

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET – 22 JUNE 2011

### REPORT BY THE EXECUTIVE DIRECTOR FOR TRANSPORT ENVIRONMENT AND LEISURE SERVICES

#### KENSINGTON TOWN HALL SOLAR PHOTOVOLTAIC INSTALLATION

The report seeks the approval of Cabinet Members to install 50kW of solar photovoltaic cells on the roof of Kensington Town Hall. If Cabinet approve the work this report proposes that the work should be carried out as a contract instruction under the existing contract with Overbury plc for the Space programme.

**FOR DECISION**

#### **1 Background**

- 1.1 In December 2010, Members discussed a proposal for a solar photovoltaic (solar PV) installation on the roof at Kensington Town Hall and the Central Library. The business case was driven by the Government's Feed-In Tariff Scheme (FIT), a 25 years guaranteed scheme that applied to all installations completed before 31 March 2012. Following the discussion officers proceeded to develop the business case, seek planning permission and are now reporting to Cabinet for a decision to proceed (or not).
- 1.2 On 18 March 2011, the Government announced a fast-track review of FIT with any changes to be effective from 1 August 2011. The review is intended to reduce the level of guaranteed financial incentive for installations greater than 50kW and will report its conclusions in July. A reduction to the current financial incentive might jeopardise the business case for a large installation at Kensington Town Hall and the Central Library where the maximum size we can achieve is 95 kW.
- 1.3 In response to the review, the solar PV project manager has worked on a business case for a smaller 50kW installation. A 50kW

installation will keep the project below the review cut off and be subject to existing FIT rates.

1.4 This paper also considers the business case for a 95kW installation, the maximum achievable on the combined Kensington Town Hall and Central Library roof space, at a reduced FIT rate.

1.5 Since last year officers have:

- Submitted a planning application for a solar PV installation on the Kensington Town Hall flat roof area. No objections were received within the consultation period. On 6 June 2011 the Executive Director for Planning and Borough Development approved the planning permission
- Submitted a further planning permission for an installation on the Central Library flat roof. This is subject to National Planning Casework Unit approvals and a decision on this should be known by the end of June
- Undertaken more work with the appointed M&E consultants, Bailey Associates, including the specification for a 50kW installation at Kensington Town Hall and the refining of the financial business case
- Identified the most effective procurement route.

## 2 The Business Case

2.1 The project team has developed financial cases for two alternative installations. The first is for a 50kW installation at Kensington Town Hall. The second is for a 95kW installation at Kensington Town Hall and the Central Library. The reason for developing two cases is to give Members options that reflect the impact of the government's review of the scheme. The current FIT of 32.9p/kWh has been used for the business case for the 50kW installation as this will remain available for at least 25 years if the installation is up and running by 31 March 2012. The Government has suggested that they will use a FIT of 19p/kWh as the rate to be applied from 1 August 2011 for installations over 50kW, and we have used that rate for the business case for the 95kW installation.

2.2 The table below compares the costs and net present value position at 25 years

	Costs	Estimated FIT	NPV position at 25 years
	£	£ per kWh	£
Option One 50kW	294,000	0.329	+31,000
Option Two 95Kw	484,000	0.19	-45,000

We do not recommend Option Two at this time.

- 2.3 The main costs are for the panels, installation, connection, M&E consultancy support and insurance, with a 10% contingency.
- 2.4 There are some non financial benefits to the Council installing a PV system on its Town Hall:
  - A small reduction in the Council's CO2 emissions
  - Supporting the Council's Climate Change Strategy
  - A modest reduction in our reliance on the national grid

### **3 Procurement**

- 3.1 In order to ensure that the solar PV installation would be in place and operational in time for the 31 March 2012 deadline, the solar PV project manager initiated a procurement exercise in line with OJEU and Council procedures.
- 3.2 In parallel, the project team has explored other routes to procure the works more quickly and at less risk. In January 2011 the Council awarded the contract for the first phase of mechanical and electrical refurbishment at Kensington Town Hall to Overbury plc. Our discussions with the Space Programme Manager and the Council's legal and procurement departments have confirmed that the Council can legitimately include the solar PV installation as part of its contract with Overbury plc. This can be done as a simple contract instruction with no impact on the Space Programme delivery timetable. As a result, the separate procurement process was suspended.
- 3.3 Adding to the existing contract will:
  - Make more efficient use of internal resources. A separate procurement process will tie up considerable internal resource to invite and process tenders
  - Simplify the interfaces between the Space programme work and installation of solar PV as all works will be managed by a single contractor
  - Give greater flexibility to change aspects of the installation if needed without risking a change in the terms of the contract
  - Deliver the project more quickly. This is important as we must have the installation commissioned and working by 31 March 2012
  - Use the existing Space programme mechanisms and resources to manage the project

- 3.4 There is a risk that without a full separate competitive tender process the Council may not achieve best value for money. To mitigate this risk, the Space programme cost consultants have provided a written procedure which guarantees a clear and open tender procedure. Officers are confident that this will safeguard the Council's interest.
- 3.6 As an alternative we could procure the works under a separate works contract. But this would put the project at risk of failing to meet the 31 March 2012 deadline and, as a consequence, failing to deliver its cost benefits.

#### **4 Financial Implications**

- 4.1 The Executive Director for Finance confirms that the NPV for the 50kW installation is very modestly positive. The project provides a long term opportunity at no net cost to achieve the non financial benefits relating to the Climate Change Strategy.

#### **5 Legal and Procurement Implications**

- 5.1 The Director of Legal Services has advised on the proposal to supply and install the solar photovoltaic panels as part of the Space Programme and confirms that it is possible to add the solar PV project into the first phase (Phase 1) of the Space Programme without occurring any significant risk from a legal and procurement point of view.
- 5.2 The Space Programme (Phase 1) includes a substantial element of mechanical and electrical supplies and works and the installation of solar photovoltaic panels may be classified in that general category for procurement and works contract purposes without causing a material change in the Phase 1 contract.

#### **6 Space Programme Implications**

- 6.1 The Space Programme Manager confirms that the delivery of the solar PV installation as a contract instruction under the existing contract with Overbury plc will deliver the benefits mentioned in paragraph 3.3 with no impact on the Space Programme delivery timetable.

#### **7. Recommendations**

7.1 It is recommended that Cabinet agree:

- 1 The installation of a 50kW solar PV installation on the flat roof area at Kensington Town Hall at a cost of £294,000 to be funded from provision made in approved 2011/12 Capital Budget for Kensington Town Hall Solar Panels.
- 2 That the work should be procured as a contract instruction under the Council's existing contract with Overbury plc.
- 3 To delegate to the Cabinet Member for Transport, Environmental Management and Leisure in liaison with the Cabinet Member for Finance and IT the authority to make minor changes to the project, within the agreed financial envelope of £294,000, in the event that further changes are required once the fast-track review is complete or should other factors arise.

**FOR DECISION**

**Tot Brill**  
**Executive Director for Transport Environment and Leisure Services**  
**Background papers: None**

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