

READING BOROUGH COUNCIL

REPORT BY DIRECTOR FOR ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

TO:	STRATEGIC ENVIRONMENT, PLANNING & TRANSPORT COMMITTEE		
DATE:	23 MARCH 2022	AGENDA ITEM:	14
TITLE:	EXTERNAL FUNDING APPLICATIONS FOR LOW CARBON PROJECTS		
LEAD COUNCILLOR:	CLLR PAGE	PORTFOLIO:	CLIMATE STRATEGY & TRANSPORT
SERVICE:	DEGNS	WARDS:	ALL
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Council seeks opportunities to apply for external funding to enhance its ability to deliver the objectives of the Reading Climate Emergency Strategy and corporate Carbon Plan. At its meeting in June 2021, SEPT Committee authorised the Director for Economic Growth & Neighbourhood Services, in consultation with the Director of Finance and Lead Member for Strategic Environment, Planning and Transport (now Lead Member for Climate Strategy and Transport), ‘to submit external funding bids relevant to the Council’s low carbon capital programme [comprising the Renewable Energy, Decarbonisation and Salix Recirculation Fund budget lines] and to commit sums identified within the programme’s approved capital budgets as match funding for bids as required’.
- 1.2 This delegation was exercised in October 2022 with the submission of a bid to the Public Sector Decarbonisation Scheme (PSDS) to enable decarbonisation of the Hexagon Theatre. The bid was for grant of £1.188m generating a match funding requirement for the Council of £725,000 to be met from within approved capital budgets. This report meets the Constitutional requirement to report the fact of the bid ‘to the next available Committee’.
- 1.3 The report also gives details of a smaller funding application for further development of a heat network project for Reading, a strategic investment to decarbonise town centre heating which is at the early stages of development.

2. RECOMMENDED ACTION

- 2.1 That the submission of bids to the Public Sector Decarbonisation Scheme and the Heat Network Delivery Unit be noted.
- 2.2 That the Committee delegates agreement and acceptance of any grant offers arising from these bids to the Director for Economic Growth and Neighbourhood Services, in consultation with the Director of Finance and the Lead Member for Climate Strategy and Transport.

3. POLICY CONTEXT

- 3.1 The Reading Climate Emergency Strategy 2020-25, which was endorsed by the Policy Committee in November 2020, reaffirmed the goal of achieving a net zero carbon Reading by 2030 as set out in the Council's climate emergency declaration of February 2019. At the same time as endorsing the Climate Emergency Strategy for the Borough, the Policy Committee also adopted a new corporate Carbon Plan for the organisation covering the period 2020-25. This set an ambitious target of an 85% reduction in the Council's CO2 emissions by 2025, compared to the 2008/09 baseline, *en route* to becoming a net zero organisation by 2030.
- 3.2 Key to achievement of these targets is additional investment in the Council's assets to reduce energy use, improve energy efficiency and increase renewable energy generation. While there are a large number of projects within the capital programme which contribute to this aim, the 2022/23 Budget and MTFS confirmed specific provision for c£7m investment in low carbon investment up to 2024/25. This investment is reflected in three budget lines in the approved capital programme as follows: Salix Re-circulation fund, the Decarbonisation fund and the Renewable Energy fund. Within this programme, £1.136m is allocated for decarbonisation of the Hexagon theatre.
- 3.3 The Council seeks opportunities to apply for external funding to enhance its ability to deliver its commitments under the Reading Climate Emergency Strategy and corporate Carbon Plan. One of the main government funding streams to support public sector organisations in reducing their emissions is the Public Sector Decarbonisation Scheme (PSDS) operated on behalf of Government by Salix Finance. Reading received £1.4 million from this fund in 2020 which helped to deliver a programme of energy efficiency and renewable energy installations in 22 Reading schools.
- 3.2 At its meeting in June 2021, SEPT Committee authorised the Director for Economic Growth & Neighbourhood Services, in consultation with the Director of Finance and Lead Member for Strategic Environment, Planning and Transport (now Lead Member for Climate Strategy and Transport), to submit external funding bids relevant to the Council's low carbon capital programme (comprising the Renewable Energy, Decarbonisation and Salix Re-circulation Fund budget lines in the capital programme) and to commit sums identified within the programme's approved capital budgets as match funding for bids as required. This delegation was exercised for submission of a PSDS bid in 2021 and again in October 2022 for the submission of an updated bid for decarbonisation of the Hexagon Theatre. The bid was for grant of £1.19m generating a match funding requirement for the Council of £725,000 to be met from within the approved capital budgets. There have been several rounds of PSDS which operates on a 'first come first served' basis. This makes submission of bids promptly when the application window opens a necessity, and the Scheme is typically over-subscribed by a large margin. A previous application to PSDS in October 2021 was unsuccessful, despite being submitted within 2 hours of the application window opening. The Council's 2022 application was submitted within 50 minutes of the window opening and news of the outcome is awaited at the time of writing.
- 3.3 On 1st February SALIX contacted the Council indicating that while the Council's application could still be successful if other projects failed technical assessment or were withdrawn, this was unlikely as the 2-year funding pot applied for was heavily over-subscribed. However, in the event of an unsuccessful bid, SALIX invited the Council to apply in parallel to a 1-year funding pot for which the chances of success would be higher. The Council would, however, as a result only be able to claim grant for works done in 2024/25, and would have to fund any works conducted in 2023/24 itself. With this in mind, officers accepted the invitation to apply to the 1-year funding pot in parallel, submitting a revised programme as required by SALIX. Whilst

this revised programme still maximises the potential grant, the need to do preparatory work in 2023/24 would reduce the grant value to £908,000, and increase the match contribution to £1.005m. The current capital programme sum allocated to this scheme is £1.136m which would cover the match funding requirements of the bid and provide a small contingency. This course of action maximises the Council's prospects for receiving a grant offer, but acceptance of any such offer would still be subject to agreement of the Executive Director, in consultation with the Director of Finance and Lead Member, as per recommendation 2.2.

- 3.4 A successful bid would enable installation of ground source heat pumps to replace gas boilers, insulation and lighting upgrades. This report meets the Constitutional requirement to report the fact of the bid 'to the next available Committee'.
- 3.5 In a separate development, the Council has applied successfully in the past for successive rounds of funding from the Government's Heat Network Delivery Unit (HNDU) for funding to help develop a heat network (also known as district heating) for Reading. This funding enabled feasibility work to be conducted which has identified the cluster of developments north of the station as offering the best prospects for a viable scheme, tapping into heat from the River Thames to provide a low carbon power source for a heat network. HNDU is a staged process and local authorities can apply to move through the stages with varying degrees of financial support and match funding requirements. The next stage, known as 'Detailed Project Development', would build on the recently completed feasibility study and develop the proposal into an 'investment-ready' proposition.
- 3.6 An application was therefore submitted to Round 12 of the HNDU fund for £168,00 in December 2022, for which match funding of £50,000 was required (a minimum of 33% match was required for main application of £150,000, plus an additional £16,800 applied for to cover project management costs). The Council has therefore offered the £50,000 match funding from its Climate Change reserve, which is used for one-off expenditure on strategic carbon reduction initiatives which offer significant wider benefit, such as leverage of external funding. The bid was submitted with the approval of the Lead Member for Climate Strategy and Transport, the Director of Finance and the Executive Director for Economic Growth and Neighbourhood Services. There is no constitutional requirement to report the submission of the bid to Committee, but it is included here for information. Elected members in Abbey Ward, where the project would take place, have been appraised of the scheme.

4. THE PROPOSAL

- 4.1 **Current Position and options considered:** the Council seeks external funding to supplement its own resources and enable enhanced delivery of its objectives. The alternative options to submitting these fundings bids would be (i) to fund projects using only the Council's own funds, which would limit delivery capacity and increase costs and (ii) to not deliver the projects, which would be inconsistent with the Council's climate policy commitments.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The recommendations in this report align with Corporate Plan priorities as follows:
 - **Healthy Environment:** the funding bids described will help deliver the Council's ambitions to become a 'net zero carbon' organisation by 2030, as part of the wider ambition set out in the corporate plan of a carbon neutral Reading by 2030.
 - **Thriving Communities:** the funding bids described will help deliver the Council's ambitions for Reading's communities to be protected from the worst impacts of a changing climate.

- Inclusive Economy: the funding bids described will help deliver the Council's ambitions for development of Reading's 'low carbon economy' by stimulating demand for low carbon goods and services.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers), endorsed the Reading Climate Emergency Strategy 2020-25 in November 2020 and adopted a new corporate Carbon Plan 2020-25 also in November 2020. The funding bids summarised in this report would enable delivery of Climate Strategy and Carbon Plan objectives at lower cost to the Council. Whilst the recommendations in this report do not in and of themselves have environmental or climate implications, they relate to projects which have been previously assessed in the context of the low carbon capital programme as having a 'high net positive' impact on the environment and climate.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way". The Council's low carbon capital programme, to which this report relates, was the subject of public consultation as part of the budget setting process.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 An Equality Impact Assessment is not considered necessary for the recommendations in this report as they do not have implications for groups with protected characteristics.

9. LEGAL IMPLICATIONS

- 9.1 There are no legal implications arising from this report at this stage. Should grant offers be received, legal advice will be sought prior to acceptance of terms.

10. FINANCIAL IMPLICATIONS

- 10.1 A successful bid to the PSDS would supplement the Council's capital budget already allocated to decarbonisation. A successful bid would generate a match funding requirement for the Council as set out in paragraphs 3.2 and 3.3 which would be met from approved low carbon capital budgets.

11. BACKGROUND PAPERS

- 11.1 Reading Borough Council bid to Public Sector Decarbonisation Scheme (October 2022)
Reading Borough Council bid to Heat Network Delivery Unit (December 2022)