

## Cabinet

20 November 2013

### Energy Reduction Proposals for Chilton: Creation of a Social Enterprise



Key Decision R&ED/04/13

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#### Report of Corporate Management Team

Ian Thompson, Corporate Director Regeneration and Economic Development

Councillor Neil Foster Cabinet Portfolio Holder for Economic Regeneration

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#### Purpose

1. To inform Cabinet of recent progress towards creating a social enterprise group in the Chilton community for the delivery of the Green Energy Fund, and to agree to the selection, administration and governance procedures of such a group.

#### Background

2. The building of a biomass (wood pellet) energy plant in Chilton by the Dalkia Company resulted in a commitment to pay £645,000 into a community-based "Green Fund". This was part of a Section 106 Planning Agreement which stated that the **monies can only be spent in the settlement area on energy improvement works** which would result in the reduction of household energy costs.
3. A DCC led Task & Finish group of key stakeholders was established to identify the way forward and determine the most appropriate opportunities for the Green Fund. Following discussion with Durham County Council's legal team, AAP co-ordinators and Housing Regeneration, a proposal for the formation of a social enterprise was identified as a preferred delivery model.
4. A consultation event was held with local residents on the 23 July 2013 chaired by County Council Ward member for Chilton, Councillor Christine Potts, alongside the Member of Parliament for Sedgfield, Phil Wilson MP where County Council Officers presented the available options to deliver the Green Energy Fund.

## **Community Consultation**

5. Following the consultation event, twenty three names were submitted by residents who were interested in becoming involved in the formation of a social enterprise for Chilton. Independent impartial advice was subsequently provided by CAVOS (Community and Voluntary Organisation's Services) for interested residents, where all social enterprise options were outlined in more detail, highlighting the benefits and liabilities of each.
6. An assessment report outlining the above, stated that, *"It must be clearly understood by all that any organisation set up must have a core management committee that is legally responsible and liable for decisions"* and that those involved have the appropriate skills and capacity to fully participate.
7. The consultation assessment was considered by the Task & Finish group who concluded that a Charitable Incorporated Organisation (CIO) option with a Foundation model status would be the most practical and effective delivery vehicle for the Fund.
8. Charitable Incorporated Organisations provide the benefits of incorporation to registered charities within a robust legal framework which is regulated by the Charities Commission. A Foundation model is for charities whose only voting members will be the charity trustees, as opposed to an Association model which receives a wider voting representation. Further benefits include, wider accessibility to third party funding and tax breaks.
9. Any further development of this option is pending Cabinet decision.

## **Governance Proposals**

10. The proposed governance structure would comprise of a Board made up of, up to 8 Trustee members from the Chilton community, DCC and other key stakeholders, such as the AAP and registered housing provider e.g Livin, who would be responsible for deciding on project priorities.
11. Sitting alongside the Board would be an advisory Group comprising, financial advisers, energy professionals and community stakeholders who are skilled in delivering household and community advice on the selection of projects. This advice and guidance is of paramount importance to necessitate the development and progress of projects and would enable the core group to act in the best interests of the community.
12. A third group would form a consultative forum and include the remainder of the Chilton community representatives who had not been elected to the Board.

## **Recruitment of Trustees**

13. Members of the Board must be able to demonstrate they have the appropriate values, skills and experience, and the ability to devote time and commitment to board development activities and act at all times in its best interests.
14. An identifiable evaluation process will therefore be employed to suitably select board members with the necessary training, skills and experience.

## **Constitution**

15. If the Charitable Incorporated Organisation social enterprise model is agreed, it is suggested, that Charity Commission constitution documents are utilised and incorporated along with the specified membership requirements. This should ensure good governance, and produce an organisation that can demonstrate authenticity and attract additional funding to maximise the existing Green Fund. *See Appendix 2. CIO model constitution.*

## **Managing the Green Fund**

16. The Task & Finish Group has established that distribution of the Green Energy Fund is dependent upon the establishment of an Energy Plan for the Chilton community which would show how Chilton can manage its energy over the next 20-30years. This may involve one large project or more realistically, the initiation of a number of smaller projects that can be adopted to aid the reduction of household energy costs.
17. The Energy Plan would also identify additional available funding streams targeted towards energy efficiency within the community. This will serve to maximise the current Green Energy Fund as charitable status opens up opportunities that are not open to DCC.
18. Green Fund investments that seek to serve a number of smaller projects need professional financial management and expert project advice. It is envisaged that the Board would seek one of the existing community support groups that operate within the County (ie.Durham County Community Foundation or Durham Rural Community Council) to provide the necessary financial rigour and distribute the appropriate funds, on behalf of the Chilton social enterprise, on delivery of the agreed projects. (This option would invariably accrue an administration charge.)
19. Whichever fund management option is selected, all project expenditure must be administered in accordance with the terms of the Green Energy Fund mission statement and be for the benefit of the Chilton community.
20. Additionally, it must be expected that some form of administration and training or 'back-office' operations will be necessary and its associated costs will need to be accounted for.

## **Next Stages**

21. Subject to acceptance of the Charitable Incorporated Organisation model, those residents of Chilton who have expressed an interest in becoming part of the social enterprise would be invited to undergo further training to understand the responsibility and liabilities of would be Director Trustees. Suitably qualified 'Trustees' will then be selected to become part of the Board.

## **Recommendations and Reasons**

22. That Cabinet
  - (a) endorses the consultation process made in the selection of a social enterprise model for the Chilton community;
  - (b) supports the proposed social enterprise of a Foundation model Charitable incorporated Organisation (CIO), based on a committee of Director Trustees, a technical panel of advisors and a wider community forum.
  - (c) agrees to the recruitment and selection process for potential Director Trustees (Board members) as proposed in the report.
  - (d) upholds the most cost effective financial management option for the Green Fund.

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## **Appendix 1: Implications**

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### **Finance –**

The Green Energy Fund is held by DCC and no adverse implications are anticipated.

### **Staffing –**

Advisory technical and legal support is envisaged in establishing the CIO and its constitution and moving the project forward.

### **Risk –**

Failure to identify a social enterprise at this stage may not capitalise on available match funding opportunities and may be detrimental to DCC's reputation in expediting this matter.

### **Equality and Diversity / Public Sector Equality Duty –**

The establishment of a social enterprise for the delivery of the Green Energy Fund can lead to increased equality and inclusiveness.

### **Accommodation –**

None

### **Crime and Disorder –**

None

### **Human Rights –**

None

### **Consultation –**

Consultation has been carried out across the Chilton community with available social enterprise options tabled and further communication to follow.

### **Procurement –**

None

### **Disability Issues –**

None

### **Legal Implications –**

None envisaged.