

Grants Determination (Cabinet) Sub Committee 6th June 2018	 TOWER HAMLETS
Report of: Ann Sutcliffe, Corporate Director, Place	Classification: Unrestricted
SME Energy Reduction Programme	

Lead Member	Councillor Rachel Blake, Deputy Mayor for Regeneration and Air Quality
Originating Officer(s)	David Esdaile, Environmental Sustainability Officer
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	8 th May 2018
Reason for Key Decision	Grant
Community Plan Theme	A Great Place to Live

Executive Summary

This programme will provide SMEs across the Borough with grants from S106 funds from the Carbon Fund to improve the energy efficiency of their premises. This will result in lower energy costs, consumption and related carbon emissions. There will be an open application process for SMEs to apply for funding that will include a window for applications to ensure SMEs across the Borough all have an equal opportunity to apply.

The budget for the programme is £220,000. The grant available will be for 50% of the project costs up to a maximum of £5,000 which will ensure at least 40 SMEs are supported.

Recommendations:

The Grants Determination Sub Committee is recommended to:

1. Approve the grant funding of £220,000 to deliver the SME Energy Reduction Programme
2. Authorise the Corporate Director Place to enter into grant agreements and make any associated decisions in order to distribute the funding

1. REASONS FOR THE DECISIONS

- 1.1 The programme will provide grants of 50% of the project costs up to £5,000 to SMEs in Tower Hamlets to complete energy reduction projects that will not only reduce energy consumption but also the associated carbon emissions. It will result in cost reductions and an increased comfort in the working environment for the SMEs. There will be an open application process for the grants, but there will be a window in which applications can be submitted to ensure all SMEs have an equal opportunity to apply.
- 1.2 A lot of SMEs do not have enough budget available to carry out energy efficiency projects due to other costs that continue to rise. Therefore by providing 50% grants it will enable SMEs to complete projects whilst ensuring they still have ownership over the project to ensure the best solutions and technologies are installed.
- 1.3 Tower Hamlets produces the third highest level of carbon dioxide emissions of the 33 Local Authorities in Greater London. There are drivers to reduce these emissions including the Borough's target of delivering a 60% reduction in emissions on 1990 levels by 2025 and the 80% reduction required under the 2008 Climate Change Act by 2050. This programme will engage with SMEs that collectively with the rest of the industrial and commercial sector are responsible for 62% of the Borough's emissions.
- 1.4 S106 money from the Carbon Fund needs to spend funds on programmes that will reduce carbon emissions in the Borough. This is a key programme that will reduce carbon emissions across the Borough.

2. ALTERNATIVE OPTIONS

- 2.1 The only other funding available are grants from the Carbon Trust's Green Business Fund. However this fund only provides grants of up to 15% of project costs and you have to use a supplier approved by the Carbon Trust. This means SMEs are not able to use local suppliers and may not be able to get best value for money as they are restricted by which suppliers they can use. This is why we are creating a programme that provides better support and gives SMEs the opportunity to procure the products that are right for them and achieves best value for the SME.

3. DETAILS OF THE REPORT

- 3.1 The programme will provide funding to SMEs in Tower Hamlets to complete energy reduction retrofit projects that will not only reduce energy consumption but also the associated carbon emissions and costs. There will be an open application process for SMEs to apply for a grant and applications will be accepted in a window of six weeks to ensure SMEs have the same opportunity to apply for a grant.

- 3.2 The budget being applied for this programme is £220,000. £200,000 of this is for the delivery of grants which will support at least 40 SMEs.
- 3.3 The limit for a grant is for 50% of the project costs up to £5,000. This is to ensure that we provide grants to as many SMEs as possible. It will also mean that SMEs will still have ownership over the project by having to provide 50% of the costs and will ensure that the most suitable technologies and the best value for money is sought for each project.
- 3.4 Grants are available to any SME in the Borough that meet the following criteria
- No more than 250 employees;
 - Annual turnover not in excess of £25m;
 - And are not more than 25% owned by an entity which does not meet the criteria.
 - The premises where the measures will be installed must be in Tower Hamlets.
- 3.5 To ensure fairness to all SMEs there will be a window for applications to be submitted. This window will be open for 6 weeks. Once this window has closed the applications will be assessed to ensure they will achieve the objectives of reducing carbon emissions and achieve good value for money. If there are more applications for grants than available those projects that will achieve the highest percentage carbon saving based on the emissions of the technology being replaced, their value for money for the carbon saving and the return on investment of the project will be given preference. This ensures the programme achieves the maximum carbon reduction possible whilst also making it fair for all SMEs that want to submit an application.
- 3.6 The following projects will be eligible for funding from the programme;
- Energy reduction projects such as lighting and heating upgrades, insulation and more efficient machinery.
 - Renewable technologies.
 - Any other project which will result in significant energy reduction will be considered.
- 3.7 It will be ensured by the Sustainable Development Team that no funding will be released for any project until sufficient evidence that the agreed project has been completed and the SME has received an invoice for the works.
- 3.8 The projects are to be delivered by a supplier that the SME will procure. This ensures that each SME will be able to procure the supplier that meets the criteria of their project as each project will be unique to that SME.
- 3.9 Until applications are submitted it is difficult to estimate what the total carbon savings of the programme will be. However as a guide lighting upgrades can achieve savings of up to 60% whereas heating improvements will achieve savings of around 20%.

- 3.10 The decisions on awarding funding to SMEs will follow the process set out in the Carbon Offsetting Solutions Study that was adopted by Cabinet in January 2016. This will be made at minuted selection panel meeting which will assess and decide on each application on the criteria set above and below. This panel will decide which projects to allocate funding to. The 3 key criteria for the allocation of funds will be:
1. CARBON: carbon savings and their associated cost efficiency;
 2. ADDITIONALITY: it is essential that carbon savings are truly additional and would not happen without funding.
 3. COMMUNITY BENEFITS: other benefits for the community beyond carbon (e.g. fuel poverty, job creation, improved community facilities, etc.) will be seen as a plus by the Council.
- 3.11 All projects that are delivered through the award of funding from this programme will be the responsibility of the SME. Should any maintenance or costs be incurred at a later date on the technologies installed then that cost will be the responsibility of the SME.
- 3.12 The proposals are in accordance with the Carbon Offsetting Solutions Study approved at Cabinet in January 2016 which was developed to ensure clarity on how funds secured through S106 carbon offsetting finances will be allocated, and to provide transparency in the identification of projects to be delivered.

4. EQUALITIES IMPLICATIONS

- 4.1 An Equality Analysis Quality Assurance checklist has been completed for the programme to address equality implications arising from the proposal.
- 4.2 As a result of performing the checklist the programme does not appear to have any adverse effects on people who share Protected Characteristics and no further actions are recommended.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 At its meeting on 6th March 2018, the Infrastructure Delivery Board (IDB) approved the allocation of £220,000 of Section 106 resources from the Carbon Offset Fund to finance an Energy Reduction Programme for SMEs within the borough. The programme incorporates a total grant provision of £200,000 with an additional 10% (£20,000) allocated to finance programme management costs.
- 6.2 Under the terms of two specific Section 106 agreements (PA/14/00944 – South Quay Plaza, 183-189 Marsh Wall and PA/16/010260 – 1 Greenwich View Place) the Council will receive staged Carbon Offsetting contributions totalling £591,750. To date £456,300 of payments have been received of which the IDB has approved the allocation of £220,000 to finance this programme.
- 6.3 As the proposal relates to the establishment of a grant scheme to fund external bodies it requires the approval of the Grants Determination Sub-Committee in accordance with the Council's decision making framework.
- 6.4 All qualifying SMEs within the borough (see paragraph 3.4) will be able to bid for a maximum amount of £5,000 of grant funding to finance 50% of project costs, meaning that at least 40 SMEs will be involved in this scheme. Projects undertaken using this funding will reduce energy consumption and carbon emissions and should lead to reduced energy costs for the SME involved.
- 6.5 As outlined in paragraph 3.10, decisions about awarding funding from the programme will follow the process set out in the Carbon Offsetting Solutions Study adopted by the Mayor in Cabinet on 5th January 2016, based on (1) carbon savings, (2) additionality and (3) community benefits.
- 6.6 All projects that are delivered through funding from this programme will be the responsibility of the SME receiving the grant funding, as will any maintenance costs that may arise at a later date (paragraph 3.11).
- 6.7 This is a capital project and as such it must be incorporated into the capital programme. Approval for the adoption of the necessary capital estimate will be provided via Corporate Director's delegated authority.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the legal power to make grants of this sort. However, in doing so the Council must ensure that funds are distributed fairly and also represent Best Value in accordance with the law.
- 7.2 The panel when meeting should have a predetermined methodology which it uses to apply the criteria stated in the report to each application. The methodology must not intrinsically favour any particular person or organisation. The criteria themselves are in the public domain which allows

for a transparent process although this should be restated as part of the application pack.

- 7.3 The delivery of each grant agreement needs to be monitored in order to ensure that the money is used in the way for which it is given. This will assist the demonstration of Best Value achievement.
- 7.4 Each application should also be assessed on the basis of equality impact. It is unlikely that any application would require consultation in order for the Council to fully understand the impact of each scheme. However, the Council should ensure that it complies with its Equality Duty under the law in making each grant.
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

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