

	<h2>ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER</h2>
<p style="text-align: center;">Title</p>	<p>Authorisation to enter into and part-fund a number of RE:FIT projects on London Borough of Barnet assets</p>
<p style="text-align: center;">Report of</p>	<p>Deputy Chief Executive</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>None</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Iliana Koutsou Client Lead – Capital Works iliana.koutsou@barnet.gov.uk 0208 359 5494</p>

Summary

This report seeks the authorisation for the London Borough of Barnet (the Council) to commission and part-fund the RE:FIT energy saving measures across a number of Council assets. The majority of the works will be funded by a 0% interest loan from Salix. The remaining funding will be provided by the Council.

Decisions

1. To commission a number of energy saving initiatives on Council assets, across the borough.
2. To fund the majority of energy saving works (£537,941) through a 0% interest loan.
3. To fund remaining works (£243,537) from the Council's Estates budget.

1. WHY THIS REPORT IS NEEDED

- 1.1 This report is needed for approval to commission works and to confirm how the REFIT project will be funded in Barnet. The REFIT project will install energy saving measures across a number of Council-owned assets.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Council has previously awarded the RE:FIT contract to Larkfleet Limited. Larkfleet Limited has undertaken site visits and analysis, and have confirmed the cost to undertake all works across all identified assets is £781,477. This will result in a 28% annual energy saving (£113,243 per annum). The level of the energy savings (kWh) will be guaranteed under the RE:FIT framework agreement, which Larkfleet Limited are appointed under and from which the Council utilised in appointing Larkfleet Limited.
- 2.2 Salix Finance Ltd (Salix) provides interest-free government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. Salix is funded by the Department for Business, Energy and Industrial Strategy, the Department for Education, the Welsh Government and the Scottish Government and was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with loans for energy efficiency projects. Salix have confirmed the majority of the works (69%) qualify for a 0% interest loan, based on their criteria around ensuring the payback period for energy saving works is within 5 years.
- 2.3 It is recommended that the Council funds the remaining works (31%) which is £243,537, in order to maximise the possible savings that can be made. This can be paid over a five-year period and will be funded from the Council's Estates budget. In addition, the Council's Planning Department is anticipating s106 funds (in excess of £400,000) in relation to carbon offsetting which can be used to fund this project and may ultimately cover all of the Council's costs. Once these funds are received by the Council they can be used to refund the Estates budgets and / or fund the works.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council could do nothing, but this is not recommended as energy and cost savings will not be realised.
- 3.2 The Council could choose not to invest funds in the RE:FIT project, and instead could proceed with a segment of the RE:FIT project which would qualify entirely for a 0% interest Salix loan. However, this total cost of this smaller project would be £143,326, and would result in only 8% annual savings (£29,420 per annum). This is not recommended as the Council would receive a substantially smaller annual saving (£29,420 per year as opposed to (£113,243 per year). In addition, solar photovoltaic panels would not qualify

under this smaller project, which would mean that the Council would not benefit from insulation against increased energy costs.

4 POST DECISION IMPLEMENTATION

4.1 The Council will work with Larfkfleet Limited to complete the Salix 0% loan application. Once the 0% Salix loan is secured, the works will be implemented. The contractor is contractually obliged to monitor the energy savings and report to the Council and GLA. This means that a measurable improvement in energy performance per annum is guaranteed.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.5.1 This project is in line with the Council's vision to deliver responsible and sustainable investment, and deliver energy cost savings across Council assets.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The Salix loan amount is £537,941. This will be paid back through the energy savings the project delivers. This will be paid every 6 months, therefore there will be 10 payments in total over the 5 year payback period. The first payment starts 6 months after the construction project completes. Policy and Resources committee (11 June 2018) have previously authorised that a Salix loan can be sought for the RE:FIT works.

5.2.3 The Council's staffing resource will be minimal (existing staff) due to support from the GLA's RE:FIT Programme Delivery Unit (PDU).

5.2.4 Assets owned by the Council are being considered for energy saving measures. The assets being considered are Oakleigh Road Depot, Copthall depot, Hendon Town Hall, Hendon Library, Chipping Barnet Library, Burnt Oak library, Edgware Library, Mill Hill Bowls club, North Finchley Library, East Finchley Library, Golders Green Library, Canada Villa, and the Family Resource Centre.

5.2.5 This project will contribute towards the Council's financial sustainability, reducing the amount spent per annum on running costs (electricity, heating) which will be used to repay the loan over 5 years. The project also contributes towards environmental sustainability, as energy use will be reduced. The REFIT cost (£243,537) has been forecasted in the Estates budget.

5.2.6 The final price of the contract will be calculated once Larkfleet Limited, the contractor have undertaken analysis of each site that is to benefit from the introduction of energy saving measures. The capital costs will remain within the £781,477 budget. We are confident in Larkfleet's pricing strategy based upon their track record and the methodology proposed in their submitted bid. This contractor has previously been successful in identifying measures which are Salix- compliant.

5.2.7 The energy saving measures being considered include boiler optimizer, valve wrap, fridge voltage optimiser, improved time/ temp control, lighting, circosense, BMS optimization and solar photovoltaic.

5.3 Legal and Constitutional References

5.3.1 The Policy and Resources Committee have previously approved the Council's participation in the REFIT energy saving programme on 11 June 2018 and its intention to apply for a 0% interest loan from Salix. Since then the Council has selected Larkfleet Limited as contractor to implement the REFIT project in Barnet and will work with Larkfleet Limited in the Salix loan application.

5.3.2 Article 10 of the Council's Constitution, sets out scope of the Deputy Chief Officer's power and terms of reference including their authority for the spend under this report following consultation with the Chairman of the relevant Theme Committee..

5.3.3 Legal advice should be sought on the terms and conditions of the Loan Agreement before the Council executes it. The Council must be aware and clear on the obligations it is agreeing to take on under the Loan Agreement and have plans in place to ensure that it can adhere to these.

5.4 Risk Management

5.4.1 Although it is unlikely, there is a risk that the Council would not be successful in their loan application. This is being actively managed, as the Council has been in communication with Salix for 12 months, and is confident that the loan will be approved. Other councils have successfully been through this process and have been granted the loan.

5.4.2 Although it is unlikely, there is a risk that the Council will not secure s106 contributions for carbon offsetting. This would mean the Estates budget would fund the Council's contribution to the project. The REFIT project will still deliver the benefit of annual savings to the Council. Therefore this risk will be tolerated.

5.4.3 There is a risk that Larkfleet's subsequent surveys (known as Investment Grade Proposals, IGPs) indicate that savings are less than those which have been identified at this stage. However, if this risk occurs, the Council would not be obliged to proceed with the works, and could withdraw without paying any costs to the contractor. Similarly, the capital cost must remain within the £781,477 budget; if it is exceeded, the Council will not be obliged to proceed with the works.

5.5 Equalities and Diversity

5.5.1 A neutral impact on equalities and diversity is anticipated from retrofitting assets in the borough so they are more energy efficient.

5.6 Corporate Parenting

5.6.1 N/A

5.7 Consultation and Engagement

5.7.1 The appropriate assets to be retrofitted across Barnet have been identified. Council

Service departments of identified buildings have been made aware of the works. Users of the assets (including the public, staff, community groups etc) will be notified of any building works associated with the retrofitting measures when construction start dates are confirmed. Retrofitting works will take service delivery into account to minimise any disruption to services.

5.8 Insight

5.8.1 The RE:FIT PDU has reviewed the Council's assets in a desktop exercise to identify potential savings. This analysis was used by the contractor, Larkfleet Limited, to inform the selection of the appropriate energy saving measure/s for each asset. Larkfleet Limited also conducted site visits at each asset to propose appropriate energy saving measures.

6 BACKGROUND PAPERS

6.1 Report to Policy and Resources (11 June 2018) titled 'Authorisation to participate in the Mayor of London's REFIT programme to retrofit energy saving measures to Council assets to save energy and running costs'

<https://barnet.moderngov.co.uk/documents/s46600/Authorisation%20to%20participate%20in%20the%20Mayor%20of%20Londons%20REFIT%20programme.pdf>

6.2 Deputy Chief Executive Decision (30 November 2018) titled 'Authorisation to award Larkfleet Limited the contract to implement the REFIT project in Barnet Council'

<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?Id=7083>

7. DECISION TAKER'S STATEMENT

7.1 *I have the required powers to make the decision documented in this report. I am responsible for the report's content and am satisfied that all relevant advice has been sought in the preparation of this report and that it is compliant with the decision-making framework of the organisation which includes Constitution, Scheme of Delegation, Budget and Policy Framework and Legal issues including Equalities obligations. The decision is compliant with the principles of decision making in Article 10 of the constitution.*

Chief Officer: Deputy Chief Executive

Signed: Deputy Chief Executive

Dated: 11.6.19