

## Report to Cabinet 4 December 2013

### Update on the Sussex Energy Saving Partnership

Report of the Director of Community Services  
Report number:- DCS/024

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#### **1. Purpose**

- 1.1 On 28th November 2012 Cabinet agreed in principle that the Council should become an investor partner in the Sussex Energy Saving Partnership (SESP) a Sussex-wide partnership which has been established to deliver an energy saving programme, lead by West Sussex County Council (WSSCC), as well as signing a Memorandum of Understanding ("MoU") between the WSSCC and other Sussex Local Authorities. The first stage of this initiative, involving the procurement of a private sector delivery partner by WSSCC, has progressed more rapidly than originally expected. Carillion Energy Services have recently been appointed as the delivery partner.

This report considers the benefits and obligations for the Council and its residents from the opportunity to confirm its commitment to the SESP by signing up to a Members Agreement relating to a wholly owned public sector company limited by guarantee ("the Company") to be established for the purpose of delivering the energy saving programme. There will be no requirement for the Council to commit to any capital investment at this stage, as was envisaged in the 28<sup>th</sup> November 2012 Cabinet Report.

#### **2. Recommendations**

- 2.1 **That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.**
- 2.2 **Cabinet is recommended to:**
- i) Confirm that the Council becomes a Strategic Partner in the Sussex Energy Saving Partnership (SESP) by entering into the SESP Members Agreement relating to the Company.**
  - ii) Delegate authority to sign and negotiate the final terms of this Members Agreement to the Director of Community Services and the Head of Legal and Democratic Services in consultation with the Portfolio Holder for the Environment.**
  - iii) Nominate the Portfolio Holder for the Environment to act as the representative of the Council on the Company Members Board and delegate to him/her the appointment of a Council officer as a director of the Company.**

#### **3. Reasons for the Recommendations**

- 3.1 Since the previous report to Cabinet in November 2012 the following has been undertaken by the SESP partnership with input from CBC officers:

- An OJEU procurement exercise has been undertaken by WSCC, with input from CBC, and a Delivery Partner appointed on the 15 October 2013
- Finance arrangements have progressed with the Local Economic Partnership and WSCC will now provide the primary capital funding for the scheme.
- A Members Agreement has been drafted which supersedes the MoU
- Governance structures and the roles and responsibilities of the partnership members have been clarified

3.2 The Council has the opportunity to take a key leadership role in the development of the Partnership, whilst ensuring that its residents and small and medium-sized businesses benefit from the programme. The work of and commitment to the SESP has placed the Council in a stronger position to maximise its share of grant from the Department of Energy & Climate Change (DECC) and Energy Company Obligation (ECO) funding.

Becoming a Strategic Partner in the scheme will provide the following benefits:

- Enable an eco-refurbishment of up to 18,000 properties across West Sussex and up to 3,500 homes in Crawley over the initial term of the contract and kick-start the refurbishment of up to 250,000 homes across West Sussex over the next 25 years
- In doing so, to maximise the Council's take-up of the £1.3bn annual ECO subsidy from energy suppliers
- Create new opportunities for our youth, partnering with our education providers
- Actively address the reality of fuel poverty already affecting 4,000 households in Crawley, before it becomes a critical issue
- The option to reduce the cost of energy for the Council's corporate estate including, but not limited to, Neighbourhood Parades and The Hawth
- Take a significant step towards making Crawley carbon neutral by 2050
- Significant recognition for being a founding partner for a scheme that will extend across West Sussex and possibly beyond.
- Achieve all of the above on a revenue neutral basis

A number of 'go early' opportunities are already being explored with the delivery partner. Potential 'go early' projects being explored for Crawley include:

- a) An affordable warmth scheme covering grants for insulation, boilers etc. for vulnerable residents
- b) Solar PV on social housing with an offer to private residents to also participate
- c) Further ECO scheme's building on the existing work in Langley Green
- d) Energy retrofits of commercial building stock including neighbourhood parades and Council operational buildings

## 4. Background

4.1 The SESP brings together all 14 local authorities in West Sussex, Brighton & Hove and East Sussex to deliver a range of projects around energy efficiency and renewable energy generation aiming to benefit all our residents and businesses. The initial focus of SESP is to deliver a comprehensive energy efficiency upgrade through a local workforce to as many as 18,000 homes across the partnership area using a variety of funding streams, including but not limited to householder financing and ECO funding. With 686,000 homes in the programme area there is scope for delivery of large scale projects over 20-25 years. In the longer term SESP will consider other energy related projects such as community scale energy generation, district heating and bulk buying of energy for residents.

The Council, Brighton and Hove City Council and more recently East Sussex County Council as potential investors have been committing officer time to support the procurement phase lead by WSCC, not only bringing areas of specialist expertise to the procurement team but also ensuring that potential delivery partners take full account of the diverse communities across Sussex and develop solutions, designed to serve these.

Previously it was envisaged that a Memorandum of Understanding (MoU) would be signed by all of the councils involved. However, as the programme progressed it became clear the proposed MoU which primarily focused on funding arrangements was required as it was superseded by the Members Agreement for the Company.

The Procurement Team, which included specialist advice from Price Waterhouse Coopers, has given due consideration to the commercial aspects of the solutions and is committed to secure value for money for our residents. Carillion, as the appointed Delivery Partner, will be driven to demonstrate that it offers competitive prices to residents by the market and will be committing to working with the local authority partners to generate and grow local employment and skills as well as other benefits for residents, such as warmer homes, energy saving and improved health outcomes for residents.

## 5. Implications

### 5.1 Resources

Partnership Members commit to officer time and communications resources (e.g. space in communications to residents, referrals, sharing of data with strict data protection safeguards), appropriate use of its brand and to working with the Delivery Partner to engage with residents in the most effective way to deliver the benefits set out within the Members Agreement.

Partnership Members are also asked to consider as a first point of call the delivery of energy efficiency improvements to their own estate, however these might be funded, through the Delivery Partner as these measures would support local jobs and the momentum for community campaigns. This would also provide residents with tangible evidence of leadership from the local council and help to drive take up. The key resource implications are tabled below.

<b>Leadership and advocacy</b>	The promotional voice and action of key officers, councillors and community leaders of the Partnership Members to drive take up
<b>Partnership use of Brand</b>	Tailored, joint approach to marketing & campaign development to enhance awareness and take up particularly to those hardest to reach
<b>Securing &amp; use of other funds</b>	To create a steady flow of work outside consumer take up
<b>Pipeline development</b>	Considering the inclusion of public sector non-domestic buildings and social housing that is under the direct control of the SESP or an Strategic Partner, to provide work to engage local supply chain in parallel with consumer take up
<b>Engagement with local voluntary &amp; community sector</b>	To support engagement, employment and skills outcomes
<b>Mobilisation support</b>	To set up operations as quickly as possible

## 5.2 Financial Decisions

In the previous report to cabinet in November 2012 the Council committed to the SESP with the understanding that there was likely to be a upfront capital financing for the scheme from the Council. However, other funding options have now been identified, allaying the need for an immediate decision on financing. These include a bid to the Coast to Capital Local Enterprise Partnership for lower cost borrowing than the local authority partners could themselves achieve. This avoids the need for any initial decision for the Council to invest its own funding but increase the importance of confirming its role as a Strategic Partner. Capital investment remains an option at a later date should the Council choose but would be subject to a further Cabinet decision.

## 5.3 Risks

The primary risk is that residents do not take up energy efficiency measures. The planned mitigation for this risk has been the design of an energy saving programme that takes a whole house and quality assured approach, endorsed by the Council's trusted brand. Upfront community engagement has also proven successful in attaining very good levels of sign up in the Langley Green ECO pilot and provides a blueprint for future retrofit projects.

The contract under which the Delivery Partner has been appointed by WSCC puts the risk of warranties and related liabilities on the Delivery Partner. There may be a risk of bad publicity by association if a retrofit measures does not perform in a specific property, but the Delivery Partner will be incentivised through the contract and through its own desire to manage its strong brand reputation for quality to rectify any errors quickly.

## 5.4 Governance Arrangements

WSCC, acting as lead authority for the SESP, has proposed that the Company established for the purpose of receiving, distributing and managing finance invested by local authorities or otherwise received for the purpose of funding energy efficiency measures (whether pursuant to a Green Deal scheme or otherwise). The Company will be registered at Companies House and its constitution will principally be contained in its articles of association which will form part of the Members Agreement.

All the local authority partners will be required to enter into the Members Agreement notwithstanding the category of their membership. Members will be split between Strategic Partnership members and Affiliate members. Strategic Partnership members have the right to appoint a director to the Company and the Affiliate members collectively have the right to nominate one director to the Company.

Strategic Partnership members are also prepared to participate in the same way as Affiliate members, but in addition may be prepared to provide additional support (for example officer time), propose properties on which schemes can be undertaken and/or invest money in the Company which can be used to fund works undertaken by the delivery partner.

There are a number of good reasons for the local authority partners to participate in their funding activities through the Company, including:

- allow commercial risk to be ring fenced;
- provides a structure which can be easily transferred to a new owner (if the local authority partners decide to divest themselves of the Company);
- ensures that a venture can be accounted for as a separate profit centre;
- creates an efficient contractual procurement framework for the purchase by local authority partners of goods and services.

Section 1 of the Localism Act 2011 provides local authorities with a general power of competence and local authorities have the power to do anything that individuals generally may do, including the power to form and participate in a company. The general power also confers on a local authority the power to do things for a commercial purpose provided it acts in accordance within any statutory limitations or restrictions.

#### 5.5 Key Next Steps of SESP

- Meet the buyer event for local business in Crawley (first event completed, further events to follow)
- Project pipeline to be developed and agreed (Dec 2013)
- Ward Councillor and local stakeholder engagement event (in the new year)
- SESP 'go early' projects (early 2014)
- Official full launch of SESP (spring 2014)

## 6. Background Papers

Previous Cabinet Report -

[http://www.crawley.gov.uk/pub\\_livx/groups/operational/documents/committeereport/pub183317.pdf](http://www.crawley.gov.uk/pub_livx/groups/operational/documents/committeereport/pub183317.pdf)

Memorandum of Understanding – <http://www.crawley.gov.uk/pw/web/PUB204623>

Draft Members Agreement - [www.crawley.gov.uk/pw/web/PUB206769](http://www.crawley.gov.uk/pw/web/PUB206769)

Draft Company Articles of Association - [www.crawley.gov.uk/pw/web/PUB206770](http://www.crawley.gov.uk/pw/web/PUB206770)

Project Prospectus – <http://www.crawley.gov.uk/pw/web/PUB204609>

What is the Energy Company Obligation? -

[http://www.westsussex.gov.uk/living/communities/energy\\_saving/sussex\\_energy\\_saving\\_programme/energy\\_company\\_obligation.aspx](http://www.westsussex.gov.uk/living/communities/energy_saving/sussex_energy_saving_programme/energy_company_obligation.aspx)

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