

Committee:	Date:
Corporate Asset Sub Committee	23 September 2016
Subject:	Public
Energy Efficiency Fund (EEF) - Update	For Decision
Report of:	
City Surveyor (CS.291/16)	
Report author:	
Mansi Sehgal, Corporate Energy Manager	

Summary

Since July 2016, the Terms of Reference of this Sub Committee have included: “To be responsible for strategies, performance and monitoring initiatives in relation to energy”.

This report brings Members up-to-date with progress in establishing the Energy Efficiency Fund, as approved by the Policy and Resources Committee and with current activity by the Corporate Energy Team to support and promote use of the Fund.

The Chief Officer Strategic Energy Programme Board, established in 2015, has agreed the terms and conditions, and bid assessment criteria for the Fund, which was launched in July 2016. To date, six bids have been received, and these are currently being assessed. The Corporate Energy Team is working with departments to develop further bids and establish the potential future demand for the Fund. In order to assist with the future promotion of the Fund, it is proposed to change the name of the fund to ‘Energy Interest-Free Loan Scheme’.

Recommendation

Members are asked to:

- a) Note the report, and the actions being taken to increase take-up of the Energy Efficiency Fund.
- b) Approve the renaming of the fund from ‘Energy Efficiency Fund’ to ‘Energy Efficiency Interest-Free Loan Scheme’.

Main Report

Background

1. In May 2013, the City Corporation commissioned AECOM to carry out a strategic energy review of the operational estate. The overall aim of the review was to prepare a roadmap for how the City Corporation can reduce its energy use by 40% by 2025 against a 2008/09 baseline. In December 2014, the Finance Committee agreed an energy reduction target of 9% for the period 2014/15 to 2017/18, which would maintain the City Corporation’s progress towards the target 40% reduction by 2025.

2. As a result of this study a set of recommendations were put forward and agreed by the Chief Officer Summit Group in January 2014. These were reported to the Efficiency and Performance Sub-Committee in July 2014 and the Finance Committee in December 2014.
3. One of the recommendations was to set up an Energy Efficiency Fund (interest free loan) that would allow for easy access to finance, enabling strategic energy investments to take place in the City Corporation.
4. In September 2014, the Efficiency and Performance Sub Committee gave in-principle support to the establishment of a fund, but highlighted the need for a revised report, with a detailed business case to be presented to the Resource Allocation Sub-Committee.
5. In December 2014, an outline proposal for the fund was reported to the Finance Committee, and in March 2015 the Resource Allocation Sub-Committee approved the establishment of the internal Energy Efficiency Fund, with funding of £500k per annum for five years. This was endorsed by the Policy and Resources Committee.
6. Members authorised the City Surveyor, with the support of the Town Clerk and the Chamberlain, to establish appropriate administration arrangements for the Fund, which would be based on the operational and eligibility criteria outlined in the report to Members. Members also noted a proposal for an annual review of progress with the fund and projects funded, to be reported to the Efficiency and Performance Sub-Committee (now to the Corporate Asset Sub-Committee as this Sub-Committee now has responsibility for energy matters).

Progress in establishing the fund

7. Since approval was given to the establishment of the fund, both the Town Clerk's Head of Sustainability and the (then) Corporate Energy Manager have left the City Corporation. As a result, there were some delays in progressing with the establishment of the fund.
8. The new Corporate Energy Manager joined the City Corporation later in 2015, developing an Opportunity Outline to take forward the full set of recommendations from the AECOM review. This was endorsed by the Chief Officer Summit Group in September 2015, who also agreed the establishment of a Strategic Energy Programme Board to drive this project forward. The Board has been chaired by the Deputy Town Clerk, with membership including the Director of Open Spaces and staff from the Town Clerk's, Chamberlain's and City Surveyor's Departments.
9. The Board reviewed and revised the outline operational and eligibility criteria to develop a formal set of Terms and Conditions for the Fund. The key changes from the outline presented to Members are:
 - To revise the payback period from five years (extendable up to eight years in exceptional cases) to five years (extendable to up to 10 years in exceptional circumstances);

- To allow bids to be made from all City Corporation operational properties, rather than restrict bids to only Guildhall, Walbrook Wharf and the Barbican Centre; and
- To relax the restriction of bids to proven technologies only, allowing consideration to be given to less mature technologies.

10. The full agreed Terms and Conditions are attached as Appendix 1.

11. The Board has also developed criteria for assessing and prioritising bids against the following criteria:

- a. Payback (35% weighting);
- b. Alignment with corporate objectives, service improvements and links to other strategic projects (15% weighting);
- c. Risks to delivery of the project and quality of evidence of risk management (15% weighting);
- d. Robustness of proposed management and governance arrangements (10% weighting);
- e. Plans for monitoring project success and achieving savings (10% weighting), and
- f. Benefits Realisation, including CO2 savings, reputational impact and wider socio-economic factors (15% weighting).

12. The Fund was launched on 6 July 2016, with an initial deadline for bids of 19 August 2016. This was supported by

- a. An Insight Lunch;
- b. Communications on the Intranet; and
- c. Emails to, and face-to-face meetings with, the departmental Energy Wardens and Energy Coordinators.

Current position

13. Six bids were received of which one project (Guildhall Solar PVs) would not qualify under the current T&Cs relating to the payback period. Please see Appendix 2 for more information on the received bids.

14. These bids are currently being reviewed and assessed against the criteria above. In addition, the Programme Board, in conjunction with the Corporate Energy Team, is investigating factors behind the initial low level of take-up. This could be the result of many factors including: time constraints, lack of technical knowledge, lack of resources or other tangible incentives, still working up proposal, or simply that departments have available or earmarked resources within their existing local risk budgets. It has also been noted that there has been some confusion as to whether the fund is a 'grant' rather than an 'interest free loan'.

Next Steps

15. At present there are some concerns over the uptake of the fund. As a result the Corporate Energy Team is meeting key site managers and facilities managers (including at the Barbican Centre and Smithfield Market) to discuss potential

reasons for not applying for the loan to date, enquiring what proposals are being developed and what could be done to assist in the development of suitable bids.

16. The Corporate Energy Team is also developing a pipeline of projects with a view to prioritising those that would have a larger impact on overall energy reduction. For example at present ideas such as installation of Voltage Optimisation and West wing chiller replacements at Guildhall is being looked at. Furthermore an opportunity to enhance the pumps at Smithfield is already due for refurbishment at the end of this financial year.
17. The Programme Board is looking at better ways to communicate and promote the fund for future bidding rounds, which will meet the success criteria and contribute to the City's target reduction.
18. The Programme Board is aiming to finish this review process by the end of September.

Corporate & Strategic Implications

19. The reduction in energy costs supports Key Policy Priority 2 contained in the 2015-19 Corporate Plan:
 - a. *"Improving the value for money of our services within the constraints of reduced resources"*.
20. The Carbon Descent Plan's (CDP's) focus is to reduce the overall energy use which in turn will lead to savings in energy costs. The CDP is therefore in accord with the second and third objectives of the City's 2015-19 Corporate Plan strategic aims:
 - *"To provide modern, **efficient and high quality local services**, including policing, within the Square Mile for workers, residents and visitors"*.
 - *"To provide **valued services**, such as education, employment, culture and leisure, to London and the nation"*.

Conclusion

21. In line with one of the AECOM recommendations we have introduced the Energy Efficiency fund with £0.5m per year available for departments to submit bids for energy efficiency projects on a loan and payback basis.
22. The take-up so far has been limited (both in types of schemes and the departments who have submitted bids). The Corporate Energy Management Team is working with relevant departments to encourage further bids. A further update will be presented to Members once further bids have been submitted.

Appendices

- Appendix 1 – Energy Efficiency Fund Terms and Conditions
- Appendix 2 – Tranche 1 Bids

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City of London Corporation: Energy Efficiency Fund (EEF)

Terms and conditions:

- Priority will be given to work on operational properties – in particular the Guildhall complex, Barbican Centre or Walbrook Wharf.
- Priority will be given to the application of proven energy technologies (although experimental or speculative technologies will also be considered).
- Proposals may be submitted for energy saving measures/improvement in projects, where funding was not provided within the approved budget but was proposed in the original specification. (Supporting evidence would be required.)
- The EEF will be independent of the Buildings Repairs and Maintenance (BRM) and Additional Works Programme (AWP) budgets. Projects that have been identified with an energy saving element under the BRM and AWP would continue to be funded through these routes. The EEF cannot be used to divert, replace or subsidise other budgets.
- Consideration will be given to funding for projects where match funding contributions from external/third parties have been secured to support the project costs.
- The minimum value for a project to be eligible will be £5,000. Capital projects over £50,000 and revenue projects over £250,000 will also be subject to Member approval in accordance with the Project Gateway Approval Process.
- The maximum energy savings payback period would normally be 5 years. However, in exceptional cases, this may be extended up to 10 years.
- Straight payback will generally be used when assessing projects but other assessments such as Net Present Value and whole life costing (including on-going maintenance) will also be considered where appropriate, to ensure full evaluation and consideration of projects that do not appear to be immediately viable.
- Loans will be interest-free and repayable from local risk revenue budgets. Applications will need to demonstrate that financial savings will be such that the loan advance can be repaid.
- In general the loan repayment period will be up to 5 years; however in instances where the payback is not 5 years, the loan period will be assessed separately.
- The first repayment will start at the commencement of financial year after the works have reached practical completion, unless the business case states otherwise.

Guidance notes:

All applications will need to be in the form of a completed Business Case Template, which should be submitted to: Mansi Sehgal, Corporate Energy Manager

All applications will be considered by the Programme Board, comprising the Deputy Town Clerk, Director of Open Spaces, Head of Corporate Asset Management, Corporate Energy Manager, Responsible Procurement Manager, and Head of Corporate Performance and Development.

Tranche 1 EEF Bids

* Pay back year is the point at which the undiscounted cumulative net cash flow exceeds the funding requested.
 ** NPV is calculated over life of asset; anticipated life is 25 years for solar PV life and 15 years for pumps controls.
 *** These are the savings for the first 12 months following installation, savings for subsequent years may differ.