

Executive Summary

7. This paper seeks to set out;
 - the context for Community Energy in Hampshire;
 - the policy framework for investment, along with the reporting and shareholder mechanisms;
 - the benefits of the recommended approach to meeting the County Council's climate change targets; and
 - the next steps required.

Contextual information

8. Energy is a new area of activity for the County Council, and an extremely complex and challenging one. It is becoming widely recognised that decarbonising national and local energy systems will be crucial to the successful achievement of climate change targets at both the national and local levels.
9. To meet national climate change targets, more renewable energy needs to be generated across the UK. Renewable energy generated within Hampshire is currently extremely low, at less than 3% of the county's needs. The opportunity to generate energy that is low carbon and local is significant, however the path to viable, funded schemes is complicated and not simple to navigate without extensive experience. Community energy can have a huge impact on the generation of renewable energy.
10. As previously stated, only 3% of Hampshire's energy needs is met by locally produced renewable energy. Local action is therefore essential, particularly where local socio-economic conditions require locally adapted policy and co-ordinated action to ensure local infrastructure resilience and social inclusivity. It is also clear that this would be best achieved through local open energy systems that enable all 'community' stakeholders to participate in a full range of trading opportunities.
11. Community energy is being recognised as one of the most important ways in which the UK will meet its carbon targets and indications are that the Department for Business, Energy & Industrial Strategy will be seeking to prioritise this over the coming years with further support and funding. To enable and support this the County Council launched a project with Community Energy South (CES) to develop a pathway to community energy in Hampshire.
12. Hampshire County Council has funded CES from the climate change budget to deliver the Community Energy Pathways programme since July 2020. In November 2021 the County Council was awarded £200,000 from the Community Renewal Fund, which will allow this Pathways work to continue in Hampshire up to June 2022.
13. The funding for developing a network of community energy groups is critical to ensuring that community energy schemes are actually implemented, which will contribute directly to Hampshire County Council's climate change targets.

14. Since 2012, over £155million has been raised by over 104,203 people in community shares across the UK, supporting over 450 co-operative and community businesses (including shops, pubs, renewable energy schemes, housing projects and community hubs). Community shares is a user-friendly name for withdrawable, non-transferable share capital: a form of equity uniquely available to co-operative and community benefit societies. They are a flexible and effective way to raise finance.
15. In 2021, Community Energy England carried out a survey with 220 community energy organisations within the UK. Community energy organisations have raised over £30 million in community shares. During the pandemic in 2020, 50 organisations immediately redirected a total of £200,000 to the local people and projects that needed it the most.
16. The Community Energy South project provides the essential starting point for a county-wide community energy network to grow and develop in a self-sustaining and viable way. This project reacts to local needs and interest in achieving net zero.
17. To engage with groups and individuals to establish the level of interest in community led energy projects and to find out what plans, ideas and skills were already in place Hampshire, the CES project started with a survey which was sent to approximately 350 groups across Hampshire. The survey results helped to identify five groups for 'first-steps' business development support and aided CES to develop training and guidance to support new groups and projects.
18. These groups were Energy Alton, Greener Brockenhurst, Hambledon Greening Campaign, Petersfield Climate Action Network and Sustainable Overton.
19. CES have since been working with the most developed group identified for 'first-steps' development, Sustainable Overton, to assist them to take their community projects to the next stages.
20. With the support from CES, Sustainable Overton successfully secured a Rural Community Energy Fund grant, identified suitable locations for 300kW+ of community owned solar, and have received tenders for the installations.
21. Test Source Community Energy (TSCE) limited, a new Community Benefit Society, has now been established by Sustainable Overton and a community share offer to finance the installations will soon be launched.
22. In January 2022, the County Council took a decision to invest £10,000 from the climate change budget and become a shareholder in this scheme once shares are launched.

Policy Framework for Revolving Community Energy Fund

23. The recommendation in this report is that Hampshire County Council sets up a £250,000 Revolving Community Energy Fund (RCEF) to support future community energy schemes that are developed through the CES programme with a maximum of £25,000 per investment.

24. A RCEF established by the County Council could mobilise significant community investment in renewables across Hampshire.
25. Investment in a share offer will enable a community energy society to become operational and earn income. Once a society is operational, it has the credibility for further share offers and/or borrowing against the assets of the society, facilitating the rapid scaling of community energy across Hampshire.
26. An RCEF of £250,000 that would invest in share offers could kickstart millions of pounds of investment in community energy in Hampshire.
27. The details of how the RCEF will be administered and the criteria for investment have been developed in consultation with CES, Legal and Financial Services.

Purpose of Investments

28. The primary objectives for the investments made through the RCEF will be:
 - helping to meet the County Council's climate change target for carbon neutrality by 2050, by supporting the generation of local renewable energy; and
 - enabling the County Council to provide leadership and support to communities across Hampshire to encourage them to get involved in community energy projects to help decarbonise and build local resilience.
29. Any commercial returns on these investments will be a secondary benefit and are not the primary purpose for investing. The investments are also not being made for treasury management purposes. These investments will therefore be classified as investments for service purposes.

Eligibility for Investment

30. The RCEF will, for the proposed three-year timeframe, only invest in community energy projects that have been developed through the CES pathways work.
31. There are a number of reasons why this is the most robust approach to begin with:
 - investment opportunities will have been through the CES pathways process and as such will be assured of the due diligence of experts within CES;
 - as the County Council is supporting CES, this process will maximise the impact and success of both schemes; and
 - it will reinforce the County Council's commitment to the generation of community energy.
32. This report seeks approval for delegated authority to be given to the Director of Economy, Transport and Environment to agree each investment decision in

consultation with the Executive Member for Climate Change and Sustainability the Climate Change Board.

Due Diligence

33. The criteria that will be used to assess investment opportunities brought forward through the CES programme are:
 - the share offer is externally assessed against Community Shares Standard Mark or equivalent quality standard;
 - where the share offer is not externally assessed, the purpose of the investment is clear, the business model is outlined, community engagement is evident, and the legal structure protects the community benefits from being privatised;
 - carbon savings expected are quantified, or other appropriate impact measures are evident;
 - financial projections show that the investment is profitable over a five-year or more horizon, and there are no negative cashflow and balance sheet issues;
 - the risk register and project timeline provide confidence that the project will be delivered; and
 - any state aid/de minimus issues will be assessed by CES.
34. All share offers will also be assessed by legal and financial services before any final approval for investment is made by the Director of Economy, Transport and Environment in consultation with the Executive Member for Climate Change and Sustainability and the Climate Change Board.
35. The County Council does not make direct investments in share offerings of small local entities for treasury management reasons due to the level of risk involved in these investments. However, the County Council understands and is willing to accept a greater degree of risk for investments made through the RCEF given the primary purpose of these investments is the climate change objectives being pursued.
36. The Prudential Code (2021) requires local authorities to ensure that plausible losses from investments for service purposes could be absorbed without unmanageable detriment to local services. The RCEF is a very small proportion of the County Council's overall budget and any investments that do not return the amount originally invested will not have a material impact on the County Council's financial sustainability.

Legal Considerations

37. Investment agreements will be based on the share offer documentation pre-vetted by CES. These will be reviewed by Hampshire County Council's legal services before investment decisions are taken.
38. The Director of Economy, Transport and Environment will represent Hampshire County Council as the shareholder for each investment.
39. The Director of Economy, Transport and Environment will undertake to consult with the Climate Change Board and legal and finance officers on any

matters relating to investment decisions as a shareholder outside of business as usual.

Financial Mechanisms

40. The total investments will not exceed the £250,000 allocated to the RCEF. If, during the course of the three years the total allocated investment budget needs to be reviewed, a further paper will be brought to the Executive Member for Climate Change and Sustainability.
41. All dividends received from the investments will be recycled back into the RCEF.
42. Investments made through the RCEF are likely to constitute capital expenditure and therefore when the investments are redeemed or otherwise exited the amounts returned will be classified as capital receipts.

Reporting

43. As shareholder reports are received these will be shared and reported to the Climate Change Board
44. These reports will also be shared with legal and finance officers as required.
45. All investments made from the RCEF will be reported on annually as part of the annual climate change reporting cycle to Cabinet. In addition, further reporting on the investments will be made as required in line with the Treasury Management Code (2021).
46. In 2025 a formal review of the RCEF will be undertaken and any recommendations for next steps will be brought to the Executive Member for Climate Change and Sustainability.

Other Considerations

47. To ensure that the support offered by CES is able to be accessed by a wide range of communities, and not just those of a certain demographic, CES will work alongside the Greening Campaign, a grass roots project also being supported by the County Council.
48. The Greening Campaign (GC) is being rolled out across Hampshire and is already engaging with some harder to reach communities. Through the GC, communities are encouraged to take action on climate change from household to community level. In this way, communities who may not be initially able to engage in developing community energy projects can be encouraged and supported through the GC and then passed on to CES.

Consultation and Equalities

49. To engage with groups and individuals to establish the level of interest in community led energy projects and to find out what plans, ideas and skills were already in place in Hampshire, the CES project started with a survey which was sent to approximately 350 groups across Hampshire. The survey results helped to identify five groups for 'first-steps' business development support and aided CES to develop training and guidance to provide support for new groups and projects.

50. The proposal would have a neutral impact on all the protected characteristic groups because the proposal is funding an RCEF from the climate change budget, which is not intended to impact services to residents.

Climate Change Impact Assessments

51. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation

52. The climate change adaptation decision tool was found to be not applicable because the proposal is to set up an RCEF. As the decisions in the report are financial a climate change assessment is not required. However, the proposal to invest in local energy schemes will help to tackle climate change as it will ensure that the communities can take greater action towards local energy generation which would increase future resilience.

Carbon Mitigation

53. The climate change mitigation decision tool was found not to be applicable because the decisions in the report are financial and therefore, do not contribute towards carbon emissions. Therefore, a climate change assessment was not needed. However, the proposal to establish a RCEF will help to reduce carbon emissions because it will allow communities to invest in renewable technology, reducing the carbon emissions that are produced.

Conclusions

54. In order to deliver on the County Council's commitments on climate change as set out in its Climate Change Strategy, significant progress on energy will be needed across a range of areas from energy generation, distribution and efficiency. Community energy is a key and significant element of this, delivering not only on the climate change targets but also providing wider benefits to the communities where these schemes are developed and delivered.
55. It is therefore critical that Hampshire County Council continues to lead, engage and support community energy in Hampshire in a range of ways.
56. This paper sets out recommendations that could have significant positive outcomes for community energy in Hampshire, whilst also creating an income stream to provide a sustainable longer-term mechanism for funding and supporting community energy projects.

57. If approved this initiative would clearly demonstrate Hampshire County Council's leadership on climate change to the residents of Hampshire.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Climate Emergency Motion Hampshire 2050 Commission of Inquiry Climate Change Strategy Climate Change Action Plan Climate Change Strategic Framework Climate Change Annual Report	<u>Date</u> June 2019 September 2019 July 2020 September 2020 February 2021 October 2021
Direct links to specific legislation or Government Directives	
<u>Title</u> Climate Change Act National Adaptation Programme	<u>Date</u> 2008 2018

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

- 2.1. The proposal is to invest in community energy projects being developed through the Community Energy South Pathways programme funded by Hampshire County Council. The investment will help support renewable energy generation at a local level. The proposal would have a neutral impact on all the protected characteristic groups because the proposal to set up a Revolving Community Energy Fund from the climate change budget which is not intended to impact services to residents.