

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member – Environment and Transport
<b>Date:</b>	6 November 2012
<b>Title:</b>	MoSES (Modelling Shared Energy Services) European Project
<b>Reference:</b>	4272
<b>Report From:</b>	Director of Economy, Transport and Environment

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#### 1. Executive Summary

1.1 The purpose of this paper is to:

- obtain Executive Member 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; and
- obtain Executive Member 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 2012.

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 2012, 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 seven 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 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.
- 2.4 It will also lead to the development of a usable, replicable pan-European EPC model that can be applied to clusters of small-end energy consumers. This model will enable end-users to make energy efficiency improvements. Improved energy efficiency in buildings reduces energy consumption and carbon emissions. The outputs of the project will enable the deployment of energy efficiency measures that otherwise would not be viable in individual buildings. 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
- 2.5 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.
- 2.6 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.
- 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 2012.
- 2.8 If the project is recommended, the MoSES project partners will be invited for negotiation with the Executive Agency for Competitiveness and Innovation (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 a delegated authority is sought.

### **3. Finance**

- 3.1 If successful, the MoSES project duration will be three years, commencing March 2013 and closing February 2016.
- 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 €2,535,670 (approximately £1,977,442).
- 3.4 The County Council's total eligible costs for the project total €561,373 (£440,282). Direct staff costs account for approximately half of this amount.
- 3.5 The County Council would expect to receive c.€491,391 (£383,211) in grant funding.
- 3.6 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.

### **4. Performance**

- 4.1 The County Council is currently considering the implementation of EPC 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 this 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 new 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. 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 at a European level; build partnerships and relationships with other organisations and regions across Europe; 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, and on developing safe, secure and cost effective energy systems.

## **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.
- 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

Agenda item:

delegated authority to approve the final terms of participation in consultation with the Executive Member for Environment and Transport.

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**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

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

**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.)**

DocumentLocation

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. An assessment of the impacts in this service area can be found at <http://www3.hants.gov.uk/equality/equality-impact-assessments/cx-pu-eqimpact-envi.htm>.
- 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:**

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

This is covered in paragraphs 2.3 & 2.4 of the report.

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

This is covered in paragraphs 2.5 & 2.6 of the report.