




Report to:	Sutton Shareholdings Board	Date:	22 February 2018
Report title:	Sutton Decentralised Energy Network Business Performance Update		
Report from:	Mary Morrissey, Strategic Director - Environment, Housing and Regeneration		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Simon Wales, Chair of the Sutton Shareholdings Board Councillor Jayne McCoy, Vice Chair and Chair of Housing, Economy and Business Committee		
Author(s)/Contact Number(s):	Mandy Cherrington, Managing Director - Sutton Decentralised Energy Network Limited, 020 8770 5530		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • An Open Council • A Green Council • A Fair Council • A Smart Council 		
Open/Exempt:	Open with the exception of Appendix B (Sutton Decentralised Energy Network Risk Register) which is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.		
Signed:		Date:	7 February 2018

1. Summary

- 1.1 This report is presented for noting the update contained in the Sutton Decentralised Energy Network Performance Report and the unamended Risk Register.

2. Recommendations

The Sutton Shareholdings Board is recommended to:

- 2.1 Note the performance update contained in the Sutton Decentralised Energy Network Performance Report in Appendix A.
- 2.2 Note the unamended Sutton Decentralised Energy Network Risk Register in Appendix B.

3. Background

- 3.1 Following the Council's decision in July 2014 to establish an Energy Services Company (ESCO), a detailed business model was prepared to demonstrate the commercial viability of the proposed company. The initial business plan was approved by the OSL Sub-Committee (now the Sutton Shareholdings Board) on 4 August 2015, along with the Shareholder Agreement, enabling Sutton Decentralised Energy Network Limited to be established.



- 3.2 Since the approval of the 2016 Business Plan at OSL Sub-Committee (now the Sutton Shareholdings Board) progress has been made on both Phase 1 and Phase 2 of the network. Agreements have been signed with the heat supplier and homes are being built at the Felnax development (New Mill Quarter).

4. Issues

Risk Register

- 4.1 The Risk Register, attached in Appendix B, is unamended since the previous Sutton Shareholdings Board on 06 December 2017.

5. Options Considered

Performance Update

- 5.1 The performance update is attached at Appendix A – Sutton Decentralised Energy Network Performance Report dated November 2017 to December 2017.

6. Impacts and Implications

Financial

- 6.1 In July 2013, the London Borough of Sutton's Strategy and Resources Committee (S&R) approved the Conceptual Business Case for the development of a district heating network in Sutton, with funding of £4.5m.
- 6.2 A detailed Financial Model for the Phase 1 Scheme was presented to the Housing, Economy and Business committee in March 2015. This demonstrated a positive cash flow of £1.54m from delivery of the scheme.
- 6.3 The Financial Model has been revised to take account of the latest information on likely costs and revenues. As a result of the revisions the model shows a revised loan requirement of £3.2m and an improved net positive cash flow on core assumptions of £1.64m. A review of the revised model by KPMG has taken place and no material issues were raised.

Legal

- 6.4 This report seeks to update the Shareholdings Board and the recommendations which are before the Board do not give rise to any specific legal implications.

7. Appendices and Background Documents

Appendix letter	Title
A	Sutton Decentralised Energy Network Limited Performance Report
B	Sutton Decentralised Energy Network Limited Risk Register (<i>exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972</i>)

Background documents

None

Audit Trail

Version	Final	07 February 2018
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Consultation with other officers

Finance	Yes	Lyndsey Gamble
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Legal	Yes	Chris Ryan
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Equality Impact Assessment required?	No	N/A
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