

Coventry Shareholder Committee

26 March 2025

Name of Cabinet member:

Cabinet Member for Jobs and Regeneration and Climate Change – Councillor J O’Boyle

Director approving submission of the report:

Director of Regeneration and Economy
Director of Innovation

Ward(s) affected:

None

Title:

Strategic Energy Partnership Annual Business Plan for 2025/26

Is this a key decision?

No

Executive summary:

The information in this report is being brought to the Coventry Shareholder Committee to enable the Council’s interest in the Strategic Energy Partnership to be monitored as per the agreed governance process. This report provides the Annual Business Plan for 2025/26 to be approved by the Shareholder Committee.

The fifteen-year Strategic Energy Partnership (SEP) between the Council and E.ON is the first of its kind in the UK and has the potential to put Coventry at the forefront of the net zero transition. The Council’s relationship with E.ON will help support the development of ground-breaking projects, with potential funding from E.ON as well as other sources.

A key piece of work shared in the November 2024 update, was the development of the Coventry Energy Plan. The plan provides a strategic long-term energy vision for the city, giving us a detailed understanding of the energy challenges and opportunities looking to the next 15 years and beyond. The Coventry Energy Plan is being used to shape and prioritise the most impactful projects taken forward by the SEP in the years ahead, including in the 2025/26 Annual Business Plan.

Key outputs outlined in the Annual Business Plan that the SEP intends to deliver in 2025/26 include a public sector building decarbonisation programme, starting with schools (60+ schools, delivered over a number of years); further development, subject to successful planning permission, of a solar farm; exploration of a project to explore supply and demand of low cost, affordable heat at scale, recognising the opportunities presented by heat network expansion, heat zoning and energy storage and fleet decarbonisation in the City.

A pipeline of innovation programmes has been developed, and innovation projects are underway which support the most vulnerable. This includes a pilot battery storage and time of use tariff which supports customer to reduce their bills (9 installed and further 25 in pipeline) and a drone energy efficiency survey pilot to help identify residents eligible for grant funding to improve energy efficiency.

Around £1.3m has been committed in social value delivery including engagement with school children in 18 schools, care leavers work placements and a community growing project in Hillfields, Willenhall and Stoke. All of which provides a strong foundation to leverage this initial activity into future projects, including those of a larger scale which deliver tangible impacts for Coventry.

Annual investment in the SEP is expected to grow from £1.9m (from inception in September 2023 to March 2025), to £12.6m in 2025-26. The greenhouse gas emissions avoided by SEP activities are forecast to reach over 4,000 tonnes CO₂e a year from 2027/28 and continue to grow from there. That's the equivalent of 100,000 return trips from Coventry to London in an average car or planting 160,000 trees.

Recommendations:

The Coventry Shareholder Committee is recommended to consider and approve the Annual Business Plan 2025/26, including the receipt of development expenditure from E.ON set out in paragraph 5.1 of the report, as per the agreed governance process which is set out in the Strategic Energy Partnership Joint Venture Contract.

List of Appendices included:

The following appendices are attached to the report:

Appendix 1: Summary of Annual Business Plan for 2025/26

Appendix 2: Strategic Energy Partnership Annual Business Plan 2025/26

Background papers:

None

Other useful documents

[Coventry Strategic Energy Partnership – Cabinet Report, August 2023](#)

[Coventry Strategic Energy Partnership – Shareholder Committee Report, April 2024](#)

[Coventry Strategic Energy Partnership – Shareholder Committee Report, November 2024](#)

[Strategic Energy Partnership Performance Update – November 2024 - Appendix](#)

[Strategic Energy Partnership Business Plan summary 2024](#)

[One Coventry Plan 2022-2030](#)
[Climate Change Strategy 2024-2030](#)
[Coventry Net Zero Carbon Route Map 2023](#)
[Economic Development Strategy](#)

Has it or will it be considered by Scrutiny?

No

Has it or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

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Report title: Strategic Energy Partnership Annual Business Plan for 2025/26

1. Context (or background)

- 1.1. The Council's Strategic Energy Partnership (SEP) with E.ON is the first of its kind in the UK, providing an innovative way for the public and private sectors to work collaboratively to put Coventry at the forefront the net zero transition. Since its inception in September 2023, the SEP has been working hard to develop the Coventry Energy Plan, which E.ON has funded to provide detailed insight into the city's energy challenges and opportunities to help focus SEP activity going forwards. This has been developed alongside the SEP creating a pipeline of projects and starting to deliver projects on the ground. This report provides an update on planned activity.
- 1.2. The appendix to this report provides a summary of the Annual Business Plan 2025/26 including inputs from the Coventry Energy Plan, a summary of annual investment, SEP strategic goals for 2025/26, key projects, links to wider Council programmes and next steps.
- 1.3. The Coventry Energy Plan was a key component of identifying and prioritising the right opportunities for SEP to make a large and lasting impact on our city. This prioritisation has led to seven workstreams identified for 2025-26. They are renewable generation, heat networks; small/medium enterprises and public sector buildings; transportation; residential; innovation and community benefit. The plan suggests that under a high ambition scenario we can achieve 74% reduction in carbon emissions against a 1990 baseline and create up to 2000 jobs per year to 2038. This would require significant investment and activity beyond the SEP; however, the role of the SEP is instrumental to create an enabling environment to support citywide transformation.
- 1.4. Annual investment through the SEP is projected to increase from £1.9m (in the period Sept 23 to March 25) up to £16m in 2026/27, which reflects additional capacity within the SEP team, increased development costs and more projects being delivered on the ground.
- 1.5. The SEPs key strategic goals in 2025/26 include:
 - Development and execution of the delivery programmes resulting from the Coventry Energy Plan.
 - Assessment, development and implementation of a public sector building decarbonisation programme, starting with schools.
 - Further development, subject to successful planning permission, of a solar farm.
 - Initial exploration and subsequent development, subject to feasibility study completion, of a project to explore supply and demand of low cost, affordable heat at scale, recognising the opportunities presented by heat network expansion, heat zoning, energy storage and fleet decarbonisation.

- Development and implementation of a pipeline of innovation projects exploring new technologies and proof of concepts. Trials will include product development and piloting of residential and micro business solutions and propositions.
- Data, digital and connectivity will be a key enabler and theme across energy propositions.

Alongside this will be further development of community benefit programmes such as care leaver work placements, schools education programmes and food growing projects.

- 1.6. Delivery through the SEP supports several wider Council initiatives and the One Coventry Plan including the Climate Change Strategy, the Electric City campaign, developing the city's first Net Zero neighbourhood in Hillfields and provides the opportunity to pilot new technologies to support our ambitions as a 'living lab'.

2. Options considered and recommended proposal

- 2.1. **Option 1 – Not recommended – Do nothing** – The Strategic Energy Partnership's agreed governance process and contractual commitments require the Annual Business Plan 2025/26 to be approved by Coventry Shareholder Committee and this report meets this requirement.

This is not the recommended option.

- 2.2. **Option 2 – Recommend – Approve the Annual Business Plan 2025/26**, as per the Strategic Energy Partnership's agreed governance process and contractual commitments and as approved by the SEP Contractual Joint Venture Board as per governance. Approving the Annual Business Plan 2025/26 will facilitate the Strategic Energy Partnership to progress with planned activities.

3. Results of consultation undertaken

- 3.1. No consultation has been undertaken.

4. Timetable for implementing this decision

- 4.1. Upon approval of this report, the Strategic Energy Partnership will be satisfied that the Council, through an agreed governance process, has approved the Annual Business Plan 2024/25 and can proceed with activity as set out within it.
- 4.2. Further performance updates on implementation of the Annual Business Plan 2025/26 will be provided at subsequent Coventry Shareholder Committee meetings.

5. Comments from the Director of Finance and Resources and the Director of Law and Governance

5.1. Financial Implications

Both SEP partners are contributing resource to the partnership. This includes a significant team from E.ON (13FTE. c£2.3m 25/26), above and beyond that to which E.ON committed in its bid, comprising a dedicated full time team plus experts from across E.ON who are brought in for specific projects and initiatives. The Council has a minimum annual commitment of 2.5FTEs who form the Council's SEP project team. This Council commitment equates to c£0.2m in salary costs in 25/26 and was identified from existing resources at the outset of the partnership. A further dedicated resource has been secured using grant funding (further detail in 6.3). Additional support is provided by Council officers in substantive posts as required.

To support project development outlined in the Annual Business Plan, Council resource requirements, additional to the above, have been identified to provide project development support to specific projects. This is in line with the partnership agreement and subject to the Strategic Energy Partnership CJV board approval through the agreed governance process. The estimated Council Development Expenditure for projects in the year 2025/26 is £0.4m. These Council Development Expenditure costs will be covered by E.ON if approved as part of the Project Proposal through the agreed governance process. When/if a project reaches commercial close, any Development Cost covered by E.ON will be built into the Business Case for the project. Note that no additional Council costs will be incurred unless funding is confirmed by the CJV board.

If any SEP projects are identified as potential investment opportunities for the Council, these opportunities will be taken to Cabinet or Full Council as appropriate on a case-by-case basis, where such decision is required under the Council's Constitution. There will be no financial obligation on the Council to invest or provide project funding as part of this report.

Where Council funding or Grant funding has been required for projects that are already in progress, this has been subject to further governance as required by the Council's Constitution on a case-by-case basis.

5.2. Legal Implications

The Strategic Energy Partnership is operating under the Joint Venture Agreement which was entered into with EON UK PLC. The governance of this was set out in the approvals which came to Cabinet and Full Council on 29th August 2023 and 5th September 2023 respectively.

6. Other implications

6.1. How will this contribute to the One Coventry Plan?

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

The Strategic Energy Partnership can contribute to all three core aims of the One Coventry Plan:

- The core focus is achieving net zero which contributes directly to tackling the causes and consequences of climate change;
- The required infrastructure development to achieve the above and related jobs and supply chain implications will support economic growth, as will related support to local businesses to achieve their own carbon reduction objectives, and help to create a circular economy; and
- Social value is a key driver for the partnership and all projects will have a strong focus on improving outcomes and tackling inequalities within our communities.

In addition to the above, the partnership will help support the enabling outcomes of the One Coventry Plan. The economic returns from some projects and bolstering of resource through the partnership will directly support the financial sustainability of the Council. The Partnership is a direct demonstration of the Council as a partner, leader and enabler and will likely lead to further partnering opportunities.

6.2. How is risk being managed?

The Strategic Energy Partnership contractual joint venture agreement governs development of projects from concept up to start of implementation. The primary risk is the abortion of projects at any stage in their development due to project acceptance criteria not being met. This is governed and mitigated by a clear gateway process which must demonstrate value for money alongside other key criteria including social value. This is a risk to the Council as well as E.ON, noting E.ON will bear greater development risk given the resource, expertise and investment it is bringing to the partnership.

The project risks (such as technical risk, planning, construction, etc) will be project specific, and will be defined, and managed through the gateway process, such that any investment decision and final business case contemplates such risks and puts in adequate measures to mitigate and/or compensate for the same. Future governance over the specific projects will contemplate and manage such risks through appropriate mitigations.

Any capital investment decisions which follow the ordinary course of governance in line with Council's Constitution will go to Cabinet and Council should any investment be required on a specific project.

6.3. What is the impact on the organisation?

As part of the Council's contractual obligations to the Strategic Energy Partnership, 2.5 full time equivalent (FTE) officers support delivery (1 Project Manager, 1 Project Officer and 0.5 Finance). New roles have been created and internal employees were appointed through a recruitment process with no backfill to the employees' previous roles. An additional dedicated resource of 1 FTE is also now supporting the partnership, funded by grant. In addition, project development requires engagement from a cross-section of employees so further upskilling opportunities exist whilst working with E.ON.

6.4. Equalities / EIA?

An Equalities Impact Assessment (EIA) was completed during the procurement process to recognise any specific social value aspects which might be achieved through the partnership. Positive outcomes can be achieved for a wide range of Coventry citizens through the partnership:

- Projects which seek to improve domestic energy efficiency will reduce fuel poverty in the city;
- Increased use of renewable energy sources has the potential to lower fuel costs including for the Council which improves financial sustainability for other service areas. For citizens and businesses this improves home and business finances; and
- Transport related projects will have benefits for air quality and wider health impacts through more active lifestyles.

The SEP Social Value Strategy and prioritisation approach takes into consideration social value delivery and the impact on Equalities/EIA for the partnership.

6.5. Implications for (or impact on) climate change and the environment?

The key driver for the partnership is supporting the Council to achieve net zero ambitions and tackle the causes and consequences of climate change, as set out in the Council's Climate Change Strategy. The Partnership will enable the Council to develop long-term holistic energy solutions that not only meet these aims but also deliver related outcomes such as improved health outcomes for citizens and increased biodiversity.

6.6. Implications for partner organisations?

The partnership is not just focussed on decarbonising the Council's estate; this is about decarbonising the city. This requires the Council and the Strategic Energy Partner to work with a range of organisations across Coventry to widen the benefits of the approach, or specific projects, to other partner organisations, businesses and communities.

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