

## Bath & North East Somerset Council

DECISION MAKERS:	<b>Cllr Martin Veal, Cabinet Member for Community Services, and Cllr Tim Warren, Leader of the Council</b>	
DECISION DATE:	<b>On or after 9<sup>th</sup> July 2016</b> (for single Member decision)	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2888</b>
TITLE:	<b>Green Investment and Jobs Fund: Investment in Bathampton Old Mill Hotel Hydro</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> None		

### 1 THE ISSUE

- 1.1 The Green Investment & Jobs Fund (£1m) was approved by Council in February 2014, as 'Investment of a policy loan in local renewable energy projects to further a range of Council policy objectives, whilst generating a source of income for the Council and contributing to the creation of 'green' jobs.'

### 2 RECOMMENDATION

- 2.1 That the Council makes a policy loan of £130k from the Green Investment & Jobs Fund to Bath & West Community Energy's Bathampton Old Mill Hotel Hydro project.

### 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The proposal is to invest a further £130k of the remaining £500k into Bath and West Community Energy's Old Mill Hotel Hydro project, at Bathampton Weir.
- 3.2 The balance of the remaining £500k will be removed from the capital budget, following Cabinet decision in September 2015. Future investments in energy projects and infrastructure will be made from the new £3m Energy Services capital budget line for 2016-2020.
- 3.3 The rate of return for the loan is 5.5%. There will therefore be an estimated return on investment of 1.5%-1.7%, over the Council's cost of borrowing. All due diligence and legal costs are being covered by Bath & West Community Energy. The loan will be repaid in 15 years, with full security over the assets.

### 4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The project has received planning permission and necessary consents and has been designed to minimise impact on the local natural environment.
- 4.2 The proposal supports Council policy commitments made in the B&NES Environmental Sustainability & Climate Change Strategy 2012-2015 and delivery of Core Strategy Policy CP3 Renewable Energy, which sets B&NES wide targets for both electricity (110MwE) and heat (165MWth) through renewable energy.
- 4.3 In addition to generating a financial return to the Council, the investment will also yield approx. £50k over 20 years for the independently run Community Fund.
- 4.4 The investment follows the model successfully established for the Wilmington Farm Solar Array, and draws on the legal, financial and procurement advice and expertise developed as part of this scheme.
- 4.5 Whilst this investment is smaller than the policy loan made to Wilmington Farm in 2014, it represents another important building block of support for community energy, and will help to demonstrate the Council's continued commitment to enabling the further development of community energy, for which we are already recognised as national leaders.
- 4.6 BWCE are currently the only organisation delivering such projects in B&NES. There are no other organisations based in B&NES that offer both the ability and track record to deliver community based renewable energy projects or the commitment to investing all surplus profit into a Community Energy Fund for reinvestment in local projects.

## **5 THE REPORT**

- 5.1 Bath & West Community Energy (BWCE) proposes to build a 15kW hydro powered water wheel at Old Mill Hotel at Bathampton Weir.
- 5.2 BWCE has already raised £131k funding via a community share issue for this project. This proposed policy loan would cover the remaining £130k total investment costs.
- 5.3 The loan will be repaid over 15 years, at an interest rate of 5.5%. The project sits within a Special Purpose Vehicle 100% owned by BWCE in order to 'ring fence' this project from its other activities. Under the proposed terms of the policy loan, B&NES Council will have first charge over the assets in this SPV.
- 5.4 The due diligence conducted for this project by PWC has been completed and has come back as satisfactory (see 'Risks' below).
- 5.5 A 'market rate review' has been conducted by Arling Close, the Council's Treasury Advisors, and has confirmed that the proposed interest rate is comparable with actual market rates in the community energy sector, and is compliant with State Aid and LA Accounting Regulations.

## **6 RATIONALE**

- 6.1 The £1million Green Investment & Jobs Fund was set up in February 2014 to enable policy loans to local renewable energy projects in order to help to get 'community energy' off the ground in B&NES, helping to meet our carbon

reduction and community resilience policy objectives by overcoming a market barrier whereby banks will not lend sufficiently small amounts for single schemes, whilst also generating income for the Council and contributing to the local Community Energy Fund.

- 6.2 The first investment was for £500k to Bath & West Community Energy's Wilmington Farm Solar Array project in 2014. The policy rationale for this second proposed investment is the same as for Wilmington, which is that there is still a gap in the market for finance at this scale for community energy projects and that profits from the project will be invested in the Bath & West Community Energy Fund for reinvestment in community projects in the B&NES area.
- 6.3 The Bath & West Community Energy Fund has so far provided a grant pot of £65k over the 2014-16 period which has been dispersed to 18 diverse community projects such as: installation of energy efficiency measures at Freshford Community Association building, Percy Community Centre, Chew Magna Old School Room and SWALLOW; installation of solar panels at St Saviour's Infant School; funding of a worker at Time Bank Plus to deliver food growing training; an Age UK project to support older people experiencing fuel poverty, and a Social Publishing Project with low income households to tackle fuel poverty.
- 6.4 The Bath & West Community Energy model also includes Community Share Offers, which means that local people have the opportunity to invest relatively small sums in local energy schemes with a good return on investment. They are also committed to working with local businesses. Combined, this means that the economic benefits of the renewable energy projects are all retained locally.
- 6.5 The proposed policy loan also supports delivery of the Council's Core Strategy (Policy CP3, see Section 4), and the delivery of the Council's commitments in its Environmental Sustainability Strategy.

## **7 OTHER OPTIONS CONSIDERED**

- 7.1 A number of other options were considered in relation to the remaining £500k in the Green Investment and Jobs Fund capital line item. These were discussed in December 2015 where the Bathampton Hydro was selected as the preferred option. The other options included:
  - 7.2 Policy loan investment into Stowey Farm Solar – a 250kW small ground mounted solar array at Stowey Farm, near Bishop Sutton. Investment in a hydro project was considered to offer a more a balanced portfolio than investment in a second solar project at this time.
  - 7.3 Re-finance BWCE's existing solar PV roof mounted projects on B&NES schools at a lower rate (in order to increase the amount of funding flowing into the community fund). It was felt that this option offered insufficient additionality.
  - 7.4 Do nothing and remove £500k from budget or roll over to FY 2016-17. This option was not preferred.

## **8 CONSULTATION**

8.1 Cllr Martin Veal, Cllr Tim Warren; Cllr Charles Gerrish, Andrew Pate, Tim Richens, Gary Adams, David Trethewey, Corporate Procurement, Legal Services, Planning.

8.2 Due diligence on the project has been completed by PWC and an assessment of the market rate of return by the Council's Treasury Advisors Arling Close.

8.3 The scheme has secured all necessary approvals, including planning permission, Environment Agency licences and Ofgem guarantee of Feed In Tariff income for next 20 years at a fixed rate.

## **9 RISK MANAGEMENT**

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

<b>Contact person</b>	Jane Wildblood, 01225 477685
<b>Background papers</b>	None
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