



Reading
Borough Council
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DECISION BOOK

Issue: 595 Date: 21 MAY 2020

Decisions set out in the book have been made under delegated powers by the Chief Executive, Executive Directors or the Chief Finance Officer and Monitoring Officer, in consultation either with the relevant committee or Lead Councillor.

The Decision Book process has been altered to suspend the current Councillors' call-in arrangements within the 10-day period after its publication and replace it with the ability during that period for three Councillors to request a retrospective review of the decision in writing to the Head of Legal and Democratic Services.

The decision book can be accessed on the Council's website - www.reading.gov.uk/decisionbooks.

The officer reports accompanying the decisions are attached..

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DECISION BOOK - ISSUE 595 - 21 MAY 2020

1. SHARE PURCHASE READING COMMUNITY ENERGY SOCIETY

<u>DECISION</u>	<u>LEAD COUNCILLOR(S)</u>	<u>WARDS AFFECTED</u>	<u>PAGE NO.</u>
1. SHARE PURCHASE READING COMMUNITY ENERGY SOCIETY	COUNCILLOR PAGE	BOROUGHWIDE	1

This report sets out the decision to purchase shares in a second share offer issued by Reading Community Energy Society (RCES).

Further to the delegation detailed in paragraph 1.3 above it is the decision of the Executive Director for Economic Growth and Neighbourhood Services in consultation with the Lead Councillor for Strategic Environment, Planning and Transport that the Council purchase 50,000 shares in the second share release of Reading Community Energy Society at a cost of £1 per share taking the total number of shares (inclusive of the previous 10,000 purchased in 2016) to 60,000.

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR FOR ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

LEAD COUNCILLOR:	COUNCILLOR TONY PAGE		
DATE:	21 MAY 2020		
TITLE:	SHARE PURCHASE READING COMMUNITY ENERGY SOCIETY		
SERVICE:	SUSTAINABILITY TEAM	WARDS:	BOROUGHWIDE
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1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the decision to purchase shares in a second share offer issued by Reading Community Energy Society (RCES).
- 1.2 RCES was formed to install solar panels on to a number of community buildings in Reading. It has successfully delivered its first project and is now issuing its second shareholding opportunity to local investors. The Council currently has two seats on the board of directors of RCES.
- 1.3 In 2016 the Strategic Environment Planning and Transport Committee delegated to officers the decision to make an investment of between £10,000 and £100,000 in shares under the first RCES share release. £10,000 of shares were purchased.
- 1.4 RCES are seeking to raise £363,000 through the sale of £363,000 of shares to cover the costs of installation of the solar panel systems in the second project. This amount could increase or reduce depending on the number of systems that are able to progress.
- 1.5 It is proposed that the Council uses its capital energy efficiency budget in order to invest £50,000.
- 1.6 The Council would benefit from returns on the investment of >4.5% plus a return on capital funding through the life of the scheme. The Council would also increase its renewable energy generation against its Carbon Plan target and reduce its emissions of Green House Gases (carbon emissions) correspondingly.
- 1.7 The Council are hosting one of the solar panel arrays on Thamesbridge House. Reading Transport are also hosting a system under the scheme at Reading bus depot. Energy generated by the solar panels installed will be sold to the site users and therefore the Council and Reading Transport would be supplied by renewably generated electricity.

2.0 DECISION

2.1 Further to the delegation detailed in paragraph 1.3 above it is the decision of the Executive Director for Economic Growth and Neighbourhood Services in consultation with the Lead Councillor for Strategic Environment, Planning and Transport that the Council purchase 50,000 shares in the second share release of Reading Community Energy Society at a cost of £1 per share taking the total number of shares (inclusive of the previous 10,000 purchased in 2016) to 60,000.

3.0 POLICY CONTEXT

3.1 In 2016, Reading Community Energy Society was formed. It is a community benefit society established for the purposes of installing solar panels on community buildings in Reading. The board consists of two board members from the Council as well as one from Energy4All who administer RCES and three further board members.

3.2 The government has now ended the subsidies available for photovoltaic solar panels called Feed-in-Tariff (FiT) for new registrations after April 2019. However, an extension of one year for community schemes that are pre-registered before this date has been made and installations must therefore be made before 27th March 2020 to secure the subsidy. Some installations are being planned which do not require a subsidy.

3.3 The first share scheme raised £222,000 in share capital and included solar arrays on 12 buildings in Reading, with a total installed capacity of 186kWp (approximately 540 panels). The shares sold out in 10 days and the Council purchased its proposed minimum shares of £10,000. The scheme has provided a return to investors of 4% and 5% respectively for years 1 and 2 of the scheme.

3.4 Energy4All provide strategic and administrative support to the board. They also manage the project and administer the share offer and install the solar panels via a contracting company. Their involvement will continue whilst the FiT payment is in place and for the duration of the leases (20 years). Their services are charged in line with the service agreement between RCES and Energy4All.

3.5 The profits of the organisation will be used to fund local charitable activities. The Society rules state that the objectives of the organisation are to carry out:

- The conservation of energy through advice on energy efficiency including energy efficient products and the supply of energy efficient products;
- The generation of income to provide grants to community organisations in the locality of any energy project supported by the Society;
- The promotion of awareness of environmental and related Issues and support for educational initiatives related to renewable energy; and

- Enabling the local and wider community to share in the ownership of, and reinvest in, renewable and low carbon energy generation and energy efficiency initiatives.

3.8 RBC has supported RCES through taking co-opted board membership, providing buildings for installs, buying shares in the initial scheme, directing grant funding via the local strategic Partnership and through officers supporting the development, publicity and communication.

4.0 PROPOSAL

4.0 It is proposed that funds are made available to RCES to support them in development of the current community solar programme and to generate a return on investment for the Council.

4.1 The proposal is that the Council buy the remaining share holdings at scheme closure, of £50,000 (50,000 shares).

4.2 RBC will use funds currently allocated for energy efficiency ‘invest to save’. Due to delays in other projects there is in-year capacity within this capital programme budget, which it is proposed would be utilised to invest in shares in renewable energy.

4.3 The investment will help the Council to meet its renewable energy targets whilst also returning a modest return on investment and making Green House Gas emission reductions (carbon dioxide equivalent). In addition RCES will use surplus profits to invest in local community schemes.

4.4 The wider share scheme will invest in solar panel arrays on 8 local buildings, achieving almost three times the capacity than were installed in the first RCES project. The solar P.V. panels will be installed on local community buildings, schools, businesses and Council buildings.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The investment in renewable energy aligns with the overall direction of the Council by meeting the following Corporate Plan priorities:

- Safeguarding and protecting those that are most vulnerable;
- Keeping the town clean, safe, green and active;
- Providing infrastructure to support the economy; and
- Remaining financially sustainable to deliver these service priorities.

5.2 The introduction of renewable energy in Reading will reduce the amount of local electricity and gas combustion, improving air quality and reducing the carbon footprint of the Council and wider borough, contributing to the following Council strategic aims:

- *To Develop Reading as a Green City with a sustainable environment and economy at the heart of the Thames Valley*

- *To promote equality, social inclusion and a safe and healthy environment for all*

5.3 Additionally the project will directly contribute to the following:

- Sustainability
- Health

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".

6.2 The Council has delivered a number of renewable energy and associated schemes in delivery of the Climate Change Strategy and its Carbon plan. A number of committee reports have been brought detailing decisions to install renewable energy including a report to authorise the Council's involvement in the launching of RCES and subsequent decision taken on 16th July 2016 to purchase between 10,000 and 100,000 shares.

7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

7.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). The declaration included reference to solar panels installations - 'putting solar arrays on most of the suitable roof space'. This investment directly supports the installation of this tried and tested renewable energy technology.

7.2 The installation of renewable energy systems through the projects supported by this investment are crucial to the delivery of the council's climate emergency response and the installation of solar panels are specifically referred to in the climate change strategy action plan which was published for consultation on 13th March 2020.

8. EQUALITY IMPACT ASSESSMENT

8.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 It is not considered that an Equality Impact Assessment (EIA) is relevant to the decision, as the decision will not have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief.

9.0 FINANCIAL IMPLICATIONS

- 9.1 The purchase of shares represents a financial investment. Members (shareholders) would be paid dividends annually as well as being repaid 1/20th of their share capital. Shares are expected to achieve a 4.5% return in years 1 to 3 and 5% from years 4 to 20. The previous shares investment has received a return of 4% in the first year, 5% in the second year and are expected to receive 5.35% in year 3.
- 9.2 Any proceeds received after returns to local shareholders, any debt finance repayment and the scheme administration costs have been taken out would go into the community fund. RCES are required to use this to support local activity as set out in the rules which could relate to objectives such as fuel poverty, renewable energy and climate change activity.
- 9.3 The Council capital programme is primarily funded through borrowing from the Public Works Loans Board. The borrowing costs are currently set at a lower rate than the model forecasts for shareholders. This means that the Council would make a small profit on its invested funds.
- 9.4 The £50,000 required to fund this scheme will come from an existing capital scheme budget, the Salix Re-Circulation Fund, which has provision within the budget for other non-salix projects.
- 9.5 The estimated financial benefits to the Council of the additional £50,000 share investment are illustrated in the table below:

Table 1 - Illustration of return on investment on £50,000

	Shares (£)	IRR	Cost of Borrowing*	Return	Net return
0	50000	0	1500	0	0
1	50000	0.045	1500	2250	750
2	50000	0.045	1500	2250	750
3	50000	0.045	1500	2250	750
4	42500	0.05	1200	2500	1300
5	40000	0.05	1125	2000	875
6	37500	0.05	1050	1875	825
7	35000	0.05	975	1750	775
8	32500	0.05	900	1625	725
9	30000	0.05	825	1500	675
10	27500	0.05	750	1375	625
11	25000	0.05	675	1250	575
12	22500	0.05	600	1125	525
13	20000	0.05	525	1000	475
14	17500	0.05	450	875	425

15	15000	0.05	375	750	375
16	12500	0.05	300	625	325
17	10000	0.05	225	500	275
18	7500	0.05	150	375	225
19	5000	0.05	75	250	175
20	2500	0.05	0	125	125
Total	0		16200	26250	11550

- 9.6 The projected returns generated from the subsidies are known as feed-in-tariffs, which are secured for 20 years and the energy is sold to host buildings. There is a risk that the latter could be reduced if buildings are closed etc for example as a circumstance of the current covid-19 pandemic. However, it is expected that this would have only a short term impact and that rates will bounce back once lockdown is lifted.

10.0 LEGAL IMPLICATIONS

- 10.1 Reading Campus Community Energy Society is already established and has been registered with Companies House and the Financial Conduct Authority (Registration Number 7156 registered on 03 July 2015). The Directors are currently, one from Energy4All, 2 RBC Councillors and four taken from the membership including the Chair-person. It is possible that new and/or additional directors will be appointed at the annual AGM.
- 10.2 Energy4All is registered as a private company, limited by guarantee. As such any profit is directed to the Company's objects. The Company's primary object is to "promote and support the development of and community ownership and/or community participation in renewable energy projects including wind farms".
- 10.3 Two Councillors hold Directorships. RCES would not be able to hold RBC responsible or accountable for any matters of liability or responsibility relating to their Directorship of RCES. A Director's primary responsibility is to the Company concerned and in the event of a conflict of interest arising between the interests of the RCES and the interests of RBC, the Directors' first duty would be to the objects and interests of RCES. RCES have Directors insurance in place to protect Directors against liabilities.
- 10.4 Each RCES Director will have one vote on the Board of Directors. The Board of Directors can put key proposals to the members of the company to be voted on at the AGM. Equally the company members have the power to call members meetings to discuss company business and decisions are by majority vote both at the Board of Directors meetings and at members meetings.
- 10.5 The Council is able to purchase shares in a company under section 1 'The General Power of Competence' set out in the Localism Act 2011, which enables it to do

anything that individuals may do. This can include the ownership of shares in a company and/or involvement in the establishment of such a company for the purposes of the provision of energy services, which are not statutory for Local Authorities.

10.6 Because of its size and turnover, RCES does not require to have an annual audit of accounts. However, RCES' accountants are Melville & Co., experienced chartered Accountants based in Cumbria with an office in Barrow-in-Furness. The accountants produce the annual Financial Statements. The Financial Statements for the Financial Year 2017/18 are presented in the share offer.

10.7 The project is an unregulated Share Offer, which means that Applicants will not have the protections of a regulated offer. Specific risks are identified on pages 8 to 9 of the share document (link in paragraph 11 below) which all applicants should take into account before applying, the general share risks are summarised below:

- share values fluctuate and the applicant may not get back the amount they invested.
- there is a higher degree of risk as RCES is a smaller, unquoted business.
- the shares are not tradable.
- shares may not be withdrawable at short notice or when the applicant wishes to do so. Withdrawal may be delayed or not possible if lack of sufficient funds at the time of request.
- shares are not regulated investments for the purposes of the Financial Services and Markets Act 2000.
- the share offer is not regulated by the Prospectus Regulations 2005 owing to a specific exemption for fundraising by a Community Benefit Society.
- the shares are not covered by the Financial Services Compensation Scheme.

11.0 Appendix 1 - BACKGROUND PAPERS

Share offer - <https://readingenergy.coop/share-offer-2019/>