

SUBJECT:	Re:fit programme – utilisation of Local Partnerships energy framework
MEETING:	Individual Cabinet Member
DATE:	13rd June 2018
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

To seek approval to enter into a contract with Local Partnerships to utilise their framework to access energy efficient technologies.

2. RECOMMENDATIONS:

- 2.1 To seek approval to enter into the Local Partnerships Access Arrangements
- 2.2 To seek approval to enter into the Refit Cymru Client Support Agreement
- 2.3 To delegate decision making and the management of this programme to the Chief Officer, Resources in consultation with the Cabinet Member Resources.

3. KEY ISSUES:

- 3.1 Re:fit is a procurement project that is designed to support public bodies procuring energy efficiency and generation measures, to reduce energy costs and resulting carbon footprint.
- 3.2 The concept is built around a procurement framework developed by the Greater London Authority in 2009 and works on the principle of loan funding for capital works which are paid back through guaranteed energy savings or generation over and agreed period of time.
- 3.3 The Re:fit Cymru Programme Implementation Unit (PIU) support public sector organisations in Wales through the Re:fit process, from initial benchmarking to determine viability, through engagement, contract and tender preparation, through to project delivery and monitoring.
- 3.4 Officers have been working with Local Partnerships to determine the viability of the proposition, opportunities and resources prior to implementing this approach. They have undertaken a benchmarking exercise which suggests that there is a potential aggregate value in excess of £1,000,000 with the cost of these works being met from resulting savings anticipated to be circa £150,000 (gross). The actual borrowing costs are yet to be determined.
- 3.5 Should approval be granted to proceed with the scheme, Local Partnerships would work with Officers to develop a tender, undertake a mini-competition and award the works. The

management of the resulting contract will be the responsibility of the Council. Local Partnerships require a £10,000 contribution to cover the costs incurred in supporting the Council and this will rise to £20,000 should the Council choose to withdraw from the scheme following the tender process. This however is not payable in advance and can be included within the capital scheme costs if we proceed. It will also place an additional burden on staff resources and it is anticipated that short term support will be needed for the initial phases.

- 3.6 Funding for the capital works will be determined when the viability of the schemes have been determined, however it is anticipated that it will be a blend of loan and capital programme funding. Loan funding is available from Welsh Government with schemes such as Salix and the capital programme funding will be from the property maintenance capital programme or form part of any refurbishment programmes where appropriate. Where funding is outside the approved capital programme, separate approval will be sought through the normal member approval process.
- 3.7 Work to date has focussed on the implementation of improvements to the energy infrastructure within Council owned properties, however the scheme also deals with energy generation via renewable technologies. This is an area that merits further work given the successful delivery of the solar farm at Oak Grove farm and will form phase 2 of this programme.
- 3.8 The Chief Officer, Resources will have delegated authority to approve the award of contracts for both energy reduction and regeneration contracts, in consultation with the Resources Cabinet Member.

4 OPTIONS APPRAISAL

Option	Benefits	Risks	Comments
Do nothing	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Energy bills will continue to increase increasing cost pressures Replacement of boilers etc will be funded through the planned maintenance programme reducing the funding available for other schemes 	This would be the status quo option, but does nothing to reduce our carbon footprint, energy costs or consider our obligations of the Well being of Future Generations Act (WBFGA)
Work with Local Partnerships to implement the Re:fit programme	<ul style="list-style-type: none"> Expert support and advice available to implement the scheme The cost of the works will be cost neutral to the Council as the paybacks are guaranteed 	<ul style="list-style-type: none"> Significant resources required to manage the project, which places a pressure against substantive duties The opportunities identified do not materialise 	This provides an opportunity to draw down funding to improve the Council's estate with no impact on the Council's capital programme. It also brings expertise from

Option	Benefits	Risks	Comments
	<ul style="list-style-type: none"> • Gives us the opportunity to consider additional renewable energy generation opportunities • Reduces our carbon footprint • Supports the WBFGA 	<ul style="list-style-type: none"> • Initial cost of £10,000 payable to Local Partnerships to contribute to their costs, which escalates to £20,000 if we do not proceed post tender 	Local Partnerships who have supported numerous other Councils through the implementation stage. This is the preferred option

5. EVALUATION CRITERIA

See Appendix 1

6. REASONS:

- 6.1 This approach is based on an OJEU compliant framework, the support of an experienced team from Local Partnerships and a proven track record of successful implementation in other authorities.
- 6.2 The ability to include energy generation unlocks other potential income generating streams for the Council.
- 6.3 Utilising this scheme will enable the Council to address maintenance backlogs, reduce energy consumption and bills and our carbon footprint aligning with our Corporate Plan and the WBFGA principles.
- 6.4 The Re:fit process will provide a basis for identifying potential schemes which would be eligible for SALIX and Welsh Government Invest to Save funding, enabling access to other borrowing opportunities in addition to the Re:fit programme.

7. RESOURCE IMPLICATIONS:

- 7.1 An estimated cost of delivering the standard package of Re:fit PIU support for an organisation, is approximately £70-100k. However, the Welsh Government has secured European grant funding from ELENA to deliver this support with a significant subsidy. This will result in a net cost of £10,000 which will escalate to £20,000 should the Council choose not to proceed.
- 7.2 The £10,000 will form part of the capital programme costs should we proceed and will therefore be cost neutral. If the scheme fails to progress a potential £20k abortive commitment be afforded utilising the invest to redesign should the evaluation phase not indicate sufficient utility savings returns to afford both the borrowing costs associated with capital replacement and the £10k project subscription fee.
- 7.2 There will be a need to access additional resources to support the project management work during the initial phases which will be managed within existing budgets.

8. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

The proposal does not have any safeguarding or corporate parenting implications.

9. CONSULTEES:

SLT
Cabinet
Head of Legal Services
S151 Monitoring Officer

10. BACKGROUND PAPERS:

Appendix 1 Evaluation Criteria
Appendix 2 Management briefing paper from Re:fit Cymru

11. AUTHOR:

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Date decision was made:	13th June 2018
Report Author:	Debra Hill-Howells

What will happen as a result of this decision being approved by Cabinet or Council?
The Council will work with Local Partnerships to develop a programme of works which will result in improvements to the Councils estate, reduction in energy consumption and or the increase of energy generation.
<i>12 month appraisal</i>

What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?
Level of reduction in energy consumption Additional energy generated Proportion of cost of works met by payback or MWH generated
<i>12 month appraisal</i>
<i>Paint a picture of what has happened since the decision was implemented. Give an overview of how you fared against the criteria. What worked well, what didn't work well. The reasons why you might not have achieved the desired level of outcome. Detail the positive outcomes as a direct result of the decision. If something didn't work, why didn't it work and how has that effected implementation.</i>

What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?
The scheme is intended to reduce energy costs, but the extent of which is yet to be defined.
<i>12 month appraisal</i>
<i>Give an overview of whether the decision was implemented within the budget set out in the report or whether the desired amount of savings was realised. If not, give a brief overview of the reasons why and what the actual costs/savings were.</i>

<i>Any other comments</i>

Appendix 2



Re:fit Cymru (guaranteed energy efficiency)

Senior Management Briefing Note

Re:fit – delivering guaranteed energy efficiency for Monmouthshire County Council

Market analysis suggests that the cost of choosing to do nothing about managing energy means that costs will rise and is therefore no longer a viable option.

In addition there are a number of positive drivers for delivering energy efficiency:-

- increasing electricity bills
- carbon taxes and potentially forthcoming carbon budgeting
- the opportunity to generate revenue off your own estate
- the need to reduce operating and maintenance costs
- the chance to improve workplace environment and productivity
- Wellbeing of Future Generations Act with statutory obligations to plan for the long term
- Environment Act (part II) carbon budget obligations which require an 80% reduction in all (net) Wales emissions by 2050 (likely to be directly imposed on LAs and other Public Sector Clients)
- Corporate Social Responsibility reporting

Energy Performance Contracting – how does it work ?

Re:fit is a smart, cost effective and fast way for public sector bodies to improve the energy efficiency and generate revenue from their estate by retrofitting energy and water efficiency measures, energy generation systems or using optimisation services.

The Re:fit Cymru Programme Implementation Unit (PIU) has now been recruited by the Welsh Government and is assisting Public Sector Contracting Authorities with a review of their estate. This has commenced with an initial benchmarking exercise which compares building type, energy use and other factors against national buildings' benchmarks.

Your existing energy bill for gas, electric and water is over £2.3M and Re:fit typically delivers annual savings and revenue of around 18 – 25% across estates or portfolios.

Monmouthshire County Council, supported by the PIU, will be able to outline the broad performance parameters and project briefs that it wants to achieve. This might include parameters such as the required level of savings, revenue, payback period, capital spend, funding routes, carbon dioxide savings, levels of back log maintenance etc. Tender documentation (from standard Re:fit templates) is prepared and proposals are requested from the specialist service providers through a mini competition; the service providers have been pre-procured on the OJEU compliant Re:fit framework.

The service providers bid in the mini competition tender, offering a **guaranteed level of savings over a tranche of work**. They will be contractually obliged to reimburse any annual shortfall in savings and to investigate and rectify, at their own cost, any under performance. This occurrence rarely occurs on Re:fit projects as the service providers develop robust engineering solutions using engineering calculations to mitigate their risk. The cost of the works are paid back by savings guaranteed over the payback period; this is typically about 3 to 10 years on most projects, however, this can vary depending on the type of measures or equipment installed, or services provided (for instance, lighting or controls would have a shorter payback than photo-voltaic systems, District Heating, new boilers or Combined Heat & Power plant).

Re:fit projects are therefore budget neutral or positive over the payback period and many schemes are structured so that savings are larger than payments on an annual basis. The Re:fit approach does not need to impact on existing Facilities Management contracts or utilities procurement,

however, Re:fit can be combined with addressing back log maintenance issues and can include maintenance, operational and management contracts.

Re:fit Cymru is a Welsh Government initiative for the Welsh public sector, supported and funded by the European ELENA Fund (European Local Energy Assistance) and the Welsh Government. Since 2010, Re:fit within London and England has benefitted over 250 organisations, with £165m invested and £10m audited savings per annum; these programmes are managed by the GLA and Local Partnerships, respectively.

In April 2016, the Welsh Government created the Re:fit Cymru Programme Implementation Unit (PIU) to support Welsh public sector bodies through every stage of their Re:fit projects. This support is heavily subsidised – further improving the value-for-money for participating organisations.

The PIU is also able to support you with the review and decision on funding routes for the project. if applicable. This may include zero interest Salix Finance, the Welsh Government Invest-to-Save Grant opportunities, the Green Investment Bank or other commercial or private / service provider funded routes.

By taking early advantage of this opportunity, Monmouthshire County Council would start to make savings faster, and would receive publicity and profile from Welsh Government as a pathfinder.

This efficiency programme can elevate the work of the energy officers by offering pace and scale, and transfer of risk.

The support package you would receive includes:

Planning and preparation support:

- Engagement with your key senior executives and stakeholders (including legal, procurement, facilities/FM and IT)
- Explanation of all areas of the Re:fit programme and help developing key project requirements including targets, strategic aims, financial targets and business case
- Provision of a benchmarking assessment of buildings information and energy spend data to assess project potential and propose a scope for the project/tender
- Review potential funding options and arrange meetings with funding bodies
- Review and get agreement for the bidding options
- Programming support
- Undertaking of a market attractiveness test with service providers pre-tender

Contracting and tender support:

- Provide template legal contracts and guidance documents
- Coordinate with client legal team to outline Re:fit contracting approach
- Provide advice on tender evaluation
- Review final draft contract documents (for inclusion in ITT pre-launch)
- Undertake a formal review of the final draft ITT documents
- Provide advice and guidance on bidders day and site visits
- Support in the entire process leading to final tender

Solution development and project delivery support:

- Provide high level review of preferred bidders approach
- Support initial engagement with the selected Service Provider (attendance at meeting)
- Provide access to support during the savings delivery phase to resolve issues should they arise
- Quality Assurance

- Provide advice and measurement and verification (M&V) support
- Review the first annual savings report

Financial commitment

The capital cost of a Re:fit project can vary depending on organisation needs and ambition, however, it is usually greater than approximately £0.75m and typically delivers annual savings and revenue of around 15 – 25% across estates or portfolios.

An estimated cost of delivering the standard package of PIU Re:fit project support for an organisation, is approximately £70-100k. However, as the Welsh Government has secured European grant funding from ELENA, this support can be delivered to you with a significant subsidy. The support can therefore be provided to you for the reduced cost of £10k. This sum can also be capitalised within the project's funding, so it does not need to come out of a revenue budget.

If after signing the Re:fit Access Agreement and Client Support Agreement (formally commencing the Re:fit support) your organisation decides to withdraw, the Welsh Government reserves the right to recover partial costs, capped at £20k for the standard Re:fit support package. In other words, if you withdraw from the Re:fit process, your total exposure is £20k - subject to any additional project management support you have utilised to help deliver the project.

Further information can be provided by contacting:

The Welsh Government Programme Implementation Unit (PIU):

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