REPORT TO:	Climate and Environment Advisory Committee	20 September 2018
LEAD OFFICER:	Alex Colyer – Executive Director, Corporate Services	

South Cambridgeshire District Council Investment in Green Energy

Purpose

1. This report provides a briefing for the first Climate and Environment Advisory Committee on the potential for SCDC investment in Green Energy. The briefing outlines the status of the Council's Renewables Reserve, opportunities presented by the recently accessed Re:fit procurement framework and options for the investigation and implementation of Green Energy projects that seek to generate income and move towards increasingly sustainable and secure models of energy generation and consumption.

Recommendations

2. The Climate and Environment Advisory Committee is invited to:
   (a) Review the opportunities provided by the Council's Renewables Reserve and the recently accessed Re:fit procurement framework, plus options for the investigation and implementation of Green Energy projects.
   (b) Consider making recommendation to Cabinet for a continuation of the current strategy, which sees retained renewable energy business rates earmarked through the Renewables Reserve for investment in green energy projects (as detailed in paragraph 6).
   (c) Review whether there continues to be a need to commit funding from the Renewables Reserve for the purposes of a Green Energy Loan fund (as approved by Cabinet in February), and make recommendations to Cabinet accordingly (detailed in the second bullet point of paragraph 7).
   (d) Identify High Level Assessments (HLAs) to be commissioned under the Re:fit procurement framework (as detailed in paragraphs), taking into account approval previously provided by Cabinet in March 2018 in regard to the options outlined at paragraphs 15 to 23, and making further recommendations to Cabinet as appropriate.
   (e) Consider making recommendation to Cabinet for the creation of a dedicated Climate and Environment Officer post, to be funded through the Renewables Reserve in order to progress the Green Energy investment agenda (as detailed in paragraphs 24 to 28), including work under Re:fit and further options for direct investment in renewables.
   (f) Consider arrangements for the investigation of any further options for direct investment in renewables (as detailed in paragraphs 29 to 43).

Reasons for Recommendations

3. The above recommendations have been made to highlight a number of areas in which the Climate and Environment Committee may wish to advise Cabinet, and in doing so shape the Council's Green Energy investment agenda, with a view to achieving possible objectives around income generation and transition towards sustainable and secure models of energy generation and consumption.

Background

The Council's Renewables Reserve

4. The Local Government Finance Bill provides for the retention of business rates income from new renewable energy projects in the district. Renewable energy receipts for South Cambridgeshire District Council are held in the Council's Renewables Reserve, which stands at £2,666,204. Under current government legislation, which allows communities that host renewable energy projects to keep the additional business rates they generate. The Council will continue to retain business rates relating to renewable energy sites on a yearly basis.

5. Whilst not formally ring-fenced by government or SCDC for investment in Green Energy projects, the Council has previously identified this income stream as an opportunity to become an example of good practice amongst Local Authorities, in the field of Green Energy investment. As such, the Renewables Reserve was established with the intention of funding investment in Green Energy projects that provide benefit to South Cambridgeshire and its residents through increased energy sustainability and security, and with a view to generating an income for the Council.

6. An opportunity is now presented for the Climate and Environment Advisory Committee to make recommendation to Cabinet for a continuation of the current strategy whereby retained renewable energy business rates are held within the Council's Renewables Reserve and earmarked for investment in green energy projects.

Investing in Green Energy: Progress to Date

7. Of the £2,666,204 currently held within the Renewables Reserve, a small proportion has been committed to date:

    - From April 2018, £55,000 per annum has been committed from the Renewables Reserve for the purpose of a Community Energy Grant, to run for an initial four year period following approval by Cabinet in November.

    - An addition, £200,000 (total) has been committed from the Renewables Reserve for the purpose of a Green Energy Loan fund, following approval by Cabinet in March 2018. A pause has taken place on the development of this loan fund and the Climate and Environment Advisory Committee is invited to review whether there continues to be a need to commit funding from the Renewables Reserve for the purposes of a Green Energy Loan fund (as approved by Cabinet in February), and make recommendations to Cabinet accordingly.

    - £376,000 was approved by EMT to cover year one costs to upgrade Council Footway lighting stock to LED (see paragraphs 19 to 23 for further details in relation to this project).

Re:fit

8. In addition to the financial commitments detailed above, work has also been undertaken to gain access to the Re:fit procurement framework, developed and piloted in 2008 to overcome barriers to the retrofit of non-domestic public sector buildings or estate, with measures for the achievement of greener energy use.

9. According to Local Partnerships (a joint venture between HM Treasury and the Local Government Association, who co-own the Re:fit procurement framework alongside the Greater London Authority), these risks were identified as:

- A lack of capacity and expertise within public sector organisations to identify and implement projects and access finance.
- Risks associated with investing money with long term paybacks and no savings guarantees.
- Long and complex procurement processes.

(Details of how Re:fit addresses these barriers are included in Table 1 below).

10. Since 2008, over 250 organisations have engaged Re:fit and more than £180 million of works has been procured across more than 1000 buildings. Its current pipeline is over £91 million and growing. Since 2014 Cambridgeshire County Council have successfully utilised the Re:fit framework to invest over £20m into energy performance projects at schools and other public assets.

11. In 2017 the County Council undertook a mini-competition to appoint an energy contractor under the latest iteration of Re:fit ('Re:fit 3'). This was carried out in collaboration with SCDC, allowing the council to make future use of the services offered by the chosen energy contractor, and resulted in the re-appointment of Bouygues (who had previously been appointed as the County's energy contractors under previous iterations of Re:fit).

12. Other Cambridgeshire authorities have previously accessed Cambridgeshire County Council's procurement of an energy contractor under Re:fit, including Cambridge City Council who have used the scheme to upgrade to LED lighting in their city centre carparks and Fenland and Huntingdonshire District Councils, who have both used the framework to implement energy saving measures at their leisure centres. The County Council's re-appointment of Bouygues now provides SCDC with a timely opportunity to make use of the services and expertise available through the Re:fit scheme (the benefits of which are detailed in Table 1 below) as part of an emerging green energy investment strategy.

Table 1 – Benefits of accessing and undertaking projects under Re:fit

Benefit	Barriers Addressed
'High Level Assessments' (HLAs) to assess options on sites/assets, undertaken free of charge and with no commitment for the Council to progress.	A lack of capacity and expertise within public sector organisations to identify and implement projects and access finance.
Guaranteed energy savings and income based on those identified within 'Investment Grade Proposals' (these follow HLAs if we decide to go ahead with implementation of measures).	Risks associated with investing money with long term paybacks (5-10+ years) and no savings guarantees.
Re:fit has a **proven track record**, nationally and regionally, whilst Bouygues have also	

demonstrated their ability to deliver under this framework through responsibility for the energy works undertaken for Cambridgeshire County Council.	
Bouygues have been selected as part of a competitively tendered and OJEU-compliant procurement process (initially to be selected as one of the 16 Energy Services Companies included on the Re:fit framework, and subsequently through the County Council's mini-competition, run in collaboration with SCDC). **This removes the requirement for SCDC to undertake an additional procurement process for any projects falling under Re:fit.**	Long and complex procurement processes.

13. SCDC have already recently signed an access agreement with Local Partnerships to ensure compliance to the Re:fit framework terms. To benefit from the Re:fit framework and the County Council's collaborative procurement, we will also need to agree call-off terms with Bouygues, using templates provided by Local Partnerships. There are no upfront costs associated with either of these agreements.

14. As such, any charges associated specifically with the use of Re:fit are dependent on work going ahead following the identification of potential projects within High Level Assessments (HLAs - see Table 1 for further detail). This provides SCDC with the opportunity to use HLAs to assess value for money prior to committing to any projects. Should Re:fit then be used to undertake such projects, the costs detailed in Appendix A would be payable.

Options for High Level Assessments (HLAs)

15. The Climate and Environment Advisory Committee is invited to identify High Level Assessments (HLAs) to be commissioned under the Re:fit procurement framework (as detailed in paragraphs), taking into account approval previously provided by Cabinet in March 2018 in regard to the following options, and making further recommendations to Cabinet as appropriate.

South Cambridgeshire Hall site

16. SCDC benefits from a modern and efficient office building at South Cambridgeshire Hall, and reduced energy expenditure as a result of a Cambourne Parish Council owned solar installation located on its roof. However, as the primary employment site for the majority of SCDC staff, South Cambridgeshire Hall accounts for the majority of the Council's energy consumption and expenditure, and is also the largest site under Council ownership. It therefore offers scope for the exploration of energy efficiency and generation measures.

17. Bouygues have previously produced HLAs and IGPs for 'smart-grid' projects at a number of Cambridgeshire County Council's Park and Ride sites, incorporating solar canopies, EV charging points, battery storage and the sale of surplus generated electricity to locally situated centres of demand. Through the use of multiple complementary technologies and approaches it has been possible for Bouygues and

the County Council to develop business cases that do not rely on dwindling feed-in-tariff income to ensure financial viability. This is important for any project that is adopted due to the cessation of feed-in-tariffs from April 2019.

18. It possible that this 'smart-grid' approach could be one of a number of options that would be available at the South Cambridgeshire Hall site. This is particularly the case given South Cambridgeshire Hall's proximity to other business premises, Cambourne Village College and future developments at Cambourne West, which could represent suitable centres of energy demand for the potential sale of surplus electricity. Equally, our location on, and good relations with Cambourne Business Park could hold potential for the identification of additional footprint upon which renewable energy generation measures could be located.

South Cambridgeshire District Council Footway Lighting Stock

19. Many local authorities are in the process of upgrading, or have plans to upgrade their lighting stock to LEDs in the near future, to take advantage of available energy savings in excess of 50% and as traditional bulb types are phased out, becoming harder and more costly to source.

20. As mentioned at paragraph 7, EMT have previously approved the use of £376,000 of the Renewables Reserve for year one of a two year project to upgrade the Council's stock of approximately 1800 footway lights to LED. A further capital bid is being submitted for £350,000 in order to complete the project in year two.

21. As things currently stand, the benefits of this project for SCDC would be non-financial, with Parish Councils the beneficiaries of cost savings through reduced energy costs for the lights within their areas. However, the project presents an opportunity for SCDC to explore the maximisation of non-financial benefits from our footway lighting assets, particularly in relation to environmental quality.

22. This is highlighted by IOTUK, who in their April 2017 'The Future of Street Lighting' report state that:

Lamp posts…have the potential to act as a smart city platform, enabling a range of other smart city applications through the integration of data collection devices such as sensors and cameras.

23. Of particular interest to SCDC could be the capability to use lighting columns to host air quality monitoring systems and electric vehicle charging points.

Dedicated Climate and Environment Officer Post

24. Following Cabinet approval in March to access Re:fit and commission HLAs for the Council's South Cambridgeshire Hall site and Footway lighting stock, progress has been delayed due to a number of competing priorities.

25. To address this and increase the level of priority given to the green energy investment agenda, the Climate and Environment Advisory Committee are invited to consider making recommendation to Cabinet for the creation of a dedicated Climate and Environment Officer.

26. Initial comparisons with similar current and previous roles have found that indicative costings for this role would be in the region of £42,000 per year. This post could be

funded by the Renewables Reserve for an initial fixed term 2 year period, and could aim to be financially self-sustaining.

27. Whilst still emerging, Climate and Environment Officer objectives could broadly be set around:

- Opportunity spotting both under Re:fit and other direct investment prospects in renewables.
- Project management and benefits realisation for green energy investment projects
- Advisory role for the Climate and Environment Committee
- Contract management for projects carried out under Re:fit or otherwise.

28. The Climate and Environment Officer could also be responsible for the formation of a Renewables Reserve Working Group, should this be required. Set up of an officer-lead Renewables Reserve Working Group was supported in principal by Cabinet in March 2018 on the basis that the group would play a role in the identification and assessment of opportunities, making recommendations and providing updates to senior management and members. To date the working group has not been set up due to competing priorities. At time of approval the basis for the working group was at least in part to account for the fact no dedicated role existed under which some or all of the afore mentioned responsibilities could lie. As such, any decision to create a dedicated Climate and Environment Officer role may alter the requirement or role of a Renewables Reserve Working Group.

Other Options for Direct Investment in Green Energy (non-Re:fit)

29. Whilst providing a proven pathway for the investment in green energy projects, the Re:fit framework is primarily designed for retrofitting of energy generation and efficiency on public estate. As such, options can also be considered for direct investment in green energy which would not fall under the Re:fit banner. These could include, but are not limited to:

Northstowe Community Buildings

30. SCDC is committed to the delivery of Sports Pavilion and Community Centre facilities for Northstowe Phase One. In accordance with the S106 agreement, the transfer of land for the delivery of these community buildings will be triggered by the occupancy of 350 dwellings for the Sports Pavilion (forecast for around Spring 2019) and 750 dwellings for the Community Centre. Once the transfer of land has occurred, SCDC must use reasonable endeavours to deliver these facilities within 18 months.

31. Whilst the expectation is for ownership and maintenance of the Sports Pavilion and Community Centre to be transferred from SCDC upon completion, there may be scope for SCDC to generate an income beyond this point. This could be through a form of agreement whereby SCDC would retain ownership of renewable generation assets installed on site, similar to the arrangement in respect of Cambourne Parish Council owned solar panels installed at South Cambridgeshire Hall. Through this approach the facilities would benefit from lower energy costs, whilst SCDC could seek to generate an income from the sale of surplus electricity to local consumers (if viable).

32. Cabinet approved the commissioning of an HLA in relation to Northstowe Community Buildings in March 2018, however Local Partnerships have since indicated that this project would not fall under Re:fit. This is due to the fact that the facilities will be built

from new rather than retrofitted with green energy measures. This does not exclude the exploration of potential options for these sites outside of the Re:fit framework.

Energy Generation on Business Premises

33. An approach taken by West Suffolk Councils, has been to invest in the installation of renewable energy generation technologies on local business premises, generating an income through the sale of electricity to the host business at below market price, through a form of site/roof rental agreement.

34. As of June 2017, West Suffolk Councils owned and operated 18 solar installations through this scheme with a further 7 were planned for imminent completion. Due to reduced feed-in-tariffs for solar from Jan 2016 onwards, West Suffolk have since turned to other technologies, including renewable heat, and in March 2017 they completed their first biomass heating installation. This costed £108,000 and was anticipated to deliver savings of £1,300 annually to a business whilst providing payback of around 9 years over a 20 year project life.

Purchase of an Existing Solar Farm

35. Solar is an established and low maintenance technology; however the reduction in feed-in-tariffs since Jan 2016 has significantly reduced the number of solar farms being built. SCDC does not own large amounts of land upon which it would be possible to build a new solar farm, whilst purchasing land on which to build a solar farm is unlikely to be financially rewarding.

36. Purchasing a solar farm is an approach that has been taken by Forest Heath District Council, who in 2016 purchased a solar farm at Lakenheath that was completed shortly prior to the cut-off point for higher rates of government subsidy.

37. Sites offering this possibility are at a premium due to the fact that they offer a generous and guaranteed return on investment over a 15-20 year period. As such, they are often the subject of attention from large scale investment companies, pension funds and investment trusts. It is therefore likely that the identification of such an opportunity would need to result from any existing connections between site owners and SCDC.

Battery Storage

38. Opportunities are likely to be available in relation to investment in battery storage, in collaboration with either existing renewable generation sites, or any generation measures that might be delivered through future SCDC projects. Through battery storage, any surplus electricity that is not required at the point of generation can be stored and used at a later time. If this is on a site where the Council incurs electricity costs, this could be used to increase the electricity savings available through any renewable electricity generation measures. If the battery storage is not located on an SCDC site, the excess electricity captured in any battery storage can be sold on to local consumers.

Electric Vehicle Charging Points

39. Significant media attention has been given to the growth of Electric Vehicles (EVs), with the UK government announcing a ban on new petrol and diesel vehicles by

2040, and car manufacturers such as Volvo committing to phase out petrol and diesel vehicle production (in Volvo's case, by 2019).

40. However, a huge amount of growth needs to take place before EV ownership becomes the norm, with only 105,763 plug-in vehicles in the whole of the UK, 1,309 in Cambridgeshire and 357 in South Cambridgeshire at the end of 2017 quarter 2 (according to Department for Transport statistics). A huge amount of growth therefore needs to take place before Electric Vehicle ownership becomes the norm.

41. Investment in local EV charging points would provide SCDC with an opportunity to influence the rate of EV ownership within South Cambridgeshire. It may also offer the potential to generate income, with pay-as-you-go and subscription models of charging becoming increasingly common.

42. Whilst this offers the possibility for SCDC to invest in the installation of its own pay-as-you-go charging points, this may be resource intensive, with returns on investment that are difficult to model and depending on the rate that the switch is made to EVs.

43. Mid-Devon District Council have taken an alternative approach by partnering with a company who lease car park spaces upon which to install rapid, pay-as-you-go EV charging points for a period of 20 years, providing a guaranteed, zero investment, index-linked income. This option is dependent on the company considering the site suitable, gaining planning permission and necessary grid connection.

Other Renewable Technologies

44. The above provides a small amount of detail in relation to some of the areas that have been researched to date; however the energy sector is a broad and fast moving area, offering a number of alternative opportunities that would require further research.

Implications

45. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:-

Financial

46. This report outlines options for the investment of funds from SCDC's Renewables Reserve, which stand at approximately £2,666,204. As things stand the Renewables Reserve will continue to be added to as we retain business rates relating to renewable energy sites for the current and future years.

47. As part of this report, the Climate and Environment Committee have been invited to consider making recommendation to Cabinet for a continuation of the current strategy, which sees retained renewable energy business rates earmarked through the Renewables Reserve for investment in green energy projects (as detailed in paragraph 6).

48. The report also outlines the opportunities available by using the Re:fit procurement framework, the costs associated with which are detailed in Appendix A.

Legal

49. SCDC have recently signed an agreement with Local Partnerships to gain access to and ensure compliance with the Re:fit framework terms. Advice was obtained by 3C Legal prior to this and will continue to be required from the 3C Legal team as any future green energy investment projects are progressed.

Staffing

50. The Climate and Environment Advisory Committee have been invited to consider making recommendation to Cabinet for the creation of a dedicated Climate and Environment Officer post to be funded through the Renewables Reserve, in order to progress the Green Energy investment agenda (as detailed in paragraphs 24 to 28), including work under Re:fit and further options for direct investment in renewables.

Risk Management

51. Risk registers will be completed for each Renewables Reserve investment project taken on.

Equality and Diversity

52. Equality Impact Assessments will be completed for each Renewables Reserve investment project taken on.

Climate Change

53. This report has been developed to assess the options available to SCDC for the investment of Renewables Reserve funds in projects that will seek to deliver or contribute towards climate change reduction measures.

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Appendix A – Costs of using the Re:fit Framework

Action/Cost Type *and description*	**Amount payable and to whom**
Recovery of procurement costs *Allowing Cambridgeshire County Council to recoup procurement costs.*	Cambs County Council has previously indicated an intent to charge a small percentage of the value of each project contract.. By way of example, a capital investment of £400,000 would result in a £1,000 fee. An SCDC OJEU-led procurement would take 6-9 months to complete.
Investment Grade Proposals (IGPs) *Completed once HLAs have been used to identify measures to progress. IGPs provide greater detail in respect of chosen measures.*	Bouygues charge for IGPs at rates set out within their tender documentation, which has been judged on a range of factors including value for money. HLAs contain a summary business case that includes the costs that would be involved with the production of IGPs. These can be cross-referenced with tender documentation to ensure consistency.
Legal Costs	0.25% of capital value of each contract is payable to Crown Commercial Service.
Costs of works	Dependent on project specifics. Project estimates are detailed in IGPs.
Internal resources	Projects coming forward under Re:fit will involve time from SCDC and 3C staff resources, including project managers; sponsors; Finance support, Procurement support and Legal support.
Charges from Local Partnerships (LP)	
The below charges from Local Partnerships (LP) are based on minimum support fees (the model used by Cambridgeshire County Council) providing a compliance check of key documentation. Each fee assumes one formal review and a final review to ensure necessary revisions have been properly considered. Additional reviews may result in further fees. For details of a more comprehensive support offering from LP, please see paragraph 15 below.	
Review and approve final draft IGP	£2690 per item. LP have discretion to review and approve a sample of IGPs only (for example where a project involves a significant number of IGPs) in which case this fee shall be adjusted reasonably at LP's discretion.
Review and approve final draft contract	£3225
Review of Works Optimisation Agreement (the actual	£540 per item. Note also that LP shall have discretion to review and approve a sample of Woks Optimisations Agreements only (for example where a

work/construction contract)	project involves a significant number of these) in which case this fee arrangement shall be adjusted reasonably at LP's discretion.

The above charges from Local Partnerships are based on the minimum support fee model taken up by Cambridgeshire County Council. It is worth noting that Cambridgeshire County Council has dedicated and highly experienced resource provided through its Energy Investment Unit. As such we may wish to consider the need for additional support based on our own individual requirements.