

KENT COUNTY COUNCIL – RECORD OF DECISION

DECISION TAKEN BY:

Susan Carey, Cabinet Member for the Environment

DECISION NO:

21/00109

For publication

Key decision*

Yes - *Expenditure or savings of mor than £1m*

Subject: Kings Hill Solar Park

As Cabinet Member for Environment, I 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.

Reason for the decision – Effective use of the Decarbonisation Funding to deliver carbon reduction initiatives. 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.

Background – Kent County Council has been awarded via a Section 31 agreement 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). This decision sees the delivery of a c2.98MW solar park in Kings Hill within close proximity to the Kent Scientific Services building. The funding 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.

How the proposed decision meets the priority actions of Setting the Course: Kent County Council's Interim Strategic Plan (December 2020)

The decision meets the following priority actions within KCC's Interim Strategic Plan:

- Deliver carbon neutrality for KCC's estate and operations by 2030 and influence others; and
- Champion the rural and green economy; and
- Bring forward infrastructure projects to stimulate economic growth.

Financial Implications:

- KCC is funding the cost of acquisition of the land for the site at Kings Hill as these costs sit outside of Salix grant funding allowances.
- It is proposed that this cost is funded through the Climate Change Fund and expenditure was agreed in principle via the Environment Board. The Climate Change Fund, base budget, was established to enable actions that contributed to the achievement of Net Zero 2030 and as such it is an appropriate use of the fund to acquire the land for the solar park.
- Project build cost is anticipated to be c£3.85M (excluding VAT and land purchase but including client costs).
- Based on consultant reports, input from Laser and KCC Finance assessments of the project, the cost offset from the solar park is anticipated to be upwards of £90k in year 1 and £140k/annum based over the 30-year lifespan when inflation is applied to the resale value of the electricity. The scheme will therefore deliver an estimated cost offset over the life of the project (assumes 30 years) of up to c.£4.2M;
- Salix grant funding will currently contribute a minimum of £3.1M to the project;
- Further Salix grant funding of £365k has been approved.
- KCC will need to fund any shortfall on the project if the March 2022 deadline is passed and no extension of time is given. Based on the current programme, the cashflow anticipates that total scheme costs of c£3.285M will be incurred by the current end of March 22 deadline and leaves a potential c£573k to be funded by KCC if no grant extension is given. This includes £180k of grant funding that has to be returned unless other eligible schemes are agreed and delivered prior to the deadline.

	Scenario 1 - Both additional funding and deadline extension agreed (Best Case)	Scenario 2 - Additional Salix funding agreed, deadline extension refused (most likely)	Scenario 3 - 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

- If the scheme does not progress and the grant funding of up to c£3.5M is returned to Salix there will not be the opportunity to bid for future government funds to support the construction of a solar park. Future Government decarbonisation grant allocations will not provide 100% funding and will be focused on heat decarbonisation and therefore the opportunity for KCC to construct a fully funded / 80% match funded solar park will be lost.
- The four options above are based on the latest costs and timing projections with the differences relating to flexibilities being requested from Salix. If costs were to rise 10% above current levels including contingency, or spend profile on the construction was 10% less, then this would increase KCC's potential match funding by c£190k and c£100k respectively. This would be in addition to the £573k as per option 2.

Legal Implications:

- Terms and conditions of the Salix grant funding mean that the energy produced by the solar park must directly benefit KCC through lower carbon emissions;
- KCC will enter into contract with Kier for the construction of the development;
- KCC 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.
- KCC will enter into a conditional contract with a subsidiary company of Liberty in relation to the site acquisition.

Equalities implications:

An EqIA screening has been undertaken and no impacts were identified as the site is a static power generation project.

Data Protection implications:

None required – there is no processing of personal data.

Cabinet Committee recommendations and other consultation:

Scheme is currently in planning and has been part of the public consultation process.

All neighbouring stakeholders have also been consulted.

The report is going for a decision outside of the Cabinet Committee process because of the complexity of the project and associated risks in several areas including rapidly changing market conditions. Officers in liaison with the Cabinet Member needed time to develop a comprehensive risk mitigation plan which delayed confirmation that the project could be delivered. Now that these risks have been satisfactorily mitigated, the decision needs to be rapidly implemented so that work could start on site from January and the time limited grant funding from BEIS secured.

Any alternatives considered:**Options:**

- **Do nothing** – seek alternative carbon reduction solutions, switch funding around, if possible, to other scheme(s) and or hand back the full PSDS grant funding of up to c£3.5m. KCC would also incur c£200k of abortive costs on the project to date and not benefit from approximately c£140k per annum cost offsetting.
- **Construct Kings Hill Solar Park** – complete all Royal Institute of British Architects stages to deliver the project and keep as much of the allocated grant as possible, secure a further increase in grant allocation and an extension to completion deadline from Salix/BEIS and seek to limit the financial risk to KCC. The purchase of the land will remain at KCC's cost. **(PREFERRED OPTION)**
- **Purchase a solar park project with Planning consent** and seek agreement to the change of scope with Salix. This is not guaranteed as the purpose of the Decarbonisation Grant was to fund new carbon reduction schemes and relies on interpretation of whether new to KCC as opposed to new outright is acceptable. This also relies on finding a suitable solar park and a willing seller and significant timeline and project risks leading to potential loss of grant funding. This option is a consideration as the carbon reduction that Kings Hill would deliver will still have to be delivered to meet KCC carbon reduction targets as outlined in the Net Zero 2030/2050 plans.

- **Purchase a completed solar park with KCC funding** – loss of up to c£3.5M of grant funding to KCC as Salix grant does not support purchase of existing facilities.

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



10 December 2021

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Signed

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Date