This report will be made public on 5 December 2023

Report Number **C/23/66**

To:	**Cabinet**
Date:	**13TH Dec 2023**
Status:	**Non - Key Decision**
Responsible officer:	**Andy Blaszkowicz – Director, Housing & Operations**
Cabinet Member:	**Councillor Martin, Leader of the Council and Cabinet Member for Otterpool Park and Planning Policy** **Councillor Scoffham, Cabinet Member for Climate, Environment and Biodiversity** **Councillor Speakman, Cabinet Member for Assets and Operations**

SUBJECT: SOLAR PARK OPPORTUNITY - LYMPNE

SUMMARY: In response to the recommendations 2 & 3 of the Cabinet report C/23/17 of 12th July 2023 Otterpool Park LLP undertook to explore the opportunity of a solar farm at Lympne and to complete the soft market testing and the options available to the Council.

This report sets out the results of the market testing and makes recommendations on the next steps.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below so that the opportunity to establish a solar park at Lympne can be explored further.

RECOMMENDATIONS:

1. **To receive and note the report.**
2. **To provide delegated authority to the Director of Housing and Operations**
   a) **To undertake detailed negotiations with the preferred solar farm developer to a position where the Options Agreement is ready to be signed with the provider;**
   b) **To develop the detailed business case and financial and governance models with risk/reward profiles for the proposal from the preferred provider.**
3. **To note that a further report detailing the negotiated options agreement and the business case will be reported to Cabinet for approval.**
4. **That Cabinet approve a budget of up to £50K from the approved Otterpool budget to fund the legal and financial reviews and modelling associated with the project.**

1. INTRODUCTION

1.1 The team at Otterpool Park identified an opportunity to deliver a solar park on Council owned land to the southwest of the proposed town, outside of the designated AONB and has conducted soft market testing with the support of an expert external contractor, Stantec. The results of the testing are summarised in section 3 of this report.

1.2 The Council's long-term commitment to developing a new and sustainable community is supported by the proposal to deliver sustainable electricity infrastructure comprising of a solar farm on land adjacent to Otterpool Park with a direct link to a new smart grid and independently owned electricity distribution network with battery storage throughout the Otterpool Phase 1 development and with a connection to the national grid that will relieve some of the pressure on the national grid and comply with the national regulatory requirements.

1.3 The Planning and Licensing Committee (4 April 2023) resolved to grant outline planning permission for Otterpool Park. Please refer to: https://www.otterpoolpark.org/amended-outline-planning-application-approved/

1.4 Phase 1 of the project focuses on the creation of a new town centre and a new public park - Castle Park, adjacent to Westenhanger Castle. It will provide the first new homes, as well as commercial and retail spaces. Services that will be delivered for the first residents of Otterpool Park include; the first primary school, health and community facilities and open green spaces focussed around the racecourse lake. Please refer to: https://www.otterpoolpark.org/vision/masterplan-phase-one/

1.5 Outcomes of the market test are presented as *Appendix 2 (Confidential)* to this paper.

2. POTENTIAL SITE

2.1 A 19.4ha plot of land owned by Folkestone and Hythe District Council adjacent to Otterpool Park, has been identified as a potential site for the solar farm; the land is shown outlined in red on the attached plan *(Appendix 1),* bounded by an ancient woodland to the north and a local road and AONB to the south.

2.2 The agricultural land is grade 2 (very good quality agricultural land) with a cereal crop that is currently occupied by a farmer under a Farm Business Tenancy for which the Council receives a rental income of £9,370 per annum.

2.3 Additional adjacent land of 14.2ha is owned by FHDC and offers the potential to extend the solar farm and energy output if and as required. The land is shown outlined in blue on the attached plan *(Appendix 1).*

3. SUPPLIER ASSESSMENT SUMMARY

3.1 Otterpool Park LLP engaged an expert consultancy, Stantec, to assess the deliverability and options to deliver a solar farm on 19.4ha of agricultural land outside of and adjacent to the western boundary of Otterpool Park. There is a further option to extend the site by 14.2ha on adjacent land also owned by the Council located between the proposed solar site and Otterpool Park.

3.2 Stantec commenced a soft market test and on 25th May 2023 and the Request for Engagement received a positive response from 4 companies. The subsequent Request for Proposal set out the vision, the technical and the commercial governance requirements. On the 14th June one company pulled out of the process citing staff capacity and supply chains.

3.3 Final submissions were received from the remaining 3 bidders on 7th July with the detailed interviews and presentations completed on 17th July, 2023 and have been evaluated in the Business Proposition and Supplier Recommendation received from Stantec.

3.4 Three very different proposals were made to the Council and evaluated against the core criteria of: no capital requirement from FHDC; demonstrable long-term benefit to the residents of Otterpool through reduced tariff; an increase in land value; and annual income to FHDC.

3.5 A summary of the scoring and key features of the proposals are shown in a table 1 below with bidder names provided in *Confidential Appendix 3.*

Table 1.

Proposal	Rank	Score (out of 50)	Annual Income to FHDC from land rental	Estimated potential FHDC share of sales	Generating Capacity	FHDC Capital Cost	Energy Saving Cost (estimated)	Term	Grid Connection needed (Y/N)
Bidder 1	1	41	£120,000 minimum;	£4m over lifetime	12MW	£ 0	£12m	30 year PPA with long term commitment and opportunity to increase in value over time	**No**, already in place and IDNO grid for Otterpool
Bidder 2	2	29	£ 60,000	£4m over the lifetime	17 MW	£ 0	Unknown	35 year term PPA with exit in 5 years	**Yes**, will require capital to build out the national grid
Bidder 3	3	25	£ 0	None	10 MW	£ 0	Unknown	25 year term with a PPA, no JV offered	**Yes**, will require capital to build out the national grid

Note: PPA is a Power Purchase Agreement with a supplier.

3.6 The proposal from Bidder 1 is ranked first and is the preferred provider with the environmental, social and governance benefits, the SPV structure to work with FHDC over time and with the potential to expand the solar farm and infrastructure if required by later phases of development in Otterpool Park. A key difference is that the Bidder 1 solar PV and battery proposal is directly connected into the smart grid that Bidder 1 are already committed to building and operating as an independent local grid (IDNO) for Otterpool residents saving Otterpool Park LLP from the grid build-out capital costs required by the other two proposals.

3.7 There are four important technical differentiators in the Bidder 1 offer that are detailed further in Confidential *Appendix 4 (Bidder 1 Additional Info*) and are summarised as:

3.7.1 Constructing a future-proofed independent local distribution grid (IDNO) using private capital and connected to the national grid by the current connection point saving Otterpool Park LLP from the capital requirements of a ‘normal’ grid build-out by UKPN which would be required under the other two options.

3.7.2 Residents also benefit from the reduced IDNO distribution charges which are not available from the UKPN build out required by the other proposals.

3.7.3 Extensive use of a 'smart grid' coupled with battery storage to balance the local Otterpool grid demand and providing green power into the evening and with the flexibility to support UKPN local operations in the event of a local power supply emergency in the surrounding area.

3.7.4 The combination of an independently owned smart grid offers future-proofing in the connection and distribution of the additional power requirements for net-zero electric heating and electric car charging.

(also see Appendix 5: Key Definitions)

3.8 The Bidder 1 proposal includes enhancing the natural environment over the long term with explicit plans to promote biodiversity through:

3.8.1 Designing-in wider spacing between the rows of solar panels that will support wildflower planting between the rows of panels and undertake enhanced planting in boundary hedges to create and support a wildlife habitat, albeit that the output of the solar farm will be reduced *(see Confidential Appendix 3 and Table 1).*

3.8.2 Designing the panels to be high enough from the ground to create an agricultural ley for the period of operations to support sheep grazing.

3.8.3 Return the land to full agricultural use on removal of the solar panels and batteries, supported by remediation bonds.

3.9 The development costs and risks all lie with the preferred supplier and allow for FHDC to benefit from increases in scale over time. The proposal is a low risk royalty-based model, but other higher risk/reward models and associated business cases will be reviewed with the preferred supplier for consideration by Cabinet.

3.10 The solar farm connected to the smart grid could deliver a reduction of 75,000 tonnes of greenhouse gas emissions over its 30-year life span.

3.11 The projected outcome of this project is the solar park could provide up to 50% of the annual energy demand from the homes, shopping centre and business areas developed as Phase 1 and up to a 30% reduction in the energy bills for the residents.

3.12 The difference between the size of the solar farm reflects the density of the coverage by solar panels, the lower the output the fewer panels and more space dedicated to promoting biodiversity and allowing the continued use of the land as grazing ley.

3.13 The preferred bidder proposal offers the opportunity for additional infrastructure benefits and operational revenue share to FHDC: specifically, the addition of solar panels on rooftops feeding the smart grid and the ability to arbitrage the battery storage capacity to support the local grid with a share of the associated operating revenue uplift. Whilst these benefits are outside of the scope of this

paper the risks and benefits will be considered further through negotiations with the preferred supplier.

4. SHOULD THE COUNCIL PURSUE THIS OPPORTUNITY?

4.1. FHDC officers and the team at Otterpool Park have explored and confirmed the net zero benefits of the solar farm and the market opportunity, and it is for Cabinet to consider the benefits of such a scheme.

4.2. The high-level business case and commitments provide a foundation for detailed refinement and negotiation along with the Heads of Terms and extensive legal and financial review after which a report will be brought back to Cabinet for further consideration.

4.3. The team at Otterpool Park will develop the detailed business case with support from officers at the council including the Chief Officer for Corporate Estate and Development and the Council's Low Carbon Advisor.

4.4. It is envisaged that the negotiation, business case development and reviews will take between 8 and 12 months. Following Cabinet approval the options agreements will be entered into and a planning application will be submitted by the preferred supplier.

4.5. The business case will detail several considerations as set out (but not limited to) below-

- Heads of Terms (HoT's).
- Detailed budget for associated investigative work around governance structures and the sources of funds.
- Estimated annual cashflow to FHDC after commissioning.
- Financial feasibility model and income to the council.
- Detailed risk / reward analysis and profile of the project.
- Soft Benefits to the council and in particular the uplift in land value.
- Social Value
- Environmental Impact of the scheme.
- Resilience and futureproofing of the smart grid system and operating models and income potential.
- Power generation capacity balanced with biodiversity and benefit to Otterpool Park.
- Implications to the Otterpool Park development grid connections and delivery of identified cost savings over time.
- Planning considerations, that will be undertaken and addressed in full by the preferred bidder.
- Governance arrangements (e.g. SPV) and contractual commitments with legal impact.

5. PLANNING CONSIDERATIONS

5.1 Informal discussions have taken place with the Local Planning Authority (LPA) to discuss the suitability of a solar installation in this location. A summary of these discussions is included below.

5.2 There is clear local and national support for a proposal of this nature, but there are a number of key issues that would need to be considered, mitigated and balanced in reaching a decision.

At this stage the key issues would appear to be:

- the impact on the landscape and setting of the AONB,
- impact on the footpath (user experience),
- heritage impacts (potential barrow etc),
- loss of good quality agricultural land.

5.3 The development would offer significant environmental benefits over 30 years, as it would provide an approximate generating capacity of 12MW. However, the scale and location would likely have a detrimental impact upon the setting of the AONB. The council would need to demonstrate that the impact could be mitigated.

5.4 The proposal would result in the loss of grade 2 agricultural land and would therefore fail to comply with part 10 of CC6 (Places and Policies Local Plan). It will be necessary for the council to justify the loss of any agricultural land.

5.5 A planning application would need to be supported by a significant suite of supporting information.

6. RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Lack of planning approval and abortive costs to the council.	High	Medium	Extensive work to be undertaken with preferred supplier prior to agreeing final terms to mitigate the impacts of the solar installation to minimise risk of planning failure.
Detrimental impact on AONB and wider area.	High	Medium	Extensive work to be undertaken with preferred supplier prior to agreeing final terms to mitigate the impacts of the solar installation. This will be focused on biodiversity net gain, maintaining the public right of way,

			creating new habitats and screening the solar installation.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report. However Legal Services would suggest that the legal work for this is outsourced given its specialist nature.

7.2 Finance Officer's Comments (JS)

The potential future financial implications of this report are covered, in brief, in the table at paragraph 3.4. In order to complete the financial and legal assessments as per recommendation 5, an upfront spend of £30k is required from a revenue budget; at present, there isn't a revenue budget to record these costs against and CLT would therefore need to consider how best to fund this. It may, however, be possible to capitalise the costs as professional fees against the land asset on which the solar farm would sit; if at any stage in the future this solar park does not proceed, the costs would need to be re-written back to revenue.

Separately, a more detailed financial assessment would need to be conducted with the preferred supplier and further comments from Finance should be sought at that stage should this scheme progress.

7.3 Diversities and Equalities Implications (AB)

There are no equality and diversity implications directly arising from this report.

7.4 Climate implications (OF)

There are no climate implications arising from this report however if the proposed solar farm becomes viable, there are several positive climate implications such as a reduction in greenhouse gas emissions, generation of renewable energy, energy independence and resilience etc. Proposals arising as a result of the further exploration will be subject to climate impact assessment as applicable.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting:

Andy Blaszkowicz (Director of Housing and Operations).

Email: Andy.blaszkowicz@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report.
None

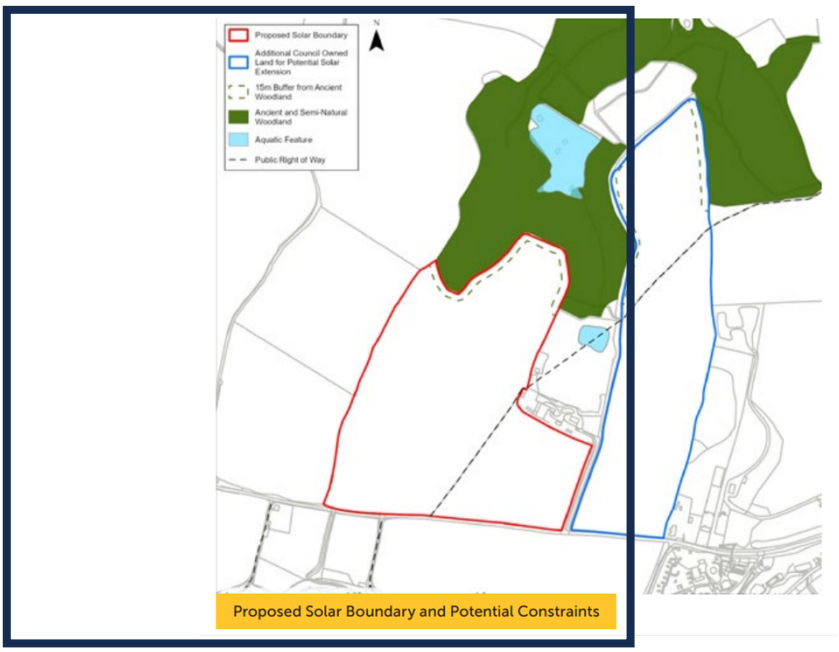
Appendices to this report:

Appendices:
Appendix 1: Plan of site
Appendix 2: **CONFIDENTIAL**: Outcome of Market Testing
Appendix 3: **CONFIDENTIAL**: Summary of the scoring and key features or proposals
Appendix 4: **CONFIDENTIAL:** Bidder 1 Additional Info
Appendix 5: Key Definitions

Appendix 1

Plan of the site of the proposed solar farm and indicative connections to Otterpool Park.

Otterpool Park and the proposed location of the solar farm within the red boundary. The southern boundary of the Otterpool development area is within the black boundary.



A more detailed view of the area, noting that: the field edged in blue is owned by FHDC; a heritage woodland is in green located to the north of the site and public rights of way (dashed lines) run through the site. All are supported by the preferred option.