

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

Author:	Cabinet Member for Sustainability and Transport Chief Executive, Head of Economy, Skills and Property
Wards:	All
Locality Affected:	All
Parishes Affected:	All

1. Purpose and Reasons

- 1.1 The purpose of this report is to agree the method by which the Council will, building on the success of the Common Farm Solar Scheme, progress the Chapel Farm Solar Scheme through ownership of a Special Purpose Vehicle (SPV) and enable community investment incorporating a new ISA structure. This will create the UK's first ISA-eligible investment offer through a Council owned company.
- 1.2 In addition, this report provides an update on solar schemes proposed on the Barnfield and Mannington sites, also the proposed solar car ports and the means by which Public Power Solutions Ltd (PPS) should progress this use of the Council land.
- 1.3 With the launch of the Vision for Swindon, the Council has committed to "improve infrastructure and housing to support a growing, low carbon economy".
- 1.4 This report directly addresses Pledge 2 of Swindon Borough Council's Vision which outlines that by 2020, the Council will "construct solar arrays on Council-owned land at Common Farm, Chapel Farm and a solar noise barrier along roads including the M4 at Wichelstowe".

2. Recommendations

Cabinet is recommended to:

- 2.1 Authorise the Director of Law and Democratic Services to undertake the necessary steps to secure ownership of the Special Purpose Vehicle (SPV) currently owned by PPS so as to enable the Council to become sole shareholder of the SPV.
- 2.2 Authorise the Director of Law and Democratic Services to approve the formation of a Members' Shareholder Panel to ensure democratic accountability for this and subsequent low carbon SPVs, and the appointment of three Directors to the SPVs who shall be SBC officers.
- 2.3 Authorise the Director of Law and Democratic Services with the Head of Property Assets to grant a lease to PPS to progress the solar schemes at Chapel Farm, Mannington and Barnfield sites.

Further information on the subject of this report can be obtained from Philippa Venables, 07824 550469, pvenables@swindon.gov.uk.

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

- 2.4 Authorise the Board Director, Resources, to facilitate on behalf of the Council as sole shareholder of the SPV, all necessary steps to enable Abundance Investment Ltd to undertake and complete the community investment offer as detailed in this report.
- 2.5 Note that in the event that the community investment offer is unsuccessful, the Council in its capacity as sole shareholder of the SPV will need to make a decision as to how the required investment should be raised.
- 2.6 Authorise the Board Director, Resources, in consultation with the Cabinet Member for Finance, People and Performance, to invest £3m in the SPV.
- 2.7 Authorise the Board Director, Resources, to allocate annual surplus income from Business Rates, rent and financing costs at Chapel Farm solar farm to support ring fenced funding towards the borrowing costs related to the provision of a noise barrier to the West of the A419 as detailed at paragraphs 3.13 to 3.23.
- 2.8 Note that successful delivery of Chapel Solar Farm will mean the Council has achieved 83.5% of its 2020 target to generate the equivalent low carbon renewable electricity to power every home in Swindon by March 2017, and that the recommendations contained in this report at Barnfield, Mannington and Solar carports add an additional 2%.
- 2.9 Request that the Corporate Director, Communities and Place, in consultation with the Cabinet Member for Transport and Sustainability, presents a report to Cabinet within 12 months on how to achieve the final 29MW to meet the 2020 renewables target, outline what is required to achieve “subsidy free” solar projects, and consider ways to reduce Council electricity costs by at least 20% through measures such as energy performance contracts.

3. Detail

Background

- 3.1 Following the success of the Common Farm solar scheme community offer, PPS and Swindon Borough Council are working to replicate the process, and to raise another investment opportunity based on the Chapel Farm solar scheme. This will see business rates and rent generated for the Council, also an additional element to the investment opportunity; as of 1st November it will be possible to offer an ISA eligible investment in Chapel Farm solar scheme.
- 3.2 The Common Farm community investment offer, through Abundance Investment Ltd, raised £1.8m and was able to close a month early due to the rapid take up. August performance of the live Common Solar Farm shows that the yield is 12% better than modelled, and the first cash return is on schedule to be paid in March 2017.

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

- 3.3 The Common Farm public offer was effective at engaging a broad range of demographic groups both in the Swindon area and outside. In total 370 customer accounts were created, with 46% (171) of these going on to invest.
- 3.4 Common Farm gained investment from all the main demographic groups in the Swindon area as defined by CACI data analysis, with the youngest investor being 22 and the oldest over 80.
- 3.5 As of April 2016, Swindon's renewable strategy is generating an additional £647k per annum income from business rates, rent and dividends. This funding is used to support the base budget and ongoing pressures faced by the Council.

Part 1: Chapel Farm

- 3.6 Cabinet has previously agreed that the former landfill site at Chapel Farm is a suitable location for a solar farm, and that the project be developed by Public Power Solutions (PPS) Ltd (Cabinet minute 114 (2), 2013/14 refers), also that PPS be authorised to procure a preferred partner to construct and operate the PV arrays at Common and Chapel Farm (Cabinet minute 9 (4), 2015/16 refers). It was also agreed that, subject to a successful conclusion to the procurement process undertaken by Public Power Solutions Ltd, approval be given to "off-take" investment by the Council in the order of up to £3m per farm (Cabinet minute 9 (5), 2015/16 refers).
- 3.7 Cabinet has also authorised that once built, the project could be refinanced with up to £3m investment by the Council, the balance from a community investment offer. Abundance Investment Limited ("Abundance"), a firm authorised and regulated by the Financial Conduct Authority (FCA), has been appointed to oversee the due diligence on the project and arrange the investment between the community investors and the SPV. The Director of Law and Democratic Services will work with external lawyers to prepare all necessary legal documentation. The SPV is currently owned by PPS and its ownership will need to be transferred to the Council, so that the Council will become the sole shareholder. The SPV will also become a Public Limited Company.
- 3.8 Retail bonds must be held in a Public Limited Company (plc) structure, so the SPV must be converted to a plc.

Community offer for Chapel Farm

- 3.9 Following the success of the Council bond offer for the Common Farm solar scheme (see above), it is proposed that the Council replicate this offer in respect of the Chapel Farm scheme, due to commence generation on or before 31st March 2017.
- 3.10 On the 1st November 2016, regulations on the Innovative Finance ISA are changing so that debentures can be held in the ISA. It is proposed that

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

Swindon's second "Solar Bond" scheme with Abundance utilises this new feature as a key part of the marketing activity to further enhance confidence in the investment offer.

- 3.11 Members are asked to approve that, subject to further feasibility work being carried out to refine the costs, following 12 months of Chapel Solar Farm operation, £45k of revenue income paid to the Council in the form of rent, business rates and any short-term benefit from financing costs is ring fenced to fund the barrier construction, as set out in the Low Carbon Local Development Order.
- 3.12 The community offer will therefore mean that for a minimum investment of £5, investors at Chapel Solar Farm will receive a dividend from a solar farm built on a former landfill site, an estimated return of 6%, support the construction of a 1300m noise barrier along the A419 dual carriageway and the scheme also expects to make a cash contribution to local community initiatives each year depending on performance.

A419 Sound Barrier

- 3.13 The origins of Swindon's renewable strategy can be traced back to the idea of a solar sound barrier along the western edge of the A419, as a way to join up the economic benefits of renewable energy to pay for social infrastructure such as a noise barrier. Changes to the governments Feed in Tariffs, and then subsequently Renewable Obligations Contracts, means that the original A419 concept as envisaged can no longer be achieved. A noise-only barrier funded by profit from a solar farm is therefore proposed.
- 3.14 The Council at its meeting on 18th July 2013 approved a motion supporting a "Swindon Solar Strategy" and a "Solar Sound Barrier" along the A419 (minute 22).

"This Councils supports the idea of a "Solar Sound Barrier" along the A419 to improve, and extend the existing barrier, and believes that the Council should investigate a pilot scheme so that it can implement a barrier within two years, if practicable." and "recommends the formation of a cross party working group to investigate." In addition, the motion indicated that the project should "consider how the scheme can be self-funded, or financed through a cooperative, loans or a mixture of approaches." and that the project "should expect no grant from the Highways Agency or Swindon Borough Council to implement a scheme".

- 3.15 The cross party working group involved representatives of the Highways Agency, Swindon Commercial Services Ltd and a noise barrier expert. The feasibility study, and final report, in April 2014 concluded that the barrier concept would benefit over 950 properties at a cost of £3.2m for a 1.7km absorptive noise barrier and a 2km solar noise barrier. The barriers would be robustly specified to

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

meet the BSEN 14388:2005 British and European standards. The revenue from solar generation would raise £140k per annum, or a total of £3.5m over its 25 year life.

- 3.16 A review of TRADS2 traffic information database and the Swindon Local Plan led to a forecast of a 30% overall increase in traffic between 2013 and 2028. Noise measurements predicted that by 2028, 488 properties on the West side of the A419 would receive noise levels over 60 A-weighted decibels (dBA), and a further 149 over 68 dBA. St Paul's Drive, Covingham was the loudest location with some properties exposed to high noise levels of 72 dBA.
- 3.17 The estimated cost of constructing a noise-only barrier along the West side of the A419 was:

Location	Length	Total cost
Watermead	600	£234,000
Merlin Way	500	£195,000
Retingham Way	400	£156,000
Liden	200	£78,000

- 3.18 Further feasibility work in 2014 considered the opportunity for the M4 Wichelstowe, where it was estimated that a 9km solar sound barrier would cost around £11m but could generate £1.2m revenue per annum and enhance land value for the Wichelstowe development.
- 3.19 On 9th June 2015, Swindon Council's Planning Committee adopted a "Low Carbon" local development order (LDO), which included the A419 sound barrier as site 3. LDO3 granted outline planning permission and allows detailed plans to be submitted as reserved matters for a period of five years to June 2020.
- 3.20 In July 2015, Government changes to the Feed in Tariff meant the business case for the A419 Solar Sound Barrier was no longer viable.
- 3.21 In December 2015, the Council adopted its Vision for Swindon and Pledge 2 refers to continuing the M4 Solar Sound Barrier. Changes to Government incentives for solar schemes mean that the M4 scheme will now only be viable if combined with a private wire link to a nearby high-demand energy user. Discussions with local businesses about purchase of the electricity from the M4 solar barrier are continuing, and it remains an ambition for the Administration to complete by 2020.

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

- 3.22 The proposed use of surplus from the Solar farm at Chapel Farm will fulfil the requirements of the original Council motion, conclude the Council's work over the last three years and is the only possible method of funding available to construct a noise barrier without resorting to use of the revenue support budget.
- 3.23 It remains a priority of the administration to see a modern fit for purpose noise barrier built along the A419, without the use of Council grants or the revenue support budget due to ongoing budget pressures. £45k of anticipated annual revenue income from Chapel Farm would support £600k of borrowing and there would be no further revenue requirement from the Council.

Members' Shareholder Panel

- 3.24 Earlier this year, Council decided to appoint three members to the Community Interest Company formed to oversee the orderly running of Common Solar Farm, and the maintenance of key contracts. These members are required to fulfil the normal fiduciary duties and responsibilities of a company director. The same approach could be taken for Chapel Solar Farm so that Council appoints another three members to the board.
- 3.25 However, with two SPV's in operation, and a further two anticipated, it is recommended that a different approach is taken to most effectively maintain democratic accountability. It is therefore proposed that a Members' Shareholder Panel be formed to oversee all Community Interest Companies and Special Purpose Vehicles, starting with Chapel Farm. Council Officers will be responsible for the day to day running of each CIC/SPV, with members providing strategic direction, policy and oversight through the Shareholder panel.
- 3.26 The disbursement of any community funds generated by all renewable schemes shall be determined by the Members comprising the Members' Shareholder Panel (see paragraph 2.2). Chapel Farm is targeting £7500 per annum as performance allows. A benefit of this approach is that a community funds can be pooled, managed as a collective amount and have a single policy framework which is open and transparent to all members.
- 3.27 Council shall appoint members to the Shareholder panel at Annual Council.

Governance structure of the SPV

- 3.28 The SPV will be managed by Council appointed directors.
- 3.29 Company Board: The directors of the Company will oversee the orderly running of the company and the maintenance of key contracts.
- 3.30 Operation & maintenance of the solar park will follow the model used for Common Farm.

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

- 3.31 Investor relations and secondary market: Abundance will be contracted to manage the investor register, investor relations and provide secondary market services to the debenture holders in line with the Financial Services and Markets Act 2000.
- 3.32 The Council will invest £3m, funded from borrowing, and will receive a fixed interest payment of 3.5% in return. This will cover the borrowings costs in full. In the short term, the Council are able to fund at a rate lower than this which may produce a further surplus of around £30k, although this will change as interest rates may fluctuate.
- 3.33 In addition, there is an expected rental stream of £23k pa and 100% retention of business rates of £20k pa. These will increase by inflation. Business rates are subject to a formal valuation through the Valuation Office Agency - the current business rate system is under review and changes will be implemented post 2020. In addition, there are expected to be dividends paid from year 17 which the Council as 100% shareholder will receive, and are subject to the overall financial performance of the solar farm.
- 3.34 The above returns to the Council total around £73k (based on current interest rates). There is also the potential for dividends which are dependent on the overall financial performance of the solar farm.

Financial structure of the Community Investment Offer and returns

- 3.35 The Community Investment Offer will take the form of a public offer of Debentures, which are regulated financial instruments and therefore the investment will be arranged by Abundance
- 3.36 Abundance will take responsibility for ensuring the investment is "fair, clear and not misleading" and that the offer abides by Financial Services & Markets Act (FSMA) 2000. With the investment being regulated, investors and the Council benefit from certain protections. For example, any investor who feels they have been poorly served by Abundance, or that a product which has been approved and distributed by Abundance has been poorly put together, has the right to sue Abundance under FSMA section 138D for breaches of specified FCA rules. In addition, if clients complain to Abundance and are not satisfied by the resolution offered by Abundance, then they can take their complaint to the Financial Ombudsmen Service for consideration.
- 3.37 The investment instrument and structure have been chosen to ensure that the investment offer is regulated, accessible and low risk to maximise the opportunity for residents of Swindon to participate in the offer.
- 3.38 As referred to in 3.10, following changes to legislation (which come into force on 1st November 2016), the bonds will be eligible to hold in the Individual Savings Allowance (ISA) wrapper (the Government scheme designed to encourage saving and investment by making all returns on eligible investments that are held

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

within the wrapper free of tax). Abundance is an authorised ISA manager and will manage all marketing and administrative aspects as outlined above in 3.7-3.12. It is expected that this will be the UK's first ISA-eligible investment through a Council-owned company, which should also help with take up from local investors.

Communication of the Community Investment Offer:

- 3.39 Financial promotion - Abundance will create and approve all communications regarding the investment offer under the FSMA as set out at paragraph 3.11. Abundance therefore takes the liability for any regulatory failures or mis-selling of the investment.
- 3.40 Abundance will use digital, social and real world advertising and hold events for residents to communicate the investment offer. Abundance has devised a marketing strategy which ensures a broad reach across Swindon's residents, backed up by a national message. The Council will support the process by opening up relevant communication channels to Abundance to help ensure residents of the Borough are made aware of the offer.
- 3.41 The offer will be open to people from outside the Borough as a balance needs to be struck between maximising local participation and filling the investment offer so the project can be fully funded.

Part 2: Barnfield Landfill site, Mannington Depot and SBC Car Parks

- 3.42 In the report to Cabinet on 23rd April 2014 (Cabinet Minute 114 (1), 2013/14 refers), a number of Council owned assets were identified as having solar development potential. Subsequently these sites received planning permission via the Council's Local Development Order (LDO) initiative. The LDO also granted planning permission for solar development on a number of other council assets and subsequent feasibility work has revealed further development potential for solar at Barnfield, Mannington and on a number of car parks currently owned by SBC.

Barnfield Landfill

- 3.43 Public Power Solutions are now progressing a 2.5MW ground mounted solar park on the land owned by the Council at the former Barnfield Landfill site and will be physically connected to the Waterside Depot by means of a private wire connection. Public consultation was rerun in August and one comment was received back.

Mannington Depot

- 3.44 Public Power Solutions are now progressing a 235kW ground mounted solar park on the land owned by the Council at Mannington Depot and have entered into discussions with a national retailer regarding a potential Power Purchase Agreement.

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

Solar Car Ports

- 3.45 The Council owned car parks Public Power Solutions are progressing (and their respective maximum installed capacity are)
- 3.46 Brunel North Multi Storey Car Park (400kW)
- 3.47 Brunel West Multi Storey Car Park (300kW)
- 3.48 Whalebridge Multi Storey Carpark (320kW)

4. Alternative Options

- 4.1 Should the Council decide not to invest in Chapel Farm, the scheme may go ahead if other investors can be identified; similar community benefits could be achieved but there would be no Council influence regarding the social objective of the schemes. To achieve the low carbon objective in the Vision for Swindon, SBC must maximise engagement in such schemes and drive the agenda.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These are detailed in the body of the report.

Legal and Human Rights Implications

- 5.2 Legal and Human rights considerations have been taken fully into account in compiling this report. It is considered that the proposals within this report are compatible with convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 Sustainability is key to this report and such implications are set out in the body of the report and in its recommendations. No other specific implications have been identified at this time.

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment has been prepared (for Common Farm, which this scheme will replicate) and is available from the author. This identified potential adverse impact on the basis of:

- 5.4.1 Socio economic status and

- 5.4.2 First language use

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

- 5.5 As with Common Farm, these impacts have been mitigated by the marketing plan which has socio-economic inclusivity as a primary objective. This is reflected in the low minimum investment level of £5 and the broad outreach among Swindon residents and also national marketing. In addition, advice has been taken on a plain English approach to the marketing materials in order to be accessible to those whose first language is not English.

Risk Management

- 5.6 Reputational – should the scheme fail the Council will be associated with a publicised scheme, which will no longer continue. In the event that the community offer is unsuccessful, it will be up to the Council as sole shareholder to determine an alternative means of raising the necessary investment funds.

Mitigation

- 5.6.1 The Council is proposing to invest when Chapel Farm solar park is operational and has been tested. At such point, solar parks are relatively low risk investments.
- 5.6.2 The Council, in working with Saliis and Abundance, is working with established and experienced commercial partners with a track record of delivering similar projects in the commercial sector.
- 5.6.3 Abundance are a regulated investment firm with a specialism in renewable energy schemes
- 5.7 Construction – risk of scheme failure due to construction related issues.

Mitigation

- 5.7.1 An experienced engineering, procurement and construction (EPC) partner has been appointed with a track record of delivering similar schemes
- 5.7.2 Extensive due diligence has been undertaken by both funding and construction partners.
- 5.7.3 A client-side project manager will be employed to monitor the build and related health and safety issues, reporting back to PPS and SBC on a regular basis.
- 5.8 Financial – risk that the scheme does not generate the operational surpluses that are expected.

Mitigation

- 5.9 The scheme has been fully modelled by experts in the field, with lessons from the first scheme at Common Farm being incorporated, and the Council is the

Chapel Farm and other Swindon Solar Schemes

Cabinet

Date: 19th October 2016

shareholder and will own the SPV; therefore it has full visibility around financial performance.

6. Consultees

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports. Richard Freeman to be consulted, also ward councillors Barnfield, Mannington, Town Centre, Leader of the Council, Members for Sustainability and Transport; Communities and Planning; Finance, People and Performance.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 None

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme and Forward Plan for Month Year.