

Bath & North East Somerset Council

NOTE TO COUNCIL ON BEHALF OF CLLR ROBIN MOSS, AS CHAIR OF THE RESOURCES POLICY DEVELOPMENT & SCRUTINY PANEL MEETING ON 29 SEPTEMBER 2014

SUBJECT: The Policy Loan of £500k in Wilmington Farm Solar Array

DATE: Council Meeting, 13 November 2014

PURPOSE: To provide background information only to councillors on the recent Single Member Decision to invest a policy loan of £500k in the Wilmington Farm Solar Array, following a call-in of that decision to the Resources Policy Development & Scrutiny Panel, subsequently dismissed.

BACKGROUND

- In 2011, the Council signed a Co-operation Agreement, following Cabinet approval, with local community enterprise, Bath & West Community Energy (BWCE) in order to help achieve a range of Council policy objectives and to pilot a new way of working with and for the community, to achieve maximum community benefit.
- The Council made policy commitments in the B&NES Sustainable Community Strategy 2009 and in the B&NES Environmental Sustainability & Climate Change Strategy 2012-15 to support the development of renewable energy in the area through: leading by example, partnership working and community enablement.
- BWCE was set up in 2010 by local people to develop community-based renewable energy and energy efficiency projects within B&NES (and later across a wider local area). It is an Industrial and Provident Society established for the benefit of the community and registered with the FCA.
- Part of the trigger for this response from the community was the setting of ambitious renewable energy targets in the B&NES Core Strategy. These are: stated in Policy CP 3 Renewable Energy: 110MWe of electricity and 165MWth of heat. BWCE is committed to delivering 25% of those targets.
- By July 2014, BWCE had raised over £2.2 m of investment in renewable energy, with a large proportion coming from community share offers. Ninety percent of the share-holders are B&NES residents.
- After paying their community investors a 7% return each year for the last three years, all surplus profit is invested in the independent charity, Bath & West Low Carbon Community Fund, for investment in local low carbon projects. To

date, £20k has been contributed, with much larger sums planned as more renewable energy projects are installed.

- The renewable energy projects installed so far include solar panel installations on the roofs of six B&NES schools, providing free electricity and an educational resource to those schools.
- The BWCE model, using Community Share Offers, means that local people have the opportunity to invest relatively small sums in local energy schemes with a good return on investment. Combined with BWCE's commitment to working with local businesses, using local labour and following the Council's 'Think Local' procurement policy, the economic benefits of the renewable energy projects are all retained locally.
- BWCE are the only organisation delivering local renewable energy projects in B&NES utilising a community benefit model.
- In 2012, BWCE was awarded Best Community Enterprise in the SW Green Energy Awards.
- In 2013, Bath & North East Somerset Council was awarded Most Proactive Public Sector Body in the SW Green Energy Awards, largely because of our work to support the development of community energy in B&NES through BWCE.
- In 2014, the government published its first national Community Energy Strategy. B&NES Council's work with BWCE is cited as an exemplar case study in the strategy.
- In September 2014 BWCE were awarded Best Organisation in the national Community Energy Awards.

THE GREEN INVESTMENT & JOBS FUND

- The Council's Green Investment & Jobs Fund (£1m) was approved by Council in February 2014 for *'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.'*
- Significant lead-in time is required to develop renewable energy projects and the intention behind the Fund was to invest it in local projects during 2014-2015 financial year.
- As the only organisation delivering such projects in B&NES, with a community benefit model, and with a current pipeline of projects and with a strong relationship already established via the Cooperation Agreement, it was inevitable that the Council would work with BWCE to find appropriate projects to invest in that would maximise benefit to the community.

THE FACTS BEHIND THE DECISION TO INVEST IN BWCE'S WILMINGTON FARM SOLAR ARRAY

- In August 2014, following 18 months of discussion with BWCE, Cllrs Crossley and Bellotti agreed in principle the idea of making a policy loan of £500k from the Green Investment & Jobs Fund into BWCE's proposed Wilmington Farm Solar Array, in order to help to overcome a market barrier to bank investment in small-scale community energy projects and to support the community share offer, subject to satisfactory completion of due diligence.
- Via a Single Member Decision, confirmed on 29 September 2014, they authorised the Divisional Director for Strategy & Performance to authorise the loan once satisfactory due diligence was completed and subject to relevant terms and conditions.
- Satisfactory due diligence was completed by the end of September and paid for by BWCE.
- The investment represents half of the Council's approved budget for investment in 2014-15. The agreed rate of interest the Council will charge BWCE is 6.5%, which has been confirmed by Treasury Advisors as an appropriate rate for this market and therefore compliant with State Aid and Local Authority Accounting Regulations. After the cost of borrowing, the Council will achieve an estimated return on investment of 2.5%. The loan will be fully repaid in 15 years.
- A Special Purpose Vehicle is being set up for the B&NES investment and will ensure that the investment is secured on the asset (ie the solar panels). In the event of the failure of BWCE for whatever reason, the relevant asset would revert to the Council.
- The solar project has received planning permission and has been designed to minimise impact on the local natural environment.
- The Council's investment will fund c20% of the scheme and provide leverage to BWCE for raising the remaining scheme costs through the current Community Share Offer.
- The £500k policy loan should yield approximately £250k over the 20 year life of the solar array (minimum) for the Bath & West Low Carbon Community Fund. There are currently no other local organisations or renewable energy installers offering both full local retention of the economic benefit of renewable energy projects and investment of all surplus profit back into the local community.
- Based on the SW renewable energy agency's calculations (Regen SW), it is suggested that around 2000 jobs could arise in B&NES if the SW target set by Regen SW is met. The Council's investment will help firstly to secure the five jobs at BWCE and will contribute to the predicted future job creation that will flow from the delivery of more local renewable energy projects.