reduced carbon emissions into the atmosphere, and well managed grazing combined with sowing with appropriate grass seed mixes could be beneficial to long term soil fertility and the biodiversity of the site.

4.3.4 The Council has also gained vacant possession of America Farm through the tenant surrendering his lifetime tenancy. The house, buildings and one field have been let to the tenant on a short-term farm business tenancy of one year to allow time to wind down the tenant's business. There will be a new tenancy available as part of the development (grazing etc).

4.3.5 In summary based on the financial and planning issues outlined above and the national guidance on solar farms it is believed that the America Farm site should progress in line with the following timetables:

- Developer consultation events: March 2014
- Target planning committee date: September 2014
- Target cabinet meeting date: January 2015
- Mobilisation / Start on Site: August 2015
- Operational: December 2015

This is obviously subject to the remaining matters with English Heritage being satisfactorily dealt with.

5. OVERALL FINANCIAL POSITION ON GROUND MOUNTED SCHEMES

5.1 Scrutiny Committee also asked that the overall viability of all three schemes would mean that solar only options on sites should be discontinued. In line with the remodelling of America Farm similar work has been undertaken to prepare a more likely financial scenario for the other two sites. The table set out below shows that the overall financial benefit is likely to be in the region of £84m – an increase of £54m over the 25 years compared to the previous cautious position.

5.2 America Farm, Farms of Newborough and Morris Fen Financial Position – On time Scenario.

	December Scrutiny	Amendments	Best Case
MW Installed	81.7	0	81.7
	Total	Total	Total
PCC Project Costs			
Capital			
- Installation Costs	73.53	0.00	73.53
- Grid Connection Costs	10.00	6.88	16.88
- Development Costs	3.24	1.20	4.44
- Contingency	15.07	-10.82	4.25
Total Capital Costs	101.84	(2.74)	99.10
Operating Costs	-		-
- O&M Costs	76.58	-39.85	36.73
- Insurance	11.55	-0.95	10.59
- Business Rates	12.02	-0.13	11.89
- Land Drainage & Contingency	12.80	-8.90	3.90
- Community Benefit Fund	-	1.59	1.59
Principal Repayment	101.84	(2.74)	99.10
Interest	74.29	-0.92	73.37
Lost Rental Income	3.17	-	3.17
Total Expenditure	292.26	(51.91)	240.35
	-		-
PCC Project Income	-		-
Income - ROC	127.28	-5.93	121.35
Income - PPA	194.47	-3.71	190.76
Total Income	321.75	(9.64)	312.11
	-		-
Net Profit & Loss	29.49	42.27	71.76
Business Rates Retained by PCC	-	11.89	11.89
Net benefit to PCC	29.49	54.17	83.65
Net Present Value	14.79	20.24	35.03

The detailed overall financial position for the On Time Scenario is shown in the appendices.

5.3 America Farm, Farms of Newborough and Morris Fen 5 year P&L – On time Scenario

Expenditure	Total	2013.14	2014.15	2015.16	2016.17	2017.18
Total Capital Costs	99.10	1.59	23.99	72.32	0.00	0.00
Revenue P&L:						
Total Revenue Costs	240.35	0.05	0.51	4.08	8.79	8.87
Total Income	240.35	0.05	0.51	4.08	8.79	8.87
Development Net Profit	71.76	-0.05	-0.44	0.15	1.76	2.13
Business Rates Retained	11.89	0.00	0.00	0.14	0.35	0.40
Net Benefit to PCC	83.65	-0.05	-0.44	0.29	2.10	2.53

5.4 America Farm, Farms of Newborough and Morris Fen Financial Position – Delayed Scenario

	December Scrutiny	Amendments	Best Case
MW Installed	81.7	0	81.7
PCC Project Costs	Total	Total	Total
Capital			
- Installation Costs	73.53	0.00	73.53
- Grid Connection Costs	10.00	6.88	16.88
- Development Costs	3.78	1.16	4.94
- Contingency	15.07	-10.82	4.25
Total Capital Costs	102.38	(2.78)	99.60
Operating Costs	-		-
- O&M Costs	78.44	-40.81	37.63
- Insurance	11.83	-0.97	10.85
- Business Rates	12.32	-0.13	12.18
- Land Drainage & Contingency	12.84	-8.83	4.01
- Community Benefit Fund	-	1.54	1.54
Principal Repayment	102.38	(2.78)	99.60
Interest	78.80	-0.55	78.24
Lost Rental Income	3.28	-	3.28
Total Expenditure	299.89	(52.54)	247.35
	-		-
PCC Project Income	-		-
Income - ROC	120.40	-5.44	114.96
Income - PPA	200.44	-3.48	196.96
Total Income	320.84	(8.92)	311.92
	-		-
Net Profit & Loss	20.95	43.62	64.57
Business Rates Retained by PCC	-	12.18	12.18
Net benefit to PCC	20.95	55.80	76.76
Net Present Value	14.79	15.57	30.37

The detailed overall financial position for the Delayed Scenario is shown in the appendices.

5.5 America Farm, Farms of Newborough and Morris Fen 5 year P&L – Delayed Scenario

Expenditure	Total	2013.14	2014.15	2015.16	2016.17	2017.18
Total Capital Costs	99.60	1.59	1.02	21.96	73.82	0.00
Revenue P&L:						
Total Revenue Costs	247.35	0.05	0.11	0.49	4.32	9.07
Total Income	311.92	0.00	0.00	0.15	4.56	10.76
Development Net Profit	64.57	-0.05	-0.11	-0.34	0.24	1.69
Business Rates Retained	12.18	0.00	0.00	0.00	0.15	0.36
Net Benefit to PCC	76.76	-0.05	-0.11	-0.34	0.39	2.05

5.6 Financial Model Sensitivities – On Time Scenario

5.6.1 The table illustrates the dimensions tested to assess the sensitivity of the financial viability of the proposals for the whole solar farms project under on time scenarios:

Sensitivities - Impact on Base Position	Current Income £m	Total Change +/-£m	Revised Total £m
Items with a negative impact on net income			
Capex Increase by £100k per MWp (Solar)	83.65	-15.17	68.48
O&M increase by £1k per MWp (Solar)	83.65	-3.15	80.50
Items with a positive impact on net income			
DECC PPA Central Curve	83.65	6.35	90.00
ROC £value increase by 5%	83.65	4.11	87.76
Degradation down by 0.2% pa	83.65	8.28	91.93
Capex reduce by £100k per MWp (Solar)	83.65	15.17	98.82
O&M decrease by £1k per MWp (Solar)	83.65	3.16	86.81
RPI @3% per annum	83.65	10.73	94.38

Details of the financial impact of the above sensitivities on each solar farm proposal are set out in the appendices.

5.6.2 The table illustrates the dimensions tested to assess the sensitivity of the financial viability for the proposed solar farms under delayed scenarios

Sensitivities - Impact on Base Position	Current Income £m	Total Change +/-£m	Revised Total £m
Items with a negative impact on net income			
Capex Increase by £100k per MWp (Solar)	76.76	-15.54	61.22
O&M increase by £1k per MWp (Solar)	76.76	-3.24	73.52
Items with a positive impact on net income			
DECC PPA Central Curve	76.76	6.13	82.89
ROC £value increase by 5%	76.76	3.98	80.74
Degradation down by 0.2% oa	76.76	8.33	85.09
Capex reduce by £100k per MWp (Solar)	76.76	15.60	92.36
O&M decrease by £1k per MWp (Solar)	76.76	3.23	79.99
RPI @3% per annum	76.76	11.89	88.65

Details of the financial impact of the above sensitivities on each solar farm proposal are set out in the appendices.

- 5.6.3 The Council's price projections for power are based upon market intelligence. To demonstrate the prudence in the Council's numbers, a sensitivity check has been conducted by taking DECC's central price forecast for wholesale electricity, and calculated what the impact on the project would be.
- 5.6.4 The Council's ROC values are based upon market intelligence. However, a Renewable Obligation Certificate (ROC) is tradable. There is a floor price for ROCs (i.e., that they can't go below). However, there is the potential to trade ROCs and achieve more than the base price. Hence a sensitivity has been run to demonstrate this impact.
- 5.6.5 The effectiveness of a solar panel degrades over time. This affects the MWh outputs. As a result, standard practice is to build into the forecasting of income and costs (that are driven by the MWh outputs) an annual degradation factor. The Council has assumed a market rate, but is aware of other degradation factors that others in the market are using. The Council's position is more prudent but a sensitivity check has been run to demonstrate its potential impact.
- 5.6.6 The Council's install price is based upon market intelligence. Common consensus in the solar industry is that panel prices will continue to reduce (in line with the subsidy regime). To demonstrate the impact of panel prices on the project, both increase and decrease price impacts have been assessed.
- 5.6.7 The Council's O&M price is based upon market intelligence. Both positive and negative pricing sensitivities have been assessed.
- 5.6.8 The Council has based its RPI assumptions upon HMT guidance and long term forecasting of RPI for public sector projects. The Council and its advisers are aware that other projects are using 3% pa as an RPI estimate. The Council's position is more prudent, but a sensitivity check has been conducted to demonstrate potential upside impact.

5.7 America Farm: Risks

- 5.7.1 A risk to a solar farm's financial viability on America Farm is continued uncertainty around the cost of the grid connection. Council currently has assigned £3m which is deemed to be sufficient.
- 5.7.2 Other risks to the programme, apart from the SoS call in of the planning application, include the potential for a judicial review which may further delay the date of achieving planning consent and consequently prevent the plant from being operational within the ROC (Renewable Obligations Certificate) banding currently forecast. In addition there is the obvious position that the matter may be refused by the Planning Committee.

6. BUDGET CONSULTATION:

- 6.1 As part of the budget strategy the Cabinet set out clearly the financial impact on the budget of the three energy park schemes (pages 54 to 56 of the budget proposals document).

In summary the document clearly set out the reasoning behind the proposals:

This scheme will make a significant contribution towards our Environment Capital aspirations as well as generating renewable energy which will help us to safeguard our budgets against future rising and uncertain energy costs. Additionally, the energy generated can be sold to bring in a significant new source of revenue that will help to close our funding gap and help protect future services.

The budget position reported in future years already includes this income, and if the projects do not go ahead, then the budget gaps we face will widen, as can be seen below:

	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
<i>MTFS position</i>	0	-17,848	-22,486	-23,843	-26,507
<i>net income from wind/solar</i>		-217	954	4,426	4,983
<i>revised budget gap is schemes do not proceed</i>		-17,631	-23,440	-28,269	-31,490

Full details of progress, and latest financial forecasts were reported to Scrutiny Commission for Rural Communities on 16 December 2013. More details can be found at the link below:

<http://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=405&MId=3273&Ver=4>

Cabinet therefore believes that the views of the community should be considered as part of the current decision making process.

6.2 The results of the budget consultation exercise at the close of Wednesday 12th February are as follows:

6.2.1 Disability Forum

Questions were raised as to why the Council was reducing services whilst proceeding with the renewables projects. It was explained that it was forecast that they would generate around £5m of net income per year to support the budget

6.2.2 Parish Council Liaison Committee (formal minutes will follow)

A question was raised following a discussion regarding discretionary services:

- Whether the wind and solar projects were discretionary, and if so whether they should continue
- Whether forecasts took into account all costs, including interest payments

It was explained that whilst such projects were discretionary, it was forecast that they would generate around £5m of net income per year to support the budget. The latest forecasts were discussed by Rural Scrutiny Commission on December 16th 2013, and all papers were on the website. These forecasts include all costs, including interest and operating costs. Cabinet would shortly consider the recommendations from scrutiny.

6.2.3 Twitter question from the ET:

Why not stop the Energy Park?

The council response was:

If we do, we will eventually have to make many millions of pounds of further cuts to important services. I do not want that and I believe a majority of residents would agree. We will have seen a 40 per cent reduction in our funding from government over five years amounting to £44 million. We have made significant changes to the organisation over recent years but with such a huge budget challenge it means we can no longer just make efficiencies. We need to do things differently if we are to continue to be able to fund services for our residents in the future and ensure the city's future prosperity.

The budget consultation document highlights the potential income that would be generated from our renewable energy projects and the predicted profit from all schemes. It also outlines the impact on future budget deficits should they not go ahead.

There are many benefits to these schemes. The energy generated could be sold to provide an important source of income to fund future services at a time when government funding is scarce and councils are facing year-on-year cuts. Generating our own energy would also help us safeguard our budgets against future rising and uncertain energy costs.

The projected income from these projects has already been factored in to our budget position for future years. If they did not go ahead this would have a dramatic impact on our funding gap.

Full details of progress and latest financial forecasts were reported to the Scrutiny Commission for Rural Communities on 16 December 2013. More details can be found at the link below:

<http://democracy.peterborough.gov.uk/ielListDocuments.aspx?CId=405&MId=3273&Ver=4>

6.2.4 Greater Peterborough Partnership:

GPP asked about the renewable projects and the contribution they make to the budget and they asked for a further briefing on this from Blue Sky. This will be done.

7. CONCLUSION AND RECOMMENDED NEXT STEPS FOR MORRIS FEN AND NEWBOROUGH

7.1.1 The consultation results show that across the Council area as a whole that there is no strength of feeling in the wider community that the projects should not progress. This has to be balanced with the major opposition from the farmers, individuals and local communities who are directly impacted upon by the Morris Fen and Newborough proposals.

7.1.1 It is therefore proposed that Council undertakes further engagement and consultation with these individuals and groups to discuss if there is any potential way to take the schemes forward at the two sites for the following options:

- Ground mounted only
- Ground mounted and wind
- Wind only

The aim will be to bring back a report to Cabinet at its March meeting.

8. ANTICIPATED OUTCOMES

8.1 It is anticipated that Cabinet will agree a strategy for the three energy parks sites as outlined in the report

9. REASONS FOR RECOMMENDATIONS

9.1 Continuing with the solar farm at America Farm and subsequent successful completion will realise for the Council a net income of £6.64m over the 25 year period.

9.2 Continuing with the Option (1) Solar Farm only development and if successfully completed will realise for the Council a net income of between £93.62m and £86.67m over the 25 year period.

10. ALTERNATIVE OPTIONS CONSIDERED

10.1 America Farm:

Do not progress the energy park.

10.2 Morris Fen and Newborough:

Do not progress the ground mounted solar only option.
Do not undertake further engagement and consultation work.

11. IMPLICATIONS

11.1 Financial implications

The latest projections indicate that the schemes if progressed would generate net income in excess of the current MTFS projections. Given the remaining issues to resolve on the sites it is prudent to leave the income forecasts as those set out in the budget book at the aggregate level for all 3 schemes

11.2 Legal implications

Section 11(3) of the Local Government (Miscellaneous Provisions) Act 1976 had provided that local authorities may sell energy but only that produced from a heat source. This restriction was removed by The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 (SI 2010/1910) thereby allowing local authorities to sell energy they produce from renewable energy sources back to the national electricity grid and which came into force on 18 August 2010. "Renewable energy sources" includes energy from wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogases, and thus encompasses the wind and solar options referred to within this Report.

11.3 Corporate Priorities.

This proposal supports the Council in its aspiration to become home of Environment Capital.

11.4 Property:

America Farm – the majority of the farm is now vacant following the surrender of the life time tenancy. A small part, including the house has been re-let to the tenant on a one year Farm Business Tenancy which will expire on 10th October 2014. No further compensation will be required.

Newborough – The land is occupied under a number of tenancies. Three of the occupiers have been granted short-term farm business tenancies which will expire on the 10th October 2014. The remaining occupiers occupy under long-term tenancies which can be determined on giving 12 months' notice. Early occupation can be obtained for non-agricultural uses on giving 3 months' notice if required for two of those tenancies. Compensation will be payable in respect of the long-term leases. These costs have been accounted for in the development costs.

11.5 Planning:

As detailed above in paragraph 5.7

11.6 Procurement:

The Council will need to procure another Solar PV contractor, and it is investigating the potential to utilise the services of another local authority that is offering Solar PV contracting services. This will enable a streamlined, OJEU compliant and cost efficient procurement to be conducted.

12. CONSULTATION

- 12.1.1 The following consultations have taken place since the last Report to Cabinet on the 5 November 2012:
- 12.1.2 Scrutiny Commission for Rural Communities 16 September 2013: Council presented the latest financial position on the solar farms.
- 12.1.3 Scrutiny Commission for Rural Communities 18 November 2013: it was requested that an extraordinary meeting be held on 16 December 2013 in order for the Council to present its position based on the feedback received.
- 12.1.4 Scrutiny Commission for Rural Communities 16 December 2013; Council presented the further information and detail requested regarding:
- a report on dual use proposals
 - a report on alternative available land for solar farms
 - a report on the future of the Farms Estate and its tenant farmers
 - clarification on what consultation had taken place with the farmers and rural community as well as what further consultation is planned
 - information on which reports had been commissioned in relation to ecological and biodiversity concerns
 - a three page detailed breakdown of top level figures supporting options for solar farms and wind farms
- 12.1.5 The outcome of the 16th December meeting was the two recommendations as follows:
- Council stop all further development on America Farm Solar Farms
 - Council stop all further development of the Option 1 All Solar Farms on the three farms identified.
- 12.1.6 In line with requests from the Scrutiny Commission for Rural Communities and other consultees, the Council has created a tenant farmers working group to not only engage tenants regarding the ongoing solar farm proposal but the future of the Farms Estate too.
- 12.1.7 Furthermore, prior to the planning application addendums being submitted, Council will hold additional “developer consultations” where the Council will update communities directly impacted by the proposals to inform of them of progress, current status and to field any direct queries from members of the public.

13. BACKGROUND DOCUMENTS:

DECC Update Guidance: “UK Solar PV Strategy Part 1: Roadmap to a Brighter Future”

BRE Solar Centre Planning Guidance

14. SCHEDULE OF APPENDICES

Appendix 1: America Farm On Time 5 Year Profit & Loss

Appendix 2: America Farm Delayed 5 Year Profit & Loss

Appendix 3: America Farm, farms at Newborough and Morris Fen Financial Position On Time

Appendix 4: America Farm, farms at Newborough and Morris Fen On Time 5 Year Profit & Loss

Appendix 5: America Farm, farms at Newborough and Morris Fen Delayed Scenario

Appendix 6: America Farm, farms at Newborough and Morris Fen 5 Year Profit & Loss Delayed Scenario

Appendix 7: Financial Model Sensitivities On Time Scenario

Appendix 8: Financial Model Sensitivities Delayed Scenario

**America Farm - On Time
5 Year Profit & Loss**

Appendix 1

Expenditure	Total	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18
Capital Costs:							
- Install Costs	6.480	0.000	0.000	6.480	0.000	0.000	0.000
- Grid Connection	3.000	0.000	0.000	3.000	0.000	0.000	0.000
- Development Costs	0.500	0.229	0.089	0.182	0.000	0.000	0.000
- Contingency	0.250	0.000	0.000	0.250	0.000	0.000	0.000
Total Capital Costs	10.230	0.229	0.089	9.912	0.000	0.000	0.000
Revenue Expenditure:							
Maintenance	3.183	0.000	0.000	0.008	0.092	0.095	0.098
- Insurance	0.738	0.000	0.000	0.002	0.021	0.022	0.023
- Business Rates	1.030	0.000	0.000	0.002	0.030	0.031	0.032
- Land Drainage & Contingency	0.503	0.000	0.000	0.004	0.015	0.016	0.016
- Community Benefit Fund	0.137	0.000	0.000	0.000	0.004	0.004	0.004
Principal Repayment	10.230	0.000	0.000	0.000	0.228	0.238	0.248
Interest Costs	7.111	0.002	0.007	0.239	0.459	0.449	0.438
Rental Income	0.279	0.000	0.000	0.003	0.008	0.009	0.009
Total Revenue Costs	23.211	0.002	0.007	0.258	0.857	0.862	0.868
Income:							
Income - ROC	11.374	0.000	0.000	0.041	0.491	0.503	0.515
Income - PPA	16.731	0.000	0.000	0.036	0.433	0.469	0.504
Total Income	28.105	0.000	0.000	0.076	0.925	0.972	1.019
Net Profit & Loss	4.894	-0.002	-0.007	-0.182	0.068	0.110	0.151
Business Rates Retained	1.030	0.000	0.000	0.002	0.030	0.031	0.032
Net Benefit to PCC	5.924	-0.002	-0.007	-0.179	0.097	0.140	0.183

5 Year Profit & Loss

Expenditure	Total	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18
Capital Costs:							
- Install Costs	6.480	0.000	0.000	0.000	6.480	0.000	0.000
- Grid Connection	3.000	0.000	0.000	0.000	3.000	0.000	0.000
- Development Costs	0.550	0.237	0.084	0.098	0.130	0.000	0.000
- Contingency	0.250	0.000	0.000	0.000	0.250	0.000	0.000
Total Capital Costs	10.280	0.237	0.084	0.098	9.860	0.000	0.000
Revenue Expenditure:							
- O&M	3.258	0.000	0.000	0.000	0.015	0.095	0.098
- Insurance	0.756	0.000	0.000	0.000	0.003	0.022	0.023
- Business Rates	1.055	0.000	0.000	0.000	0.005	0.031	0.032
- Land Drainage & Contingency	0.527	0.000	0.000	0.000	0.005	0.020	0.020
- Community Benefit Fund	0.133	0.000	0.000	0.000	0.000	0.004	0.004
Principal Repayment	10.280	0.000	0.000	0.000	0.000	0.219	0.230
Interest Costs	7.678	0.002	0.007	0.012	0.257	0.491	0.480
Lost Rental Income	0.285	0.000	0.000	0.000	0.004	0.008	0.009
Total Revenue Costs	23.972	0.002	0.007	0.012	0.290	0.890	0.896
Income:							
Income - ROC	10.891	0.000	0.000	0.000	0.075	0.473	0.484
Income - PPA	17.270	0.000	0.000	0.000	0.071	0.472	0.508
Total Income	28.160	0.000	0.000	0.000	0.147	0.945	0.991
Net Profit & Loss	4.188	-0.002	-0.007	-0.012	-0.143	0.055	0.095
Business Rates Retained	1.055	0.000	0.000	0.000	0.005	0.031	0.032
Net Benefit to PCC	5.243	-0.002	-0.007	-0.012	-0.138	0.085	0.127

America Farm, Farms of Newborough and Morris Fen Financial Position - On Time Scenario										Appendix 3				
	December Scrutiny				Amendments				Best Case					
MW Installed	7.2	25.5	49		0	0	0			7.2	25.5	49		
	America Farm	Morris Fen	Newborough Farm	Total	America Farm	Morris Fen	Newborough Farm	Total		America Farm	Morris Fen	Newborough Farm	Total	
PCC Project Costs														
Capital														
- Installation Costs	6.48	22.95	44.10	73.53	0.00	0.00	0.00	0.00		6.48	22.95	44.10	73.53	
- Grid Connection Costs	1.78	4.27	3.96	10.00	1.22	2.93	2.72	6.88		3.00	7.20	6.68	16.88	
- Development Costs	0.36	1.13	1.75	3.24	0.14	0.27	0.80	1.20		0.50	1.39	2.55	4.44	
- Contingency	1.95	5.49	7.63	15.07	-1.70	-3.99	-5.13	-10.82		0.25	1.50	2.50	4.25	
Total Capital Costs	10.56	33.84	57.44	101.84	-	(0.33)	(0.79)	(1.61)	(2.74)	-	10.23	33.04	55.83	99.10
Operating Costs				-									-	
- O&M Costs	6.64	23.81	46.14	76.58	-3.45	-12.39	-24.01	-39.85		3.18	11.42	22.13	36.73	
- Insurance	1.18	3.82	6.55	11.55	-0.44	-0.16	-0.35	-0.95		0.74	3.65	6.20	10.59	
- Business Rates	1.04	3.74	7.24	12.02	-0.01	-0.04	-0.08	-0.13		1.03	3.70	7.16	11.89	
- Land Drainage & Contingency	1.10	3.87	7.84	12.80	-0.59	-2.69	-5.62	-8.90		0.50	1.18	2.21	3.90	
- Community Benefit Fund	-	-	-	-	0.14	0.47	0.98	1.59		0.14	0.47	0.98	1.59	
Principal Repayment	10.56	33.84	57.44	101.84	-	(0.33)	(0.79)	(1.61)	(2.74)	-	10.23	33.04	55.83	99.10
Interest	7.03	24.62	42.64	74.29	0.08	-0.09	-0.91	-0.92		7.11	24.53	41.73	73.37	
Lost Rental Income	0.3	1.13	1.76	3.17	-	-	-	-		0.28	1.13	1.76	3.17	
Total Expenditure	27.82	94.83	169.62	292.26	-	(4.61)	(15.70)	(31.61)	(51.91)	-	23.21	79.13	138.01	240.35
				-									-	
PCC Project Income				-									-	
Income - ROC	12.02	40.02	75.25	127.28	-0.64	-1.82	-3.46	-5.93		11.37	38.19	71.79	121.35	
Income - PPA	17.08	61.49	115.91	194.47	-0.34	-1.19	-2.18	-3.71		16.73	60.30	113.73	190.76	
Total Income	29.09	101.50	191.15	321.75	-	(0.99)	(3.01)	(5.64)	(9.64)	-	28.10	98.49	185.52	312.11
				-									-	
Net Profit & Loss	1.27	6.68	21.54	29.49	0.00	3.62	12.68	25.97	42.27	0.00	4.89	19.36	47.51	71.76
Business Rates Retained by PCC	-	-	-	-		1.03	3.70	7.16	11.89		1.03	3.70	7.16	11.89
Net benefit to PCC	1.27	6.68	21.54	29.49	0.00	4.65	16.38	33.13	54.17	0.00	5.92	23.06	54.67	83.65
Net Present Value	0.72	3.89	10.19	14.79		1.80	6.15	12.29	20.24		2.52	10.04	22.47	35.03

Expenditure	Total	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18
Capital Costs:							
- Install Costs	73.53	0.00	0.00	15.66	57.87	0.00	0.00
- Grid Connection	16.88	0.00	0.00	5.88	11.00	0.00	0.00
- Development Costs	4.44	1.22	1.59	1.60	0.05	0.00	0.00
- Contingency	4.25	0.00	0.00	0.85	3.40	0.00	0.00
Total Capital Costs	99.10	1.22	1.59	23.99	72.32	0.00	0.00
Revenue Expenditure:							
- O&M	36.73	0.00	0.00	0.01	0.44	1.08	1.10
- Insurance	10.59	0.00	0.00	0.00	0.13	0.31	0.31
- Business Rates	11.89	0.00	0.00	0.00	0.14	0.35	0.40
- Land Drainage Levy & Contingency	3.90	0.00	0.00	0.00	0.08	0.11	0.11
- Community Benefit Fund	1.59	0.00	0.00	0.00	0.03	0.05	0.05
Principal Repayment	99.10	0.00	0.00	0.00	0.23	2.14	2.14
Interest Costs	73.37	0.01	0.05	0.49	2.97	4.66	4.66
Lost Rental Income	3.17	0.00	0.00	0.00	0.07	0.10	0.10
Total Revenue Costs	240.35	0.01	0.05	0.51	4.08	8.79	8.87
Income:							
Income - ROC	121.35	0.00	0.00	0.04	2.19	5.29	5.40
Income - PPA	190.76	0.00	0.00	0.04	2.04	5.25	5.60
Total Income	312.11	0.00	0.00	0.08	4.24	10.54	11.00
Net Profit & Loss	71.76	-0.01	-0.05	-0.44	0.15	1.76	2.13
Business Rates Retained	11.89	0.00	0.00	0.00	0.14	0.35	0.40
Net benefit to PCC	83.65	-0.01	-0.05	-0.44	0.29	2.10	2.53

America Farm, Farms of Newborough and Morris Fen - Delayed Scenario				Appendix 5											
December Scrutiny				Amendments				Best Case							
MW Installed	7.2	25.5	49			0	0	0			7.2	25.5	49		
	America Farm	Morris Fen	Newborough Farm	Total		America Farm	Morris Fen	Newborough Farm	Total		America Farm	Morris Fen	Newborough Farm	Total	
PCC Project Costs															
Capital															
- Installation Costs	6.48	22.95	44.10	73.53		0.00	0.00	0.00	0.00		6.48	22.95	44.10	73.53	
- Grid Connection Costs	1.78	4.27	3.96	10.00		1.22	2.93	2.72	6.88		3.00	7.20	6.68	16.88	
- Development Costs	0.41	1.30	2.08	3.78		0.14	0.26	0.76	1.16		0.55	1.55	2.84	4.94	
- Contingency	1.95	5.49	7.63	15.07		-1.70	-3.99	-5.13	-10.82		0.25	1.50	2.50	4.25	
Capital Costs	10.61	34.01	57.77	102.38		(0.33)	(0.80)	(1.65)	(2.78)		10.28	33.20	56.12	99.60	
Operating Costs				-										-	
- O&M Costs	6.79	24.46	47.19	78.44		-3.54	-12.73	-24.55	-40.81		3.26	11.73	22.64	37.63	
- Insurance	1.20	3.92	6.70	11.83		-0.45	-0.17	-0.36	-0.97		0.76	3.75	6.34	10.85	
- Business Rates	1.07	3.84	7.41	12.32		-0.01	-0.04	-0.08	-0.13		1.05	3.80	7.33	12.18	
- Land Drainage & Contingency	1.15	4.00	7.69	12.84		-0.63	-2.75	-5.46	-8.83		0.53	1.25	2.23	4.01	
- Community Benefit Fund	-	-	-	-		0.13	0.48	0.93	1.54		0.13	0.48	0.93	1.54	
Principal Repayment	10.61	34.01	57.77	102.38		(0.33)	(0.80)	(1.65)	(2.78)		10.28	33.20	56.12	99.60	
Interest	7.88	26.29	44.63	78.80		-0.20	-0.07	-0.29	-0.55		7.68	26.22	44.35	78.24	
Lost Rental Income	0.3	1.2	1.8	3.28		-	-	-	-		0.28	1.20	1.80	3.28	
Total Expenditure	28.99	97.71	173.19	299.89	-	(5.02)	(16.07)	(31.46)	(52.54)	-	23.97	81.64	141.74	247.35	
				-										-	
Income				-										-	
Income - ROC	11.42	37.94	71.04	120.40		-0.53	-1.70	-3.21	-5.44		10.89	36.24	67.83	114.96	
Income - PPA	17.60	63.61	119.23	200.44		-0.33	-1.11	-2.04	-3.48		17.27	62.50	117.19	196.96	
Total Income	29.01	101.55	190.27	320.84	-	(0.85)	(2.81)	(5.25)	(8.92)	-	28.16	98.74	185.02	311.92	
				-										-	
Net Profit & Loss	0.03	3.85	17.08	20.95		4.16	13.25	26.20	43.62	0.00	4.19	17.10	43.28	64.57	
Business Rates Retained by PCC	-	-	-	-		1.05	3.80	7.33	12.18		1.05	3.80	7.33	12.18	
Net benefit to PCC	0.03	3.85	17.08	20.95	0.00	5.22	17.05	33.53	55.80		5.24	20.90	50.61	76.76	

Expenditure	Total	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18
Capital Costs:							
- Install Costs	73.53	0.00	0.00	0.00	15.48	58.05	0.00
- Grid Connection	16.88	0.00	0.00	0.00	5.11	11.77	0.00
- Development Costs	4.94	1.22	1.59	1.02	0.57	0.55	0.00
- Contingency	4.25	0.00	0.00	0.00	0.80	3.45	0.00
Total Capital Costs	99.60	1.22	1.59	1.02	21.96	73.82	0.00
Revenue Expenditure:							
- O&M	37.63	0.00	0.00	0.00	0.02	0.48	1.11
- Insurance	10.85	0.00	0.00	0.00	0.00	0.14	0.32
- Business Rates	12.18	0.00	0.00	0.00	0.00	0.15	0.36
- Land Drainage Levy & Contingency	4.01	0.00	0.00	0.00	0.01	0.11	0.12
- Community Benefit Fund	1.54	0.00	0.00	0.00	0.00	0.00	0.05
Principal Repayment	99.60	0.00	0.00	0.00	0.00	0.22	2.08
Interest Costs	78.24	0.01	0.05	0.11	0.44	3.12	4.93
Lost Rental Income	3.28	0.00	0.00	0.00	0.01	0.10	0.10
Total Revenue Expenditure	247.35	0.01	0.05	0.11	0.49	4.32	9.07
Income:							
Income - ROC	114.96	0.00	0.00	0.00	0.08	2.21	5.06
Income - PPA	196.96	0.00	0.00	0.00	0.07	2.35	5.69
Total Income	311.92	0.00	0.00	0.00	0.15	4.56	10.76
Net Profit & Loss	64.57	-0.01	-0.05	-0.11	-0.34	0.24	1.69
Business Rates Retained	12.18	0.00	0.00	0.00	0.00	0.15	0.36
Net benefit to PCC	76.76	-0.01	-0.05	-0.11	-0.34	0.39	2.05

Financial Model Sensitivities - On Time Scenario

Appendix 7

Sensitivities - Impact on Base Position				Current Income £m	America Farm Change in Net Overall Income (£m)	Morris Fen Change in Net Overall Income (£m)	Newborough Farm Change in Net Overall Income (£m)	Total Change +/-£m	Revised Total £m
Items with a negative impact on income									
Capex Increase by £100k per MWp (Solar)				83.65	-1.30	-4.74	-9.13	-15.17	68.48
O&M increase by £1k per MWp (Solar)				83.65	-0.27	-0.98	-1.90	-3.15	80.50
Items with a positive impact on income								0.00	0.00
DECC PPA Central Curve				83.65	0.59	2.03	3.73	6.35	90.00
ROC £value increase by 5%				83.65	0.56	1.21	2.34	4.11	87.76
Degradation down by 0.2% pa				83.65	0.75	2.61	4.92	8.28	91.93
Capex reduce by £100k per MWp (Solar)				83.65	1.31	4.73	9.13	15.17	98.82
O&M decrease by £1k per MWp (Solar)				83.65	0.28	0.98	1.90	3.16	86.81
RPI @3% per annum				83.65	0.91	3.33	6.49	10.73	94.38

Financial Model Sensitivities - Delay Scenario

Appendix 8

Sensitivities - Impact on Base Position	Current Income £m	America Farm Change in Net Overall Income (£m)	Morris Fen Change in Net Overall Income (£m)	Newborough Farm Change in Net Overall Income (£m)	Total Change +/-£m	Revised Total £m
Items with a negative impact on income						
Capex Increase by £100k per MWp (Solar)	76.76	-1.34	-4.84	-9.35	-15.54	61.22
O&M increase by £1k per MWp (Solar)	76.76	-0.28	-1.01	-1.94	-3.24	73.52
Items with a positive impact on income						
DECC PPA Central Curve	76.76	0.57	1.97	3.60	6.13	82.89
ROC £value increase by 5%	76.76	0.36	1.27	2.36	3.98	80.74
Degradation down by 0.2% oa	76.76	0.75	2.66	4.93	8.33	85.09
Capex reduce by £100k per MWp (Solar)	76.76	1.35	4.90	9.36	15.60	92.36
O&M decrease by £1k per MWp (Solar)	76.76	0.28	1.01	1.95	3.23	79.99
RPI @3% per annum	76.76	1.00	3.77	7.13	11.89	88.65