

**Report to** Cabinet  
25 June 2014  
**Report of** Deputy Chief Executive (Operations)  
**Subject** Installation of Energy Efficient Panels to Council Housing

**Item**

**20**

## **KEY DECISION**

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### **Purpose**

To outline the options for the delivery of a trial “Photovoltaic Panel (PV) For Free” installation project which will include 200 council owned homes and potentially one area office (Lakenham) and to consider the delivery method for this scheme.

### **Recommendation:**

To trial the installation of a “PV for Free” programme to 200 council houses plus potentially the Lakenham neighbourhood office (subject to further investigations) delivered through NPS Norwich Ltd.

### **Corporate and service priorities**

The report helps to meet the corporate priority “Decent housing for all” and the service plan priorities to continue to deliver the programme of making all council homes decent, to maximise the use of our housing stock and to enable new homes.

### **Financial Implications:**

There will be no cost implications for the council. However, it is anticipated that there will potentially be a saving in energy consumption and energy costs for the running of the Lakenham area office. In addition there is the potential for a 50% share of any surplus income generated by NPS Norwich Ltd through efficiencies.

**Ward/s:** All

**Cabinet member:** Councillor Bremner – Housing

### **Contact officers**

Chris Rayner – Head of property services, NPS Norwich Ltd 01603 227902

Justin Warnes – Investment Team Leader, NPS Norwich Ltd 01603 227906

**Background documents**

1. Rep Cabinet Award of contract for the installation of photovoltaic panels to council homes 2011-09-21.
2. Rep Cabinet 06 PV for Free 2010–10-27.
3. Homes, Energy Conservation Act 2013 (HECA)

# Report

## Background

1. In July 2009 the government presented the new Feed-in Tariff (FIT) Programme or “Clean energy cash back”. There were three main benefits of this programme:
  - The generation (Feed-in) tariff – This is a guaranteed payment to the owner of the PV system for every kW of energy produced over a 25 year period. The current rate paid for the remaining life of the FIT is 12.94p.
  - The export tariff – This is the guaranteed payment (currently 4.77p per unit) for every unit of energy that is generated but not used by the household and which is then exported back to the grid. At present this cannot be measured accurately and a figure of 50% of all generated electricity is used to calculate payment.
  - Free electricity – The average household could save between £100 and £200 per year on their average energy bills as a result of having a PV system installed on their home.
2. At this time a number of suppliers were offering “PV for Free” projects over a long term investment period. Essentially this involved the Council “leasing” the roofs of Council homes to another organisation (often an investment company) for a 25 year period who then install and maintain PV panels on the roof. Tenants benefit from the free electric and the investment company claim any FIT and export payments.
3. In September 2011 Cabinet agreed to appointment a contractor to install PV systems to Council homes. However, shortly afterwards the Government substantially reduced the feed-in tariff which effectively meant that “PV for free” schemes were no longer financially viable and a contractor was never appointed for the scheme to proceed.
4. Although the FIT has been reduced by the Government manufacturing and installation costs have also dropped considerably from the costs in 2011 resulting in “PV for Free” schemes once again starting to become financially viable.
5. A budget has been in place since 2013 for the Council to invest in PV type schemes, however concerns over the robustness of the technology prevented the Council investing it's own funds the evidence now is that this has considerably improved since 2011. Issues with efficiency and maintenance problems are still a risk, however the risk is now much lower. In view of the above concerns little investment has been made using the Council resources to date, however the time is now right to consider projects and financing options again. The exception to this is a small number of trial installations of PV type schemes, which are being monitored for efficiencies (in terms of energy reductions and therefore reduced energy costs for the tenant) and maintenance costs (but this will only become clear over a longer period of time). These scheme have proven to be reliable, popular with tenants and to date there have been no major issues in terms of damage to roofs etc during installation.
6. The Council has an ambition to implement a comprehensive programme of energy reduction and energy generation measures to help reduce energy costs and fuel poverty for tenants and the Council is currently considering how a

programme of this scale could be funded. This specific proposal seeks to build on the Councils experience of a small number of pilot single property projects (where we have learned more about the technology) to now move to the next stage where we can gain experience of area wide programme delivery. This project presents a no cost low risk approach that can be delivered in a reasonable timeframe. There are other options where the Council could invest or seek other third party investment and these would be considered as part of the next phase when more is understood about the implications of implementing a programme of this nature before a more extensive roll-out.

## **Proposal**

7. It is proposed to trial a "PV for Free" installation to 200 Council owned homes as well as a potential installation on the Lakenham neighbourhood office. The work at the Lakenham neighbourhood office will coincide with other modernisation works but does need further consideration and investigation prior to committing to an installation and so may not be included within the project at this stage. A figure of 200 properties is considered to be large enough for the Council to gain experience for the future in terms of any installation and maintenance issues and also large enough to attract third party investment.
8. Tenants within these properties will gain from the free electricity generated and as outlined in paragraph 1 this could be in the region of as much as £200 on their annual electricity costs.
9. The 200 Council homes will be chosen based on family type accommodation where there is full occupancy (three bedrooms and above to give a good roof area but also to give most benefit to those likely to use more electricity) that are in the top areas of deprivation and where the roof orientation is suitable. In the case of this programme the properties are situated in the Catton and Mile Cross wards.
10. This proposal will contribute to the Councils aim of reducing fuel poverty across the city and in addition to reducing the risk of tenants falling into arrears due to rising energy costs, could also mean more money is available to the local economy that would otherwise have gone to the energy providers..
11. Installations to actual properties are still to be determined following a detailed survey process, however they will be dependant on property conditions and, in addition to the above, will take account of:
  - The direction each property faces, which determines how much sunlight it gets throughout the day (the closer this is to south the better).
  - The pitch of the roof.
  - Degree to which the roof is shaded by trees or other buildings.
  - Any capacity issues there may be on the local electricity grid to receive all of the power generated from the PV panels in the area.
  - The capacity of the electrical installation to the property to accommodate a PV system.
12. Properties deemed not suitable due to any of the above reasons (and who would otherwise have benefitted from a PV installation) and where the tenant is

in fuel poverty will be prioritised for any additional measures, such as increased insulation, external insulation, replacement boiler etc.

### **Use of NPS Norwich Ltd for a “PV for Free” trial installation**

13. NPS Norwich Ltd is a joint venture company jointly owned by NPS Group and the Council. The JV now provides the entire professional property function for the Council.
14. NPS Group includes a subsidiary company called Norse Energy which has been established to provide energy solutions across the public and private sectors, including installations of PV (including “PV for Free”), biomass boilers and energy efficient lighting.
15. NPS Norwich could utilise the expertise of Norse Energy for a “PV for Free” scheme. Norse Energy are currently working with Colchester Borough Homes on a similar scheme to 120 blocks of flats within the borough.
16. Under such a proposal NPS Norwich would manage the process to appoint the investment company, in line with procurement regulations, financing the installation who would then retain the FIT and export tariff, whilst the tenants would still benefit from free electricity.
17. The advantages of this approach would be that NPS Norwich would provide overall project management resources and would potentially receive a (small) proportion of the FIT’s and generation tariffs in addition to any survey fee work to cover this additional work. Half of any surplus generated from this work would be paid back to the Council under the terms of the JV agreement. This is an advantage over an external organisation delivering the scheme where all of the tariff and/or fees would be retained by the investment company. As with an external provider there is no risk and no additional cost to the Council from this arrangement as this will sit with NPS Norwich or the investment company.
18. NPS Norwich has close links and a close working relationship with Norse Energy which will give the Council, through the JV, greater learning and understanding of implementing a scheme of this nature that would not be available from an independent investment company.
19. Prior to the award of the contract confirmation will be received that there will be no breach of any procurement regulations, and any issues will be resolved in such a way so as to protect the Council from challenge.

### **Options**

20. There are four options for consideration:

- Option 1 - Do nothing:
  - Would waste the opportunity described in this report to realise the benefits for our tenants, the community, authority and the environment.
- Option 2 – The Council fund a PV installation programme to Council owned properties

- This would require spending the housing capital money on the installation and may result in issues in terms of funding being available for improvements, such as the Norwich Standard, and new build aspirations.
  - Tenants would benefit from free electricity therefore reducing fuel poverty.
  - The Council would retain the FIT and export tariff.
  - There would be environmental benefits and the programme would contribute to the Councils carbon reduction target of 6 per cent per year.
- Option 3 – An external supplier (investment company) delivers a “PV for Free” installation programme to Council owned properties
    - There would be no cost and no risk to the Council,
    - All FIT and export tariffs would be retained by the external provider resulting in no additional income for the Council.
    - Tenants would benefit from free electricity therefore reducing fuel poverty.
    - There would be environmental benefits and the programme would contribute to the Councils carbon reduction target of 6 per cent per year.
- Option 4 – NPS Norwich Ltd manages a “PV for Free” installation programme to Council owned properties
    - NPS Norwich would manage the project at no cost to the Council. All additional works required such as Energy Performance Certificate's, resident liaison and property surveys will be carried out by NPS Norwich Ltd as part of the management of the project and if an external investment company is used charge this back to them. In addition a fixed fee may be payable to NPS Norwich Ltd by an external investment company. Any surplus generated will be shared on a 50/50 basis with the Council thereby potentially generating an income that can be re-invested in future years.
    - All FIT and export tariffs would be retained by the external provider resulting in no additional income for the Council..
    - Tenants would benefit from free electricity therefore reducing fuel poverty.
    - There would be environmental benefits and the programme would contribute to the Councils carbon reduction target of 6 per cent per year.

21. The recommended option is Option 4 - to deliver a “PV for Free” programme through NPS Norwich Ltd potentially utilising an external investment company to install, maintain and finance the PV project.

### **Legal considerations**

22. There are certain legal considerations which will need to be addressed, particularly relating to future “Right to Buy” applications, which will need careful consideration. NPLaw will advise on the approach to this and what changes to the “Right to Buy” process and documentation is required. That said other local authorities and housing providers have successfully overcome this matter and so it should not present a major obstacle.

23. As outlined these considerations will need to be covered within the legal agreement/contract for the installing supplier. These matters (and other similar issues) will be considered by NPLaw and any agreement/contract will reflect their views and advice.

### **Financial Implications**

24. The financial implications are the potential to generate an income from any surplus generated by fee income to the JV through efficiencies.

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	26.03.2014
<b>Head of service:</b>	Deputy Chief Executive (Operations)
<b>Report subject:</b>	Installation of Energy Efficient Panels to Council housing
<b>Date assessed:</b>	
<b>Description:</b>	to outline the options for the delivery of a trial “Photovoltaic Panel (PV) For Free” installation project which will include 200 council owned homes and one area housing office (Lakenham) and to consider the delivery method for this scheme.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The PV project will be at no cost to the council and could create additional income through any surplus made by the joint venture in terms of additional fees., shall aid removal of fuel poverty for tenants.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Potentially with reduced energy bills, tenants will have increased monies to re invest into the local community and economy and through employment of local labour, assist in social economic benefits for the city and county. .
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Will assist in removal of fuel poverty for tenants where systems are installed.
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



	Impact			
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	More energy efficient homes for tenants, reduced energy bills and reduction in the council's carbon footprint.
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Force property surveys ahead of natural stock condition surveys increasing additional asset data.
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduction in Carbon.

	Impact			
<b>Sustainable procurement</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cost free procurement.
<b>Energy and climate change</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The PV project will contribute to reducing the councils overall carbon emissions and footprint.
<b>(Please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Risk management</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There is no risk financially to the project, as the council are committing no money to the project. The risk would lie with Norse Energy to deliver and manage the project.

Recommendations from impact assessment	
<b>Positive</b>	
	Reduced fuel bills therefore preventing fuel poverty, reduction in carbon emissions within the housing stock and for the city contributing to our overall reduction target.
<b>Negative</b>	
<b>Neutral</b>	

Issues