

## Bath & North East Somerset Council

DECISION MAKER:	Cllr Paul Crossley, Leader of the Council Cllr David Bellotti, Cabinet Member for Community Resources	
DECISION DATE:	On or after 30 <sup>th</sup> August 2014	EXECUTIVE FORWARD PLAN REFERENCE: E 2692
TITLE:	Policy Loan in Wilmington Farm Solar Array	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> None		

### 1 THE ISSUE

The Green Investment & Jobs Fund (£1m) was approved by Council in February 2014 “*Investment of a policy loan in local renewable energy projects to further a range of Council policy objectives, whilst generating a source of income for the Council and contributing to the creation of ‘green’ jobs.*” The investment will also enable the Council to directly contribute to the achievement of the Core Strategy renewable energy targets.

### 2 RECOMMENDATION

- 2.1 The Cabinet Members are asked to AGREE in principle the loan of £500K into the Wilmington Farm Solar Array, subject to due diligence;
- 2.2 And to AUTHORISE the Divisional Director for Strategy & Performance in consultation with the Cabinet member for Resources to authorise the loan once satisfied that due diligence has been completed and subject to relevant terms and conditions.

### 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 This investment represents half of the Council’s approved budget for investment in 2014-15. There will be an estimated return on investment of 2.5%, subject to the Council’s actual cost of borrowing. All due diligence costs will be covered by Bath & West Community Energy. The loan will be repaid in 15 years.
- 3.2 The Special Purpose Vehicle that will be set up for the B&NES investment will ensure that the investment is secured on the asset, i.e. the renewable energy

generation equipment. In the event of the failure of Bath & West Community Energy for whatever reason, the relevant asset would revert to the Council.

#### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

- 4.1 The project has received planning permission and has been designed to minimise impact on the local natural environment.
- 4.2 The proposal supports Council policy commitments made in the B&NES Environmental Sustainability & Climate Change Strategy 2012-2015 to support the development of renewable energy in the area through: leading by example, partnership working and community enablement. It also supports the delivery of Core Strategy Policy CP 3 Renewable Energy, which sets B&NES wide targets for both electricity (110MwE) and heat (165MWth) through renewable energy.
- 4.3 £500m invested in local renewable energy projects via the Bath & West Community Energy would yield approx. £250k over a 20 years for the independently run Community Fund. The Community Fund will be reinvested in further community carbon reduction projects, increasing local resilience.
- 4.4 Their model also includes Community Share Offers, which means that local people have the opportunity to invest relatively small sums in local energy schemes with a good return on investment. They also are committed to working with local businesses. Combined, this means that the economic benefits of the renewable energy projects are all retained locally.

#### **5 THE REPORT**

- 5.1 BWCE objectives fully align with the Council – therefore the Council has signed a Cooperation Agreement stating its public intention to facilitate BWCE projects and help us to meet our Core Strategy renewable energy targets, whilst ensuring maximum local economic and resilience benefits (BWCE’s business plan aims to delivery 25% of the Core Strategy targets).
- 5.2 The agreed interest rate and repayment terms will be determined as part of the due diligence process and will be comparable to actual market rates in the renewable energy market to ensure that it is compliant with State Aid and LA Accounting Regulations..
- 5.3 The Council’s investment would be secured on the renewable energy assets via a dedicated Special Purpose Vehicle (SPV), which will be tested via due diligence.
- 5.4 BWCE have offered to pay the cost of due diligence.
- 5.5 BWCE is committed to using local labour and will follow the Council’s ‘Think Local’ procurement policy.
- 5.6 The Council is working to support local young people and small businesses to obtain relevant skills and business accreditation (via Green Skills Academy work and new DECC funded project).
- 5.7 BWCE have done calculations, based on Regen SW’s study on renewable energy jobs for the region, that suggest that up to 2019 jobs may arise in

B&NES, depending on how big a part we play in delivering the SW target. The Council's investment will contribute to this job creation in the future.

5.8 Procurement and legal advice is that an investment can be made in a BWCE owned SPV subsidiary, subject to due diligence, which will include State Aid assessment. The intention is to offer the policy loan under market terms, which will be set via the due diligence process.

5.9 The Council's proposed investment of £500k in the Wilmington Farm Solar Array will fund c. 20% of the scheme. The loan will provide leverage to BWCE for raising the remaining scheme costs to be raised through a Community Share Offer and debt finance.

## **6 RATIONALE**

6.1 BWCE are the only organisation delivering such projects in B&NES, with a community benefit model, and with a current pipeline of projects that can be delivered in time.

6.2 There are no other organisations based in B&NES that offer both the ability and track record to deliver community based renewable energy projects or the commitment to investing all surplus profit into a Community Energy Fund for reinvestment in local energy projects.

6.3 The Green Investment & Jobs Fund was agreed by Council with the intention of making a policy loan investment in 2014/15. As there is significant lead-in time required to develop a renewable energy project the Wilmington Farm scheme developed by BWCE provides an opportunity that fits with this timetable.

6.4 The Council has renewable energy targets in the Core Strategy and this scheme will contribute to meeting those targets whilst also providing positive encouragement for future renewable energy schemes to be developed.

## **7 OTHER OPTIONS CONSIDERED**

7.1 There is a significant lead-in time required to develop renewable energy schemes to a point at which a policy loan could be applicable. In order to make this policy loan investment in 2014/15 no other options were available to consider.

## **8 CONSULTATION**

8.1 Members: Cllr Paul Crossley, Cllr David Bellotti and Cllr David Martin. Officers: Andrew Pate, Tim Richens, Gary Adams and David Trethewey.

8.2 The scheme itself has been tested by the planning process and planning permission has been granted.

## **9 RISK MANAGEMENT**

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

<b>Contact person</b>	<i>Micaela Basford, Corporate Sustainability Officer. Tel: 01225 396402</i>
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	