

Photovoltaics

An information sheet for VA and VC schools

Several Boards of Education and a few schools have approached us regarding the offers they are receiving from various companies regarding the installation of photovoltaic cells on the school roof. Basically the offer from the companies is the same in that it includes an amount of free electricity for the school and the company getting payments for generating that energy. The financial model varies slightly (some offer a small regular payment to the school as well as the free electricity) but basically they are offering to install these cells at no cost to the school as long as they can have a 25 year agreement with the school. Clearly this addresses the “green agenda” and is the sort of thing we should all be doing to help conserve the earth’s resources. The fact that this is being offered at no cost to the school would seem to be a win win situation. In some ways it may seem too good to be true and often when things do seem so good there are pitfalls which need to be avoided.

The idea is excellent but there are things governors need to satisfy themselves about before they proceed. This sheet addresses some of the issues VA and VC governors need to consider before entering into any formal agreement including:

- Legal due diligence
- Financial due diligence
- Approval from your DBE
- Section 36 requirements
- Need to involve trustees

Are photovoltaics a good thing?

In general yes. The technology has moved on a great deal and for any organisation, such as a school, which intends to be in the building for many years the financial pay back could be considerable as well as all the savings to the planet’s resources. If you have the capital then after ten to twelve years you would have recouped your costs and everything you save and receive after that would be pure gain. If you can afford the initial installation costs then it is hard to see why you would install them under any other scheme.

Why is there such a rush to do this?

Well apart from the needs for us all to look at ways of being much “greener” the amount of money that will be paid for the electricity generated has been fixed until March 2012. What happens after that nobody knows. There will almost certainly be incentives to install this type of technology in the future but it may or may not be as generous as the present arrangements

Why do the companies offering these installations want us to sign an exclusivity agreement?

They need to do some work prior to entering into a formal agreement with you. They need to survey your building to make sure you have roofs which will get the maximum sunlight i.e. south facing and are suitable for the cells to be installed on. You need planning permission which the company should handle for you but they want to check that this will be relatively easy to obtain. If you are a listed building or in a conservation area for example they may decide it will take too long to get planning permission. They need to do the calculations on how much they will be earned for the electricity that is generated. In many cases those doing the installing will simply sell on the completed installation to a third party as a capital investment scheme. To do all this

will cost them money so they don't want to do it and then discover you have signed up to another company who offered "a better deal".

If they are happy to proceed should we sign up?

You need to do satisfy yourselves of certain things:

You need to do **legal due diligence** on the lease or license. Twenty five years is a long time. You need to be sure that the governors will be able to get the cells repaired if they stop working or what will need to be done if the roof they are on needs repair or is damaged by them or their agents. Governors need legal advice. If you have a lawyer on the Board they may be able to do the work for you but whoever you get to do it needs to accept that the governors in the future may need to rely on that advice and all the responsibilities that brings.

You need to do **financial due diligence**. Is this a good deal for the school or could you get a better one? What are the real financial benefits and how secure are they over the twenty five year period. You need professional advice and for VA and VC schools you will have to appoint (not the installer or somebody they are using) a suitably qualified surveyor to give you written advice under **Section 36** of the Charities Act. This is required whenever a charitable body signs a lease or license for more than seven years.

You also need to satisfy yourselves that the proposed installation will not damage your roof and when it has been installed that it has been installed without causing any damage. You need to involve your Building Consultant to ensure that the work is satisfactorily carried out. If you don't have one the DBE will be able to offer you advice on who could help you.

Who pays for all the checks the governors need to make and the professionals they need to employ?

If the offer is what it seems presumably the firms offering to do everything at no cost to you will have factored these costs into their offer. You need to make sure your costs are covered in the agreement.

If everything is in order can we sign?

The only people who can give the agreement for anything over seven years are the Trustees and they need to sign the agreement. Every VA and VC school has them. If you don't know who they are your DBE probably will. The DBE may incur costs in finding them for you so you will need to pass these on to the company you sign up with.