

**GAWCOTT SOLAR FIELD COMMUNITY INTEREST COMPANY**  
**Councillor Mordue**  
**Cabinet Member for Finance, Resources and Compliance**

**1 Purpose**

- 1.1 This report seeks authority and funding to participate in the Community Bond Offer for Gawcott Fields Community Solar CIC (Community Interest Company).

**2 Recommendations**

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| 2.1 | That Cabinet is requested to consider whether it wishes to Recommend to Council that it;  |
| 2.2 | Agrees to take a Bond holding position in the Gawcott Fields Community Solar project of up to £200,000 in support of its Community and Renewable Energy objectives; and |
| 2.3 | That necessary provision be made in the Capital Programme to enable this purchase; and  |
| 2.4 | That the amount agreed up to £200,000 is moved from the unallocated General Fund Working Balance into Capital Resources to fund this purchase.                          |

**3 Supporting information**

- 3.1 The Council was approached by Communities for Renewables CIC, in respect of the proposed Solar Farm development in Gawcott. At that point Communities for Renewables had a well developed and advanced proposal for the scheme with all necessary permissions, agreements and contractors in place to deliver the scheme by the Feed in Tariff deadline of 29 June 2016.
- 3.2 Communities for Renewables is a specialist advisory company that helps local energy enterprises to develop, finance and manage renewable energy generation schemes that are owned by and run for the benefit of the local community. They have considerable experience in this field and were seeking the Council's commitment to participate in a Community Bond Offer both as an advocate of the concept and to encourage members of the local community to also invest in the proposed Gawcott Fields Community Solar Community Interest Company (Gawcott CIC).
- 3.3 A community interest company (CIC) is not established or conducted for private gain, but rather to benefit the community. The Gawcott CIC will generate a 'Community Surplus' instead of a profit and this Community Surplus must be used to provide funding for community organisations and projects in the local community. This particular scheme is hoped to generate up to £1.5 million over the 30 year life of the project.
- 3.4 The 'Local Community' is defined as the parishes within a 5km radius of the Community Solar Farm.
- 3.5 Initially, the Community Interest Company Board will be made up of Jake Burnyeat and Tom Cosgrove of Communities for Renewables CIC and Ian Payne, CEO of Citizens Advice Buckingham, Winslow and District. In time, it is intended that the Board membership will be expanded to include other directors taken from the local community. This may include the opportunity for

an elected member of AVDC to take a Board position should this proposal be accepted.

- 3.6 The Buckingham Accountancy firm, Tearle & Carver are providing support to the Board in addition to providing accountancy services.
- 3.7 The scheme will be partly financed by a bank loan and partly by a Community Bond issue. It is proposed that the Council take a stake in the Bond issue to support the Community and the Renewable energy aspirations which form the basis of this report.

#### **4 Scheme Details**

- 4.1 The project is an operational 4.17MWp solar PV array at Gawcott Fields, adjacent to an existing 5MWp solar PV field array owned by the landowner. This completes the planning application for 9.18MWp scheme under a planning application dated July 2014. Planning consent was given on 28 October 2015.
- 4.2 Solar is a proven technology and at the end of 2014, global PV arrays amounted to 175GWp (International Energy Agency) or around 700 million panels.
- 4.3 Expectation of annual generation from the array is 4,100MWh of electricity per year from approximately 16,000 panels. The annual electricity generation estimate which underpins the business plan has been produced by an independent technical expert and is considered to be a robust long term projection, accepted and relied upon by commercial lenders. Whilst weather conditions are subject to short term and inter-annual variations, a good level of certainty over long-term averages can be assumed. Given that the average UK home uses around 4,100kWh of electricity per year, this array amounts to energy for approximately 1,000 average homes.
- 4.4 The arrays sit adjacent to one another and are connected to the same grid connection.
- 4.5 The scheme is unique in that it was one of the last to take advantage of the more generous guaranteed Feed in tariff rates for the electricity generated. To qualify, the scheme had to be completed before the deadline of 29 June 2016 (which it achieved). Meeting this deadline meant that it qualified for a rate of £0.0623/kWh generated. Had the deadline not have been met, the FIT would have degraded to £0.0087/kWh generated. Any future scheme will be much harder to justify (and finance) because of the ending of these guaranteed favourable Feed In Tariffs.
- 4.6 In order to meet the requirements of the FIT incentive, the project as it sits beside the 5MWp commercial array, must be a Community Owned and operated project.
- 4.7 The array is all export meaning that there is no use of the electricity that is generated being utilised on site at Gawcott.
- 4.8 The construction contractor, Pfalz Solar, is to take responsibility for the operation and maintenance (O&M) of the site for up to 10 years, with the ability to break the contract after 5 years. The site is flat and there is perceived to be no flood risk. Site is secured and bounded by 2m fencing and there is limited CCTV monitoring on site. Pfalz Solar has considerable experience in the design, installation and management of these projects throughout Europe.

- 4.9 The export floor rate is £.0491/kWh meaning that this is what is expected to be delivered for every kWh generated and exported to grid. A decision may be made later to adjust this to a market based figure (if a higher rate can be achieved as a consequence of doing so) through a power purchase agreement (PPA). As a consequence, the project benefits from both the generation and export tariffs so the total value of the power generated is 6.26p + 4.91p/kWh.

## **5 Financing and the Bond Offer**

- 5.1 The approximate cost of the development and construction of the site is £4m. This is to be funded around 70% by Santander bank and around 30% by the community bond offer.
- 5.2 Should the Bond Offer fail to generate the minimum amount of community interest then the scheme may be sold to an institutional investor and the Community Interest value lost as a consequence.
- 5.3 The bond holding position recommended within this report should enable the scheme to meet its minimum amount.
- 5.4 The Bonds are offered for sale in £250 lots and the expectation is that these will received a 6% return. The Bond will represent a contractual obligation, but the Bonds are unsecured and should for any reason the company fail then there is no special protection for Bond holders.
- 5.5 If the 6% return is not achieved in any given year then the difference between the actual amount payable and the target return will be carried over and paid when funds allow.
- 5.6 If inflation rises above 3%, the bond interest will increase by 0.5% for each 1% rise above 3%. This is possible as the feed-in tariff income is inflation linked.
- 5.7 The Bonds will be repayable at the end of the 20 year term, or sooner (at the discretion of the CIC), should the finances allow.
- 5.8 The Bonds are tradable but only on the proviso that a willing purchaser can be found.
- 5.9 Bond offer is currently open to the end October 2016.
- 5.10 A detailed and comprehensive prospectus has been prepared for the Community Bond Offer for which the link is as follows – [www.gawcottsolar.co.uk](http://www.gawcottsolar.co.uk) .
- 5.11 The prospectus contains the details of the scheme proposals, the finances and the validation of the proposals by the appropriate professionals.
- 5.12 The bond offer has been approved as an authorised financial promotion by Bates Wells Braithwaite solicitors. This involves a full verification review of all the statements made in the bond offer document.
- 5.13 The financial projections have been prepared by Westerly Chartered Accountants. A financial model is available.

## **6 Options considered**

- 6.1 None

## **7 Reasons for Recommendation**

- 7.1 The scheme proposed has tangible community benefits because of the Community Interest Company structure which underpins it also meets many of the Council's wider renewable energy aspirations set out in the Nottingham Agreement.
- 7.2 The scheme is also likely to be the last of its type because of the significant reductions in the generosity of the guaranteed Feed In Tariffs. Finally, the scheme is well conceived, prepared and is currently completed and is generating electricity in line with the business plan which underpins it.

## **8 Resource implications**

- 8.1 If the Council's agrees to take a Bond holding position in this company of up to £200,000 in order to support the community and renewable energy ambitions of the project then the funding would be considered capital expenditure under the requirements of Section 12 of the Local Government Act 2003 and would therefore require a variation to the Capital Programme.
- 8.2 To meet the deadline of the project to raise the requisite minimum amount of funding the recommendation will need to be made direct to Council without the normal consideration of scrutiny.
- 8.3 Funding for the scheme could be identified from the Council excess Working Balances held at the start of the year and if supported a sum of up to £200,000 would be transferred to Capital Balances to fund the position.