

## EXECUTIVE DECISION RECORD SHEET

<b>Name of decision maker:</b>	<b>Cllr Griffiths</b>
<b>Portfolio:</b>	<b>Housing</b>
<b>Date of Portfolio Holder Decision:</b>	

  

<b>Title of Decision:</b>	<b>Acceptance of tender report recommending the award of the Solar PV contract to The Breyer Group.</b>
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<b>Decision made and reasons:</b>	
1.	<p>To award the contract to the Breyer Group to undertake the installation of Solar PV on the following sheltered schemes;</p> <ul style="list-style-type: none"> <li>• Oaklawn</li> <li>• Langley House</li> <li>• Dudley House</li> <li>• Holly Tree Court</li> <li>• Compass Point</li> <li>• Cranford</li> <li>• William Crook House</li> </ul>

  

<b>Reports considered: ( here reference can be made to specific documents)</b>	
Cabinet report May 2011, Tender report Fusion 21, Savills Sheltered Housing Portfolio Review May 2010.	

  

<b>Officers/Councillors/Ward Councillors/Stakeholders Consulted:</b>	
Head of Housing, Asset Team Leader. Programme and Procurement Team Leader, Group Manager Tenants and Leaseholders, Elderly services Team Leader, Insurance and Risk Manager. Group Manager Procurement	

  

<b>Monitoring Officer comments:</b>	No further comments to add.
<b>Deputy S151 Officer comments:</b>	Deputy S151 Officer comment shave been incorporated into the report. Funding for the installations has been incorporated into the Capital Programme (line 182 – improvements to Housing Stock) and into revenue budgets.

  

<b>Implications/ Risk/ Value for Money</b>	<p>The work has been procured on a performance specification through the Procurement for Housing (Pfh) Fusion 21 OJEU compliant framework agreement. Fusion 21 have undertaken an evaluation of the three tender returns to assess cost and quality criteria.</p> <p>The evaluation includes for whole life operating and maintenance costs and provided manufacturer's guarantees for the components. Installation liabilities are covered in the contract.</p> <p>The Council have committed to install PV,</p>
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	providing it still provides tangible benefits. The scheme, whilst delivering a lower return than originally anticipated, will still provide a sustainable method of electricity generation therefore reducing the supplier costs and deliver a return through the FiT.
<b>Implications/ Risk/ Value for Money</b>	<p>All of the schemes will benefit from real time monitoring, which will be used to inform future decisions on the best energy conservation and education methods that can be adopted in other schemes.</p> <p>Although there has been a reduction in the FiT's payable the installation costs have reduced dramatically and therefore the scheme still provides a return on the investment over the life of the scheme (25 years).</p>
<b>Options Considered and reasons for rejection:</b> To suspend the installation of the panels pending the review of the government consultation. This has been rejected as there is likely to be a further reduction in the tariffs, especially on properties that do not meet the minimum energy performance rating of C.	

**Portfolio Holders Signature:**

**Date:**

**Details of any interests declared and any dispensations given by the Standards Committee:**

### For Member Support Officer use only

Date Decision Record Sheet received from portfolio holder:

Date Decision Published:

Decision No:

Date of Expiry of Call-In Period:

Date any Call-In received or decision implemented:

### BACKGROUND:

A report was presented to Cabinet in May outlining the opportunities to generate revenue from Feed in Tariffs by the installation of solar Photovoltaic panels on the Council's housing stock.

The report outlined two options;

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- A rent a roof scheme facilitated by Renewables East that would provide solar PV on approximately 2000 properties across the Borough
- Installation of PV panels on sheltered schemes, which would be funded by the Councils capital

In November 2011 Government announced a reduction in the tariffs from 43.3p per KWh to 21.3p per KWh. It had been anticipated there would be a reduction from 1<sup>st</sup> April 2012; however the reduction is now due to take effect on the 12<sup>th</sup> December. The decision has been subject to a legal challenge from Friends of the Earth and is subject to review following responses to the DECC consultation on Feed-in Tariffs (FITs) for solar PV, which is due for return on the 23<sup>rd</sup> December 2011.

System size	Original generation Tariff	New Generation Tariff (post Dec 12 <sup>th</sup> )
4kW	43.3p	21.0p
4-10kW	37.8p	16.8p
10-50kW	32.9p	15.2p

The reduction in tariff resulted in widespread withdrawal of the commercial funders, who were backing rent a roof schemes and the Council were advised, by Savills who were progressing the scheme, that it would no longer be possible to proceed.

The reduction in Feed in Tariff (FiT) has had an impact on the sheltered scheme installations, however since the original report was drafted the manufacturing and install costs have reduced substantially, which in part offset the tariff reduction.

There are still a number of benefits to installing the Solar PV panels on the sheltered scheme roofs and these are summarised below;

- Delivery of renewable energy – Carbon reduction
- Lower costs related to DBC bills for common areas
- Positive measures to support the sustainability agenda
- A return on the initial capital investment
- Ability to monitor the consumption of electricity in real time and determine the most effective thermal and energy saving measures

There is still a need to move quickly in order to lock in at the current tariffs and until the comments from the consultation are taken into consideration any future changes in tariff remain uncertain.

Once the installations are registered, the Feed in Tariffs are fixed for 25 years and subject only to index-linking for inflation.

The report to Cabinet in May provided the illustrative costs and revenue that would be generated by installing a 20 kWp array of panels on a sheltered scheme. The installation costs at that stage were anticipated to be £80,000 and generate an income of approximately £5000 through the FiT and further savings on the electricity. The estimated

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payback period for the original illustration was 7.5 years and would generate the annual surplus of around £5200 thereafter.

Over the 25 year guaranteed tariff period, at the original tariff rates of between 43.3p and 32.9p this would generate additional income of around £128,000.

Three tenders for the supply and installation of panels at seven sheltered housing schemes, procured through the Fusion 21 OJEU compliant framework, have been received. The details of the pricing element of the tenders are set out in the table below;

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System size	Scheme address		Breyer	Bramall	Apollo
<b>KWp</b>	Oaklawn		3.96	3.96	3.96
	Langley House		9.90	9.90	9.90
	Dudley House		30.14	30.14	30.14
	Holly Tree Court		11.44	11.41	11.44
	Compass Point		13.86	13.86	13.86
	Cranford		13.86	13.86	13.86
	William Cook House		29.20	29.20	29.20
	<b>Total KWp</b>		<b>112.36</b>	<b>112.33</b>	<b>112.36</b>
<b>Cost</b>					
<b>Cost</b>	Oaklawn		9,077.41	11,049.00	12,338.02
	Langley House		21,988.00	25,989.00	28,433.19
	Dudley House		65,979.64	70,153.00	77,975.19
	Holly Tree Court		25,335.19	30,395.00	31,496.41
	Compass Point		54,112.33	34,910.00	38,810.03
	Cranford		30,595.02	34,621.00	38,420.72
	William Cook House		63,936.55	71,874.00	81,158.11
	OHP		inc	16,739.45	inc
	<b>Total Cost</b>		<b>247,506.91</b>	<b>295,730.45</b>	<b>308,631.67</b>
	<b>£KWp</b>		<b>2,202.80</b>	<b>2,632.69</b>	<b>2,746.81</b>

The costs have been included in the overall assessment criteria and the results are contained in the table below;

	Section weighting	Max Weighted score	Breyer	Keepmoat	Apollo
Commodity and whole life cost					
Total cost	35%	3.5	2.45	1.75	1.40
£KW	35%	3.5	2.45	1.75	1.40
Quality & Capacity					
Timetable/programme	4%	0.4	0.40	0.04	0.16
Response times for breakdowns	2%	0.2	0.08	0/08	0.08
Repair completion	2%	0.2	0.08	0.08	0.08
Method of work	4%	0.4	0.28	0.16	0.16
Product literature	2%	0.2	0.14	0.02	0.14
Surveys	2%	0.2	0.20	0.20	0.20
Equality & Diversity	2%	0.2	0.20	0.02	0.20
Staff responsiveness	2%	0.2	0.20	0.14	0.08
Added Value					
Tenant Engagement	5%	0.5	0.35	0.35	0.35
Value added services	5%	0.5	0.35	0.35	0.35
<b>Total Available marks</b>		<b>10</b>	<b>7.06</b>	<b>4.94</b>	<b>4.60</b>

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It is recommended that the tender be awarded to Breyer, who have demonstrated the best overall value for money assessment.

Although the FiT is lower than originally anticipated, the capital cost of the installs have reduced and the payback periods are between 13.7 and 15.1 years dependent upon the the generating capacity of the individual schemes. The FiT is still guaranteed for 25 years with inflationary uplifts annually.

	Payback period years	Annual Income	Projected reduction in electricity costs
Oaklawn	14.0	£ 830.97	£104
Langley House	13.7	£ 2,099.24	£262
Dudley House	14.9	£ 5,913.36	£786
Holly Tree Court	15.1	£ 2,190.34	£300
Compass Point	13.8	£2,917.47	£359
Cranford	14.7	£2,753.96	£349
William Crook House	13.8	£ 6,137.19	£767
Totals		£22,842.53	£2,927

With energy costs projected to rise at levels higher than inflation, it is not possible to provide exact figures for the reduction in electricity costs at each scheme, however some indicative figures have been calculated from current usage and charges. Overall as an invest to save proposal; the installation of PV still demonstrates value for money.

Over the 25 year life of the scheme the income generated (without inflationary uplift applied) is estimated at £571,063.25. There are two options for operating and maintenance charges, which range in cost between £150 to £401 per scheme annually. The main component parts of the system are covered by extended warranties, with the panels having a 10 year warrantee and the inverters a 15 year warrantee, thereby reducing the financial risk from premature failure in the early years.

As the panels will be owned by the Council and fixed to the roof the Councils insurers have confirmed that these will be included within the current premiums payable and covered under the existing policy provisions.

### Budget Provision

The budget of £300,000 in the Housing Capital Programme will be used to fund the installations.

### Tenant Consultation

The principals of the scheme have been discussed and agreed by the Tenants and Leaseholder Committee and the Maintenance focus group.

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The residents in the seven schemes will be invited to attend coffee mornings to explain the benefits of the Solar PV and to provide some energy efficiency advice so they are able to understand the benefits of changing their behaviour.