

Report to: **Council**

Date: **19 December 2019**

Title: **Updated Commercial Investment Strategy,  
Investment Strategy and Capital Strategy**

Portfolio Area: **Strategic Assets – Cllr J Pearce**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: N/a

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**RECOMMENDATION:**

**That the Council approves the updated Commercial Investment Strategy in Appendix A, the updated Investment Strategy in Appendix B and the updated Capital Strategy in Appendix C.**

**1. Executive summary**

- 1.1. This report requests Members to approve the amendments to the Commercial Investment Strategy, the Investment Strategy and the Capital Strategy, in order to enable the Council to invest (and to borrow to invest) in renewable energy.
- 1.2. The Council is updating its Commercial Investment Strategy, Investment Strategy and Capital Strategy in accordance with the Statutory Guidance on Local Government Investments (3<sup>rd</sup> edition) as shown in the highlighted amendments in the Appendices.
- 1.3. Recently the Authority has prioritised tackling Climate Change by moving a motion to declare a Climate Change Emergency and targeting proactive measures to meet these challenges.

- 1.4. Opportunities exist for South Hams to invest, off market, in shovel ready renewable energy generation assets (large-scale solar) which will deliver multiple benefits of
  - attractive investor return
  - directly linked to tackling climate change targets and the authority's low carbon agenda
  - providing a "hedge" against forward energy price rises
  - the opportunity to generate enhanced financial returns in the future from "bolt on" energy storage
- 1.5. The pursuit of such opportunities will require the Authority to amend its Commercial Investment strategy, its Investment Strategy (a treasury management function) and its Capital Strategy to include the renewable energy sector.

## **2. Background**

- 2.1. In September 2018, South Hams District Council (the Council) adopted a commercial investment strategy. This strategy has four core aims:
  - 2.1.1. To support regeneration and the economic activity of the District;
  - 2.1.2. To enhance economic benefit & create business rates growth;
  - 2.1.3. To assist with the financial sustainability of the Council as an ancillary benefit; and
  - 2.1.4. To help the Council continue to deliver and/or improve frontline services in line with the Council's adopted strategy & objectives.
- 2.2. This strategy is devised and adopted specifically to promote Enterprise in the District, a core theme of the Council. Progress has been made delivering against this strategy and this report aims to keep the strategy as relevant and multi-objective as possible, to align it with the Council's Climate Change agenda.
- 2.3. In June 2019 UK Government implemented, by statutory instrument, an amendment to the Climate Change Act 2008 committing to net zero emissions by 2050. This legislative change will bring into effect comprehensive recommendations contained in a report published in May 2019 by the UK Committee on Climate Change, "Net Zero, the UK's Contribution to Stop Global Warming".

- 2.4. The IPCC and UK Committee on Climate Change reports are clear that the generation of renewable energy will need to play a significant part in reaching that target of net zero by 2050. "Net Zero The UK's Contribution to Stopping Climate Change" sets out that not only will the UK's electricity need to go from 50% low carbon sources, to 100%, but due to electrification in other sectors (such as cars), there will be a doubling in the overall electricity requirement.
- 2.5. In this context, that means the quadrupling of low carbon energy including (but not limited to) solar power, hydropower and windpower.
- 2.6. As an organisation we consume energy from the national grid, through a supplier the same way as anyone else. Our current approach to our electricity procurement does not give priority to low carbon sourced power ("Green Electricity"). Furthermore, for us as an organisation to have a meaningful impact on our Scope 2 emissions (indirect emissions from things we can directly control) we need to draw our electricity from entirely new low carbon sources (i.e. "additionality"), rather than simply sharing in existing low carbon energy generation currently available.
- 2.7. It is feasible for low carbon electricity to be generated outside of area, but be bought and consumed in area, to the direct benefit of our District such that the generation source (units of power generated) is tracked and linked to consumption. This can be done through a sleeving arrangement with an energy supplier who will track and report energy generation and consumption through the Renewable Energy Guarantees of Origin (REGO) scheme administered by Ofgem. Consequently, beyond a perception of local investment being a good thing, it makes no difference whether an investment in a renewable energy generation facility is within the District of South Hams or another part of the UK.
- 2.8. Beyond the Authority's electricity consumption, there would be an opportunity for us to supply "partner organisations" (such as our Leisure Centres) with green power through a White Label supply arrangement.
- 2.9. Aligning our commercial investment strategy with our Climate Change declaration would allow us to deliver both an attractive investment return as well as directly linking such an investment to delivering on climate change targets.
- 2.10. The proposed amendments to the Commercial Investment Strategy, the Investment Strategy (a treasury management function) and the Capital Strategy in Appendix A, Appendix B and Appendix C, provides for this. ***The Council has procured advice from its legal***

***advisers as part of the due diligence work for the investment in the renewable energy sector and as part of this work, these amendments to the strategies have been recommended.***

### **3. Proposed Way Forward**

- 3.1 That the Council approves the updated Commercial Investment Strategy set out in Appendix A, the updated Investment Strategy in Appendix B and the updated Capital Strategy in Appendix C.

### **4. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Council has obtained specialist external legal advice on the powers that the Council has in order to enable it to legally invest (and borrow to invest) in renewable energy. There are various powers available and the Council's legal advisors will ensure that appropriate powers are identified on a case by case basis.</p> <p>The Council is updating its Commercial Investment Strategy, the Investment Strategy and the Capital Strategy, in accordance with the Statutory Guidance on Local Government Investments (3<sup>rd</sup> edition) as shown in the highlighted amendments in the Appendices.</p>
Financial implications to include reference to value for money	Y	Borrowing decisions will be taken prudently in line with the Council's treasury management strategy and by officers within that function. The Council must confirm that the borrowing required is available and is proportional to the Council's financial situation.
Risk	Y	The risks associated with renewable energy investment are set out in the Risk register accompanying the business case.
Supporting Corporate Strategy		<p>Enterprise &amp; Environment</p> <p>Renewal energy investments provide a major contribution towards meeting South Hams's carbon reduction strategy.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A.
Safeguarding		N/A

Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		Positive alignment with meeting UK renewables targets and biodiversity associated with PV sites.

### **Supporting Information**

#### **Appendices:**

Appendix A – Updated Commercial Investment Strategy (Tracked Changes)

Appendix B – Updated Investment Strategy (Tracked Changes)

Appendix C – Updated Capital Strategy (Tracked Changes)

#### **Background Papers:**

Executive: 18 July 2019 – Commercial Investment Strategy

March 2019 – Council – Investment Strategy

March 2019 – Council – Capital Strategy