

Title: Schools RE:FIT programme
Contains Confidential or Exempt Information?: <i>NO - Part I</i>
Member reporting: Councillor Coppinger, Lead Member for Sustainability
Meeting and Date: Sustainability Panel - 21 March 2017
Responsible Officer(s): Andy Jeffs, Interim Strategic Director of Operations Craig Miller, Head of Community Protection & Enforcement Services
Wards affected: All

REPORT SUMMARY

1. The report provides information relating to a potential schools retrofit energy efficiency project. The project would be run under the RE:FIT framework and potentially in partnership with Slough Borough Council. It is estimated that a programme including all the borough's schools would attract an investment of around £2m. The scheme would be financed using government funding called Salix Finance. This funding offers 0% loans to schools for energy efficiency works. The programme would be multi-phased with potentially a first round of surveys commencing in late 2017.
2. The recommendation at this stage is to progress the discussions with Slough Borough Council and Local Partnerships in order to work up a full delivery model for the programme. Initially an information document would be drawn up for schools to read to allow interest to be gauged.
3. These recommendations are being made so that a method for large scale energy efficiency delivery in our schools is developed. The project is crucial in helping schools to reduce their energy usage, reduce their carbon footprint, reduce their energy expenditure and improve the school teaching environment.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Sustainability Panel notes the report and:

- i) Approves progression of the schools RE:FIT programme proposal in principal (subject to school interest and further internal approvals) and the working up of a full delivery model in partnership with Slough Borough Council and Local Partnerships.
- ii) Approves the writing up of an information document for schools regarding the scheme. The document, once agreed, will be sent out to schools to gauge initial interest.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Offering a RE:FIT programme to schools will aid the delivery of large energy and carbon savings in the school estate as the programme eliminates the usual barriers to implementation. The programme would be cost neutral to all schools (maintained, academy or free) and the Council would gain an income through its delivery. External funding would be sought and so no Council funding is required. Further to the energy savings the programme may have the additional benefits of creating a better working teaching environment for staff and pupils and the programme could be used educationally as an awareness raising exercise or directly as part of the school curriculum. Initially the Council will need to engage schools to determine the levels of interest before proceeding any further.
- 2.2 There are two ways that the RE:FIT programme contracts can be procured. Either the Council runs a mini competition on the RE:FIT framework directly or the Council partners with another authority. By partnering the cost to procure is significantly reduced. Furthermore partnering with an authority with a large portfolio may provide economies of scale that the Council couldn't achieve on its own.

2.3 Table 1: Options for the delivery of the schools RE:FIT programme

Option	Comments
Schools continue consuming energy as they currently are and do not use the RE:FIT programme. Not Recommended	Schools will not reduce their energy and carbon emissions. They will not improve their school working environment.
The schools RE:FIT programme is tendered directly by RBWM officers to offer schools a tailored energy saving programme. Not Recommended	Whilst this approach is possible and would provide large energy savings in the school estate there will be a higher cost to procure the contract than in a partnership approach.
The schools RE:FIT programme is run in partnership with Slough Borough Council. This is the recommended option	This approach reduces costs and time for the Council and still provides the same large savings to schools as the directly tendered route.

3. KEY IMPLICATIONS

3.1 Table 2: Target for the Schools RE:FIT programme

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
The number of schools using the RE:FIT contract to reduce their energy consumption by 15% or	<5 schools	5-10 schools	10 -15 schools	15+ schools	31/03/2019

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
greater.					

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 No new funds are being sought. External funding from Salix Finance will be used to deliver this project. The 0% government loans would be held directly by the schools.
- 4.2 Initial estimations show that the investment would be in the region of £2m if all the schools took part in the scheme. This figure does depend greatly on the type of measures that the schools implement though. This will not be known until the schools are surveyed.

5. LEGAL IMPLICATIONS

- 5.1 The Council would need to contract with the schools taking part and with the supplier in order to carry out the contract's project management.
- 5.2 The Council would need to enter some form of partnership agreement with Slough Borough Council for the duration of the RE:FIT framework. This would be to ensure that the working parameters of the partnership are set from the outset.

6. RISK MANAGEMENT

6.1 **Table 4: Risks of schools not implementing the schools RE:FIT**

Risks	Uncontrolled Risk	Controls	Controlled Risk
Schools do nothing to reduce their energy consumption and simply pay the going rate for energy. Energy prices will go up over the next few years and school income is reducing so this poses a risk to the school's ongoing finances.	HIGH	Schools both practice energy awareness such as the schools energy saving competition and by taking action to reduce energy consumption by installing energy conservation measures.	Low
Reactive repairs and maintenance is costly and will impact on the school's operations.	Medium	By replacing old equipment for new the reactive maintenance costs with reduce significantly and	Low

Risks	Uncontrolled Risk	Controls	Controlled Risk
		there shouldn't be any ongoing impact on the schools operations.	
Schools could implement projects to save energy as and when they find funding but the risk is that they never find the funding and that they only do one energy saving measure at a time which takes a long time to make the savings they need.	Medium	Adopt an approach like RE:FIT which is a whole building approach to energy efficiency with a finance route connected to it.	Low
Schools agree energy efficiency works with a previously unknown contractor without properly procuring the contractor and without the proper contractual controls.	High	An approach like RE:FIT means that pre-approved contractors are properly procured using contracts that protect the school.	Low
That energy conservation measures are not installed which could both improve the teaching environment and reduce ongoing maintenance costs.	Medium	Install energy conservation measures through the RE:FIT programme to improve the school environment and to upgrade old energy consuming equipment/ plant that requires a lot of maintenance.	Low

7. POTENTIAL IMPACTS

- 7.1 The RE:FIT programme will mean that energy conservation measures are installed in the borough's school estate. Disruption will be kept to a minimum through working patterns outside of school hours and in the holidays.
- 7.2 No Equality Impact Assessment (EQIA) carried out.

8. CONSULTATION

- 8.1 No consultation at this stage further than procurement and residential services. Schools to be consulted with a proposal document as per below timetable.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Table 5: Initial Timetable for Schools RE:FIT

Date	Details
31/05/2017	Email RE:FIT proposal document to schools
30/06/2017	Collate school responses and determine way forward

- 9.2 Implementation date if not called in: Immediately

10. APPENDICES

- 10.1 Appendix 1 – Schools RE:FIT Programme costs by school
Appendix 2 – Display Energy certificate breakdown by school

11. BACKGROUND DOCUMENTS

RE:FIT framework background

- 11.1 The RE:FIT framework allows public sector bodies to enter into an energy performance contract with pre-verified contractors. The contract works on an invest to save basis through energy efficiency and renewable technology improvements using a whole building approach. Most importantly the savings made by the upgrades are guaranteed by the installing contractor. The savings are verified using an energy performance monitoring system called the International Performance Measurement and Verification Protocol (IPMVP).
- 11.2 RE:FIT started out as an energy performance contract framework in London. This framework has since been expanded nationally and the third version of the framework contract is now in use. The current framework is running until 2020 and includes 16 trusted energy service companies. These framework suppliers can be accessed through further competition on the framework.
- 11.3 The public sector framework also ensures that the procurement is OJEU compliant by tendering the framework according to European procurement

legislation. This reduces the time and costs involved with procurement by the public body accessing the contracts. A mini competition of the framework suppliers is required in order to contract a supplier.

- 11.4 Local partnerships is a joint owned partnership between HM Treasury and the Local Government Association (LGA). They are responsible for the delivery of RE:FIT outside of London.

Schools RE:FIT programme

- 11.5 Schools have a number of barriers to implementing energy efficiency measures. Some of the common barriers are lack of capital funding, lack of technology knowledge, lack of approved supplier contacts and also lack of security over whether efficiency measures are going to provide the anticipated savings.
- 11.6 These barriers to school energy efficiency investment are eliminated by the RE:FIT framework. Funding can be arranged through various methods and specialist pre-vetted energy service companies will provide all the required expertise. The energy saving guarantee ensures the savings are made by the school. This means the required savings set out in the school's funding agreement are met ensuring the school is never out of pocket.
- 11.7 RE:FIT, which was initially focused around key corporate buildings, has now been implemented in many schools. The experience gained since 2008 when RE:FIT was first piloted has meant that many lessons have been learnt. This means that the frameworks have been improved to better meet the needs of the users and the contractors have more experience working on energy performance contracts in the public sector.
- 11.8 All schools including maintained, academies and free schools could potentially take part in the RE:FIT school programme. The programme can be set up so that the school contracts with the supplier, the finance provider and the Council. This allows flexibility over which schools take part and means that the Council doesn't have any contractual commitments with the finance provider.

Schools RE:FIT contracting options and process

- 11.9 The schools RE:FIT programme supplier can be contracted in two different ways. One way is to partner with another authority and the other way is to procure the contract directly. The obvious advantages of partnering are that the cost of procurement is significantly reduced and it would save a large amount of time. It would also have the benefit of increasing the size of the portfolio on offer to the supplier and hence better economies of scale should be achieved. Procuring the contract directly would mean that the Council would have more control over who the contracted supplier is. Since resources for the procurement exercise are limited it is proposed that a partnership approach is adopted. Slough Borough Council are in the process of a large RE:FIT tendering process and have offered a partnership with the Royal Borough. If we wish we can add our schools into a portfolio of buildings listed as potential second phase sites in the Slough BC tender documentation. This would not commit any particular site but it would allow the Council to contract using the Slough Borough Council's contracted supplier.

11.10 The broad process for a schools RE:FIT programme using a partnership approach is multistep. The key steps are:

- Initial school engagement and sign up to the scheme
- Survey of school sites by contracted RE:FIT supplier
- If the school is happy with the information provided after the survey they will then need to make a decision whether to progress the project to an investment grade proposal (IGP). The investment grade proposal (IGP) documents set out the savings and measures to be installed under the contract. At this point the school would need to contract the supplier for the IGP. The school can decide to not progress to the installation stage if they are not happy after the IGP has been drawn up but they would be liable for the cost of the IGP.
- Assuming the sites don't want to drop out from the process the programme would progress to the installation phase.
- Following the installation the contact would enter into the monitoring and verification phase using the International Performance Measurement and Verification Protocol (IPMVP) until the investment has been paid off.

11.11 The funding for the schools could be sought from Salix Finance. In England Salix is funded by the Department for Business, Energy and Industrial Strategy. The Salix loan fund can offer schools 0% finance for projects with a combined payback of up to 8 years. There are funding options for both maintained and academy schools and can be offered as a direct loan to the school. The loan would be repaid by the school using the savings made by the installed measures. It would be set so that whatever the payback period for the installed measures is this would also be the length of time the loan is paid back over. This means that the project would be cost neutral for the school. Funding would be applied for during the IGP delivery phase of the project and contracts would be signed before the works commence. It should be noted that if a school converts to Academy any Salix loan taken out by a maintained school would be novated over to the new Academy school.

11.12 Further funding solutions may also need to be investigated to help provide some flexibility on the measures that can be installed. The 8 year payback limit offered by the standard Salix loans will not be long enough for certain measures and so this may need to be topped up. There are a couple of funding schemes potentially available such as the European Structural Investment Funding and Heathrow Community Fund which could potentially be accessed. These funding schemes will need to be investigated further to determine their suitability for a RE:FIT project.

11.13 Private finance from the service provider is another way schools could get funding for longer payback measures. This would likely be in the form of an operating lease. Otherwise potentially the Council could provide a loan for a small fee if the capital funding can be found. It is not anticipated that these funding routes would be the preferred options for finance but perhaps they should be considered as part of the funding options.

11.14 The Council would facilitate the process highlighted in 11.10, provide project management services and organise funding arrangements as part of the contract.

What the project might look like

11.15 It is envisioned that the project would be multi-phased joining schools together in manageable groups. Under the partnership approach the size of the group is less relevant because the scale has already been achieved during the tender process. This allows for more flexibility which would not be available in a direct tender by the Council. Ideally there would be 5-10 schools in a phase. All types of school could be considered for the project.

11.16 Typical energy conservation measures that might be delivered under the RE:FIT programme are:

- Lighting and their controls
- Heat recovery
- Variable speed drives on pumps and fans
- Solar panels/ thermal
- Upgrading to energy efficient boilers where relevant (probably gas where available, but potentially biomass or CHP for 'off grid' schools, and district heating)
- Radiator reflective panels
- Improving hot water controls and reduction of hot water wastage
- Improving insulation (notably external insulation) and draft proofing of doors and windows. Insulation of pipework. Roof insulation and cavity wall insulation.
- Fabric improvements –windows, doors
- Building Energy Management Systems and their optimisation,
- PC/ printer management programmes
- Improvements involving wet areas like swimming pools
- Battery storage.

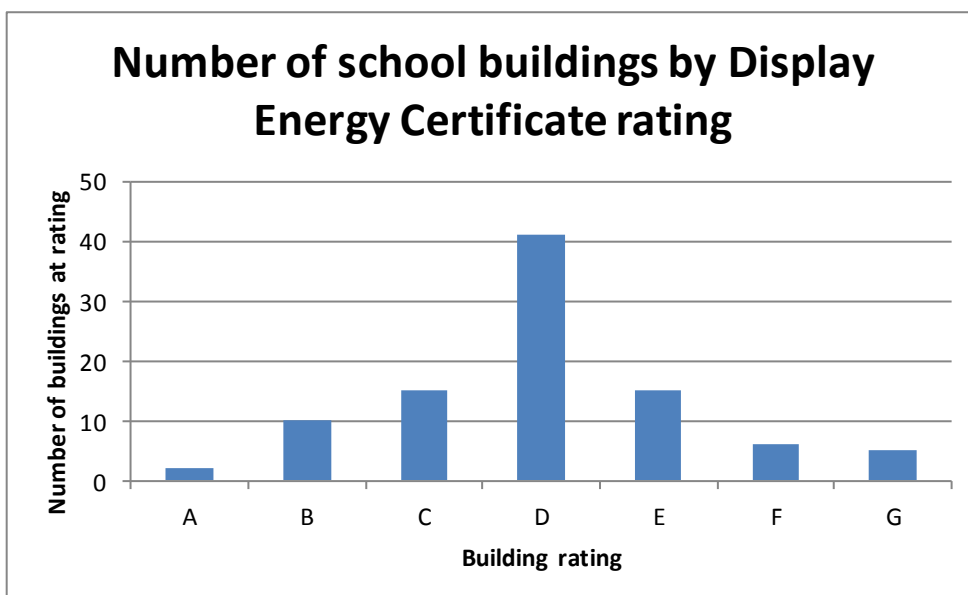
11.17 In terms of costs, a primary school would on average need an investment of £20,000 - £50,000. Secondary and special schools can require an investment of £250,000 - £500,000. These example costs are figures provided by Local Partnerships based on their past experience. Of course there are many factors in play which determine the level of investment such as what opportunities are available, how efficient the school is and the size of the school.

11.18 Based on some initial calculations of the Council's schools estate it is currently looking like there are works available in the region of £2m. Looking at a group of five of the smallest primary schools as a phase this could total in the region of £30,000. On the other end of the scale if there were nine large primary's and one large secondary involved in a phase then the investment level would be more in the region of £450,000. These are two extremes and in reality it is likely the overall cost of a phase would be around £200,000. As previously stated is not anticipated that this investment would come from the Council.

- 11.19 The above figures are based around a 20% saving being made at each school and based on 2016/17 energy prices. Local Partnerships have seen schools generally save anything from 15-35% and even greater in some cases. Energy prices are currently low and over the next few years there will be some large increases, indeed in 2017/8 we are expecting increases of around 22% compared to 2016/17.
- 11.20 The intention would be to have a rolling programme of phases. Schools would need to be engaged to join the scheme and this may take varying amounts of time. Some keen schools such as the set of schools that signed up to the energy saving competition may take the lead. Once their energy saving measures have been successfully installed other schools may then take interest. The number of schools in a phase will always need to be manageable both from the Council's perspective and the supplier's perspective.
- 11.21 As the scheme facilitator and project manager the Council can take a payment for the project management of the scheme. This amount can be top sliced from the Salix Finance as an allowable expense. Overall this could equate to an income across the estate of roughly £180,000.

Current school performance – Display Energy Certificates

- 11.22 Display Energy Certificates are one way that we can look at how our schools are performing. A display energy certificate ranks the school building against typically performing school buildings of a similar size. There is a grading scale from A to G, A being the most efficient and G being the worst performing. The ranking system uses a numerical system to calculate the grade- 100 being typically performing, 200 being very badly performing and 0 being no energy consumed at all. The 100 point lies between D and E grades. This means D graded buildings are performing slightly better than typical and E perform slightly worse. Each grade away from the typical performing point means the school is performing 25% better or worse than the previous grade. Schools with an F grade will be using 25-50% more energy than would be typical and schools with a G grade will be using more than 50% energy than a typical school. A chart of the Council's school buildings is shown below showing the range of grades. There are 26 buildings performing worse than would be typical across 19 schools. Ideally these schools would be targeted first over 2-3 phases, in reality the first phase may contain a number of environmentally keen schools.



Maintenance requirements/ Oil boilers

11.23 Schools have an ongoing need to upgrade ageing equipment to not only improve the running efficiency of the item but also to reduce its associated maintenance costs. One such item is the school boilers.

11.24 A look through the list of schools has indicated that 23 schools are using old oil boilers as their main source of heating for the school. Maintenance costs will be high for these boilers due to their age (around 20 years old) and there will be more breakdowns than with a modern boiler system. Furthermore the cost of oil has been increasing and there are cheaper and cleaner ways for the school to be heating itself. This is potentially something that can be looked at under the RE:FIT contract but it is likely that it would require additional investment to the Salix funding.

Next steps

11.25 The next steps should the Panel agree to progressing the proposal are:

- Gaining internal approvals
- Investigating funding options further
- Agreeing the way forward from a procurement and legal perspective
- Determining the terms of the partnership with Slough Borough Council
- Writing up a proposal for schools and gathering feedback.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr Coppinger	Lead Member for Sustainability	06/03/17	
Cllr Mills	Chair of the Sustainability Panel	06/03/17	08/03/17
Lisa Pigeon	Environmental Health lead	22/02/17	04/03/17

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No
Report Author: Michael Potter, Energy Reduction Manager, 01628 682949	