

From: Simon Jones Corporate Director, Growth Environment and Transport

To: Susan Carey, Cabinet Member for Environment

Subject: **Kings Hill Solar Park**

Decision number: 21/00109

Classification: Part 1 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

Electoral Division: Malling Rural East

Summary: Kent County Council has been awarded some time limited grant funding from Salix towards the delivery of a number of low carbon energy projects including two solar parks (see decision 21/00034). The grant funding from Salix must be spent by the 31 March 2022, with any remaining funds needing to be passed back. KCC with many other recipient local authorities is working with Salix and BEIS to seek an agreed extension beyond the March 2022 deadline, owing in large part to international disruption to supply chains and the delay in the project having to change site location.

The funding for this particular project was initially allocated to the North Farm waste site which KCC own however over a year's worth of environmental improvements were required on the site before the solar park project could start. Instead of losing the funds, officers have sought to develop the Kings Hill site instead which is owned by the Liberty KCC joint venture. Salix have confirmed that the technical submission for the change of location has been agreed but this has impacted on the project delivery timescales.

The scheme is seeking to offset over 633 tonnes of carbon a year from KCC's energy requirement and will contribute significantly to the de-carbonisation of KCC energy supplies and in meeting its carbon neutrality 2030 target.

Recommendation:

The Cabinet Member for Environment is asked to:

1. The deployment of grant funding from the Public Sector Decarbonisation Scheme (decision 21/00034) for the procurement and management of works for the construction of the Kings Hill Solar park;
2. Approve the policy determining appropriate use of the electricity produced by the solar park, in line with the requirement to reduce KCC's carbon emissions;

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 the ongoing management of the solar park once operational; and

4. Delegate authority to the Director of Infrastructure, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, and the Cabinet Member for Environment to enter into all necessary legal agreements for the delivery and the construction of the project, including purchase of the site.

The Record of Decision is attached at Appendix A.

1. Introduction

- 1.1 Kent County Council has been awarded some time limited grant funding from Salix towards the delivery of several low carbon energy projects including two solar parks (see decision 21/00034). The grant funding from Salix must be spent by the 31 March 2022, with any remaining funds needing to be passed back. KCC with many other recipient local authorities is working with Salix and BEIS to seek an agreed extension beyond the March 2022 deadline, owing in large part to international disruption to supply chains and the delay in the project having to change site location
- 1.2 Initially anticipated to be developed on the North Farm waste site, the environmental works required on the site prior to construction starting would have meant KCC would never have delivered the project on time. The project location was then switched to Kings Hill and confirmation from Salix on this new location was received.
- 1.3 The project is at RIBA Stage 3 (planning) and estimated project costs are forecast to be £3.85M inclusive of fees but excluding land purchase which is covered in the exempt section.
- 1.4 The project will consist of an array of PV Solar panels which will generate cost offsets for KCC's current electricity usage and will include a c3MW UKPN connection to the grid.
- 1.5 The scheme is seeking to offset over 633¹ tonnes of carbon a year from KCC's energy requirement and will contribute significantly to the de-carbonisation of KCC energy supplies.
- 1.6 The project is to be delivered on a site currently owned by Liberty Partnership (LP) which is a Joint Venture between KCC and Liberty. The site is situated in Kings Hill on the old pig farm and the heads of terms of the purchase of the land are mostly agreed.
- 1.7 The solar park will be a temporary structure built on low grade agriculture land and there will be a net biodiversity improvement because of the solar park. The scheme will also include for a meadow flower bank along the northern edge of the site, sheep

¹ Based on greenhouse gas emissions reporting by KCC done by Laser. Assumes the DEFRA carbon reporting calculation for electricity of 0.23314 kg/Co2 multiplied by the Kings Hill total solar output.

grazing and replacement of some trees which will be removed to provide space for the solar array. Local wildlife will also be considered by providing badger homes, bird boxes and bat boxes.

2. Options Analysis

- 2.1 **Option 1 - Do Nothing**. The site is not developed for a Solar Park and seek alternative carbon reduction solutions. This would mean handing back the c£3.5m PSDS grant funding and would be a financial loss to KCC. The recommendation is not to proceed with this option. KCC would also incur c£200k of abortive costs on the project to date and not benefit from cost offsetting of approximately £90k (year 1) and average of £140k over 30 year lifespan.
- 2.2 **Option 2 – (Preferred) Develop the Kings Hill site with Land Purchase** and proceed with all RIBA stages including purchase of the land, securing as much of the grant funding as possible but acknowledging the potential financial risk to KCC if Salix timeline is not extended. This option delivers KCC a carbon saving and secures the most PSDS grant funding. The recommendation is to proceed with this option.
- 2.3 **Option 3 – Purchase a Site in Development with Planning** and find and purchase another solar park project with planning consent and build out. This would incur significant timeline and project risks including seeking a willing seller, leading to potential loss of the grant funding. The recommendation is not to proceed with this option.
- 2.4 **Option 4 – Purchase Existing Solar Park** and purchase a completed solar park with KCC funding. This would incur a loss of grant funding to KCC as Salix grant does not support existing facilities. The recommendation is not to proceed with this option.

3 Finance

- 3.1 Total project costs are anticipated to be c£3.85M (excluding land and VAT) with up to c£3.5M being financed through the Salix PSDS grant funding. This revised cost still complies with the Salix long term carbon saving terms and conditions for the programme. Final project costs will be known once Kier complete RIBA stage 4 and the scheme retains a contingency should costs rise from the current RIBA stage 3 costs.
- 3.2 The cost of the land purchase from Liberty Partnership is covered in the exempt section. All other costs on the land including legal, SDLT, VAT are also covered in the project costs. This cost cannot be funded by Salix grant funding and is an additional ask from moving location and it is proposed that this be funded from the Climate Change Fund.
- 3.3 The project is anticipated to deliver a net revenue income to KCC, but in reality, it is a cost offset as KCC must consume the power from the solar park in order to evidence carbon reduction savings, so the project is effectively lowering KCC's cost of electricity. Based on consultant reports, input from Laser and KCC Finance assessments of the project, the net income from the solar park is anticipated to be between £65k to £105k (1st year and reflects sensitivity to cover revenue cost

uncertainties at this stage and achievable selling price). Based on a prudent selling price of £0.055 per kWh net revenue in the 1st year is estimated to be c £90k. As a result of electricity indexation historically increasing at a higher rate than general RPI, forecast net revenue for Year 10 is estimated at c. £115k, then £155k by Year 20 and £205k by Year 30. Over the life of the project (assumes 30 years) total net revenue is estimated to be up to c.£4.2m.

- 3.4 KCC will need to fund any shortfall on the project if the March 2022 deadline is passed and no extension of time is given, including the current shortfall if Salix funds cannot be used. Based on the current programme the cashflow anticipates that £3.285M of the funding will be used by the deadline leaving a potential £573k (excluding cost of land) to be funded by KCC if no extension is received. A significant number of councils are also seeking extensions to the grant funding because of similar issues.

The following table sets out the various funding scenarios:

	Scenario 1 - Both additional funding and deadline extension agreed (Best Case)	Scenario 2 - Additional Salix funding agreed, deadline extension refused (most likely)	Scenario 2 - Additional Salix funding refused, deadline extension agreed	Scenario 4 - Neither additional funding nor deadline extension agreed (Worst Case)
Full Scheme Costs	-£3,857,000	-£3,857,000	-£3,857,000	-£3,857,000
Current Salix Funding Allocation	£3,100,000	£3,100,000	£3,100,000	£3,100,000
Additional Salix funding to meet full scheme costs (now secured)	£365,000	£365,000	£0	£0
Deadline extension	£0	-£181,000	£0	-£181,000
Financial Risk to KCC	£392,000	£573,000	£757,000	£938,000

4 Legal

- 4.1 KCC is looking to purchase the land freehold from Liberty Partnership and Liberty is supportive of this.
- 4.2 As part of the council's pre-exchange due diligence, a formal Red Book valuation of the site has been undertaken by a specialist firm (Carter Jonas see exempt appendix).
- 4.3 External solicitors have been reviewing the title and supporting information provided by Liberty to date along with the travelling draft heads of terms. Key issues/risks to flag at this stage can be seen in the exempt appendix.
- 4.4 Corporate Landlord are overseeing the contract with the help of Procurement and Burgess Salmon who have been appointed to advise on the legal considerations. The project is currently in a Project Order and Professional Short Services Agreement for the design works via Kier using the SCAPE Framework. Any early orders for materials could go under an NEC Short Contract and the main construction is anticipated to be under a Delivery Agreement Option A.

- 4.5 The project will enter into contract(s) with private and or LATco companies for the running of the solar park including both operations and management and the sale and purchase of electricity.
- 4.6 KCC has entered into the Terms and conditions of the Salix grant funding which mean that the energy produced by the solar park must directly benefit KCC through lower carbon outputs and Laser have proposed a number of solutions as to how this can be done.

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.
- 5.2 In particular the decision meets the following priority actions within KCC's Interim Strategic Plan:
1. KCC's Strategic Statement, Increasing Opportunities, Improving Outcomes, sets out the Council's goal of ensuring that every pound spent delivers better outcomes for residents and businesses.
 2. Through the use of this largely redundant site sustainability will be improved and provision of potentially renewable energy for the local area.

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 neutrality 2030 target.
- 6.2 The project is seeking to be fully funded through the Salix PSDS grant funding but failing this, it may require KCC to invest and cover the shortfall.

7 Recommendation

The Cabinet Member for Environment is asked to agree to:

1. The deployment of grant funding from the Public Sector Decarbonisation Scheme (decision 21/00034) for the procurement and management of works for the construction of the Kings Hill Solar Park;
2. Approve the policy determining appropriate use of the electricity produced by the solar park, in line with the requirement to reduce KCC's carbon emissions;
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 the ongoing management of the solar

park once operational; and

4. Delegate authority to the Director of Infrastructure, in consultation with the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, and the Cabinet Member for Environment to enter into all necessary legal agreements for the delivery and the construction of the project, including purchase of the site.

The Proposed Record of Decision is attached at Appendix A.

8 Background Documents and Appendices

- 8.1 Appendix A – Proposed Record of Decision
- Appendix B – Equality Impact Assessment

9 Contact details

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

Tel: 03000 412064

Email: Stephanie.Holt-Castle@kent.gov.uk

Report Author: Jonathan White

Title: Project and Operations Manager

Telephone number: 07988375334

Email address: jonathan.white@kent.gov.uk