

<b>Report title:</b> To approve an application to increase the scope of ECC's participation in the LECSEA project	
<b>Report to:</b> Councillor Simon Walsh, Cabinet Member for Environment & Climate Action	
<b>Report author:</b> Samantha Kennedy, Director, Environment & Climate Action	
<b>Date:</b> 6 July 2020	<b>For:</b> Decision
<b>Enquiries to:</b> Tom Day, Head of Commercial Development & Aaron Goldie-McSorley, Low Carbon Business Officer	
<b>County Divisions affected:</b> 'All Essex'	

## 1. Purpose of Report

- 1.1. To approve Essex County Council's (ECC's) application to increase the scope of ECC's participation in the Local Energy Communities for the 2 Seas region (LECSEA) Project (the Project) and provide approval for ECC to enter into a Partnership Agreement.

## 2. Recommendations

- 2.1. To agree ECC's application to increase its scope in the Project funded by the European Union (EU) Interreg 2 Seas region programme, as set out in paragraph 3.6.
- 2.2. Agree to enter into a Partnership Agreement with the partners listed in paragraph 3.2.

## 3. Summary of issue

- 3.1. Tackling climate change is a priority for ECC and is an issue facing not just Essex.
- 3.2. In November 2019, Intercommunale Leiedal (Belgium) (the "Lead Partner") submitted a bid on behalf of 10 organisations ((Intermunicipal Association Leiedal, The West Flanders Development Agency, West Flanders Intermunicipal Association, Municipality of Breda, West Sussex County Council, Ghent University, Centre for development of eco-enterprises, Pas-de-Calais housing & Community Infrastructure Group CIC) (the "Partners") across 4 member states (UK, Belgium, France and the Netherlands), for which ECC is match funding £140,448 in staff revenue and leveraging external revenue grant funding of £209,895. A decision was taken by ECC on 31 October 2019 approving ECCs bid.
- 3.3. On 31 January 2020 it was confirmed the bid was successful.

- 3.4. The bid was submitted on the basis of ECC using existing staff commitment to leverage external revenue grant funding to for external experts and services to develop feasibility studies, detailed design work and consultancy fees necessary for the development of Local Energy Communities (LECs) in Essex. This will unlock the extra potential of sustainable energy production in the county.
- 3.5. As a result of recommendations by the EU Joint Secretariat (“JS”) (the Interreg 2 Seas region funding managing authorities, who carry out the administration and awarding of the funds), made on 11 February 2020, at least one UK partner in the project is required to propose a capital ‘investment’ project for the project to continue. West Sussex County Council are also proposing a capital investment within the project modification process.
- 3.6. This report requests approval to use capital building maintenance works already in the Capital Programme that enhance and improve ECC assets (energy efficiency works) as additional match funding to attract further grant funding to enhance ECC assets through the addition of renewable energy generation technologies. This is at no additional cost to ECC; all new expenditure will be fully funded by the grant.
- 3.7. The role in the energy system of citizens, businesses and all types of energy consumers is changing. Currently all EU-Member States prepare for the implementation of “LECs”: “an association, a cooperative, a partnership, a non-profit organization or other legal entity which is effectively controlled by local shareholders or members, generally value rather than profit-driven, involved in distributed generation and in performing activities of a distribution system operator, supplier or aggregator at local level, including across borders.” LECs makes energy sharing of mid-scale sustainable energy feasible.
- 3.8. ECC’s primary aim is to unlock extra potential of sustainable energy production through Energy Communities to drive the uptake and ownership by citizens across Essex to build, own and contribute towards the collective climate action goals.
- 3.9. LECSEA’s key activities and ambitions: -
  - 3.9.1. Attract capital grant funding in order to –
    - 3.9.1.1. Support the delivery of energy efficiency and generation projects across our community centric public buildings within localities with LECs potential. (see Appendix 3 for eligible programmed ECC capital maintenance projects)
    - 3.9.1.2. Fund the installation of a small-scale renewable energy generation asset delivering energy and carbon savings for ECC in the first instance whilst exploring options for delivering benefit to the local community by keeping more of the value of surplus generation in the local community.
    - 3.9.1.3. Specifically, it is proposed to build a ground mounted 241.8 kWp Solar PV system at Danbury Outdoors Centre to supply renewable

energy to local public buildings for which we are currently seeking pre-application planning advice.

3.9.2. Attract revenue grant funding in order to –

3.9.2.1. Identify the potential and develop a roadmap for LECs within the county of Essex through modelling and engagement both across our estate as well as the wider community.

3.9.2.2. Progress newly initiated LECs through feasibility studies, technical plans and financial cases to investment readiness centred around publicly controlled assets (e.g. Libraries, Schools, Outdoor Centres, Country Parks). Projects would seek to develop the case for shared access to renewable generating assets and local matching of demand and generation.

3.9.2.3. Projects may also extend to third party owned community assets (e.g. Social Housing, Local Community Centres, GP surgeries) in a variety of different community settings (rural, semi-urban, urban) analysing the legal structures, barriers and opportunities in order to develop LECs and stimulate sustainable energy production in the region.

3.9.3. Learn from experienced partners across 2-Seas region to help develop LECs that work within a rural – urban landscape such as Essex.

3.9.4. Creation of one-stop-shop to direct communities as well as Local Authority Officers to explore best practices, models and tools to increase renewable energy uptake and LECs.

3.10. The project will be delivered as a partnership across 4 Countries (UK, Belgium, Netherlands and France). All grant funding will come from Interreg 2 Seas region through the Lead Partner to ECC and the other Partners.

3.11. If successful, the Interreg JS will inform the Lead Partner and send out a letter confirming success of the bid modification. The total amount ECC has applied for is outlined in section 6.1.

3.12. The Project will be governed by a Partnership Agreement which will be entered into by all the Partners which will set down the obligations of each Partner under the Project. Following this, the Project will commence with delivery of activities to achieve LECSEA's aims as set out in paragraph 3.9.

3.13. ECCs role under the Project and Partnership Agreement will be as delivery partner, delivering ECC's aims and objectives for the Project as well as feeding into the work packages and overall partnership outputs and deliverables.

3.14. Financial claims will be completed via the online e-claims system with payment received via the Lead Partner. No partner funds will pass through ECC.

3.15. The management of the total budget will be carried out by the Lead Partner, however ECC's project team will manage ECC's budget and grant

funding, submitting claims for expenditure of ECC's funds. The Lead Partner will have overall responsibility for the oversight and management of the budget, in addition to the delivery of the outputs detailed in the submission to Interreg. However, ECC shall support where possible to do so. Should one partner fail to adhere to their obligations then they will be solely responsible for any liabilities, damages and costs, resulting from the noncompliance so no additional risk to ECC.

3.16. The LECSEA Programme helps to deliver the following Strategic Priorities in the Council's Organisational Strategy:

3.16.1. Transform the council to achieve more with less (reduce ECC energy bills)

3.16.2. Help create great places to group up, live and work (by reducing our carbon footprint)

3.16.3. Enable inclusive Economic Growth (collaboration with private sector)

3.17. Please note the UK government has guaranteed that UK organisations will continue to receive funding over a project's lifetime if they successfully bid into EU-funded programmes as part of the 2014-20 Multiannual Financial Framework before the end of 2020.

#### 4. Options

**4.1. Option 1 – To agree for ECC to apply for an increase in scope in the LECSEA Project and enter into a Partnership Agreement.**

By increasing ECCs scope and entering into the Partnership Agreement it will allow ECC to use existing works to attract external grant funding to increase the sustainable energy capacity with the county, supporting our climate action goals as well as lead the development of energy communities within the UK.

Option 1 is the recommended option.

**4.2. Option 2 – Do nothing**

ECC would miss an opportunity to leverage £215,000 grant funding for an innovation project with energy, carbon and cost savings attached. There is also a reputational risk for ECC in deciding to withdraw from the bid modification if no other UK partners propose an investment, could lead to the project not continuing. However useful to note, that 3 other UK institutions are submitting investment propositions therefore this risk is small.

#### 5. Next steps

Once a response and successful bid modification is received from EU JS an offer letter will be shared with the Partners. Following this an updated Partnership Agreement will be sent to all Partners for review and sign off. The capital funding will then be available to deliver the innovation project alongside the already commencing activities managed by ECC staff alongside the Partners.

## **6. Issues for consideration**

### **6.1. Financial implications**

6.1.1. The total cost of this project is £715,699, of which £332,567 is capital expenditure and £383,132 is revenue expenditure. £214,398 of revenue expenditure and £215,000 of capital expenditure is funded from the EU Interreg external grant. The balance of £286,301 is match funded by ECC, £168,734 of revenue and £117,567 of capital, for which provision is already contained within the existing Medium Term Resourcing Statement and Capital Programme.

6.1.2. An addition to the capital programme will be required of €241,845 (eq £215,000) in 2020/21, fully funded by external grant funding.

6.1.3. As a result of this funding bid, ECC may be able to deliver financial benefit with energy efficiency across some community centric assets as well as develop a renewable energy generation asset. At present this can't be quantified. In turn, this may result in energy bill reductions, as well as potential revenue income from renewable energy generation. As a pilot innovation project, the findings from this investment will be used to inform savings quantification for future projects that may develop and at greater scale.

6.1.4 Should the grant funding not be approved for the project no investment will be made.

6.1.5 Under the terms and conditions of the grant, should the outcomes committed to in the funding bid not be delivered, the ERDF are within their rights to clawback a proportion of the grant funding.

6.1.8 ECC will be liable for any cost escalation.

### **6.2. Legal implications**

6.2.1 There are no state aid implications associated with this application for funding or delivery of the Project

6.2.2 Legal review of the new Partnership Agreement and subsequent grant funding will be required in due course if ECC are successful in the bid modification to ensure additional clauses are provided to minimise risk to ECC in the event of failure by other Partners to comply with their obligations.

6.2.3 Should amount of funding or scope change over the life of the Project or ECC match funding is expected to increase which exceeds the amounts referred to in this paper then officers must seek further approval for the changes before committing to the same.

## **7. Equality and Diversity implications**

7.1. The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that ‘marriage and civil partnership’ is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## 8. List of appendices

Appendix A – LECSEA budget breakdown  
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## 9. List of Background papers

None

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>	<b>Date</b>
<b>Councillor Simon Walsh, Cabinet Member for Environment &amp; Climate Action</b>	<b>10/07/20</b>

### In consultation with:

<b>Role</b>	<b>Date</b>
<b>Stephanie Mitchener on behalf of Nicole Wood, Executive Director for Finance and Technology (S151 Officer)</b>	25 June 2020
<b>Director, Legal and Assurance (Monitoring Officer)</b>  Susan Moussa on behalf of  <b>Paul Turner</b>	06/07/2020