

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	10 September 2013
Title:	MoSES (Modelling Shared Energy Services) European Project
Reference:	5046
Report From:	Director of Economy, Transport and Environment

Contact name: Lisa Finch

Tel: 01962 845017

Email: lisa.finch@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to:

- obtain approval in principle to proceed as the lead partner (Project Coordinator) in the MoSES project - submitted under the European Commission's Intelligent Energy Europe (IEE) funding programme – subject to the project proposal being recommended for funding, and subject to contract negotiation;
- obtain approval for the decision on the final terms of participation in the MoSES project to be delegated to the Director of Economy, Transport and Environment once the County Council learns whether or not the submission has been recommended for funding. An outcome is expected during November 2013.

1.2. This paper seeks to provide background information on the MoSES project and why Hampshire County Council has developed and submitted the proposal as Project Coordinator. It will also set out the budget requirements for participation in the project.

2. Contextual information

2.1 In May 2013, Hampshire County Council submitted a project proposal under the European Commission's Intelligent Energy Europe funding programme.

The proposal was developed and led by Hampshire County Council (the Project Coordinator), in partnership with seven¹ other organisations.

- 2.2 Known as MoSES (Modelling Shared Energy Services), the project will focus on improving access to cost-effective energy services for small-end energy consumers, helping them to improve their buildings' energy efficiency and reducing their costs. It aims to develop, launch and promote an innovative model that will enable clusters of small organisations within countries - including smaller local authorities, schools, and Small-Medium Enterprises (SMEs) - to establish partnerships, finance energy efficiency improvements through an Energy Performance Contracting (EPC) type approach, and achieve economies of scale which would otherwise be unachievable.
- 2.3 The County Council submitted a version of the MoSES project last year, under the IEE 2012 funding programme. Unfortunately, it was not selected by the Executive Agency for Competitiveness and Innovation (EACI) to proceed to implementation. However, feedback on the submission overall was positive. MoSES was seen as being relevant to the IEE programme's priorities by way of: addressing major market barriers that restrict the uptake of energy efficiency measures by small end consumers; having a sound implementation methodology; and demonstrating good levels of EU added value. Areas for improvement included the impact and direct outcomes of the proposed activities (in terms of energy and carbon savings, and investment made in sustainable energy), and the allocation of resources across a broad range of European partners. Given the feedback received, all partners considered there would be value in resubmitting a revised application in 2013.
- 2.4 Participation in the MoSES project will enable the County Council to expand its knowledge, understanding and expertise relating to energy efficiency in buildings, including financing arrangements for improvements and the use of an EPC type approach.
- 2.5 It will also lead to the development of i) an innovative, overarching EPC model that can be applied to clusters of small-end energy consumers, and ii) a localised and regional version of the model to reflect market variation across European countries. These models will enable end-users to make energy efficiency improvements. Improved energy efficiency in buildings reduces energy consumption and carbon emissions leading to a lower cost base and, where applicable, lower carbon tax bills. The outputs of the project will enable the deployment of energy efficiency measures that otherwise would not be viable in individual buildings.
- 2.6 Whilst this project will not fund capital investment, it will leave the County Council and other organisations across Hampshire better placed to take related decisions and build business cases, potentially leading to a reduction in carbon footprints and levels of energy consumption. Delivery of the MoSES

¹ European Labour Institute (BG), Projects in Motion (MT), East Sweden Energy Agency (SE), Province of Trento (IT), AE3R (RO), BDO LLP (UK), SERCO Group (UK).

project supports the aim of the Hampshire Energy Strategy, which is focused on providing community leadership on issues relating to energy security, affordability and carbon emissions, and contributing to a sustainable low carbon economy in Hampshire.

- 2.7 The County Council and its project partners are currently waiting to learn whether or not the MoSES submission has been recommended for funding. A decision on this is expected during November 2013.
- 2.8 If the project is recommended, the MoSES project partners will be invited for negotiation with EACI. This negotiation process will seek to clarify the detailed technical and financial aspects of the proposal based on the conclusions of the evaluation.
- 2.9 Following the negotiation phase, a grant agreement will then need to be signed by Hampshire County Council as the Project Coordinator, and on behalf of all partners. The grant agreement sets out the terms of the agreement and details of the project.
- 2.10 If the MoSES project is selected for funding, a formal decision to participate as Project Coordinator will need to be made by Hampshire County Council. This decision will need to be taken immediately as the negotiation phase will need to commence without delay, and decisions will need to be made quickly in order to meet the timetable of the funder.
- 2.11 For this reason it is unlikely there will be sufficient time for a detailed formal decision to be made as part of the decision making programme. Therefore delegated authority is sought.

3. Finance

- 3.1. If successful, the MoSES project duration will be three years, commencing March 2014 and closing February 2017.
- 3.2. The programme provides grant funding for up to 75% of eligible project expenditure. The remaining 25% of project costs must be match funded by partners.
- 3.3. The total project budget, across all partners, totals €2,543,390 (approximately £2,169,766²).
- 3.4. The County Council's total eligible costs for the project total €450,456 (£384,284). Existing staff salaries will account for over half of this amount.

² Based on the monthly accounting rate of the Euro in July 2013.

- 3.5. The budget has allowed for all other partners to make a financial contribution towards Hampshire County Council's project management costs, as the Project Coordinator of MoSES.
- 3.6. The County Council would expect to receive c. €415,487 (£354,451) in grant funding, and financial contributions to project management costs.

4. Performance

- 4.1. The County Council is currently delivering an Energy Performance Programme in its own buildings, to enable it to improve energy efficiency and performance, and make resulting cost and carbon savings. Work undertaken to date has significantly expanded the County Council's knowledge of an EPC approach and its understanding of some of the difficulties associated with its implementation. In particular, it has recognised that in order for organisations to access EPC, a critical mass is needed in terms of building stock size and building type.
- 4.2. Energy efficiency in buildings and EPC are also being considered by many other public sector and private organisations in the county. The County Council wishes to build on its expertise in these areas in order to enable a much wider range of organisations in Hampshire to access an EPC type model, and thus achieve cost, carbon and energy efficiency savings, as well as potentially promoting growth in the energy services sector in Hampshire. This will involve addressing a range of barriers. MoSES will provide a mechanism to do this.
- 4.3. Planned activities will contribute to delivering the County Council's existing aspirations in relation to the energy agenda. This includes delivery of the Hampshire Energy Strategy. Thus, funding and partnership support will be available to the County Council to support elements of ongoing and relevant work.
- 4.4. Participation in and, in particular, leading a European project will also enable the County Council to: raise its profile; build partnerships and relationships with other organisations and regions; gain up-to-date and relevant skills and expertise in European project development and delivery; and facilitate understanding of complex external funding opportunities specifically relating to the energy agenda.

5. Project coordinator responsibilities

- 5.1. Receiving grant funding for an IEE project means meeting certain obligations in the day-to-day management of a project. As the Project Coordinator, Hampshire County Council will have specific contractual responsibilities, particularly in relation to payments, technical and financial reporting, and

communications and publicity. These terms will be clearly laid out in the grant agreement.

6. Future direction

6.1. MoSES represents an opportunity for the County Council to lead an innovative European project, addressing a real barrier in the energy services market which is hindering organisational action on energy efficiency in Hampshire. It will provide funding towards activities which will contribute towards the County Council's ongoing work on energy efficiency and performance. Delivery of the MoSES project supports the aim of the Hampshire Energy Strategy, which is focused on providing community leadership on issues relating to energy security, affordability and carbon emissions, and contributing to a sustainable low carbon economy in Hampshire.

7. Recommendations

7.1. That, subject to the MoSES project proposal being recommended for funding under the European Commission's Intelligent Energy Europe (IEE) funding programme, Hampshire County Council proceeds, as the Project Coordinator, through contract negotiation and into project delivery, and enters into necessary legal agreements to enable these arrangements.

7.2. That, subject to the MoSES project proposal being recommended for funding under the European Commission's Intelligent Energy Europe (IEE) funding programme, the Director of Economy, Transport and Environment be given delegated authority to approve the final terms of participation as referred to in paragraph 7.1 above in consultation with the Executive Member for Economy, Transport and Environment.

Rpt/5046/LF

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	Yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives. The website contains a summary [assessment of the impacts](#) on Ensuring that Hampshire is Energy and Climate Change Resilient.
- 1.2. It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures

2. Impact on Crime and Disorder:

- 2.1. It is not considered that participation in the MoSES project will have any crime and disorder impacts.

3. Climate Change:

- 3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

This is covered in paragraphs 2.4 to 2.6 of the report.

- 3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Hampshire County Council and other organisations in Hampshire are heavily reliant on grid-based fossil fuel imports for their energy. Climate change has the potential to significantly impact upon the energy sector. Changes to climate and severe weather events may affect the UK's capacity to generate energy and distribute power and may alter patterns of energy consumption and use. Because energy markets operate in a global context, climate change impacts elsewhere in the world that significantly impact global energy supply may also have the potential to indirectly affect Hampshire.

By building knowledge and expertise in energy efficiency, and models to enable its implementation, the County Council and other organisations in Hampshire will be better placed to act and take appropriate decisions to ensure Hampshire is better prepared for climate change impacts and better able to manage uncertainties in energy generation and supply.