

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Environment and Transport
<b>Date:</b>	5 March 2013
<b>Title:</b>	Strategic Arrangements for Energy
<b>Reference:</b>	4767
<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 seek approval to develop options leading to procurement of strategic arrangements for three key areas of work – the implementation of the Corporate Energy Strategy, the further development of the Winchester District Energy Project and the potential for Energy Company Obligation (ECO) delivery in Hampshire.

1.2. This paper seeks to

- summarise the background context of the energy work;
- outline the potential opportunities and risks of the proposed options;
- outline the key support services required; and
- outline the next stages and when key decisions will need to be taken.

#### 2. Contextual information

2.1. The Energy Strategy was approved by Cabinet in October 2012. As part of this, authority was also given for the implementation of the next steps towards the delivery of the Energy Strategy, including developing the most appropriate technologies and delivery mechanisms, potential partnerships, and financial arrangements to enable the County Council to fully capitalise on the opportunities presented by the energy agenda. The procurement of a strategic partner/adviser would be a key stage in this process.

2.2. As a priority, approval for progress on the Winchester District Energy project was also taken to the Executive Member for Environment and Transport for approval in November 2012. The project has been progressing since

November but now needs specific guidance and input to progress to the next stages.

- 2.3. In terms of ECO, energy suppliers have significant sums of money to spend on vulnerable households which would be of considerable benefit to the community of Hampshire. There is an opportunity for the County Council to position itself by acting quickly, as energy suppliers will be under pressure to spend ECO within a two year timeframe. Part of this work would also include investigating the potential and options for Green Deal delivery in Hampshire. As part of the Energy Strategy approval these types of investigations were prioritised for development.

### **3. Opportunities and Risks**

- 3.1. The County Council has limited capacity and capability within the energy sector but recognises that there are significant opportunities and benefits that could be gained from taking an active role in this area. The Energy Strategy also outlined the key energy related risks to the County Council, which have been recognised by Cabinet as priorities for action. The County Council now needs to progress with delivering against the strategic objectives as laid out in the Strategy.
- 3.2. Expertise is required to guide the County Council to deliver the right projects, structures and outcomes to maximise the benefits and opportunities arising from energy but also to minimise the risks. The County Council would benefit greatly from a strategic partner/adviser to support existing resource and to provide technical and policy guidance, across the broad portfolio of energy projects.
- 3.3. The Winchester District Energy project is a major opportunity for the County Council to gain some experience and expertise in delivering complex, capital energy projects. There are a number of options available to the County Council in terms of roles and responsibilities in the development and implementation of this project. These options include, for example, whether to pursue a public sector or private sector led delivery model.
- 3.4. The Winchester District Energy project is at the stage where expertise is now required to guide the County Council through the next stages of work, including technical, legal and financial modelling and the development of an Investment Grade Business Case. The County Council is interested in a public sector delivery model but requires additional expertise to help assess this option and maximise the opportunities of this approach. Woking Borough Council is one of the few local authorities with the broad range of experience, expertise and capacity required to provide this specific guidance. Discussions with the Department for Energy and Climate Change have confirmed that Woking Borough Council is the best placed authority to offer the support required for this scheme in a public sector model approach. Other local authorities operating district energy schemes are currently operating with different approaches, e.g. with a commercial partner, or do not have sufficient capacity/capability to support the County Council at this time.

- 3.5. A joint working arrangement with Woking Borough Council is therefore being explored to allow transfer of intellectual property to the County Council to assist with the development and delivery of the Winchester District Energy Project. Proceeding with the Winchester District Energy project with Woking Borough Council would minimise risks and maximise financial and other opportunities with the implementation of this project.
- 3.6. ECO has the potential to bring multiple benefits such as reduced fuel poverty and increased job creation to Hampshire, if correctly managed and delivered. The best way to achieve this is for the County Council to engage with energy suppliers with a view to establishing some form of strategic arrangement or agreement on how to best deliver ECO funded programmes in Hampshire. An example of where the County Council has entered into similar arrangements with excellent outcomes is the Insulate Hampshire project.
- 3.7. Energy companies are seeking to deliver ECO in other parts of the Country where low income and vulnerable consumers are easier to access. Without a major local authority engaging to deliver ECO in Hampshire it is likely that this would result in a loss of potential funding and other multiple benefits.
- 3.8. Green Deal is still in its very early stages of delivery. As part of the work on ECO, analysis into the potential for Green Deal in Hampshire, along with options for how this could be delivered and the County Council's role will also be investigated.
- 3.9. Overall it is clear that multiple benefits, opportunities and risks are presented by the energy agenda. Given the limited capacity and capability in this area, investigating options for partnerships or other arrangements to support the County Council is a practical solution. There are risks associated with these strategic arrangements and during their development work will be undertaken closely with legal, finance, and procurement (as outlined in the next section) so that the risks can be identified and methods of managing and minimising them incorporated.

#### **4. Financial, Legal and Procurement**

- 4.1. The investigations into strategic arrangements for the three areas outlined in this paper all have requirements for financial, legal and procurement input. Until such time as the arrangements are scoped in detail, the financial implications will mainly be around staff resources.
- 4.2. Legal services and procurement have been engaged in these areas of work for some time now, and will continue to be part of the ongoing processes. Advice around the legal structures required for delivery of these partnerships, the right procurement routes, delivery models/contract structures and the risks and opportunities to the County Council will require joint working across these support services and the project delivery teams.
- 4.3. Financial expertise and support will need to be further engaged, when details of some of these arrangements become available, to ensure that the right

outcomes are being proposed for the County Council and that risks and opportunities are recognised and managed appropriately.

## **5. Future direction**

- 5.1. The next stages of this work will involve developing an understanding of the role and requirements, engaging in market discussions and negotiations in order to scope potential strategic partners and arrangements. No formal agreements will be entered into without further Executive Member approval.
- 5.2. The processes required for each of these arrangements will vary but close collaboration between officers working on the energy projects within Economy, Transport and Environment and colleagues from legal services, finance and the procurement team will ensure that risks are minimised and decisions are recommended with a full and clear awareness of the implications.
- 5.3. For both the strategic partner/adviser and ECO/Green Deal, a market dialogue is the most appropriate process.
- 5.4. For Winchester District Energy, continuing discussion with Woking Borough Council is considered the appropriate way forward. It is therefore proposed that authority be given to the Director of Economy, Transport and Environment in consultation with the Executive Member for Environment and Transport, and the Head of legal Services to proceed with discussions with Woking Borough Council to explore joint working arrangements for the development and potential delivery of the Winchester District Energy project.

## **6. Recommendations**

- 6.1. That authority be given to proceed with investigations and a market dialogue process to develop an understanding of the role and requirements of a strategic partner/adviser for energy.
- 6.2. That authority be given to the Director of Economy, Transport and Environment, in consultation with the Executive Member for Environment and Transport and the Head of Legal Services to proceed with discussions with Woking Borough Council to explore working arrangements for the development and potential delivery of the Winchester District Energy project.
- 6.3. That authority be given to proceed with investigations, including discussions with interested parties, into a potential partner/provider for the Energy Company Obligation and the Green Deal in Hampshire.

Rpt/4767/AW

**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):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Hampshire County Council Energy Strategy	4202	29 October 2012
District Energy Network for Winchester	4337	20 November 2012
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**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	

## **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 ETE Objective 2.4 Ensure 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 this work will have any adverse crime and disorder impacts.
- 2.2. However, having a safe and secure local energy supply may help to ensure that, for example, street lighting, operates efficiently and effectively, with associated positive effects on levels of crime and disorder.

### **3. Climate Change:**

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

Delivery of the Energy Strategy will potentially lead to a reduction in our carbon footprint and levels of energy consumption. Projects are likely to increase energy efficiency, reduce energy usage, and decrease carbon emissions. There will also be possible opportunities to generate our own renewable, low-carbon energy.

- 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 is heavily reliant on grid-based fossil fuel imports for its 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.