

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Climate Change and Sustainability
Date:	27 January 2022
Title:	Investment in Test Source Community Energy Scheme
Report From:	Director of Economy, Transport and Environment

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Purpose of this Report

- 1 The purpose of this report is to recommend that Hampshire County Council invests £10,000 from the climate change budget in Test Source Community Energy (TSCE), to operate a 330kWp Solar PV scheme at Southley Farm Overton. TSCE is a Community Benefit Society set up by Sustainable Overton to deliver a community energy scheme in Overton.

Recommendation

2. That the Executive Member for Climate Change and Sustainability gives authority to spend and approves an investment of £10,000 from the climate change budget in Test Source Community Energy, a 330kWp Solar PV scheme at Southley Farm Overton which has been developed by Sustainable Overton with support from Community Energy South and Hampshire County Council.

Executive Summary

3. This paper seeks to set out:
 - the context for Community Energy in Hampshire and the proposed investment in TSCE; and
 - the benefits of the recommended approach to meeting the County Council's climate change targets.

Contextual information

4. 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 total production. The opportunity to generate energy that is low carbon and local is significant, however the path to viable, funded schemes is complicated and not that simple to navigate without extensive experience. Community energy can have a huge impact on the generation of renewable energy. To enable and support this the County Council launched a project with Community Energy South to develop a pathway to community energy in Hampshire.

5. The Community Energy South (CES) 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 investment reacts to local needs and interest in achieving net zero.
6. 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.
7. These groups were Energy Alton, Greener Brockenhurst, Hambledon Greening Campaign, Petersfield Climate Action Network & Green Campaign and Sustainable Overton.
8. CES has since been working with the most developed group identified for 'first-steps' development, Sustainable Overton, to assist it to take its community projects to the next stages.
9. 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 has received tenders for the installations.
10. 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 be launched in early 2022.
11. The recommendation is for the County Council to invest £10,000 from the climate change budget and become a shareholder in this scheme.

Finance

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 implemented, which will contribute directly to Hampshire County Council's climate change targets for the County as a whole.
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, 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. Community share offers are not regulated by the FCA, so good practice is encouraged through the award of the Standard Mark. Investment is mostly motivated by the social return, but shareholders will normally receive interest/tax relief and their money back. Societies normally encourage involvement by

setting a low threshold for shareholding and secure most of their investment from individuals and organisations investing five figure sums. Publicising institutional investment can have a significant multiplier effect, as it provides credibility for a community energy group.

Investment in Test Source Community Energy

16. This paper recommends an investment of £10,000 in Test Source Community Energy (TSCE) limited, a new Community Benefit Society, which has been established by Sustainable Overton.
17. TSCE will be launching a community share offer to finance the installation of 300kWp of Solar PV at Southley Farm Overton in early 2022.
18. As a Community Benefit Society, TSCE's aims must be to benefit the wider community rather than its own members or shareholders. TSCE aims are to use energy projects to help create a resilient community by addressing energy related challenges. Its focus at present is in Overton and the surrounding areas.
19. The main features of investing in TSCE are:
 - membership of TSCE is based on shareholding which is open to anyone aged 16 or over who supports the society's aims;
 - members are paid interest on their shares. This is not a distribution of profits but is regarded by the Financial Conduct Authority (FCA), the registering body, as a cost on the business;
 - members are invited to participate in the running of the Society, for example by attending general meetings, or standing for election to the board, and to engage with the work of the organisation;
 - shares are valued at £1 each. The maximum shareholding is £25,000, per member; and
 - TSCE is run democratically. Members have one vote regardless of the number of shares they own. One Member = One Vote.
20. An investment in the share offer from Test Source Community Energy could be used to provide proof of concept and help inform the approach to supporting community energy schemes, given the recent increase in energy prices and currently low rate of renewable energy production in Hampshire.
21. The share offer will be £250,000, so an investment of up to £25,000 (10% of the total) would be allowable. Annual interest payable on investment would be in the region of 4%. The recommendation is that the County Council invests £10,000.
22. A draft copy of the terms of the investment are set out in Appendix 1 – Test Source Community Energy Share Offer for reference. An updated version of the Share Offer will be issued by Test Source Community Energy with a revised closing date when confirmed, but it has not yet been published at the time of writing.

Performance

23. 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 the County Council's targets at both the national and local levels.

24. As previously stated, only 3% of Hampshire's energy needs are 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.
25. 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. The County Council's work with Community Energy South will therefore be very advantageous going forward.

Consultation and Equalities

26. 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 approx. 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.
27. The proposal would have a neutral impact on all the protected characteristic groups because the proposal is investment in the Test Source Community Energy from the climate change budget, which is not intended to impact services to residents.

Climate Change Impact Assessments

28. 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

29. The climate change adaptation decision tool was found to be not applicable because the proposal is to provide funding for Test Source Community Energy. Therefore, the decisions in the report are financial so a climate change assessment is not required. However, the proposal to fund this project will help to tackle climate change as it will ensure that the community can take greater action towards energy retrofit, increasing future resilience.

Carbon Mitigation

30. 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 for investment will help to reduce carbon emissions because it will allow the community to invest in renewable technology, therefore reducing the carbon emissions that are produced.

Conclusions

31. In order to deliver on Hampshire County Council's commitments on climate change as set out in the 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.
32. It is therefore critical that Hampshire County Council continues to lead, engage and support community energy in Hampshire in a range of ways. Investing in this particular scheme will help support an early adopter, but more importantly help to inform the County Council's approach to how it can most effectively use its limited resources to support the wider sector.
33. This paper sets out a recommendation that could have significant positive outcomes for community energy in 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>	<u>Date</u>
Climate Emergency Motion	June 2019
Hampshire 2050 Commission of Inquiry	September 2019
Climate Change Strategy	July 2020
Climate Change Action Plan	September 2020
Climate Change Strategic Framework	February 2021
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Climate Change Act	2008
National Adaptation Programme	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:

The proposal would have a neutral impact on all the protected characteristic groups because the proposal is funding for the Test Source Community Energy scheme from the climate change budget which is not intended to impact services to residents.