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## **CABINET REPORT**

Date Written	10 <sup>th</sup> December 2021
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Service Area	Neighbourhood Services
Exempt/Non Exempt	Non Exempt
Committee Date	6 <sup>th</sup> January 2021

*To: Chair, Ladies and Gentlemen*

# **RE:FIT Cymru Energy Efficiency Framework- Approval of Salix Loan and entering into Works Contract**

## **1.0 SUMMARY OF THE REPORT**

- 1.1 This report seeks approval to access external funding and enter into a works contract to undertake a programme of energy conservation and renewable works to corporate buildings and schools by utilising the provisions of the RE:FIT Cymru Energy Efficiency Framework.
- 1.2 RE:FIT Cymru is a Welsh Government promoted scheme that aims to accelerate the energy efficiency improvement of all public sector buildings in Wales.
- 1.3 The scheme provides a commercial model for public bodies to implement energy efficiency and renewables' to their buildings achieving substantial guaranteed energy savings and a reduction in carbon emissions.
- 1.4 Ameresco have carried out over 50 investment grade energy audits in 31 of Merthyr Tydfil Council properties. These audits have led to the production of the MTCBC Investment Grade Proposal (IGP) document detailing the proposed energy conservation measures, capex, payback and the energy and carbon savings.
- 1.5 The REFIT Project is estimated to save £135,400 and 251 tonnes of Carbon per annum with a payback of 8.5 yrs, at a cost of £1.145 million. On top of the savings the buildings will also benefit from an improved learning and working environment, reduced maintenance costs and increased comfort conditions for occupants.

## **2.0 RECOMMENDATIONS**

- 2.1 For the Installation of energy conservation measures detailed in the MTCBC Investment Grade Proposal (Combined 8.5yr payback, £1.145 Million Capex) to be approved.
- 2.2 Utilisation of Salix Interest Free Loan to pay for the installation of energy conservation measures as per the IGP, to be approved.
- 2.3 Entering into a works contract with Ameresco to install the energy conservation measures in MTCBC buildings as per the Investment Grade Proposal, to be approved.

## **3.0 INTRODUCTION AND BACKGROUND**

- 3.1 Awareness of decarbonisation is increasing in all spheres and there is a growing expectation for organisations to demonstrate their commitment to this increasingly significant agenda.
- 3.2 Local and national governments have communicated the priority given to this by introducing ambitious targets, requiring organisations to embrace innovation and respond in increasingly creative ways. The Welsh Government has ambition for public bodies to be carbon neutral by 2030
- 3.3 The objectives of this project are supportive of the Authority's environmental responsibilities under its' charter, of the Welsh Government's obligations under the Environment (Wales) Act 2015 and of the requirements placed on all public sector bodies in Wales by the Well-being of Future Generations (Wales) Act 2015. Decarbonisation is also a key objective in the Councils Recovery, Transformation and Improvement Plan.
- 3.4 Energy prices have all recently increased and are expected to continue to rise. MTCBC could face estimated base energy related pressures exceeding £300,000 by the end of 2025. Implementing this project will provide mitigation against future utility price increases and potential changes to energy taxes.
- 3.5 The Council approved its first Carbon Management Plan by committing to reduce its carbon emissions from buildings by 2025. The RE:FIT programme will identify and implement an accelerated programme of energy efficiency improvements and renewable energy generation projects to reduce carbon emissions necessary to deliver Decarbonisation Targets.
- 3.6 RE:FIT started in England in 2008 as a pilot scheme in London and was subsequently rolled out to the rest of England in 2009. RE:FIT is therefore established and is a tried and tested model. RE:FIT Cymru was launched in 2016 and provides guaranteed savings on energy efficiency measures installed under the RE:FIT scheme.

- 3.7 RE:FIT Cymru is a Welsh Government promoted scheme that aims to accelerate the energy efficiency improvement of all public sector buildings in Wales. RE:FIT 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 RE:FIT phases that include measures with an overall 8-10 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 make payments to the Council against the guarantee.
- 3.8 Assistance in the administration of RE:FIT has been provided by the Welsh Government via the RE:FIT 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.
- 3.9 Under the existing delegated authority, the service provider (Ameresco) was appointed in November 2019 to undertake a High Level Appraisal (HLA) then produce Investment Grade Proposals (IGP) for 31 MTCBC buildings. This document confirms designs, costs, guaranteed kWh savings and measurement and verification plans that will form the basis of the Salix Funding Application.
- 3.10 The energy efficiency measures include LED lighting upgrades and intelligent controls, solar panels, building management systems and insulation.
- 3.11 It's projected that the works will take between 12-15 months to complete from project start to completion. On average each energy conservation project per site will take between 3 days to 2 weeks to complete.

## **4.0 PROCUREMENT**

- 4.1 The procurement process was undertaken via a mini competition under the National RE:FIT framework.
- 4.2 The Council's requirements were developed into a robust invitation to tender which was published via eTender Wales on 30<sup>th</sup> August 2019.
- 4.3 Thirteen providers were invited to the tender process. Nine of those providers accessed the tender.
- 4.4 Three valid tenders were received on the 11<sup>th</sup> October 2019, after evaluation the service provider Ameresco were awarded the MTCBC RE:FIT Contract to undertake HLA and IGP proposals.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 The RE:FIT and client support agreements along with associated documentation has been submitted and reviewed by our legal section. The RE:FIT support agreement includes provision for review and guidance relating to the savings guarantees associated with the RE:FIT works.
- 5.2 Our legal department will also be consulted over the terms and conditions of these guarantees at the stage that they are presented.

## **6.0 FINANCIAL IMPLICATIONS**

- 6.1 The total capital costs of the project are £1.145 million which includes Salix repayments, contingencies, monitoring and verification. The total annual financial savings of the project are £135,400. Over a fifteen year period, the total cumulative financial savings are estimated to be in the region of £2.031 million **(See Appendix Items 1 and 2)**.
- 6.2 The cost of ECMs will be funded by a Salix interest-free loan available from Welsh Government (WG), repayable from energy savings generated over a 10-year period. The Salix funding criteria requires an 8.5-year payback generating a net saving for the Council. Salix loan repayments will be made from energy savings recovered from energy budgets over a period of 10 years, the terms of the RE:FIT programme require the Service Provider to guarantee kWh energy savings over the period.
- 6.3 Energy consumption savings at each site will be itemised to allow recovery of the financial savings from individual energy budgets. Energy savings from School buildings will need to be recovered through the Individual School Budget Formula funding allocation. It is recommended the formula allocation for the respective schools is top sliced by the projected annual kWh savings each year. This top slice from the formula funding has been formally agreed with the Schools Forum.

## 7.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Not Applicable
<b>1. Merthyr Tydfil Well-being Objectives</b>	3 of 4	0 of 4	1 of 4
<b>2. Sustainable Development Principles - How have you considered the five ways of working:</b> <ul style="list-style-type: none"> <li>• Long term</li> <li>• Prevention</li> <li>• Integration</li> <li>• Collaboration</li> <li>• Involvement</li> </ul>	4 of 5	of 5	1 of 5
<b>3. Protected Characteristics</b> <i>(including Welsh Language)</i>	0 of 10	0 of 10	10 of 10
<b>4. Biodiversity</b>	1 of 1	*0 of 1	0 of 1
<p><b>Summary:</b>  RE:FIT will assist MTCBC to make energy cost and carbon emission savings through the installation of energy efficiency measures. The energy efficiency technologies that deliver these savings are readily available, tried and tested, and often repay their initial capital cost within just a few years. Such improvements could provide long-term cash savings for MTCBC, reduce exposure to future changes in energy costs, improve internal conditions for employees, potentially improving the productivity of building occupants and reduce the environmental impacts of MTCBC.</p>			

**JUDITH JONES-CHIEF OFFICER  
PLANNING AND NEIGHBOURHOOD  
SERVICES**

**DAVID HUGHES – CABINET MEMBER  
OF PLANNING AND NEIGHBOURHOOD  
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<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Appendix 1-Investment Grade Proposal	3.12.20	<a href="\\mtbcfs1\MIMS\REFIT">\\mtbcfs1\MIMS\REFIT</a>
Appendix 2-Site Summary	3.12.20	<a href="\\mtbcfs1\MIMS\REFIT">\\mtbcfs1\MIMS\REFIT</a>
Appendix 3-Financial Summary	3.12.20	<a href="\\mtbcfs1\MIMS\REFIT">\\mtbcfs1\MIMS\REFIT</a>
Appendix 4-Savings, costs and payback by site	3.12.20	<a href="\\mtbcfs1\MIMS\REFIT">\\mtbcfs1\MIMS\REFIT</a>
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		No

***Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.***