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Date: 10 March 2022

Dear Member

**ENVIRONMENT & TRANSPORT CABINET COMMITTEE - THURSDAY, 17 MARCH 2022**

I am now able to enclose, for consideration at next Thursday, 17 March 2022 meeting of the Environment & Transport Cabinet Committee, the following report that was unavailable when the agenda was printed.

**Agenda Item No**

13                    **22/00029 - Solar Farm (Pages 1 - 14)**

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Watts', is written over a faint circular stamp.

Benjamin Watts  
General Counsel

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From: Susan Carey Cabinet Member for Environment  
Simon Jones Corporate Director, Growth Environment and Transport

To: Environment and Transport Cabinet Committee – 17 March 2022

Subject: **21 MW Solar Farm in the West Country**

Key decision: 22/00029

Classification: Part 1: Main report – Unrestricted

Part 2: Appendix - Exempt as defined in Schedule 12A of the Local Government Act 1972

Past Pathway of Paper: N / A

Future Pathway of Paper: For Cabinet Member Decision

**Summary:** KCC has secured a significant grant from the Public Sector Decarbonisation Scheme (see decision 21/00034 for more information) from which, £14.415M can be used towards the delivery of a large-scale solar farm.

KCC has been working with Commercial Services Kent Ltd (CSKL) - a KCC Teckal company, which manages KCC energy requirements with the aim to try and identify a suitable asset that CSKL could own and operate given their expertise in this market on KCC's behalf.

The partners have identified a Special Purpose Vehicle (SPV), which is a c21 MW Solar Farm based in the West Country which has proposed a fixed cost for the purchase of the SPV. The total project costs to purchase the solar farm can be seen in the exempt appendix and includes costs of c£400k (these costs cover external due diligence fees for technical, legal, and commercial reviews as well as KCC staff time).

The scheme will be funded in part by the Decarbonisation Scheme with a further capital contribution to meet the total project cost. This additional funding has been supplied from CSKL (as confirmed by Commercial Services' company Board approval on 17<sup>th</sup> of February 2022 and KCC Shareholder Board on the 1<sup>st</sup> of March 2022). See exempt section for figures.

CSKL will use the produced renewable electricity to reduce KCC's carbon emissions by c+30% as part of the Council's commitment towards 2030 Net Zero.

KCC is seeking approval to proceed with the project which will allow CSKL to purchase the SPV. In order to do this, KCC will need to transfer the grant funding secured under the Public Sector Decarbonisation Scheme to CSKL. Confirmation from Salix has been received on the new location and outputs and final confirmation has been received from Salix on the agreement between KCC and CSKL.

The scheme is to be spread across a leased property and to have installation of ground mounted photovoltaic (PV) solar energy generation system, associated infrastructure, security measures (including CCTV) and landscaping. Full planning permission has been obtained in December 2020 for a period of 40 years. Works completion is due to be achieved by mid-March 2022.

The project will involve the acquisition of the SPV shares and this will include the leases for the land, the constructed solar farm asset, and the fully commissioned grid connection.

The SPV will sit under CSKL and be managed by LASER. The former is a wholly owned KCC Teckal company. CSKL will be responsible for the ongoing asset management of the solar farm, including energy trading, carbon certification, energy/carbon reporting, financial reporting and managing the current contractor. During the first two years of ownership, the operations and maintenance will be undertaken by the contractor in order to cover off their 24-month defects liability period. The project will operate as a standalone SPV and financial, energy and carbon performance will be reported via CSKL to KCC on a regular basis, to ensure KCC is never in breach of our Salix Terms and Conditions on reporting with KCC benefitting from income generated by the Solar Farm.

Heads of Terms between CSKL and KCC continue to be discussed but it is currently envisaged that in years 1 to 3 of operations, LASER will provide a discount equivalent to £760k per annum on the KCC Streetlighting electricity bill and any profit above £760k, is likely to flow back to KCC through the dividend. This is one of the single largest electricity accounts in terms of costs to KCC. The discount figure will then be renegotiated for years 4 to 6 of operations based on prevailing electricity market prices and costs closer to the time. Beyond year 6, a discount or dividend maybe provided subject to the shareholder board approval and income will continue to flow through to KCC. KCC has had confirmed that this setup meets the Salix terms and conditions.

**Recommendation:** The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Environment in respect of the proposed decision to:

1. Support the purchase, by Commercial Services Kent Limited, of the Special Purpose Vehicle (SPV), via the deployment of £14.415M of Public Sector Decarbonisation Scheme (PSDS) Funding (see decision 21/00034 for further details on PSDS Funding).
2. For the Corporate Director of Growth, Environment and Transport in consultation with the Director of Infrastructure and the Corporate Director of Finance, to transfer the necessary PSDS funding to Commercial Services Kent Limited for the purchase of the SPV, subject to:

- the terms and conditions of the PSDS grant being met;
- the technical, legal, and due diligence conclusions being acceptable to KCC;
- and that the remaining funding for the project can be secured;

3. Delegate authority to the Corporate Director of Growth, Environment and Transport to take relevant actions, including, but not limited to, entering into contract and other legal agreements as required to arrange and deliver this project.

The proposed Record of Decision is shown at Appendix A.

## 1. Introduction

- 1.1 Commercial Services Kent Ltd (CSKL - a KCC Teckal company) intends to purchase a Special Purpose Vehicle (SPV) that secures a c21MW Solar Farm, based in the West Country and to use the produced electricity to reduce KCC's carbon emissions as part of the Council's commitment to achieving carbon neutrality.
- 1.2 A fixed cost has been proposed for the purchase of the SPV. The total project cost includes KCC costs and officer time. KCC has received approval for the transfer of £14.415M of approved Salix funding to CSKL in order to allow it to purchase the SPV.
- 1.3 The scheme is to be spread across leased property and to have installation of ground mounted photovoltaic (PV) solar energy generation system, associated infrastructure, security measures (including CCTV) and landscaping. The Project has obtained full planning permission in December 2020 for a period of 40 years. Works completion is due to be achieved by mid-March 2022.
- 1.4 The scheme will be funded by the Decarbonisation Fund (see decision 21/00034 for more information) with £14.415M grant authorised for use by this decision. The remaining capital contribution is expected to be supplied from CSKL.
- 1.5 The project will involve the acquisition of the SPV, including the constructed solar farm asset, grid connection agreement and associated land leases.
- 1.6 The SPV will sit within CSKL and managed by LASER. CSKL are a wholly KCC owned Teckal company. It will operate as a standalone SPV. All financial, energy and carbon performance will be reported via CSKL to KCC in order to ensure KCC is never in breach of its Salix Terms and Conditions to report on the same.
- 1.7 CSKL will be responsible for the ongoing asset management of the solar farm, including energy trading, carbon certification, energy/carbon reporting, financial reporting and managing the contractor during the two-year defect liability period. The facility management contractors will be procured by CSKL except for the first two years of operations and maintenance, which will be contracted to the main contractor for the site to oversee the two-year defect liability period.

## 2. Options Analysis

### **Option 1 - Do Nothing: Site is not developed for a Solar Farm:**

- 2.1 Under this option, KCC would seek alternative carbon reduction solutions; this would mean handing back the PSDS grant funding and would be a financial loss to KCC. This option is therefore not recommended.

### **Option 2 – Purchase of the Special Purpose Vehicle (SPV) for the Acquisition of the Solar Farm**

- 2.2 This option can deliver KCC carbon savings and secures the PSDS grant funding. This is the recommended option.

### **Option 3 – Purchase a Site in Development with Planning**

- 2.3 This option would incur significant timeline and project risks including seeking a willing seller, leading to potential loss of the grant funding. This option is therefore not recommended.

### **Option 4 – Purchase Existing Solar Farm**

- 2.4 This option would incur a loss of grant funding to KCC as Salix grant does not support existing facilities and is therefore not recommended.

## **3 Finance**

- 3.1 Total project costs can be seen in the exempt appendix. Salix grant funding has been secured for £14.415M and KCC are being supported by CSKL for the remaining funding. This project still complies with the Salix long term carbon saving terms and conditions for the programme and Salix have confirmed the switch and confirmation on the setup.
- 3.2 The project is anticipated to deliver a financial benefit to KCC either via a discount on electricity costs or via the CSKL dividend. Over the lifetime of the asset (40 years) the average net income from the solar farm is anticipated to be c£1.2M a year (excluding depreciation and tax).
- 3.3 KCC will pass all Salix grant funding across to CSKL who will make a 'Cash On Delivery' payment to Ethical Power subject to technical, legal and due diligence checks.
- 3.4 As part of the Council's pre-exchange due diligence, Carter Jonas have undertaken a value for money assessment on the project and have confirmed that the transaction does represent value for money.

## **4 Legal**

- 4.1 Burges Salmon are representing KCC on all Legal issues for the transaction. Heads of Terms have been drafted between KCC and CSKL over the current proposed funding arrangements and are being finalised.

- 4.2 The SPV will sit within CSKL and managed by LASER. CSKL are a wholly KCC owned Teckal company. It will operate as a standalone SPV, financial, energy and carbon performance will be reported via CSKL to KCC.
- 4.3 CSKL will be responsible for the ongoing asset management of the solar farm, including energy trading, carbon certification, energy/carbon reporting, financial reporting and managing the main contractor. The facilities management contractors will be arranged by CSKL except for the first two years of operations and maintenance, which will be contracted to the main contractor who will cover their defect liability period.
- 4.4 KCC has entered into the Terms and Conditions of the Salix grant funding which mean that the energy produced by the Solar Farm must directly benefit KCC through lower carbon outputs. The scheme is estimated to reduce 4663 tonnes of carbon a year from KCC's energy requirement being c+30% of KCC carbon emissions.

## 5 Strategic case

- 5.1 The provision of the project will contribute significantly to the de-carbonisation of KCC energy supplies and in meeting its carbon neutrality 2030 target. It will also provide for some security of energy supply for KCC especially with regard to volatile fossil fuel prices at the present time. The project also fits with the energy and low emissions strategy and the overall Kent Environment Strategy.

## 6. Conclusion

- 6.1 This project makes a significant contribution to the reduction of the de-carbonisation of KCC energy supplies and in meeting its carbon net zero 2030 target.
- 6.2 The project is seeking to be fully funded through the Salix PSDS grant funding and a contribution from CSKL.

## 7. Recommendation

The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Environment in respect of the proposed decision to:

1. Support the purchase, by Commercial Services Kent Limited, of the Special Purpose Vehicle (SPV) , via the deployment of £14.415M of Public Sector Decarbonisation Scheme (PSDS) Funding (see decision 21/00034 for further details on PSDS Funding).
2. For the Corporate Director of Growth, Environment and Transport in consultation with the Director of Infrastructure and the Corporate Director of Finance, to transfer the necessary PSDS funding to Commercial Services Kent Limited for the purchase of the SPV, subject to:

- the terms and conditions of the PSDS grant being met;
- the technical, legal, and due diligence conclusions being acceptable to KCC;

- and that the remaining funding for the project can be secured;
- 3. Delegate authority to the Corporate Director of Growth, Environment and Transport to take relevant actions, including, but not limited to, entering into contract and other legal agreements as required to arrange and deliver this project.

The proposed Record of Decision is shown at Appendix A.

## **8. Background Documents and Appendices**

8.1 Appendix A – Proposed Record of Decision

8.2 Exempt Appendix

8.3 Equality Impact Assessment

## **9. Contact details**

Relevant Director: Director for Growth and Communities, Stephanie Holt-Castle

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# KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION

**DECISION TO BE TAKEN BY:**

Susan Carey, Cabinet Member Environment

**DECISION NO:**

22/00029

**For publication**

**Key decision: YES**

**Subject Matter / Title of Decision:** 21 MW Solar Farm in the West Country

**Decision:**

As Cabinet Member for Environment, I agree to:

1. Support the purchase, by Commercial Services Kent Limited, of the Special Purpose Vehicle (SPV) , via the deployment of £14.415M of Public Sector Decarbonisation Scheme (PSDS) Funding (see decision 21/00034 for further details on PSDS Funding).
2. For the Corporate Director of Growth, Environment and Transport in consultation with the Director of Infrastructure and the Corporate Director of Finance, to transfer the necessary PSDS funding to Commercial Services Kent Limited for the purchase of the SPV, subject to:
  - the terms and conditions of the PSDS grant being met;
  - the technical, legal, and due diligence conclusions being acceptable to KCC;
  - and that the remaining funding for the project can be secured;
3. Delegate authority to the Corporate Director of Growth, Environment and Transport to take relevant actions, including, but not limited to, entering into contract and other legal agreements as required to arrange and deliver this project.

**Reason(s) for decision:**

Effective use of the Decarbonisation Funding to deliver carbon reduction initiatives. Acquisition of the Solar Farm will reduce KCC's electricity costs either directly via a discount or via the dividend and, crucially, reduce carbon creation.

**Reason for urgency**

To benefit from the £14.415m Salix PSDS grant, the project must be delivered by 30th June 2022. The solar park SPV must be purchased before the 3 April 2022 and ideally in this financial year or the letter of intent signed between the parties expires

**Cabinet Committee recommendations and other consultation:**

The proposal is being discussed by Members of the Environment and Transport Cabinet Committee on 17 March 2022.

**Any alternatives considered and rejected:**

- Do Nothing: Site is not developed for a Solar Park: Under this option, KCC would seek alternative carbon reduction solutions; this would mean handing back the PSDS grant funding and would be a financial loss to KCC.
- Purchase a Site in Development with Planning: This option would incur significant timeline and project risks including seeking a willing seller, leading to potential loss of the grant funding.

- Purchase Existing Solar Park: This option would incur a loss of grant funding to KCC as Salix grant does not support existing facilities

**Any interest declared when the decision was taken and any dispensation granted by the Proper Officer:**

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signed

.....  
date

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## EQIA Submission – ID Number

### Section A

EQIA Title	West Country Solar Farm SPV Purchase
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Responsible Officer	Matthew Hayden - GT ED
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#### Type of Activity

Service Change	No
Service Redesign	No
Project/Programme	Project/Programme
Commissioning/Procurement	No
Strategy/Policy	No
Details of other Service Activity	No

#### Accountability and Responsibility

Directorate	Growth Environment and Transport
Responsible Service	GET Capital Projects
Responsible Head of Service	Helen Shulver - GT GC
Responsible Director	Stephanie Holt-Castle - GT GC

#### Aims and Objectives

Aims and Objectives

- Deliver 21MW solar array with direct grid connection
- Improve Kents carbon efficiency

Proportionality - Based on the answers in the screening grid what weighting would you ascribe to this function

LOW – This project is likely to have a positive impact on all protected characteristic as the design will ensure that all have electricity supplied in an environmentally friendly manner.

Context

The project will deliver a c21MW solar array with direct connection into the grid. This will then be used by the general population. The aim of the project is to help Kent achieve low carbon output by 2030 in a manner which supports the environment and community.

Aims and Objectives

- Deliver 21MW solar array with direct grid connection
- Improve Kents carbon efficiency

Beneficiaries

- Kent and Medway residents.

Potential Impact:

No negative impacts have been identified at this stage however this will be re-visited to ensure this remains the case or where it is found not to be, mitigation measures will be considered.

**Adverse Impact:**

No negative impacts have been identified at this stage however this will be re-visited to ensure this remains the case or where it is found not to be, mitigation measures will be considered.

**Positive Impact:**

The building of the solar array will have a positive impact across Kent and Medway, by increasing their carbon efficiency and providing a more environmentally friendly supply of electricity.

**JUDGEMENT**

Option 1 – Current assessment is sufficient

**Monitoring and Review**

Equalities Impact Assessment will be reviewed post-acquisition of the Project including a review post implementation if deemed necessary.

**Section B – Evidence**

Do you have data related to the protected groups of the people impacted by this activity?	Yes
It is possible to get the data in a timely and cost effective way?	Yes
Is there national evidence/data that you can use?	Yes
Have you consulted with stakeholders?	No
Who have you involved, consulted and engaged with?	
Laser	
Has there been a previous Equality Analysis (EQIA) in the last 3 years?	No
Do you have evidence that can help you understand the potential impact of your activity?	Yes

**Section C – Impact**

**Who may be impacted by the activity?**

Service Users/clients	Service users/clients
Staff	Staff/Volunteers
Residents/Communities/Citizens	Residents/communities/citizens
Are there any positive impacts for all or any of the protected groups as a result of the activity that you are doing?	Yes

**Details of Positive Impacts**

The building of the solar array will have a positive impact across Kent and Medway, by increasing their carbon efficiency and providing a more environmentally friendly supply of electricity.

**Negative impacts and Mitigating Actions**

**19.Negative Impacts and Mitigating actions for Age**

Are there negative impacts for age?	No
Details of negative impacts for Age	
Not Applicable	

Mitigating Actions for Age	
Not Applicable	
Responsible Officer for Mitigating Actions – Age	Not Applicable
<b>20. Negative impacts and Mitigating actions for Disability</b>	
Are there negative impacts for Disability?	No
Details of Negative Impacts for Disability	
Not Applicable	
Mitigating actions for Disability	
Not Applicable	
Responsible Officer for Disability	Not Applicable
<b>21. Negative Impacts and Mitigating actions for Sex</b>	
Are there negative impacts for Sex	No
Details of negative impacts for Sex	
Not Applicable	
Mitigating actions for Sex	
Not Applicable	
Responsible Officer for Sex	Not Applicable
<b>22. Negative Impacts and Mitigating actions for Gender identity/transgender</b>	
Are there negative impacts for Gender identity/transgender	No
Negative impacts for Gender identity/transgender	
Not Applicable	
Mitigating actions for Gender identity/transgender	
Not Applicable	
Responsible Officer for mitigating actions for Gender identity/transgender	Not Applicable
<b>23. Negative impacts and Mitigating actions for Race</b>	
Are there negative impacts for Race	No
Negative impacts for Race	
Not Applicable	
Mitigating actions for Race	
Not Applicable	
Responsible Officer for mitigating actions for Race	Not Applicable
<b>24. Negative impacts and Mitigating actions for Religion and belief</b>	
Are there negative impacts for Religion and belief	No
Negative impacts for Religion and belief	
Not Applicable	
Mitigating actions for Religion and belief	
Not Applicable	
Responsible Officer for mitigating actions for Religion and Belief	Not Applicable
<b>25. Negative impacts and Mitigating actions for Sexual Orientation</b>	
Are there negative impacts for Sexual Orientation	No
Negative impacts for Sexual Orientation	
Not Applicable	

Mitigating actions for Sexual Orientation	
Not Applicable	
Responsible Officer for mitigating actions for Sexual Orientation	Not Applicable
<b>26. Negative impacts and Mitigating actions for Pregnancy and Maternity</b>	
Are there negative impacts for Pregnancy and Maternity	No
Negative impacts for Pregnancy and Maternity	
Not Applicable	
Mitigating actions for Pregnancy and Maternity	
Not Applicable	
Responsible Officer for mitigating actions for Pregnancy and Maternity	Not Applicable
<b>27. Negative impacts and Mitigating actions for Marriage and Civil Partnerships</b>	
Are there negative impacts for Marriage and Civil Partnerships	No
Negative impacts for Marriage and Civil Partnerships	
Not Applicable	
Mitigating actions for Marriage and Civil Partnerships	
Not Applicable	
Responsible Officer for Marriage and Civil Partnerships	Not Applicable
<b>28. Negative impacts and Mitigating actions for Carer's responsibilities</b>	
Are there negative impacts for Carer's responsibilities	No
Negative impacts for Carer's responsibilities	
Not Applicable	
Mitigating actions for Carer's responsibilities	
Not Applicable	
Responsible Officer for Carer's responsibilities	Not Applicable