


<b>Report to:</b>	Sutton Shareholdings Board	<b>Date:</b>	27 June 2018
<b>Report title:</b>	Sutton Decentralised Energy Network Business Performance Update		
<b>Report from:</b>	Mary Morrissey, Strategic Director - Environment, Housing and Regeneration		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Sunita Gordon		
<b>Author(s)/Contact Number(s):</b>	Mandy Cherrington, Managing Director - Sutton Decentralised Energy Network Limited, 020 8770 5530		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• An Open Council</li> <li>• A Green Council</li> <li>• A Fair Council</li> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	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.		
<b>Signed:</b>		<b>Date:</b>	13 June 2018

## 1. Summary

- 1.1 This report is presented for noting the update contained in the Sutton Decentralised Energy Network Performance Report and the un-amended Risk Register. In addition to requesting approval of the SDEN Business Plan 2018-2021.

## 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 Sutton Decentralised Energy Network Risk Register in exempt Appendix B.
- 2.3 Approve the SDEN Business Plan June 2018-May 2021 in Appendix C.

### **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 Felnex development (New Mill Quarter).

### **4. Issues**

#### Risk Register

- 4.1 The Risk Register is attached at Appendix B. Please note there have been non-material amendments to this Risk Register since the previous Sutton Shareholdings Board on 22 February 2018.

### **5. Options Considered**

#### Performance Update

- 5.1 The performance update is attached at Appendix A – Sutton Decentralised Energy Network Performance Report dated January 2018 to April 2018.
- 5.2 The Sutton Decentralised Energy Network Business Plan June 2018-May 2021 is attached in Appendix C. The Business Plan is submitted for an annual review and approval.

### **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 £2.6m

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 There are no legal implications. The purpose of this report is to provide an update to the Shareholder as to the risk register, company performance and to approve the business plan for 2018 until 2021.

## 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> )
C	SDEN Business Plan

Background documents
None

Audit Trail		
Version	Final	13 June 2018
Consultation with other officers		
Finance	Yes	Lyndsey Gamble
Legal	Yes	Laiping Man
Equality Impact Assessment required?	No	N/A

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