Leicestershire County Council

CABINET – 23 JUNE 2017

ENERGY EFFICIENT PUBLIC SECTOR ESTATE

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to inform the Cabinet of the proposed Energy Efficient Public Sector Estate project to support energy efficiency for the Public Sector in the Midlands and seek approval to implement the project.

2. The project aims to make savings on Public Sector running costs, reduce carbon emissions, and strengthen collaborative links with Public Sector Partners. It will also generate a modest income for the County Council to contribute to corporate overheads.

Recommendations

3. It is recommended that:

   (a) The Energy Efficient Public Sector Estate project be approved for delivery;

   (b) The Director of Corporate Resources be authorised to release funding to facilitate the project.

Reason for Recommendations

4. To enable delivery of the Energy Efficient Public Sector Estate project.

Timetable for Decisions

5. Subject to the Cabinet's approval, the necessary work to set up and implement the Energy Efficient Public Sector Estate project will progress immediately.

Policy Framework and Previous Decisions

6. The County Council's Corporate Energy and Water Strategy (2017-2021) sets out the approach to energy efficiency and water use across all the Authority's properties, and supports the Council's financial planning set out in its Medium Term Financial Strategy (2017-2021).

7. The Energy and Water Strategy aims to save £320,000 from the Authority's annual energy and water bill and increase the share of energy produced from County Council renewables to 7% by 2021. It is also hoped that income will be generated to contribute towards corporate overheads through energy projects; including the Energy Efficient Public Sector Estate project for which approval is being sought in this report.

8. The County Council's Corporate Asset Management Plan outlines the need to take advantage of future partner initiatives.

Resource Implications

9. Revenue expenditure required to develop and deliver the programme can be funded from existing Corporate Resources budget allocations. The project is forecasted to generate £140,000 in fees in total by 2021 which will fund the full cost of staff time required to project-manage individual schemes.

10. The project requires capital to fund energy efficiency upgrades for Public Sector bodies which do not have access to capital. It is anticipated that up to £2m will be required between 2018 and 2021 for this purpose. This would be loaned by the County Council, to be repaid by the benefitting Public Sector body with an appropriate interest rate to ensure the County Council's cost is fully covered. The amount of required capital investment could increase dependent on the demand for funding. The most appropriate method of capital financing will be determined once details of each scheme are known. Funding is available within the capital programme.

Circulation under the Local Issues Alert Procedure

11. None.

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PART B

Background

12. In delivering the Energy Strategy (2014-2017), Corporate Resources have developed expertise and knowledge regarding measures to improve the energy efficiency of existing Council buildings. The County Council has already saved £420,000 from its annual energy bill and receives £130,000 through generating renewable energy, as well as reducing carbon emissions. This has been achieved by reducing annual energy consumption by 24% and increasing production of renewable energy by 4.5%. Measures such as solar panels, biomass boilers and LED lighting were implemented to make these improvements. Under the new Energy and Water Strategy (2017-2021), approval is now being sought to set up the Energy Efficient Public Sector Estate in order to share that expertise and support the Public Sector in the Midlands to increase energy efficiency.

Proposal

13. The County Council proposes to procure an Energy Performance Contract for use by the Public Sector in the Midlands, in addition to providing supporting information about Energy Performance Contracts for the benefitting Public Sector.

14. Energy Performance Contracts enable organisations to retrofit existing buildings with energy saving and energy generation measures; improving energy performance, reducing carbon emissions and achieving annual cost savings. There is also the opportunity to design new buildings to take energy requirements into account and to implement energy specific measures such as ground solar arrays. The saving and generation forecasts will be guaranteed by the successful Energy Performance Contractor.

15. Energy Performance Contracts operate by identifying opportunities to increase energy efficiency through energy audits carried out by energy engineers. An energy business case is then presented, detailing the financial and carbon emissions savings to be made through energy efficiency measures as well as the cost of installing the measures. If the business case is signed off, energy measures are installed on site. The savings made by the energy measures are then measured and verified throughout the project 'pay-back' term; with re-adjustments made by the successful contractor for potential underperformance. Energy efficiency measures include upgrades such as LED lighting, solar panels, biomass boilers and heating system upgrades.

16. The Public Sector included in this project will include local authorities (including Leicester City and District Councils), Police, Fire, and Ambulance Services, NHS Trusts, and Clinical Commissioning Groups (CCGs); in the Midlands. To date, four Local Authorities have expressed an interest in the scheme and it is intended that these will be the subject of the first projects.

17. The County Council will charge a fee to partners accessing the Energy Performance Contract in order to generate a modest income to recoup investment and contribute towards corporate overheads.

18. It is intended that the County Council will provide capital funding to those Public Partners requiring finance to participate in the project. This will be paid back to the County Council, with interest, over the term that the Project recoups its investment.

19. The Energy Efficient Public Sector Estate project will provide the Public Sector in the Midlands a route to increase energy efficiency whilst at the same time providing a modest income to the Council.

Background Papers

Report to the Cabinet on 18th July 2016 – Corporate Asset Management Plan
http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4604&Ver=4

Relevant Impact Assessments

Equality and Human Rights Implications

20. There are no equality or human rights implications directly arising from this report.

Environmental Implications

21. The projects taking place under the Energy Efficient Public will have a positive impact on the environment by reducing carbon emissions.

22. Environmental Impact Assessments will take place for all major projects to take into account the further potential environmental implications of energy efficiency projects.

Risk Assessment

23. The main risk associated with this project is that the revenue investment is not recovered if take-up by the Public Sector is limited. To mitigate this, research has been carried out to assess Public Sector interest and funding will be drawn down in stages.

24. The Director of Law and Governance has been consulted with regard to the provision of capital funding to Public Sector Partners and creation of the Energy Performance Contract, and will continue to play a key role in the project.

25. The Project needs to ensure that the most effective procurement process is followed to secure a legally compliant and successful Energy Performance Contract. The Council's Commissioning Support Unit has been consulted on this project from its inception and will continue to be involved.