



CABINET - 23RD JUNE 2021

SUBJECT: CWM IFOR SOLAR FARM

REPORT BY: CORPORATE DIRECTOR FOR ECONOMY AND ENVIRONMENT

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1. PURPOSE OF REPORT

- 1.1 This report outlines the recommendations made to Cabinet by the Regeneration Board at its meeting on the 30th March 2021 to allocate £434,000 development funding to the Cwm Ifor Solar Farm project. The report sets out in detail the progress on the proposal to date and identifies the next steps and investment required to take the project forward and seeks Cabinet endorsement to proceed.

2. SUMMARY

- 2.1 The Cwm Ifor Solar Farm proposal is a significant project requiring additional investment in order to progress to the position where there is a full business case for approval. The investment sought will enable: the preparation of a planning application, including all supplementary consultants work and reports and stakeholder engagement; procurement documentation and options for construction; and specific financial modelling to enable Cabinet to make a decision on the future construction of the solar farm in early 2022.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked by the Regeneration Board to agree the allocation of funds totalling £434,000 in order that officers can progress the Cwm Ifor Solar Farm project to final business case at which time a further report will be brought forward for Cabinet consideration.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To progress feasibility, development and delivery stage works in relation to the Cwm Ifor Solar Farm to allow it stay on programme.
- 4.2 To start the consultation and engagement work with the community in relation to this project.
- 4.3 To enable officers to acquire additional information and undertake thorough options analysis so that a full and final business case can be presented in 2022 for Cabinet consideration.

5. THE REPORT

- 5.1 On 9th December 2020 the Cabinet agreed the Commercial & Investment Strategy which set out as part of the strategic action plan a commitment to investigate commercial opportunities when presented.
- 5.2 On 4th June 2019 the Cabinet declared a Climate Emergency which was subsequently followed by the approval of The Decarbonisation Strategy along with two supporting documents – the Action Plan and the Energy Prospectus by Cabinet on the 25th November 2020. The documents propose a series of interventions under the 4 main headings of Reduce, Produce, Offset and Buy.
- 5.3 On 24th February 2021 Cabinet agreed to the Well Being and Place Shaping Framework and this project is identified as a potential investment under objective WB04.
- 5.4 On March 16th the Regeneration Assessment Panel reviewed the Cwm Ifor Solar Farm project proposal. The Assessment Panel recommended that the Regeneration Project Board support the project as the project scored highly on both deliverability and strategic fit to the Council corporate objectives.
- 5.5 Subsequently on March 30th the Regeneration Project Board reviewed the project and supported it unanimously. The project is now being referred to Cabinet for consideration and final approval.
- 5.6 The Cwm Ifor Solar Farm is a proposal to develop a 20MW solar farm to the north of Caerphilly town centre, detailed maps are attached at Appendix 1. The key aspects of the project are as follows;
 - Potential to be the largest public authority owned solar farm in Wales.
 - Development Costs - £12 million (not including costs of borrowing).
 - Life span of Development – 35 years.
 - Expected Investment Rate of Return (IRR) – 4.15% (annually between £50k and £500k during life of project).
 - Estimated 40 green jobs created as a result during lifetime of scheme.
 - Estimated life-time CO₂ savings* (tCO₂e) are 55,300, approximately 1580/year which is enough to power approximately 6000 homes.
 - CCBC currently purchases 28 MW annually at a cost of just over £4 million, this solar farm will be able to produce 20 MW (for a sense of scale) .
 - Development of National Significance meaning that WG will need to make the necessary planning decision not CCBC.
 - If planning application is successful the solar farm will be a commercially viable product to sell on the open market the Council can either proceed to construction or decide not to proceed with the development itself. It is anticipated that the majority of costs incurred could be recovered should a sale be the preferred option.
 - Revenues would be generated from the solar farm via a Power Purchase Agreement with Western Power.
- 5.7 Under the joint working arrangement between the Transformation Team and the Regeneration Team some key milestones have already been accomplished during this project. These include:
 - Grid connection secured from Western Power via a novation in April 2020. This connection includes the proposed solar farm site as being last in line for switch

- off providing additional surety for the developer on revenue streams.
- £49k secured from Regeneration Project Board to progress to the next phase and to close out 2 of the 3 remaining risks; the final outstanding minor risk one is in relation to a communications tower requirements which is being investigated currently with WPD.
- Heads of Terms negotiated with land owner – including retaining CCBC Covenant on the land for the duration.
- Initial Land Studies completed with no major concerns noted.
- Team Caerphilly in full swing with ongoing engagement in project team from procurement, finance, legal, planning, energy team, comms, policy team, county ecologist and landscape architects as well as ward members.
- Partnership working with Welsh Government Energy Service, (WGES) and Welsh Government.
- Project currently being delivered on time, in scope and within budget with a full project timeline and budget regularly reviewed – including risk management.
- Full engagement with ward members has been ongoing throughout the project and Community Councils are now being including as part of consultation.

5.8 The initial funding from the Regeneration Project Board enabled the project to close down two potential risks to delivery of the project: land and access. Using internal expertise, officers have negotiated terms on the land agreement, and established that there are no significant access issues.

5.9 Next steps for the project will include focussing on the following key areas:

Planning Application – Expert consultants will be procured to help finalise designs for the solar farm and submit a planning application to Welsh Government. Planning consultants will also progress the consultation and engagement exercises required to ensure that all statutory requirements are adhered to.

Consultation & Engagement – The project will seek to go beyond the statutory requirements as part of our commitment to the Consultation and Engagement Framework previously agreed by Cabinet. There are more details about the community benefits element of this project listed below. There will also be a separate work stream on consultation and engagement for those residents that may experience some disruption during the construction phase of the project.

Finance Options – the next phase of work will centre around potential funding streams for the development together with the implications on the yield and community benefits of those options. The Council will look to partners, community options, Development Bank of Wales, UK Government and any other funding streams to leverage in funding to help deliver this project. This workstream will also look at the power purchase agreement and the implications of this on the Council's current energy purchasing and carbon accounting.

Procurement – officers will work with internal procurement and external legal advisers to draw up the suite of documents required to procure construction, operations and maintenance of the site should a full and final business case be approved.

Community Benefits – there are a range of potential community benefits that this project could support and below are listed some potential options. The focus of the consultation and engagement exercise will be to identify which are the preferred options from the community and then build these into the project plan including any financial commitments, one off or revenue, and the impact of those on the financial modelling of the scheme. Below is a snap shot of some of the community benefit

schemes that have been used on other renewable projects and we hope to use as a starting point for our conversations and engagement with the community.

- Electric vehicle demo days – information about reducing use of cars – cycle to work/walking days etc.
- Home insulation and heating decarb grant support
- Bio-diversity enhancements & Greening measures – to include improving or maintaining hedgerows at the proposed site.
- Fuel poverty measures – link to local groups supporting those in poverty.
- Investment/Repairs to local community
- Additional planning protection in neighbouring areas
- Employers scheme – funding to help support companies to recruit into green job apprentices
- Education and Youth Opportunities – linking up with local schools/colleges throughout construction and development.
- Community Bond Funding – consider this as a funding scheme and gifting shares/bonds to local groups
- Job creation/apprentices – looking into this as part of procurement processes.

Conclusion

- 5.10 This project has the potential to deliver against a number of key strategic plans the Council has adopted including making a significant impact towards delivery of the Council's decarbonisation objectives.
- 5.11 The investment now being sought would be largely recoverable if Cabinet decide not to proceed as developer.
- 5.12 The additional investment would enable the project to prepare a planning application, further clarity on the financial options and implications, full consultation and engagement with the public, which will in turn enable Cabinet to make an informed and robust decision when presented with the final business case.

6. ASSUMPTIONS

- 6.1 This report assumes that the identified project, if supported by Cabinet, will be developed further and where applicable and desirable will be reviewed in detail as part of the full business case for final determination.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

This proposal and the associated community benefits have the opportunity to make significant positive impacts across a number of key areas as identified within the IAA; collaboration, employment, low carbon, education, long term thinking. The challenge will be as officers develop the FBC to ensure that those benefits are achievable and aligned to the priorities of both the WG, legislation, corporate priorities and the needs and wants of the community.

8. FINANCIAL IMPLICATIONS

- 8.1 An overall Regeneration Project Board Development Fund of £2.5m has been

previously approved to allow officers to develop projects ready for implementation when funding becomes available.

- 8.2 Development Funds of £1,499,200 have previously been approved and allocated to projects. If the solar farm allocation is approved by Cabinet, then £566,800 remains from the total budget allocation for funding future projects. Additional details on other Regeneration Project Board projects coming forward will be reported to Cabinet periodically.
- 8.3 The current estimate for construction and development of the solar farm is £12.5 million. It is anticipated at this point this will be funded via a variety of means and those options and implications will be explored as part of the next phase of work. There are borrowing options available to the Council, potential for investment partners, grant money as well as looking to Development Bank of Wales and the potential National Infrastructure Bank. The current financial model assumes Public Works Loan Board borrowing based on our existing terms, any changes to this will be factored into the updated financial model.
- 8.4 The current cost of development is approximately £12.5 million and based on the current modelling and assumptions this delivers a payback period of 19.4 years with a likely annual revenue income between £50 and £500k during the 35-year lifetime of the project. All financial models and assumptions will be further clarified as part of the Final Business Case.
- 8.5 The financial model is provided by Welsh Government Energy Service (WGES) as part of their support to the public sector to develop renewable energy. Assumptions within the current model include interest rates, inflation, power prices and energy yield.
- 8.6 The development & construction costs within the model are based on WGES standard assumptions for previous similar projects supported by WGES. However, as all projects are unique, this is an indicative early stage financial model to help gauge the potential profitability of the investment. WGES recommend that a bespoke model specifically for the project is designed if the development stage goes ahead. The costs for this model are included within the development costs.
- 8.7 The current investment required in order to proceed to final business case would be almost entirely recoverable if Cabinet decide not to proceed as we would have a viable product to sell on the open market and indications of interested parties. Current estimates are that we could achieve a sale price for the development in the region of £400k.

9. PERSONNEL IMPLICATIONS

- 9.1 There are no personnel implications.

10. CONSULTATIONS

- 10.1 Any views expressed by consultees have been included in the report.

11. STATUTORY POWER

11.1 Local Governments Act 1998 and 2003

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Background Papers:

Appendices:

Appendix 1 Solar Farm Maps & Sample Community Benefits
Appendix 2 Integrated Impact Assessment