

<b>Title: Submission of bid to the European Local Energy Assistance (ELENA) programme</b>	
<b>Author: Samuel Bryan</b>	<b>Job title: Project Manager</b>
<b>Cabinet lead: Fi Hance</b>	<b>Director lead: Bill Edrich</b>

<p><b>Idea origin:</b> BCC Staff  <b>Date idea generated:</b> 26/06/2017</p>
<p><b>Decision maker:</b> Officer  <b>Decision forum:</b> Officer Meeting</p>
<p><b>Timescales:</b> 05/11/2017 – Forward Plan 05/12/2017 – Cabinet Date</p>
<p><b>Purpose of Report:</b>  To seek approvals to submit and, in the event of a successful application, to deliver a bid to the European Local Energy Assistance (ELENA) facility.  The ELENA facility provides support to project promoters in the form of grants to assist in the preparation of substantial eligible energy related investment programmes. The support is conditional on mobilised investments, meaning that the applicant is required to implement an Investment Programme proportional to the received ELENA grant.  The funding will be used as part of the delivery of Key Commitment 6 which aims to put Bristol on course to be run entirely by clean energy by 2050. This requires substantial investment in the cities energy infrastructure and the identification of investment ready projects. These investments will also generate an ongoing revenue benefit to the Council.</p>
<p><b>Cabinet Member / Officer Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. That the Mayor agrees to proceed with the submission of the ELENA bid and the proposal contained in this report and the Service Director for Energy, or equivalent, in accordance with Council policy and procedures has delegated authority to accept the grant.</li> <li>2. That the Mayor agrees that Bristol City Council will be the lead applicant to deliver the programme under a formal legal agreement in collaboration with partners and other local authorities and public sector bodies as appropriate.</li> <li>3. That the Service Director for Energy, or equivalent, in consultation with relevant service directors and in accordance with Council policy and procedures be given delegated authority to <ol style="list-style-type: none"> <li>a. negotiate and complete a legal agreement with participating local authorities and public sector bodies as appropriate</li> <li>b. undertake recruitment for positions funded by the grant facility including the secondment of officers to other public sector bodies</li> <li>c. enter into service contracts to provide eligible services as funded by the grant facility.</li> <li>d. enter into contracts of work to deliver programmes that contribute to the mobilised investment; subject to approval of business case and capital allocation.</li> </ol> </li> <li>4. To manage the grant process and reporting, including contract variations, to the EIB and partners as required by grant conditions over the lifetime of the grant.</li> <li>5. Accept other local authorities or public bodies into the scheme as and when appropriate.</li> <li>6. Delegated authority to the Service Director for Energy, or equivalent, to promote the works and the outputs of the grant as appropriate.</li> </ol>
<p><b>Evidence Base:</b></p> <ul style="list-style-type: none"> <li>• <i>ELENA is a programme administered by the European Investment Bank (EIB) that provides revenue grant funding for staff and consultancy costs in order to prepare large scale energy and transport investment programmes.</i></li> </ul>

<p><b>Revenue Cost: £</b>  £143k 10% local match funding  Bristol share of the grant is £1.43m</p>	<p><b>Source of Revenue Funding:</b> European Local Energy Assistance Programme with 10% local match funding from the Energy service budget</p>
<p><b>Capital Cost: £27m</b></p>	<p><b>Source of Capital Funding:</b>  Approved capital programme - £15.8m  Other external capital funding -£11.2m</p>

One off cost  Ongoing cost

Saving Proposal  Income generation proposal

**Finance narrative:**

This proposal seeks approval to proceed with the funding application for the second EU ELENA grant programme. Whilst the grant is revenue funding in nature (with 10% local match funding), it is required that the grant will leverage up to c20 times capital investment under the grant condition, i.e.:

- For energy related Investment Programmes, the total investment programme costs to be supported must be at least 20 times the amount of the ELENA contribution.
- For transport related Investment Programmes the total investment programme costs to be supported must be at least 10 times the amount of the ELENA contribution.

Bristol has previous successful experience in delivering an £2m ELENA grant funded programme during 2010-2016. This current bid is a joint bid led by Bristol with other Local Authority partners in the south west region including Devon, Exeter, Isles of Scilly, and Plymouth. Albeit BCC being the lead authority, each participating authorities will be dealing independently with their respective share of the funding and delivery requirements and should be responsible for the consequences without any adverse impact to BCC via an inter local authority agreement (please see further details under legal commentary).

The joint bid value is c£3m (with c£0.3m local match funding) to delivery c£60m of capital investment in the region over 3 to 4 years. Bristol's share of the bid value is up to £1.43m with £143k match funding demonstrated through resources available under the approved Energy Service revenue budget in the MTFP. The capital investments are supported by various funding sources, including the approved capital programme and externally or privately funded capital.

Please see the full financial commentary including project and investment details under the exempt appendix G.

**Finance Officer:** Tian Ze Hao – Finance Business Partner

**Risks:**

- Grant clawback if leverage factor is not met – mitigated by active portfolio management
- Speed of delivery – portfolio contains district heating which has a long lead in time.
- Brexit – EIB have said this will be unaffected by Brexit but it remains an unknown
- Management of investment portfolio across multiple partners will be covered by an Inter-Authority Agreement
- Reputational risks of non-delivery

**Legal Consideration:** The Funding Agreement involves various conditions and non-fulfilment of those conditions triggers clawback mechanism. BCC will be the lead authority and will be entering into contractual arrangement with the funding agency. Since a number of authorities will be joining in this programme and they will be dealing independently with their respective share of the funding, therefore it should be their respective duty to fulfil the conditions and achieve the targets. In case of their failure to do so they should be responsible for the consequences without any adverse consequences for BCC.

This can be achieved through Inter Authority Agreement where all the funding conditions can be reflected as respective conditions applicable for the participating authorities including being liable for any clawback under the funding agreement in relation to the investments in their respective areas.

An Inter Authority Agreement has been provided which includes the above terms. The Agreement also provides financial structure, governance arrangement and dispute resolution mechanism. It is advised that before taking any conclusive action regarding this funding the IAA should be signed by all the participating authorities to avoid/mitigate any risk to the Council.

**Legal Officer:** *Irfan Sheikh, Energy Contracts and Procurement Solicitor*

**Benefits:**

- To contribute to the Mayoral objectives of putting Bristol on course to be run entirely by clean energy by 2050 and improved health outcomes.
- Allows for the Council to take a commercial approach to this area of work which will result in an

- ongoing revenue benefit to the Council
- Cost avoidance and improved health outcomes.
  - Cold homes cost the NHS £1.36bn per year, this can be alleviated through domestic retrofit programme
- Ongoing revenue benefit to the Council
- Reduced demand for support services

**Consultation Details:**

- *Monthly progress meetings with partners*
- *Draft bid feedback meeting with EIB 20/07/2017 & 11/09/2017 & 20/10/2017*
- *Cabinet member briefings 3/07/2017 & 30/10/2017*
- *SLT briefing 24/10/2017*
- *Executive Board 31/10/2017*

<b>DLT sign-off</b>	<b>SLT sign-off</b>	<b>Cabinet Member sign-off</b>
23/10/2017	24/10/2017	30/10/2017

*You can include further details in appendices as set out below if required. Draft Cabinet papers must include these appendices.*

Appendix A – Further essential background / detail on the proposal	<b>YES</b>
Appendix B – Details of consultation carried out - internal and external	<b>NO</b>
Appendix C – Summary of any engagement with scrutiny	<b>NO</b>
Appendix D – Risk assessment	<b>YES</b>
Appendix E – Equalities screening / impact assessment of proposal	<b>NO</b>
Appendix F – Eco-impact screening/ impact assessment of proposal	<b>YES</b>
Appendix G – Exempt Information	<b>YES</b>