



APSE Facilitated Local Authority Energy Collaboration

To: All APSE contacts

Key Issues

- A number of local authorities supported by APSE are seeking faster progress on the green economy in general and energy in particular and want plans to unlock the significant benefits on offer, so that they can deliver their wider corporate and social responsibilities.
- The vision for this APSE facilitated Local Authority Energy Collaboration is to form an effective collaboration of a large number of local authorities to enable and facilitate the local municipalisation of energy services. By this we mean the public and community, as well as private, ownership and managerial control of local energy generation, distribution networks and delivery of energy efficiency works. Local authorities working together in this way would have great influence and would be able to deliver economies of scale in green energy to promote economic growth and combat fuel poverty.
- The goal of this collaboration is to deliver the local municipalisation of energy services and in doing so: address social objectives and deliver community benefits, such as a reduction in fuel poverty and increases in jobs and skills; and save money and make money for local authorities to safeguard local services.
- A business proposal document has been written. The business proposal recommends that a collaboration of local authorities should be created by APSE for the purposes stated above, based on the vision of the municipalisation of energy. That this should be established as a long term project, with ambitious long-term goals but a measured start. The arrangement should be commenced underpinned by an administrative arrangement, under the Local Government Act 1972, rather than a corporate entity. There should be 2 levels of membership, based around a knowledge stream and a venture partnership. The level 1 knowledge stream should require a modest subscription to access the relevant data and the level 2 venture partnership will require up-front financial contributions to develop energy infrastructure.
- APSE will be organising a number of roadshows and presentations on the energy collaboration which local authorities will be invited to attend.
- APSE member authorities who are interested in this new initiative can request a copy of the business proposal by contacting Helen Burkhalter, Principal Adviser at hburkhalter@apse.org.uk or by phoning 01865 749365

1. Background

In October 2011 Cllr Richard Williams (former Leader of Southampton City Council and APSE South/South West Regional Chair), chaired a meeting of APSE's Environment and Sustainability Strategic Forum which was held at Balliol College Oxford. This meeting was attended by senior elected members and officers from a number of APSE member authorities, together with representatives from the energy industry, the LGA and other partner organisations.

The main focus of the meeting was to consider the opportunities for collaborative working between councils on the energy agenda and the raising of finance to fund local renewable energy and energy efficiency schemes. The

meeting has been the catalyst for wider interest in developing a collaboration approach to enable the financing, procuring and developing of green energy projects as well as the development of a hub of local authorities providing and accessing support, guidance and expertise.

Since the start of 2013, structure has begun to be put on the general concept of collaborative working in this agenda. An initiation workshop was held in February 2013 attended by representatives from 20 different local authorities. From there, a core group of 11 local authorities formed a project team developing the ideas, direction, and structure and finance model for this collaboration. This work has culminated in the production of a Business Proposal for the collaboration. The Business Proposal document provides the rationale for the proposal, spelling out the aims of the venture, how it will work and what it will do.

This briefing paper is written to introduce the concept of a Local Authority Energy Collaboration facilitated by APSE to all APSE members, to examine the need to work together, to outline a potential new offer from apse for local authorities to consider and to inform local authorities how they can get involved in the collaboration going forward. Local authorities interested in this collaboration are encouraged to read the full Business Proposal document and consider that level of membership they would be interested in, in principal.

2. Vision and goals of the collaboration

The vision for this APSE facilitated Local Authority Energy Collaboration is:

- to form an effective collaboration of a large number of local authorities to enable and facilitate the local municipalisation of energy services. By this we mean the public and community, as well as private, ownership and managerial control of local energy generation, distribution networks and delivery of energy efficiency works. Local authorities working together in this way would have great influence and would be able to deliver economies of scale in green energy to promote economic growth and combat fuel poverty.

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- save money and make money for local authorities to safeguard local services.

The vision and goals shows that a wider view of energy is being considered and reflect the links to other local authority services at local level. The benefits of achieving the vision include:

- Localised energy supplies increasing energy security and resilience to energy price fluctuations;
- Achieving energy decarbonisation goals;
- Resolution of social issues associated with energy costs such as fuel poverty;
- Local economic benefit via income generation and increase in jobs and skills within the green energy sector;
- Turning local authority energy, carbon and renewables targets into delivery.

3. The need to work together

To deliver upon the requirements of national targets and corporate responsibility towards the environment and fuel poverty, considerable commitment would be required both politically and operationally and considerable funding and internal resources are necessary. Our members have indicated that most would struggle with the scale of such an operation in both capacity and capability terms. Much faster and deeper progress can be made with this work by working together with others.

It was identified that the following benefits could be achieved through a local authority collaboration on green energy:

Knowledge and understanding	Working together will help authorities understand what they should be doing and why. Different authorities have different officer structures and in some, the sustainability / energy officer numbers have been reduced. This is now a complex agenda to navigate and some assistance in this regard would be valuable. The same goes at member level, where members in some authorities have extensive knowledge and experience in the green agenda, whereas others do not.
Capacity Issues	Capacity is a real problem where staff resources and other budgets have been reduced. The ability to have someone to call to discuss an issue or receive information cannot be underestimated. Undertaking a large project for a renewable energy facility will be outside of the comfort zone of most officers and members. However, those authorities that have done so speak highly of the experience. Confidence can be built up by dialogue with those with better experience and those that have already delivered such projects. This can be particularly helpful to colleagues across a council that are supporting this area of work but are not as familiar with the issues.
Increased knowledge and confidence	By interacting with officers and councillors from other authorities, the level of experience and knowledge within your local authority will naturally expand. This will cover technical issues related to the project and understanding of legal issues as well as generic skills such as project management. This knowledge is an input to future projects either to re-invest in the collaboration or to apply to other projects. The confidence gained through involvement with innovative schemes should filter across to other initiatives and colleagues across the local authority.
Specialist areas	There are a number of highly specialist areas to which local authorities will require access in order to achieve the vision. A good example is electricity regulation and licensing. In order to sell electricity directly to consumers, registration under the Electricity Act 1989 is required and this is a very complex process, costing around £6m. It would not be cost effective for a single authority to undertake the work necessary to become a registered electricity supplier. However, a group of authorities together could undertake the work and bear the fees associated with this task.
Reduced risk	There is less risk in undertaking projects collectively than individually. This is particularly so in relation to renewable energy facilities, where good returns can be achieved, but considerable capital finance is required to unlock those revenue streams.
Reduced costs	A larger project, which is operated by a number of authorities, can benefit from economies of scale. There is still only one set of fees for a 10 MW solar park, the same as there is for a 2 MW individual project. The only difference is that a group of authorities are sharing those fees. In any project there are set up fees, procurement work, consultancy help, and business cases to be prepared, technical assistance to be given, and legal work to complete. All of this needs to be paid for and is a cost to the project.
Enhanced returns	Not only is there less risk in a joint project and lower costs, there is an enhanced return. This is because a collaborative project should have better profitability overall.
Shared external resources	To kick start low carbon and renewable projects often includes consultancy help to shape and develop projects, prepare preliminary business cases and preliminary technical work. Apart from the difficulty in identifying and procuring appropriate external firms to do such work, the costs can be prohibitive. If five authorities have a contract with a firm to provide such support services, the individual authorities will get a better client relationship at a much

	better cost and have the advice when they need it.
Shared internal resources	Such resources do not need to be external. Five authorities could enter into an arrangement to employ (in one of the authorities) an expert on, say, ECO. The employee's time would then be available to all five. This type of recruitment could be facilitated by the collaboration. Another example would be staff for a unit to specialise in finding and securing grant monies from the EU and Government.
Collective procurement	Procurement is still a difficulty in many authorities. Cumbersome interpretation of the EU rules means lengthy and delayed tendering exercises. One way around this is to have joint procurement of framework arrangements for all of the key areas required. Any authority in the collaboration can then draw down from the frameworks established, using only a quick and truncated procurement exercise. Such measures take time, and expense, to set up; but once in place can save substantial time and effort over a four year period. Some such frameworks already exist, but there is nothing as good as a tailored procurement to 'fit' a joint proposal.
Oversight and project management	Project management of commercial projects is also a problem area, with a dearth of available experience and capacity in many authorities. Collective procurement or appointment of appropriate personnel for this work would be a good example of a benefit from the joint action. Local programmes are likely to be similar in nature and therefore this function could be performed across more than one authority. The whole idea of this is for there to be similar work going on concurrently in many authorities.

4. The Offer

Local authorities identified 3 key areas where an APSE facilitated Local Authority Energy Collaboration could add value:

- Smart clienting in local authorities through provision of a range of skills, expertise and research services;
- Negotiation and influence power through the provision of a range of marketing, profile raising and lobbying services;
- Infrastructure projects including renewable micro generation schemes, energy efficiency works, energy networks, in addition to supporting demonstrator projects/test schemes.

These have been developed into a two level membership offer.

4.1 Level One: The Knowledge Stream

The first level focuses on increasing knowledge, skills and information within a local authority in this agenda with the outcome being a road map for local authorities to achieve their ambitions in the green energy agenda and facilitating the skills and project pipeline for local authorities to get there.

Whilst many authorities want to undertake energy related projects they either do not know how to go about it or lack the confidence to progress. The membership of this collaboration will address all of those barriers.

As these will be new services that will need to be set up and run, this level of membership will involve modest contribution towards the costs of the venture. There would be an annual rate for APSE corporate members and it is expected that APSE non members would pay double. The annual subscription would be based on the potential number of local authorities joining, arising from those councils expressing an interest in this level of the collaboration, and the costs of providing a range of membership services for this level. The higher the membership

numbers, the lower the shared cost. But typically a membership subscription should not exceed £2,000 per member authority for involvement in this level of the collaboration.

4.2 Level Two: The Venture Partnership

The second level is focussing on the actual delivery of green energy projects, with the outcome being to help local authorities bring bigger and better energy projects to market through help with feasibility, joint procurement and frameworks and also in facilitating the shared finance of projects with sound financial return where appropriate.

Building on the level 1 blue print and road map for greater municipal energy in individual local authorities, level 2 will progress this into resource mapping and support to bring a pipeline of projects to market. For specific projects the collaboration will contribute towards the costs of feasibility of a project, including business case development, advice and support up to the point at which projects are ready to go to procurement. When projects move from business case to procurement and commissioning, and are generating income, then the collaboration is paid back the value of the consultancy support from the initial stage. As the funds of the collaboration increase, and the operation becomes self financing, all members will benefit.

Bearing in mind the nature of this investment, there will need to be a higher contribution to costs from the members. There would be an annual rate for APSE corporate members and it is expected that APSE non- members would pay double if they wished to join at this level. It is estimated that the cost of being a member of the venture partnership level 2 would be a minimum of £10,000 but this is subject to more detailed costings to determine the level of benefit arising from this level of membership.

If a local authority signed up to level two membership, services from level one would also be included. It should be noted that whether a local authority signed up to level one or level two membership, every authority would be a full member of the collaboration.

5. How to get involved

The collaboration is being project managed by Mark Bramah, APSE Assistant Chief Executive and Helen Burkhalter, APSE Principal Advisor for South/ South West..

The initiative is still in the proposal phase at this present time, but we are looking for local authorities to indicate whether they are interested in the concept in general, and at either level 1 membership or level 2 membership. At this stage, your response signifies a registration of interest and no financial agreement.

If you would like to be sent the full business proposal document for the collaboration and registration of interest form please contact: hburkhalter@apse.org.uk; 01865 749365, who will send it through to you via email.

We encourage colleagues to discuss the proposal set out in the business proposal document with the relevant director and portfolio holder and return the completed registration form by 29th November 2013.

Helen Burkhalter, Principal Advisor
Phil Brennan, Principal Advisor
November 2013