

Report to Housing Scrutiny Panel

Date of meeting: 13th March 2012

Portfolio: Housing – Cllr M. McEwen

Subject: Solar PV to Council Housing

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Committee Secretary: Mark Jenkins



Recommendations:

That the Housing Scrutiny Panel suspend the proposed further feasibility study into the installation of Solar PV on Council-owned buildings, following the Government's recent decision to significantly reduce the level of Feed In Tariff, which makes the project unviable over a 25-year life cycle without significant additional funding from the Council.

Executive Summary:

The Housing Scrutiny Panel considered and supported a feasibility report into the installation of Solar Photovoltaic panels on Council-owned properties throughout the District. However, shortly after that decision was made, the Government announced a significant cut in the amount of grant known as the "Feed-In Tariff" (FIT), which was to help offset the high one-off capital cost of installing Solar PV to generate electricity. The Government's decision is currently subject to a legal challenge. However, the outcome is unlikely to revert back to the original level of funding, and therefore any scheme the Council may introduce would no longer generate a rate of return significant enough to be cost-neutral over the 25-year life of the FIT grant.

Reasons for Proposed Decision:

Since the new FIT will no longer offset the costs of installing the Solar Photovoltaic panels within their 25-year life cycle, there are no financial benefits to the Council, even though residents would continue to benefit from the free electricity.

Other Options for Action:

To continue to explore the installation of Solar PV to the Council's housing stock, making use of the additional capital available through HRA Self-Financing .

Introduction and Background

1. Since the Housing Scrutiny Panel's meeting in October 2011, when it considered a report on a future programme of installing Solar PV on Council-owned properties across the District, the Government has announced a significant reduction in the level of grant available through the Feed-In Tariffs, over and above the original sliding scale published at the outset

of its introduction.

2. To give an indication of the scale of the reduction, in 2012/13, the original FIT was 39.6p per KW/hr. However, under the Government's new proposals, the equivalent FIT would be 21p per KW/hr, which is almost a 50% reduction.

3. The scale of the change has caused some turmoil in the industry, with many installers either ceasing to trade or writing-off significant investment and start-up costs. This means that the number of installers available to tender would be far more limited than before, which may lead to higher costs. In addition, this reduction has virtually wiped out the opportunity for a "Rent a Roof" scheme, as the investment costs and rate of return make the scheme unviable at the current time.

4. According to the Council's consultant, the rate of return on investment on houses will reduce from 8.74% internal rate of return (based on the original FIT rate) to 0.15% (based on the new proposed FIT rate), which establishes that this programme is no longer financially viable. It is therefore recommended that the proposed feasibility study into the installation of Solar PV on Council-owned buildings previously suggested by the Housing Scrutiny Panel is suspended.

Resource Implications:

Capital: Nil

Revenue: Nil

Legal and Governance Implications:

The Climate Change Act 2008
Housing Act 1985

Safer, Cleaner and Greener Implications:

Generation of renewable energy

Consultation Undertaken:

None

Background Papers:

Initial feasibility study prepared by Climate Consulting Ltd on behalf of the Council & the follow up report, taking account of the Governments announcement to reduce the FIT.

Impact Assessments:

Risk Management

(1) None

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?

Yes

Where equality implications were identified through the initial assessment process, No. has a formal Equality Impact Assessment been undertaken?

What equality implications were identified through the Equality Impact Assessment process?

None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A