

The Vale of Glamorgan Council

Cabinet Meeting: 24 April, 2017

Report of the Leader

ReFit Proposals for Council Building Assets

Purpose of the Report

1. To seek formal approval for the Council to enter into an agreement to use ReFit Cymru, an energy performance guaranteed OJEC compliant scheme to improve the energy efficiency of its own buildings.

Recommendations

1. That the ReFit Cymru scheme is adopted by the Council.
2. The delegated authority is given to the Head of Finance in consultation with the Leader of the Council to apply for Welsh Government interest free invest to save loans associated with the ReFit programme.
3. That delegated authority is given to the Head of Finance in consultation with the Leader of the Council to enter into an agreement with Local Partnerships and the Welsh Government to allow the ReFit Cymru scheme to progress.
4. That delegated authority is given to the Head of Legal Services to sign the access and client support agreements for the ReFit Cymru programme.
5. The delegated authority is given to the Head of Finance in consultation with the Leader of the Council to increase the capital programme to reflect the ReFit invest to save loans during the ReFit programme as the spend profiles become known.

Reasons for the Recommendations

- 1-4. In order that the ReFit programme can be adopted by the Vale of Glamorgan Council and that the potential benefits can be realised.
5. In order that the Capital budget can be adjusted in accordance with the cost of ReFit works when they become available.

Background

2. ReFit started in England in 2008 as a pilot scheme in London and was subsequently rolled out to the rest of England in 2009. ReFit is therefore established and is a tried and tested model. ReFit Cymru was launched in 2016 and provides guaranteed savings for performance of energy efficiency measures.

3. ReFit Cymru is a Welsh Government promoted scheme that aims to accelerate the energy efficiency improvement of all public sector buildings in Wales. ReFit Cymru gives Welsh public bodies the opportunity to use a UK framework comprising 16 contractors to improve the energy efficiency of their buildings. Measures such as energy efficient lighting upgrades, boiler system upgrades and fabric insulation are some of sixty three potential measures that could be included within ReFit. Loans can be made available for ReFit phases that include measures with an overall 8 year simple payback through the guaranteed energy savings. It is the appointed contractor that guarantees the savings, over the loan term. The monitoring and verification (M&V) report that they provide alongside their saving predictions specifies an agreed methodology for how the savings are going to be measured. If there is an under performance then the contractor will need to make payments to the council against the guarantee. The loans have to be repaid by the council through the savings over what could be up to a maximum term of 10 years.
4. Assistance in the administration of ReFit is provided by the Welsh Government via the ReFit Cymru Project Implementation Unit (PIU), Green Growth Wales and Local Partnerships. The support provided by the PIU includes help in securing funding and resources, project brief development, delivery of the mini competition process and obtaining investment grade proposals. Each of these tasks break down into separate activities for which the Council has the option of using the assistance of the PIU. The amount of assistance that is taken will determine the pro rata costs that may be incurred if ReFit were abandoned. If it is agreed that the Council joins the ReFit programme a payment of £10,000 will be required to contribute towards these costs.
5. The capital finance required is being provided in Wales by the Welsh Government in the form of interest free loans repayable through the savings achieved by implementing the energy efficiency measures. The money is in the form of Salix Energy Efficiency Loans and/or Invest to Save Loans.
6. ReFit would be delivered in two or three phases for approximately 72 of the buildings identified as being in scope over a three year programme.
7. The ReFit scheme has been positively received by the Council's Insight Board (15th Feb 2017) and the Corporate Management Team (1st March 2017). Also, following presentations on 12th January and 13th January 2017 to school head teachers, 72% of those asked for a response were very positive about the scheme.

Relevant Issues and Options

8. The Carbon Management Strategy and Implementation Plan that was approved by Council on 16th April 2008 ended in the 2015 / 2016 year and a new plan is due to be drafted. This new plan has been postponed in light of the significant impact that ReFit would make to the plan. The content of the new plan will be heavily influenced by the decision of the Council to endorse ReFit.
9. For ReFit to be successful the majority of schools will need to agree to be included within the ReFit project, however for the first phase to progress the agreement of 20 schools should be sufficient. It is anticipated that other schools will sign up for subsequent phases as the benefits from schools included in phase one become clear.
10. There is the possibility for street lighting improvements to be included within ReFit but this would be subject to further discussion in relation to current strategies and agreement from the Director of Environment and Housing.

11. The Welsh Government incorporates penalties for withdrawal from ReFit once public bodies have signed the access and client support documents for ReFit. The penalty for withdrawal before investment grade proposal stage being £10,000 and up to a total of £20,000 depending on the assistance received after receipt of investment grade proposals.
12. Initial analysis of the Council's non domestic buildings indicates that there is the potential for installing measures to achieve a 12% reduction in energy consumption in those buildings, reducing energy costs by approximately £240,000 per annum. It is estimated that the net saving would be around £80,000 per annum whilst the interest free loan was being repaid over the payback period of approximately 8 years.
13. Should the ReFit scheme not be adopted then work to improve the energy efficiency of our buildings would continue through the use of the Salix recycling fund (as it has since 2009) with an investment (outside of capital maintenance schemes that sometimes have an energy efficiency component) of approximately £180,000 per annum. This is significantly less than the potential £700,000 per annum that could be invested over the next three years as suggested by the ReFit benchmarking exercise.

Resource Implications (Financial and Employment)

14. Funding for ReFit will be provided either via Salix Energy Efficiency Loan(s) (SEELs) or via invest to save loans. Both loans would be zero interest loans originating from the Welsh Government. A benchmarking exercise carried out in association with Green Growth Wales predicts that for corporate buildings and schools there is a potential for approximately £2 million of investment. This is an approximate figure and the final figure for ReFit will be based on detailed surveys carried out by the framework contractors upon which predicted guaranteed savings will be made.
15. Repayment of the loan(s) will be made centrally by the Council with recharges applied to the budgets of the individual buildings that have ReFit works completed. The buildings will be grouped appropriately, probably with corporate and education buildings grouped separately, however a final decision on this would be made by the project board, as information from the investment grade proposals may dictate an alternative approach. The repayments claimed will be spread across each group in such a way that the benefits of the projects are spread across the group. This will be arranged so that no individual building will lose out should an improvement measure within a particular building be unsuccessful.
16. The repayment model is designed to provide buildings with savings from the point that the efficiency measures are installed. This is achieved by retaining some of the savings (20%) and using the rest (80%) to repay the interest free loan each year. As buildings will be grouped together it will be possible to include measures with a wide range of payback terms as long as overall the combined payback term of all the measures within the group have a maximum of an 8 year payback.
17. The project management of the ReFit scheme will be resourced internally and supported by the PIU where practically possible. A ReFit project board will be formed and will meet on a regular basis to monitor progress and direct resources.
18. By signing the access and client support documents the Council becomes liable for a maximum of two payments to the Welsh Government. The first £10,000 is a cost that would be invoiced by the government. This could be funded via the internal administration costs charged against the measures installed in the first phase of ReFit. A further liability of up to £10,000 (i.e. up to £20,000 in total) would only be

invoked should the Council decide not to complete the ReFit project, or the appointed contractor fail to find any viable projects (a risk that the benchmarking process has mitigated and is considered a low risk).

19. The benchmarking exercise carried out by the PIU indicated that upon completion of the loan repayments revenue savings will be of the order of £240,000 per annum, and during the period of loan repayment a saving of £80,000 per annum. These figures are based on current energy tariffs. A 30% increase in the fuel element of the majority of electricity bills is expected from 1st April 2017 (final figures not yet released) which will result in a corresponding increase of the value of works done under ReFit. It is industry consensus that fuel prices are probably going to continue to increase during the coming years, each increase amplifying the benefits of ReFit measures.
20. ReFit investment plans will be associated with bespoke monitoring and verification (M&V) reports. These will specify the basis of the energy savings guarantees. Existing staff resources will be used in conjunction with the ReFit PIU to ensure that during the term of loan repayments the monitoring and verification is carried out in accordance with the M&V reports and that guarantees are honoured where appropriate. Advice from the ReFit PIU is that it has been necessary to call up the guarantees only once since ReFit started in 2009.

Sustainability and Climate Change Implications

21. The predicted savings from the benchmarking exercise amounted to a 12% reduction in building related carbon emissions. This would be in keeping with the 3% per annum reduction targets of existing performance indicators that are reported against.
22. ReFit is in keeping with the objective 4 of the Council's corporate plan 2016-2020, "Promoting sustainable development and protecting our environment" and within that objective "Review and implement the Council's Carbon Management Plan and targets to reduce emissions from street lighting council vehicles and council buildings". Thereby contributing to Well-being Outcome 2: An Environmentally Responsible and Prosperous Vale" plan.

Legal Implications (to Include Human Rights Implications)

23. The ReFit and client support agreements along with associated documentation has been submitted and reviewed by our legal section. The potential liability is detailed in paragraph 18 above. It will be necessary for relevant agreements to be executed on behalf of the Council.
24. The ReFit support agreement includes provision for review and guidance relating to the savings guarantees associated with the ReFit works. Our legal department will also be consulted over the terms and conditions of these guarantees at the stage that they are presented (at the investment grade proposal stage of the ReFit process).

Crime and Disorder Implications

25. Security of site storage will be addressed in cooperation with the appointed ReFit contractor.

Equal Opportunities Implications (to include Welsh Language issues)

26. Not applicable

Corporate/Service Objectives

27. This initiative is in keeping with the Corporate Plan 2016 - 2020, "Well-being Outcome 2: An environmentally responsible and prosperous Vale".

Policy Framework and Budget

28. This is a matter for Executive decision by the Cabinet.

Consultation (including Ward Member Consultation)

29. No specific consultation has been initiated due to the nature of these works which will be carried out across the whole of the Vale.

Relevant Scrutiny Committee

30. Corporate Performance and Resources

Background Papers

None

Contact Officer

David Powell - Energy Manager

Officers Consulted

Corporate Management Team
Operational Manager (Audit)

Responsible Officer

Carys Lord - Head of Finance