

# Cabinet

1<sup>st</sup> November 2016



**Report Title:** Horizon 2020 Bid – Non-Domestic Energy Efficiency Measures

**Ward:** Citywide

**Strategic Director:** Barra Mac Ruairi, Strategic Director Place  
**Report Author:** William Edrich, Service Director - Energy

**Contact telephone no. & email address** *0117 922 4991*  
*bill.edrich@bristol.gov.uk*

## **Purpose of the report:**

The purpose of this report is to seek approval to draw down a grant award of up to £1m from the European Commission, in compliance with the grant application and conditions. The grant application, if successful, will fund the staff and consultancy resources for a programme of energy efficiency works on public and private sector non-domestic properties in Bristol and the wider region contributing to reduced on-going operational costs.

## **Recommendation for the Mayor's approval:**

- 1. To note the submission of the grant application in September to the Horizon 2020 call – EE–22– 2016–2017: Project Development Assistance.**
- 2. To delegate to the Director of Energy Services the authority to sign the grant conditions and to deliver the programme as outlined in the application and grant conditions, in consultation with the Cabinet member for Place.**
- 3. To delegate authority to the Director of Energy Services to agree the timeline for the programme which shall meet the UK's funding obligations to the EU commission, in particular given current uncertainty around the UK's current Brexit negotiations.**
- 4. To delegate authority to the Director of Energy Service to form a consortium with Murcia of Spain, Arad of Romania, Amaroussion of Greece and Lviv of Ukraine.**
- 5. To allocate £300k of ear-marked reserves to match-fund an extension to the Salix Recycling Fund, which will support the capital investments of this programme.**



[Type text]

## Background and work to date:

1. BCC delivers one of the top performing Salix funds in the UK, delivering energy efficiency improvements to its Corporate estate utilising a £1.2m Revolving Fund. Over 10 years the Fund has delivered a total investment of £3.4m, cumulative cost savings to date of over £4m and 26,000 tonnes of saved CO<sub>2</sub>.
2. Salix eligibility rules mean that investment projects must be paid back in less than 5 years. The Revolving Fund delivers projects on BCC assets only. One-off Direct Salix Loans can deliver other public sector projects. Therefore, the Energy Service's is unable to extend the offer to non-domestic energy users in the private sector and meet city wide carbon reduction targets.
3. The Energy Service has gathered opinions from a number of public bodies and local authorities over the past year to map the barriers to deliver large scale energy efficiency programmes; these are:
  - a. A comprehensive facility to satisfy public procurement regulations
  - b. Access to capital finance
  - c. Project management support and a lack of detailed knowledge in energy investments.
  - d. Access to a feasibility resource including a Development Fund.
4. The City of Bristol currently spends £870m<sup>1</sup> on all energy sources. Public sector buildings alone consume 585 GWh of heat and 324 GWh<sup>2</sup> of electricity annually, which represents an energy spend of at least £56m. A Bristol Council offer to address this is critical to achieving the Mayor's vision to 'put Bristol on course to be run entirely on clean energy by 2050'. Bristol's Mini-Stern report<sup>3</sup> has already identified a list of cost neutral and cost effective energy efficiency measures that can be installed in commercial buildings.

### SALIX definition:

Salix is a government funded body which provides 0% energy efficiency loans for capital works in the public sector.

BCC has been running a Salix Revolving Fund for over 10 years.

## Proposal to apply for a Horizon 2020 grant

5. The application to the Horizon 2020 call for proposals is for up to £1m of grant funding to increase the City's resources in delivering cost effective energy efficiency projects to reduce carbon emissions and on-going operational costs across a range of organisations including Bristol City Council. The draw-down of the grant will be controlled in tranches according to the project delivery pipeline and will be split between staff costs and consultants for energy audits (see Appendix A). The grant funding will overcome the previously outlined barriers to greater uptake of energy efficiency investment as identified in 3.
6. We have a clear indication from the European Commission that the UK is eligible to apply and access these funds for the full duration of the programmes, as the UK has already paid into the Multi-Annual Financial Framework that provides the funding.

---

1

<https://www.bristol.gov.uk/documents/20182/33423/Our+Resilient+Future+A+Framework+for+Climate+and+Energy+Security/2ee3fe3d-efa5-425a-b271-14dca33517e6>

<sup>2</sup> <https://www.cse.org.uk/projects/view/1259>

<sup>3</sup> <http://bristol.ac.uk/cabot/media/documents/bristol-low-carbon-cities-report.pdf>

[Type text]

7. The recruitment of energy professionals, setting up new framework agreements (for example, procurement and finance partnerships) and operational processes shall be similar to the ELENA programme, which ran from 2012 to 2016. The Energy Service successfully delivered the ELENA programme to a leverage factor target of 25 times the grant value.
8. The Development Fund shall be used to commission 'investment grade audits' of a building where an energy efficiency opportunity has been identified. These energy audits and other related consultancy services will highlight the range of suitable measures, estimated cost of the measures, the user's repayment schedule (on a spend-to-save basis) and the long-term benefits to the user.
9. The cost of the audit shall be recovered on project completion as part of the capital investment and recycled to the Development Fund. In this way, the Council shall have access to a sustainable fund beyond the life of the Horizon 2020 leverage period.
10. Staff costs shall be paid for through the Horizon 2020 grant and can be recovered through charging a management fee to the user on completion of each project. Therefore, the staff costs shall be recycled beyond the leverage period, which is acceptable and acts to strengthen the bid.
11. Horizon 2020 Technical Assistance shall be used to refine the pipeline further and test the viability of the pipeline projects. This shall be achieved by building a more robust financial model which can be stress tested by BCC Corporate Finance and by 3<sup>rd</sup> party investment partners.
12. Analysis of the pipeline of non-domestic energy efficiency opportunities in the public sector has already identified, through soft market testing, over £30m of viable investment projects (Tables 1 and 2).
13. The sources of capital will include, but are not limited to, a range of existing and new types, for potential clients. A proportion of the Horizon 2020 Technical Assistance shall be used to explore new private/ public capital sources for the benefit of energy efficiency programmes in the City.
  - a. SALIX Recycling Fund (existing)
  - b. SALIX one-off Direct Loans (existing)
  - c. Bank finance (new)
  - d. Community finance (new)
14. The grant application was submitted on the 15th September 2016, with an expected approval in February 2017 at the latest. Recruitment and implementation will start in April 2017. Regular communications including updates on timelines and delivery conditions shall be maintained with the UK contact point (EU Energy Focus) and the EU Commission.

#### **Conditions of the Horizon 2020 Grant (see Appendix C)**

15. The Horizon2020 grant is available for an amount of up to €1.5m (approx. £1.17m subject to exchange rate fluctuations). It is available for the following types of eligible activity, split between:
  - a. BCC staff and consultants
  - b. Setting up a Development Fund for energy audits

[Type text]

16. The drawn down grant must be applied to non-domestic energy efficiency projects in an area defined in the bid and shall leverage capital investments of at least **15 times the value of the grant**.
17. The grant can be applied to 100% of the cost of the eligible activities.

### **Beneficial outcomes of a non-domestic energy efficiency programme**

#### **BCC buildings**

18. Increased uptake of energy efficiency measures on the Corporate estate shall free up resources in Property's Maintenance budget, for example, where a lighting upgrade provides longer warranty cover and reduced replacement cycles.
19. Reductions in Corporate energy bills can be passed back to central funds and contribute to Council-wide spending reduction targets.
20. Reduction in energy consumption within the Corporate estate will contribute to the Mayoral target of all Council buildings to be fuelled by renewable energy in 2020.

#### **Other Public Sector buildings**

21. BCC operates a **domestic energy** offer for the private sector through the Warm up Bristol scheme and a large scale programme of retrofitting to its social housing stock through Housing Delivery. However, BCC does not currently provide a **non-domestic energy efficiency offer** for other public sector and private sector organisations in Bristol.
22. BCC can develop a business proposition to other public sector clients and as the service administrator can levy a full cost recovery charge on public sector clients in line with CIPFA guidelines for access to these services, enabling them to access our procurement frameworks, thereby obtaining improved public sector "system" efficiency for every tax pound.
23. Setting up a multi-lot Energy Efficiency Framework or Dynamic Purchasing System (DPS) will allow more competitive and prompt tendering which shall unlock more viable investment projects. Demonstrating a long-term pipeline of energy projects shall stimulate the local supply chain and add economic multiplier benefits.

#### **Private Sector buildings**

24. Bristol can build on its reputation in 2015 as European Green Capital and demonstrate a long term commitment to improving the energy performance of its buildings.
25. Improved energy performance of all of the City's non-domestic buildings increases their market value and attractiveness to new business through improved comfort levels and reduced running costs.

### **Consultation and scrutiny input:**

[Type text]

**a. Internal consultation:**

Finance – Tian Ze Hao  
Legal – Terry Wilson  
Property – Stephen Ashman  
Environment – Steve Ransom

**b. External consultation:**

Discussions have been taking place with potential public sector partners for several years, including other local authorities and the University Hospital Bristol (UHB) National Health Services (NHS) Trust. The barriers to greater uptake of energy efficiency have been recorded and are well understood. For example, BCC hosted an event in March 2015 which was attended by 15 other local authorities. In 2016, BCC also invited a number of other stakeholders to discuss the proposal for a regional energy efficiency service, managed by BCC. These included 2 debt finance institutions with a track record in energy investments. And last but not least, a number of management agents are exploring the proposal with us and are seeking buy-in from their private sector clients. Letters of intent and/ or commitment are currently being sought from all prospective partners.

**Other options considered:**

**Business as usual: Salix Recycling Fund (for BCC's properties only)**

The Salix recycling fund is limited to investment on BCC assets only and therefore represents a restricted pipeline of projects. After 10 years of delivery of this programme, the remaining projects sometimes present less cost effective investments.

By not applying for Horizon 2020 funding, the Energy Service can only influence investment within BCC's own Corporate assets, which does not achieve the Mayor's 2050 vision.

**Public Sector plus: Salix Recycling Fund and Salix one-off Direct Loans (for BCC's properties plus other public bodies)**

Further Salix projects are possible on other public sector buildings, for example, schools, the hospital and the universities. The loan is paid directly to the building user and a repayment schedule is agreed between Salix and the user.

The alternative Direct Loan model does not add value to the other public sector bodies since BCC is unable to offer a Development Fund or procurement vehicle or project management support, which will restrict the appeal of this delivery model and the speed of delivery to meet the scale of the Mayor's 2050 vision.

**Business Plus: Public bodies and private sector using Salix and Debt finance.**

Capital debt finance will be needed to secure investment in the private sector or to extend the public sector pipeline beyond the limitations of SALIX.

With sufficient pipeline volume and due diligence project capital, development cost plus management fee will be wrapped up into a debt finance package for the client.

[Type text]

However, without Horizon 2020 initial seed-funding, this will introduce a level of risk for both the private investor and the client during the pre-construction phase and will not bring certainty about the pipeline of viable projects.

### **Horizon 2020 grant funding**

Additional staff resource and seed funding for a Development Fund are secured at the start of the programme, which can be revolved beyond the leverage window.

Prospective users in the public and private sector can be approached and offered an investment grade audit on their pipeline assets once a Service Level Agreement has been signed. This fund is also designed to be revolving beyond the leverage window.

The cost of the audit and a management fee are paid to BCC Energy Service on completion of the project.

A capital repayment schedule is agreed between the user and the funder.

The funder and the user are jointly responsible for the financial risk under the terms of the financial arrangement.

BCC is responsible for:

- a. Identifying opportunities and signing the user up to a Service Level Agreement for an investment grade audit
- b. The performance of the energy measures, should these be procured and delivered by the Council
- c. Procurement and project management, where requested.

### **Preferred Delivery Model**

The preferred delivery model is to secure grant funding through the Horizon 2020 call for proposals. The grant will reduce the pressure on revenue budgets in the Energy Service. Furthermore, it allows prompt start-up of an investment programme and will run to 2020/21, contributing to Council-wide carbon and energy targets.

Over the 4 years of the Project Development Assistance leverage window there shall be **no new borrowing from PWLB**. The project pipeline shall have the following investment values and sources of finance.

[Type text]

**Table 1 – Leverage projects with Letters of Support**

Project Type	Total Energy investment (£)	Source of Finance
BCC Academies	£415,426	Self-funded/ Private finance
BCC Libraries	£446,544	Salix Revolving fund
BCC Property maintenance	£782,000	Salix Revolving fund
BCC Schools	£995,812	Salix Direct Loan
Energy Service pipeline	£1,667,500	Salix Revolving fund
BCC Education maintenance	£765,000	Salix Direct Loan
Other Public Sector - UWE, UHB	£5,497,261	Self-funded/ Private finance/ Salix Direct Loans
Other Public Sector - East Devon CC, Avon & Somerset Constabulary	£2,249,283	Salix Direct Loan
Private Sector	£750,000	Self-funded/ Private finance
EU Partner - Murcia	£1,131,450	Self-funded/ Private finance
<b>Totals</b>	<b>£14,700,276</b>	

By the end of the 4 year leverage period, the Energy Service will have established a £0.5m development fund, created out of the management fee incomes. This fund will be available to carry out investment grade audits of future projects, thereby generating a **long-term income for the Council**. Over £16m of such projects are already being worked up.

**Table 2 – Post-leverage Projects**

Project Area	Sum of Energy investment costs (£)	
<b>[-] Bristol</b>	<b>£</b>	<b>11,224,173</b>
BCC Academies	£	885,101
BCC Education proactive maintenance	£	920,000
BCC Property proactive maintenance	£	3,095,113
BCC Schools	£	1,228,048
University Hospitals Bristol	£	810,408
UWE Phase 2	£	3,317,188
UWE Phase 3	£	968,314
<b>[+] Murcia</b>	<b>£</b>	<b>2,493,339</b>
<b>[-] South West UK</b>	<b>£</b>	<b>2,355,707</b>
Avon & Somerset Constabulary	£	255,707
MOD	£	2,100,000
<b>Grand Total</b>	<b>£</b>	<b>16,073,219</b>

To deliver the expanded internal and external pipeline requires new staff. The Construction Work Package has a number of deliverables under the requirements of the Horizon 2020 grant. The total funding required for staff and other direct costs to deliver all Work Packages have been carefully modelled through the 4 year leverage window – see Appendix A.

[Type text]

**From the point of view of the EU Commission**, BCC shall be requesting a grant of £941k to deliver £14.7m of projects which crucially achieves the 15 times leverage ratio

**From the point of view of Bristol City Council**, the result is a positive cash-flow position at the end of the 4 year leverage window of £117k.

#### **Financial Modelling/ Expertise in delivering viable projects**

Financial modelling/ expertise for individual energy efficiency measures are well understood from over 10 years of experience in delivering Salix compliant investments within the Council.

Capital investments in renewable generators are already tested through an existing financial due diligence process and are well understood. The output measurements will be utilised in energy efficiency investments.

This modelling will be used to pre-qualify investment opportunities but are not a substitute for a funder's own due diligence process.

[Type text]

**Risk management / assessment:**

<b>FIGURE 1</b>							
<b>The risks associated with the implementation of the <i>Horizon2020</i> decision :</b>							
No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES  Mitigation (i.e. controls) and Evaluation (i.e. effectiveness of	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Getting customers - we will not bring in the required customer numbers to make the business case viable	2	2	Table 1 shows £14.7m of projects with letters of intent from external organisations plus known BCC projects. In addition, there are £16m of other projects being worked up which can be substituted.	1	1	Freddie Collins
2	Experience and resource - lack of experience in the field will result in problems with delivery and poor uptake of the Service	3	3	By securing the Horizon 2020 bid the Council can secure revenue support to recruit suitable staff in project delivery, business development and Measurement & Verification	2	1	Richard Lowe
3	Performance risk - we don't meet our contractually agreed guaranteed savings level and consequently have to pay out the difference to the customer	3	4	The Energy Service is unlikely to offer a performance guarantee on external projects because of this risk. In order to mitigate a consequential risk of not being as competitive as other ESCOs, part of the offer will be to offer an innovative finance package, where capital repayments are matched by measured and verified savings, therefore the period of the loan can be extended to equal the payback time. The Energy Service is undertaking training and market testing of Measurement and Verification strategies to assist this. These strategies are only necessary with non-SALIX funders. At present the pipeline is 100% Salix funded.	2	2	Freddie Collins
4	Securing finance at a competitive rate	3	3	We have close links with Salix Finance, who offers the most competitive finance for the public sector. When it comes to projects with a payback time of over 5 years or for the private sector, however, we need to look at other routes. The best way to achieve this is by grouping potential customers into packages, and to present the packages so that we have the opportunity to leverage third party finance with a larger portfolio of projects at the post MOU stage	2	2	Bill Edrich
5	Credit Risk - by offering the finance ourselves we put ourselves at risk to the organisation defaulting on payment	4	3	The Council will not provide financing for external bodies. We will provide a facility whereby we group projects together to attract third party investors. Ultimately, the credit risk will reside with these investors, in simple terms the Salix revolving fund is the only	2	2	Tian Ze Hao

[Type text]

				situation where BCC take responsibility for the repayments and credit risk. This fund is only exclusively on BCC Corporate assets.			
6	Legal – do BCC have sufficient licence and insurance cover to act as a broker and provide investment advice to 3 <sup>rd</sup> party users such as Local Authorities and public bodies	4	2	Any loans would be to commercial borrowers and there is no need for any licence and insurance to be held by the Council. However, if the Council is in any way selecting potential lenders and introducing them to borrowers we need to be sure that our insurance will cover such activities. In addition, we need to be sure that we have the appropriate expertise within the Council to fulfil this function as any errors, even if covered by insurance, will carry a reputational risk.	2	2	Terry Wilson
7	Procurement – do we need more than a procurement vehicle to cover the Works contractors and the Services of auditor consultants	2	3	Decision to be made with other Energy Service teams on a combined Dynamic Purchase System. However, the non-domestic energy investors will need different agreements for each type of work since payment terms will be different.	1	3	Terry Wilson
8	Leverage factor not achieved therefore returning a proportion of the grant	4	2	Close supervision to control delivery of the programme, from experience in delivering the ELENA programme. A full investment grade audit will be carried out before a project proceeds. Bristol is seen as a UK lead on the ELENA programmes.	4	1	Mareike Schmidt
9	Sufficient skills in the Energy Service to deliver this programme	3	2	Technical Assistance of the H2020 bid allows resourcing for energy professionals.	1	1	Richard Lowe
10	Earlier withdrawal from the European Union	3	1	Whilst a Bristol bid may be at some risk due to Brexit negotiations, Article 50 has not been triggered and indications are from EU Energy Focus that a bid will still be considered. In order to mitigate an earlier departure from the European Union, the Energy Service will control any spend on staff and audits and manage the pipeline. In addition, an EU partner can be secured and substituted to complete the leverage if necessary.	2	1	Mareike Schmidt

## FIGURE 2

The risks associated with not implementing the Horizon2020 *decision*:

[Type text]

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES  Mitigation (i.e. controls) and Evaluation (i.e. effectiveness of	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	The non-domestic energy efficiency investment pipeline is a key component of the Service offer in the Business Plan. Without Horizon 2020 funding for staff and energy audits, it will be very difficult to achieve the targets in the Energy Service business plan	<b>High</b>	<b>Medium</b>	Approving the Horizon 2020 bid to upscale the programme which results in no additional resource requirements. Securing a good number of potential partners with sufficient pipeline volume will stand an excellent chance of securing the grant funding	<b>Low</b>	<b>Low</b>	Bill Edrich
2							

### Public sector equality duties:

Before making a decision, section 149 of the Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) advance equality of opportunity between persons who share a relevant protected characteristic and those do not share it. This involves having due regard, in particular, to the need to:

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic.
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to tackle prejudice and promote understanding.

### Guidance:

*\* Insert a note on how the public sector equality duties are relevant to the proposals and how these duties have been taken into account in developing the proposals. Where an equality impact assessment has been undertaken, summarise its findings here, and provide a link to the full document, or include the equality impact assessment as an appendix. Where no equality impact assessment has been undertaken, give the reasons why this has not been carried out.*

### Eco impact assessment

In summary, the significant environmental impacts are:

- A reduction in Greenhouse Gas Emissions directly contributing to the council’s improvement targets. It is not possible to quantify the emissions savings at this stage, as this will depend on the technologies and buildings ultimately chosen. For reference, the £0.345m of energy investment in 100 Temple Street has resulted in energy savings of 424 MWh (gas) and 450 MWh (electricity).
- Impacts from installation of new infrastructure:

[Type text]

- Waste from removal of existing plant and equipment
- Waste from packaging and installation
- Resources for manufacture and installation of new plant and equipment
- Emissions and consumption of raw materials from production and transport of the technology

The proposals include the following measures to mitigate the following possible impacts:

- The tendering process will assess the environmental impacts of manufacturing, transport and waste management arrangements. Scoring from the assessment will form part of the overall evaluation.
- Schemes will be project-managed to ensure that contractors meet our requirements

The net effects of the proposals are positive.

**Advice given by**      **Steve Ransom**  
**Date**                      **July 2016**

#### **Resource and legal implications:**

#### **Finance**

##### **a. Financial (revenue) implications:**

The proposal seeks permission to apply for a European Horizon 2020 Project Development Assistance (PDA) grant up to a maximum of €1m. If successful, specific grant conditions must be satisfied: the support will be conditional on mobilised investments; the grant must be applied to non-domestic energy efficiency projects (include those for both private and public sector organisations) and the Council would automatically sign up to deliver capital investments of at least 15 times the value of the grant within a time-limited period. The major objectives of the PDA are that the proposal must be replicable as well as able to deliver innovation in the mobilisation of the investments.

Grant conditions indicate that financial innovation is aimed at reducing the burden on the project promoter (the Council), to use the revenues generated by the investment (energy savings, sale of energy) and to facilitate the intervention of private financing. Financial innovation should be achieved in the organisation of the PDA, aiming to bundle small investments in order to make them bankable; and through the proposed financial engineering.

To satisfy these grant conditions, the Energy Service team must have a viable commercial delivery model for the proposal as this may expose the Council to further risks. The level of financial innovation required in the grant conditions demands an appropriately qualified workforce and additional insurance cover particularly when financial brokerage / advisory activities are concerned. The required financial advisory workforce does not currently exist within the Energy Service team.

The Energy Service team seeks to revolve the grant funding through charging fees to potential private and public sector clients for viable projects, in order to deliver the capital leverage factor and to provide ongoing funding stream for the delivery team. Detailed estimates are illustrated under Appendix A.

[Type text]

A proportion of the capital leverage factor (£2.9m) will be delivered through the Salix Revolving Fund for the Council's own property stock. The proposal seeks permission to increase the Salix fund balance by a further £600k, of which £300k has been ear-marked from the Council's reserves as match funding. Salix has provisionally agreed to a matching contribution of £300k.

The financial risk to the Council lies in any unrecoverable revenue costs from the grant. Grant conditions stipulate that any cost incurred for preliminary and preparatory work for projects which do not result in contract agreements with potential clients would not be recoverable by the grant. The Council would bear the revenue funding risks for these costs under the scheme, which may ultimately result in general fund cost pressures. A programme of viable pipeline projects should be developed and business relationships with potential private lenders should be in place to mitigate this risk.

**Advice given by** Tian Ze Hao – Finance Business Partner  
**Date** 28/07/2016

**b. Financial (capital) implications:**

Notwithstanding that no new funding support is required from the Council except for the above mentioned Salix match funding contribution, specific grant conditions must be satisfied and the Council would automatically sign up to deliver the required 15 times capital leverage factor within a time-limited period. A proportion of the leverage factor is proposed to be delivered through the Council's existing programme commitments including the Salix Revolving Fund (details see Appendix A).

The proposal would not result in additional borrowing requirement for the Council, and would present no additional capital commitment outside of the capital programme and the proposed Salix revolve fund. Other associated commercial challenges with this proposal have been highlighted under the revenue implication section.

**Advice given by** Tian Ze Hao – Finance Business Partner  
**Date** 28/07/2016

**Comments from the Corporate Capital Programme Board:**

*Guidance:*

*Insert any comments on the proposal from the Corporate Capital Programme Board.*

Not applicable

**c. Legal implications:**

- **Brokerage licence:** It would appear that, because under this proposal, any loans would be to commercial borrowers there is no need for any licence to be held by the Council. However, if the Council is in any way selecting potential lenders and introducing them to borrowers we need to be sure that our insurance will cover such activities. In addition, we need to be sure that we have the appropriate expertise within the Council to fulfil this function as any errors, even if covered by insurance will carry a reputational risk.
- **Procurement:** It would appear that other public bodies will not be able to use the Bristol Energy Services company as a Teckal company without further steps being taken. Simply being a public sector seller to a public sector buyer is not sufficient to allow the exemption to operate. One solution may be to set up shared services agreements between the public bodies who are using the

[Type text]

service which may allow the exemption to be used but which could affect the speed at which sales could be made.

- Payment terms/ Contractors: The terms of any Dynamic Purchasing System set up with contractors to support the proposal will set out the terms on which the actual services will be provided. The purchasing party of the DPS, either BCC or a company controlled by BCC, will be the purchaser of services but a DPS is only intended to provide a route to market within the public sector. The private sector is not constrained by the rules that require a DPS. Where the private sector is the ultimate consumer, then if BCC is carrying out the service on a commercial basis, it will have to do so through a company in accordance with the Local Government Acts and the Localism Act.

**Advice given by** Terry Wilson - Lawyer  
**Date** 25<sup>th</sup> July 2016

**d. Land / property implications:**

- Historically Building Practice have had an annual capital budget for replacement of major building elements in excess £1m per year.
- By accessing the Salix fund and other third party investors, existing budgets can be diverted to other essential projects with non-energy needs, for example, roof renewals as well as statutory demands such as water treatment. Long-term maintenance and running costs are reduced through specifying high performance energy equipment with long warranties.

**Advice given by** Stephen Ashman – Building Practice Team Manager  
**Date** 25<sup>th</sup> July 2016

**e. Human resources implications:**

*Guidance:*

*\* Ensure this section is written by / signed off by the relevant HR Business Partner.*

The Council's Energy Service has identified a pipeline of energy efficiency investments beyond the Council's own estate. Charging a management fee can provide an income for the Council. The investment programme requires new members of staff to further develop the business case and match investors with clients. There shall be no revenue contributions required from the Council, since all staffing costs to deliver the programme will be met by the Horizon2020 grant. The key needs are for finance and business development managers which can be met through the re-deployment pool. Energy Service shall work closely with HR to match job specifications to available staff.

The Council will be collaborating on a new Community Energy apprenticeship scheme led by Oldham Council. The scheme enables young people to develop new skills including project management, accounting, report writing, public speaking and community engagement. The Horizon 2020 funded Energy Efficiency programme will provide for up to 3 full-time apprenticeships.

**Advice given by** Mark Williams – HR Business Partner  
**Date** October 2016

**Access to information (background papers):**

Appendices:

Appendix A – Project Pipeline and Staff cost profile

Appendix B - Schematic of Energy Efficiency facility

Appendix C – Frequently Asked Questions – Horizon2020 bid EE-22