

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	18 JANUARY 2020		
TITLE:	EXTERNAL FUNDING APPLICATIONS FOR LOW CARBON INVESTMENT		
LEAD COUNCILLOR:	CLLR PAGE	PORTFOLIO:	STRATEGIC ENVIRONMENT, PLANNING AND TRANSPORT
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 The purpose of this report is (i) to inform the Committee of funding applications being submitted and prepared in pursuit of funding opportunities which will help deliver the Council's policy commitments in relation to climate change, and (ii) to seek approval to spend grant funding should the applications be successful. The grants sought are made available by the Department for Business, Energy and Industrial Strategy to support national and local climate change policy objectives. Specifically, these are:

- The Public Sector Decarbonisation Fund (energy projects for Council buildings)
- The Low Carbon Skills Fund (for project planning and bid preparation)
- The Green Homes Grant Local Authority Delivery Scheme (housing retrofit)

1.2 These grant funding schemes are being made available at short notice with numerous rounds and tight application deadlines. This report is therefore seeking appropriate delegations to enable the timely acceptance of any successful grant applications, delivery of grant funded projects and discharge of associated grant conditions.

1.4 Appendices to this report:

- Appendix 1: Green Homes Grant Memorandum of Understanding
- Appendix 2 Public Sector Decarbonisation Fund Guidance

2. RECOMMENDED ACTION

2.1 That Policy Committee:

- (i) note the grant applications submitted and proposed to the Public Sector Decarbonisation Fund, the Low Carbon Skills Fund and the Green Homes Grant Local Authority Delivery scheme
- (ii) note the acceptance of the Green Homes Grant and associated MoU (Appendix 1)
- (iii) delegate approval to spend any grant monies received from the Public Sector Decarbonisation Fund, the Low Carbon Skills Fund and the Green Homes Grant Local Authority Delivery scheme to the Director of Economic Growth & Neighbourhood Services, in consultation with the Executive Director of Resources and the Lead Member for Strategic Environment, Planning & Transport

3. POLICY CONTEXT

- 3.1 The Council declared a climate emergency in February 2019 and committed to the goal of a net zero carbon Reading by 2030. At its meeting on 2nd November 2020, Policy Committee endorsed the new Reading Climate Emergency Strategy 2020-25 and adopted a new corporate Carbon Plan for 2020-25. These documents set out respectively plans to achieve a net zero carbon borough and a net zero carbon council by 2030. They highlight the importance of retrofitting Reading's housing stock to zero carbon standards as this forms such a large part of the town's carbon footprint.
- 3.2 The climate emergency declaration highlighted the need for additional support and new resources from Government to deliver and accelerate progress towards the net zero ambition. In response to the severe economic impacts of the Covid-19 pandemic, Government has, over the past three months, created a number of funding streams to support a 'green recovery' from the pandemic. It is therefore vital that the Council pursues these funding opportunities to maximise its ability to deliver policy commitments in addition to what is possible from its own resources.

4. EXTERNAL FUNDING OPPORTUNITIES FOR LOW CARBON INVESTMENT

- 4.1 The grants recently made available by Government, and the status of applications made or being considered by the Council, include:

- **The Public Sector Decarbonisation Fund (PSDF)** - a new programme offering up to 100% grant funding for public bodies to reduce carbon emissions through energy efficiency and renewable energy installations. The Fund opened for applications on 30th September and the first £1bn has already been fully allocated but further funding has been confirmed by the Prime Minister in the Government's Ten Point Plan. Applications can be submitted at any time and a prompt turnaround of applications is anticipated once further application rounds are announced. RBC applications have been submitted or are envisaged as follows:
 - PSDF - £3.2m double glazing for 14 schools (submitted 23rd November)
 - PSDF - estimated £2.5m Schools renewable energy measures
 - PSDF - estimated £1.9m Crematorium refurbishment/electrification
 - PSDF - estimated £1.2m Council buildings renewable energy including heat pumps
- **The Low Carbon Skills Fund (LCSF)** - a £20m UK wide fund to provide additional capacity (typically consultancy support) to prepare applications for the Public Sector Decarbonisation Fund (summarised above). Reading has applied for £131,234 for consultancy support for schools and RBC's non-school buildings including the crematorium. The funds are to support development of potential PSDF bids and ongoing projects on a 'no commitment' basis.
- **The Green Homes Grant (GHG)** - a £2 billion programme offering grants to homeowners for energy efficiency measures which includes a Local Authority Delivery (LAD) scheme (£0.5bn) for local authorities to deliver housing retrofit projects. The fund supports houses with landlords (including social landlords) up to £5000 but with a minimum of one third match funding from the landlord. Private households which are in receipt of certain benefits and thereby defined as at risk of fuel poverty would be able to access £10,000 per property with no match funding required. Applicants need to use Trustmark (or other equivalent scheme) suppliers, ensure that key performance indicators are met and that fraud prevention measures are followed. RBC applications have been submitted or are envisaged as follows:
 - GHG - Local Authority Delivery Phase 1A - £555k - energy efficiency in private and social housing, for delivery December 2020-April 2021.

Application for £555,000 submitted in September 2020, awarded in October 2020, enabling retrofit of 85 properties. 50% of the grant has been received and a further 50% will be paid on completion.

- GHG - Local Authority Delivery Phase 1B - to fund additional air source heat pumps and associated measures, for delivery January-September 2021 - estimated bid of c£250k in preparation.

5. THE PROPOSAL

5.1 In view of the tight timescales for applications to these funds and delivery of projects to meet grant conditions, in the event that funding applications are successful, projects may need to be initiated quickly and to timeframes which do not fit comfortably with RBC Committee timescales. Appropriate delegations are therefore being sought in this paper, as per the recommendation (iv) above, to enable the timely acceptance of any successful grant applications, initiation and delivery of grant funded projects and discharge of associated grant conditions.

5.2 The Zero Carbon Homes policy in the Council's Local Plan, detailed further in the Supplementary Planning Document on Sustainable Design and Construction, provides for offset funding collected from developers to be directed for use in suitable local decarbonisation projects. The Council has identified housing retrofit as the priority for receipt of this funding (Policy Committee 28th September minute 47 on Housing Strategy refers) and delegates responsibility for agreeing details how this funding should be allocated to the Executive Director of Economic Growth and Neighbourhood Services in consultation with the Lead Member. It was therefore proposed in the Council's bid that any match funding required to enable external wall insulation in private housing under the GHG projects should come from this source. As the Zero Carbon Homes policy is relatively new and not yet in receipt of sufficient funds to cover the cost of schemes within the tight timeframe for the GHG project, it is proposed to make a virement from approved capital funds for RBC energy projects to provide the match funding, to be repaid on receipt of forecast income under the Zero Carbon Homes policy. The maximum match funding required for Phase 1A of the scheme of is £140,000.

5.3 Alternative options considered:

- Not to pursue grant funding opportunities: this is not considered practical as RBC would be unable to deliver the action required to meet its policy commitments without external funding.
- Seek Committee approval to spend 'as and when' grant offers are received - this approach is not considered practical given the tight timescales for project delivery which may not sit comfortably with RBC committee timescales.

6. CONTRIBUTION TO STRATEGIC AIMS

6.1 The proposal contributes to corporate aims as follows:

- Securing the economic success of Reading and provision of job opportunities: by promoting 'clean growth' and the development of Reading's low carbon economy
- Keeping Reading's environment clean, green and safe: by reducing Reading's contribution to climate change and encouraging more sustainable travel options
- Ensuring the Council is fit for the future: by reducing energy use and the costs to the Council associated with it.

7. ENVIRONMENTAL & CLIMATE CHANGE IMPLICATIONS

7.1 The approach proposed in this report is designed to enable more effective delivery of the commitments set out in the Council's climate emergency declaration, the Reading

Climate Emergency Strategy and the corporate Carbon Plan. Some projects arising from externally funded programmes may have local environmental impacts which will be addressed at the appropriate stage of each project - but in each case projects will be designed to maximise environmental and climate change benefits.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 There are no community engagement and information requirements arising from this report. Projects enabled by successful grant applications may require community engagement and this will be conducted as appropriate to the scale and nature of the project.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 The report presents a factual summary of action taken and future plans so has not been subject to Equalities Impact Assessment. Specific projects enabled by any grant funding received may, however, be subject to Equalities Impact Assessment and this would be conducted at the appropriate time.

10. LEGAL IMPLICATIONS

- 10.1 Grant offers will generally require the Council to accept terms and conditions set by the funder. Delegated authority to accept external grants sits with the Executive Director of Resources in consultation with the relevant Director and lead councillor. In the case of the Green Homes Grant, the Council was required to sign a Memorandum of Understanding with MHCLG by 31 October 2020 which was agreed by the Assistant Director of Finance under delegated authority from the Executive Director of Resources. A similar approach has and will be taken with any grants offered under the programmes summarised in section 4.1. Governance of projects will be undertaken by the corporate Climate Programme Board to ensure effective delivery of projects in line with grant conditions.

11. FINANCIAL IMPLICATIONS

- 11.1 The Council has committed some £7m within its capital programme over 3 years to low carbon investment in energy efficiency and renewable energy. This funding enables the Council to deliver its policy objectives as set out in the corporate Carbon Plan 2020-25. A number of the energy efficiency projects in the Capital Programme have been established with flexibility in mind to recognise the developing agenda in this field. Therefore these funds provide potential match funding to leverage in additional grant funding. The Public Sector Decarbonisation Fund and Low Carbon Skills Fund, however, offer up to 100% grant funding so, subject to the terms of any grant offers received, it is not envisaged that match funding will be required for these funding applications.

- 11.2 The Green Homes Grant LAD scheme required the Council to offer match funding of £140,000 to secure the grant of £555,000 offered. The Council's Zero Carbon Homes policy provides for new developments which are unable to meet the Zero Carbon standard on-site to pay for carbon offset projects off-site. The Council has identified housing retrofit as the priority for receipt of this funding (Policy Committee 28th September minute 47 on Housing Strategy refers). Forecast income from offset funds is £104,000 in 2021/22, £104,000 in 2022/23 and £568,000 in 2023/24, so is anticipated to be more than sufficient to cover the match funding requirement within the next two financial years. A condition of acceptance of the Green Homes Grant offer was, however, that projects be completed before 31 March 2021 (i.e. before receipt of any offset funding is anticipated). It is therefore proposed to make a virement of funds from an approved energy project capital budget to forward fund this commitment in the current financial year, pending receipt of offset funding in

the financial years 2021/22 and 22/23. Should the offset funding from developers not materialise it will be necessary to provide the match funding from the capital budgets permanently, however this is not envisaged to be likely.

- 11.3 A further £631,610 contribution to the GHG project is being sourced from HRA (Housing Revenue Account) funds which are approved and committed to relevant social housing projects and which will form match funding where grant funding is insufficient to meet the costs of the complete works. In this instance the grant funding will displace approved funding, reducing the demand on HRA funds and enabling funding for further projects.

12. BACKGROUND PAPERS

- 12.1 There are none.