

**WARRINGTON BOROUGH COUNCIL**  
**RECORD OF DECISION TAKEN BY AN OFFICER**

**DECISION TITLE:                    SOLAR FARM INVESTMENT**

Executive Board Decision No and/or Forward Plan No (Executive decisions only)	FP No 071/19 and 086/19
Directorate Ref No (Non Executive decisions only) If applicable	N/A
Decision detail	<p>At its meeting on 8 October 2018 the Executive Board approved the investment in the Hull Solar Farm development as Phase 1 of the Hull project to build a 25.7MW solar farm on a 131 acre low grade land in Hull, which will produce a sufficient output to meet the Council’s entire electricity consumption needs with any generated energy not required by the Council will be sold on the energy markets. Construction of the Hull solar farm was completed and formally handed over to the Council in October 2020.</p> <p>At Cabinet on 27 May 2020, it was approved that the Council make a commercial loan to Energy Store 4 Limited (now known as Warrington Renewables (Hull) Limited) (“Hull SPV”), the Council’s wholly owned company which owns the Hull solar farm. The purpose of the loan was so that the Hull SPV could proceed with phase 2 of development at the site.</p> <p>Phase 2 is the addition of 22 MW of battery storage to the Hull solar farm to form a hybrid solar development, as the 100% owner of the Hull SPV, this will bring additional benefits to the Council:</p> <ul style="list-style-type: none"> <li>- Potential additional income sources that can be generated from the storage element. The battery will generate revenue from multiple sources and is a flexible asset designed to offer services to National Grid and Northern Powergrid (the Distribution Network Operator) as well as taking advantage of wholesale energy price arbitrage opportunities. The most likely scenario is that the battery will be used overnight to provide Firm Frequency Response services to National Grid (a service which regulates supply and demand of energy on a second by second basis), the battery will then store energy generated from the solar farm during the day to be released at peak times of the day (typically between 4-7pm)</li> <li>- Balancing the energy for the Council maximising out offtake from the solar farm. When the solar farm is generating energy, the battery will help to match energy generated by the solar farm to the energy demanded by the Council. On a typical day, the battery can store between one and two thirds of the energy generated by the solar farm to ensure that its value is optimised by releasing the energy to grid at the right time. According to independent consultants, Aurora Energy Research, combined solar battery hybrids benefit from higher Internal Rates of Returns compared to stand alone solar farms because the benefits of sharing grid connections and the ability to ‘shift’ energy from the time it’s generated to</li> </ul>

the time it is demanded.

Cabinet approved the Council making a £10.1m commercial loan to the Hull SPV and delegated the responsibility to negotiate and finalise the loan on the Council's behalf to the Deputy Chief Executive and Director of Corporate Services (Section151 Officer) and the Director of Law and Governance (Monitoring Officer).

Cabinet were also advised on 14 December that in order to be fully compliant with State Aid, the Council may not be able to loan the Hull SPV 100% of the development costs. The Council was there permitted to loan a commercially acceptable percentage of the development costs to the Hull SPV, with the remainder being injected into the Hull SPV by way of equity.

In order to complete the transaction as set out above, some final actions are required, and documents to be entered by the Council and the Hull SPV. These have been negotiated on the Council's behalf by Geldards LLP. Those key documents and matters are listed below with a brief synopsis:

- **Development Loan**

This documents the Council's commercial loan to the Hull SPV. The key terms of the loan have been reviewed by the underwriters at Redwood Bank for an independent assessment as to whether they are commercially acceptable terms. The Bank have also confirmed that given the value of the assets that it owns (in excess of £20m) and which will act as security for the loan, it would be acceptable in the market for a 100% loan be made to cover the full development costs. There is therefore no immediate need for an equity injection and the key terms of the loan are set out in **Appendix 1**, (Appendix 1 is exempt from disclosure by virtue of s.9 Openness of Local Government Bodies Regulations 2014).

- **Debenture**

The Debenture is the main security that the Council has in respect of its lending. The Debenture effectively charges all property owned by the Hull SPV, as well as all future property and title to bank accounts etc. As set out above the value of the assets being charged is far in advance of the actual value of the loan.

Once the above documents are entered, the Hull SPV will then be in a position to enter the EPC Contract – the build contract in respect of the battery development. The Council is not a party to that contract and the Directors of the Hull SPV will be responsible for entering into the agreement, however as its Shareholder, the Council has formally resolved to permit the Hull SPV to enter into the EPC. This is consistent with the governance arrangements as reported to Cabinet on 27 May 2020.

Reason for decision

The Cabinet delegated the approval of final terms of the document to the Director of Corporate Services (s.151 Officer) and Director of Law and Governance (Monitoring Officer).

This ODN confirms the decisions that have been taken in compliance with the

	delegations.
Decision Maker/Responsible Officer	Lynton Green, Director of Corporate Services (s.151 Officer) Matthew Cumberbatch Monitoring Officer and Director of Law and Governance (Monitoring Officer)
Directorate	Corporate Services
Lead Executive Board Member consulted (if applicable)	CLlr Cathy Mitchell – Deputy Leader and Cabinet Member Corporate Finance
Decision Date	18 December 2020
Date Decision was published / notified (normally within 2 clear working days of decision being made)	6 January 2021
Summary of options considered	The alternate option would be to not to exercise the delegation and not to make the loan available to the Hull SPV. The opportunities for income generation would therefore be lost and this wasn't considered in the best interests of the Hull SPV or the Council as its shareholder.
Interests declared	None
Background Papers (if applicable) <i>(period expires after 4 years from date of decision)</i>	Executive Board Report 8 October 2018 and 11 February 2019.  Cabinet Reports 27 May 2020 and 14 December 2020.
Confidential / exempt information Category (if applicable)	Part 2 Cabinet Reports - exempt by virtue of categories 3, Local Government Act 1972, schedule 12A. Appendix 1 - is exempt from disclosure by virtue of s.9 Openness of Local Government Bodies Regulations 2014

**NB. This form expires after 6 years.**