

A Green New Deal for Oxford: Green Budget Amendment – Council 17th Feb. 2021

Firstly, all officers, staff and Councillors deserve thanks for their exceptional service over the last year. This has been an exceptionally difficult time. We have seen our voluntary sector step up magnificently to the challenge and our public sector have shown that they are able to adapt and continue to deliver first-rate services. If ever anyone was ever in any doubt of the need for, or the value of, a healthy public sector – this last year should have dispelled any doubts. The financial strain all of this has put on the Council means that this is a budget like no other.

REVENUE

We have not only produced a balanced revenue budget but one which **provides a significant financial cushion of almost £2m over and above the administration's budget**. This is critical going forward with so many uncertainties and, as the S151 Officer has recognised, it also provides a healthy contingency should there be delivery challenges.

To raise money with have re-introduced, from Year 2, inflation increases in car parking charges and an uplift in P & R fees. This is not just a means of raising cash – we have also assumed a deterrent effect; fewer people using private cars as a result.

We have also cut Special Responsibility Allowances equivalent to 1.5 x the basic allowance. This is not a lot, but we think it important that Councillors share the pain.

There are also items in our Revenue budget linked to the changes made in the Capital budget discussed below.

With this money, we propose reversing those of the Administration's budget cuts that we find unacceptable. You will note that many of our proposed are similar to the recommendations made by the Budget Review Group. We propose to:

- Reverse the cut to the community grant fund – this is a time to increase it, not cut it (£200k/year from Y2)
- Reverse the cut to the Oxford Living Wage staffing and publicity budget (£20k per year)
- Reverse the reduction in the number of planning committees (£40k per year)
- Reverse cut to concessionary rate on garden waste bins (£80k per year)
- Fully fund the follow-up work to the Citizen's Assembly (meeting the £75k shortfall in requested funding)
- Reverse the cut to the blue bin recycling league awards to good causes (£19k per year)

We have also recognised that the current circumstances are depleting our homelessness reserve fund and are topping that up to the tune of £300k over the four years.

We are also concerned at the Administrations rejection of the recommendations from Scrutiny in relation to the Net Zero Carbon planning. We want this to be credible and deliverable so we have included some additional resource to ensure that the management, reporting and target-setting complies with best practice (£25k per year).

Housing Revenue Account

We want to make sure all new social housing is built to proper zero carbon standards both for the benefit of the climate and for our tenants, who will benefit from lower running costs. According to OCHL, this would cost an average of just £7,750 per home. No doubt the cost will decrease over time, but we have here included the whole cost based on the business plan assumption that an average of 95 social homes will be built each year.

Over 20 years, this investment is cost neutral as it is covered by a modest 'comfort charge' – less than the equivalent energy bills would have been – based on the well-proven EnergieSprong model.

Capital Budget

Rather than speculatively investing in commercial property, for which the business case is unclear, we propose that the Council join the growing ranks of local authorities developing new solar farms. This meets our policy objectives and provides a modest, but secure, return (net of borrowing). The £51m we propose to invest (similar to the amount originally intended for commercial property) would fund about 70MW installed capacity, keeping us on track to deliver the additional 110MW local solar generating capacity the experts say we need to serve the City by 2025.

OXFORD CITY COUNCIL: HIGH LEVEL ASSESSMENT FOR THE INVESTMENT IN SOLAR FARMS

Prepared by Oxford Green Party in support of their Oxford City Council budget amendment to be tabled on 17th February 2021.

BACKGROUND

- 1.1 Oxford City Council has committed itself to eliminating or offsetting the emissions from its direct energy use by 2030 and, as a signatory to the recent Zero Carbon Oxford charter, it has committed along with a number of other key employers in Oxford to play its part in making the whole of the City net zero by 2040.
- 1.2 This is a massive undertaking that will increase the demand for green electricity across the City.
- 1.3 A report commissioned by Oxford City Council in advance of the Citizen's Assembly on Climate Change (held in Autumn 2019) estimated that we would need (in addition to national efforts to decarbonize the grid) an additional 110MW of installed solar capacity serving the City by 2025.
- 1.4 Developing new solar generating capacity is therefore aligned with Oxford City Council's policy goals. It also has the potential to generate revenue above and beyond that required to service any borrowing.
- 1.5 In fact, Oxford would not be the first to invest in solar farms; West Sussex¹, West Berkshire² and Warrington³ are amongst those who have done so or are planning to do so. In fact, even pension funds who are typically risk adverse and are looking to guarantee long term returns are investing in solar. Westmill, in South Oxfordshire, received a £12m cash injection from Lancashire County Council's Pension Fund⁴.
- 1.6 **Oxfordshire Green Party** are proposing that Oxford City Council invest substantial sums (£51m) in solar farms over the course of the next four years as part of its four-year budget planning cycle. This is sufficient to fund approximately 70MW of new solar (possibly more as the prices of solar continue to fall). This would provide approximately two-thirds of the 110MW required by 2025. We would expect community funding and private sector investment (from organisations such as the Low Carbon Hub and Zero Carbon Oxford signatories) to plug the remaining gap.
- 1.7 It is estimated that 70MW would generate roughly the same amount of electricity as used by 18,000 households annually and would prevent the emission of more than 400,000 tonnes of CO₂ over the project's lifetime through avoided fossil fuel electricity generation (more were the energy to be used for electric vehicles thereby avoiding emissions from petrol and diesel combustion).
- 1.8 **We recognise that before any work can proceed there is a need to develop an investment grade business case. This is same process one would go through for any capital property investment. This may include seeking a Government grant. It will inevitably involve seeking expert advice and identifying a service provider.**

2 MAIN ISSUES

- 2.1 One key requirement is land. 70MW would require approximately 70 hectares of land (excluding service roads etc). Existing Park and Ride car parks could meet at least 10% of this requirement (using solar canopies on a larger scale than has already been achieved at the

¹ <https://www.westsussex.gov.uk/planning/local-environmental-projects/west-sussex-renewable-energy-projects/>

²

³ <https://www.theengineer.co.uk/warrington-solar-project/>

⁴ <https://blueandgreentomorrow.com/economy/westmill-solar-lancashire-pension-fund/>

Blackbird Leys Leisure Centre) but, clearly, other suitable locations would need to be identified in, or around, the County. Note that 70ha is about 1.5% of the area of the City of Oxford. This would need to be brownfield or low grade land.

- 2.2 The other key issue to understand is whether the development will be financially viable and deliver sufficient returns to the Council to not only cover the cost of borrowing but also generate income.
- 2.3 Here we have drawn on a high level business case prepared for Cambridgeshire County Council's Commercial and Investment Committee in January 2019⁵. Note that since this time, Council borrowing rates have reduced as has the cost of solar panels. So, this can be considered a 'worst case' business case. This has the benefit of 1) being in the public domain 2) having been prepared by an experienced service provider (Bouygues Energies & Services) 3) being of a similar scale to that proposed in Oxford (37MW as opposed to 70MW allows for the simple doubling of figures) 4) Cambridgeshire being seen as similar to Oxfordshire in terms of land values and demography and 5) of being benchmarked from an existing solar farm (North Angle Farm)

3 SUMMARY BUSINESS CASE

- 3.1 A summary of the 25 year outline business case is included in Table 1a below (based on the Cambridgeshire model).
- 3.2 The business case assumes electricity generated would be sold at wholesale prices. There are opportunities to improve potential returns by selling electricity at retail prices through a 'sleeving' arrangement with a licensed electricity supply company with the City Council as the beneficiary. These opportunities will need to be explored further but will increase the returns.
- 3.3 Note that the calculated return is similar to that reported by other local authorities, Oxford Low Carbon Hub and others. As stated above, even recent business cases (such as the Cambridgeshire model we have used) under-estimate rates of return as solar panel prices continue to drop and energy prices inexorably rise.

	Capital Cost*	Payback period (years)**	IRR (Internal rate of return)	NPV (net present value 5.93% discount rate)	25 Year Net Return
Modelled energy generation	£51.00M	14.18	6.56%	£5.30M	£73.67M

*Includes all development costs, equipment, DNO connection costs, securing planning permission, internal staff, legal costs and fees.

** The business case assumes (a) equipment prices will not change appreciably (b) known technical challenges on-site, and (c) no major additional costs will be incurred due to unfavourable site conditions.

