


## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet, 12 January 2023</b>	
Report Title	<b>Energy Efficiency Loan Scheme for Maintained Schools</b>	
Cabinet Portfolio	Councillor Alistair Strathern Portfolio Lead Member for Children and Young People	
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Wards affected	All	
Public Access	Open	
Appendices	Appendix 1 – Equalities Screening tool Appendix 2 – Climate Change Matrix Appendix 3 - Energy Projects Delivery – Resource Matrix Appendix 4 – Example of savings and repayments	

### 1. SUMMARY

- 1.1 This report recommends that Waltham Forest sets up an energy efficiency loan scheme for maintained schools, whereby schools would be able to receive a loan from Council Capital Reserves to invest in energy efficiency works and repay the loan over a specified number of years from the savings made.

### 2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to agree to allocate £500,000 from Council Capital resources to support a pilot of an energy efficiency loan scheme for maintained schools.
- 2.2 Cabinet is recommended to delegate to the Strategic Director of Finance and Governance in consultation with the Director of Governance and Law to devise a documented scheme that details the

conditions attaching to any payments made under such a scheme and the decision-making process under such a scheme.

### **3. BACKGROUND**

- 3.1 The proposed School Energy Efficiency Loan scheme would be part of the Education Climate Change Response Implementation Plan which is reported to the Strategic Education and Asset Management Board (SEAM) chaired by the Portfolio Lead Member for Children & Young People.
- 3.2 The purpose of the loan is to aid Waltham Forest's maintained schools to install energy efficiency measures and renewable technologies to help reduce school energy consumption and meet the Zero-Carbon target by 2030.
- 3.3 There are concerns regarding the affordability for schools of implementing energy efficiency measures at a time when the Salix Loan schemes, which had supported schools to install LED lighting and other technologies, have ended.
- 3.4 The proposed loan scheme would be delivered based on a recycling fund model, where the loan is repaid using the predicted energy cost savings from new technology. As the fund is replenished by repayments, further loans can be agreed. This balances the affordability for schools while ensuring all costs to LBWF are covered.
- 3.5 Maintained schools will be able to use the loan to invest in technology that demonstrably can reduce energy and associated carbon in schools such as insulation, lighting, heating and solar PV and that can be assessed as producing savings to allow for a suitable payback period.
- 3.6 Costs will vary between projects depending on technologies and measures under consideration and will be tailored for each school to achieve effective reductions in carbon and consumption, within the scope of practical repayments.
- 3.7 The pilot of the Energy Efficiency Loan Scheme is planned to launch in the Spring Term 2023. It is expected that approximately 2-3 schools will be able to be provided with a loan in the first round.
- 3.8 The loan scheme will be managed by the Council's Energy and Utilities team in partnership with the Schools Capital Delivery Team. The Energy Team will deliver on coordinating the individual projects as they come onboard and monitoring the energy reductions post project, while the outreach to Schools in accessing the loan scheme will be located with the Schools Capital Delivery team. An Energy Projects Delivery – Resource Matrix is attached as Appendix 3 to this report. The progress of the pilot will be reported to SEAM.

- 3.9 The interest rate will need to match to the current Public Works Loan Board (PWLB) which is around 5.3% currently but will be set at the point of the loan agreement.
- 3.10 The loan agreements with schools will include a payment schedule based upon the estimated forecast savings at the start of the project. This schedule will be subject to reconciliation at the end of an agreed payment period (i.e. annually) and the remaining payments adjusted accordingly. Payback might be extended based upon the adjustments required to ensure the financial resilience of schools.
- 3.11 Appendix 4 shows an example of the life of a loan, the expected savings and the payments a school would make.
- 3.12 Subject to the pilot being successful, consideration might be given to a wider rollout contingent on the availability of identifying further funding.

#### **4. OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 The Council could decide not to implement an energy loan scheme. This would mean that we would not be able to implement energy efficiency measures in some of our schools and will therefore take longer for schools to reduce energy use and become more financially sustainable.
- 4.2 The Council could decide to use the schools' capital programme funding however the funding for the programme typically comes with specific grant conditions and the programme has been agreed by Cabinet in December 2022. The loan scheme is intended to allow schools access to the Council's ability to borrow at PWLB rates rather than to ring-fence elements of grant funding.

#### **5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 Investment will play a key part in delivering the Council's priorities. The Energy Loan will contribute to connecting people with jobs, safe and healthy lives and to provide confidence in our future. Providing better facilities will contribute to local neighbourhoods.
- 5.2 Our work supports schools and the borough to provide a good education for every child; to support young people to be resilient, confident, and healthy, and to give them opportunities to flourish through both active climate change action and by supporting schools, in the light of current escalating utility prices, to embed financially resilience.

#### **6. CONSULTATION**

- 6.1 In determining the initial pilots, consideration will be given to existing condition survey data to ascertain schools which may benefit from

technologies that would align with paying back in a suitable amount of time.

- 6.2 Schools will be expected to demonstrate their ability to pay back the savings made to ensure there is continued recycling of the funding allocation.

## **7. IMPLICATIONS**

### **7.1 Finance, Value for Money and Risk**

- 7.1.1 There are some financial risks to the Council regarding possible non-repayment of loans from maintained schools, including schools' financial ability to repay loans; and the possible academisation of schools during the repayment period. The risk from academisation only occurs where a school is forced to academise due to a poor Ofsted inspection, whereby deficits are left with the Council, or where a school chooses to academise, but their financial reserves are not able to cover their financial commitments.

- 7.1.2 These risks can be mitigated by implementing a suitable application and selection criteria, including: condition survey; and an assessment of a school's ability to repay

### **7.2 Legal**

- 7.2.1 The Council has the power to invest (including the grant of loans) under section 12 of the Local Government Act 2003 for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs.

- 7.2.2 Any loan given to a school should be capable of being transferred to an academy trust on conversion and can be covered in the Commercial Transfer Agreement at the time of conversion. A clause will be included in the loan agreement stating that the loan becomes repayable on conversion.

- 7.2.3 There is a risk that this clause would still not protect the Council if the conversion was directed (forced). In the case of a directed conversion if the school had a deficit or the repayment exceeded the school's balances (i.e., caused a deficit) then the deficit / unpaid loan would remain with the Council.

- 7.2.4 This risk can be mitigated by granting loans only to those schools that have been assessed as sufficiently financially resilient to honour the agreed repayments.

### **7.3 Equalities and Diversity**

- 7.3.1 An Equalities Analysis screening template has been completed and there are no negative or adverse impact identified (see Appendix 1). The rationale for investment has been based on ensuring schools are financially sustainable and are reducing energy use and carbon generation.

7.3.2 The following measures will be introduced to maximise the positive equalities impacts and to minimise any potential negative impacts:

- Access to school sites during construction work could be impaired. To mitigate against this, contractors will ensure that sites remain accessible and utilise methods of construction that minimise disruption.

7.4 **Sustainability (including climate change, health, crime and disorder)**

7.4.1 The Fund will support energy and carbon reduction measures to be installed in schools. This would improve the carbon and energy performance of the schools and help lower bills and help to achieve some of the positive impacts outlined in the sustainability Matrix prepared for the schools capital programme cabinet report (December 2022).

7.4.2 The Fund can only support projects which are able to repay the loan during a set time period meaning that some harder to implement measures may not be supported. However, the project will still result in reduced carbon emissions and help facilitate a faster uptake of these energy efficiency measures that what would have been possible without. The embodied carbon of materials will be a consideration of any interventions.

7.4.3 A Climate Change Matrix has been completed (see Appendix 2) and this sets out sustainability issues to be addressed.

7.5 **Council Infrastructure (e.g. Human Resources, Accommodation or IT issues)**

7.5.1 The Council has identified a priority to invest in the Council's infrastructure to facilitate improved utilisation of sites and buildings. The Energy Efficiency Loan Scheme fulfils this objective both in terms of financial sustainability and the emerging Climate Action Plan.

7.5.2 The resources required within the Place and People Directorates has been identified as part of the annual resource plan and will be resourced from available funding within this programme, attributed to approved schemes.

**BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**