

Grants Scrutiny Sub-Committee 3rd July 2017	 TOWER HAMLETS
Report of: Corporate Director, Place	Classification: Unrestricted
Schools Energy Retrofit Programme	

Lead Member	Councillor Rachel Blake, Cabinet Member for Strategic Development & Waste
Originating Officer(s)	David Esdaile, Environmental Sustainability Officer
Wards affected	All wards
Key Decision?	No
Community Plan Theme	A Great Place to Live

Executive Summary

This programme will support schools across the Borough with 100% funding from S106 funds from the Carbon Offset Fund to reduce energy consumption and resulting carbon dioxide emissions. The programme will see funding provided to install energy efficient measures into schools that will reduce their energy consumption, carbon emissions and costs. There will be an open application process for schools to apply for funding for retrofit projects.

The budget for the project is £240,000. As this is a pilot project for working with schools to proactively complete retrofit projects we have selected a budget that will support 8-10 schools. The maximum amount available for each school is £30,000 to ensure at least 8 schools are supported.

Recommendations:

The Grants Scrutiny Sub Committee is Recommended to:

To consider and comment on the recommendation to Grants Determination Sub Committee which is recommended to:

1. Approve the grant funding of £240,000 to deliver the Schools Energy Retrofit Programme.

1. REASONS FOR THE DECISIONS

- 1.1 The project will provide funding to schools in Tower Hamlets to complete energy reduction retrofit projects that will not only reduce energy consumption but also the associated carbon emissions and result in cost reduction and an increased comfort and working environment within the schools. There will be an open application process for schools to apply for funding for retrofit projects. Most schools have little or no budget available to fund such projects and need funding support to carry out these works as they would not otherwise happen
- 1.2 Tower Hamlets produces the third highest level of total carbon dioxide emissions of the 33 Local Authorities in Greater London. There are significant drivers to reduce carbon emissions, including the Borough's target of delivering a 60 per cent reduction in CO2 by 2025, and the 80% reduction required under the 2008 Climate Change Act by 2050. This project will engage with schools that are among the higher emitters in the Borough and work to cut their carbon emissions.
- 1.3 S106 money from the Carbon Offset Fund needs to spend funds on projects that will reduce carbon emissions in the Borough. This is part of a pilot series of projects to reduce carbon emissions across the Borough.

2. ALTERNATIVE OPTIONS

- 2.1 Not to award the grants.

3. DETAILS OF REPORT

- 3.1 The project will provide funding to schools in Tower Hamlets to complete energy reduction retrofit projects that will not only reduce energy consumption but also the associated carbon emissions and result in cost reduction and an increased comfort within schools. There will be an open application process for schools to apply for funding for energy reduction retrofit projects. Most schools have little or no budget available to fund such projects and need funding support to carry out these works as they would not otherwise happen.
- 3.2 The budget being applied for this programme is £240,000. Reviewing previous projects that have been completed in schools we believe this budget will be able to support 8-10 schools.
- 3.3 The limit for an application is £30,000. This is to ensure that at least 8 schools receive funding and some projects will be smaller meaning 8-10 schools should receive funding.
- 3.4 The funding is available to all schools in the Borough, including Voluntary-aided schools, free schools, academies as well as the schools owned by the Council. By making the funding available to all schools it ensures all carbon

reduction opportunities will be considered and allow the funding to achieve the highest carbon reduction possible.

- 3.5 To ensure fairness to smaller schools that may not have the resources of bigger schools to submit an application quickly, there will be a window for schools to submit an expression of interest in funding for a project. This expression of interest will allow schools to submit an outline of what they would like to do without having to put together lots of technical information. Once this window has closed the expression of interests will be assessed and 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 and the Sustainable Development Team will work with schools that need support to submit a full application. This ensures the programme achieves the maximum carbon reduction possible whilst also making it fair for all schools that want to submit an application.
- 3.6 Through the programme we anticipate to install the following energy efficiency technologies:
- Lighting upgrades
 - Air conditioning improvements
 - Building Management Systems
 - Controls
 - Heating projects
 - Insulation
- 3.7 It will be ensured by the Sustainable Development Team that no funding will be released to any school for any of the proposed projects until sufficient evidence has been provided that the project will achieve an acceptable carbon reduction. This will involve schools completing a Carbon Offsetting Proforma to identify how the project will result in a reduction of carbon emissions. This will ensure that the fund will not be used for maintenance projects that have no energy or carbon reduction benefit as support for these types of projects is available from Children's Services Capital Programme.
- 3.8 The projects are to be delivered by a supplier that the school will procure. This will ensure that each school will be able to procure the supplier that meets the criteria of their project as each project will involve the installation of different energy efficient technologies. Schools will be encouraged to use suppliers based in Tower Hamlets where possible as in line with the Council's procurement policy. However if schools would like to use the Council's capital programme contract to complete their project then they are able to do so. As Voluntary-aided schools, free schools and academies are not under any jurisdiction from the Council they will have to procure their own projects.
- 3.9 An example of energy and carbon savings from this project is set out below. Preliminary analysis has been carried out on a proposed project from a school who are looking to replace their lighting for a more efficient system. This gives an example of the savings that should be achieved from the schools who

receive funding for retrofit projects. Obviously more accurate data will not be known until project applications have been received.

Figure 3.1 Example of proposed energy reduction projects and anticipated savings

Project 1

School's Electric Consumption 2015/16 = 280,162 kWh

This means the school consumes 74 kWh of electricity per metre square which is over double what you would expect for a building like this and is why they have a Display Energy certificate rating of an E.

If the school was to replace it's lighting with LED lighting it would reduce its electric consumption by approximately 60%;

A 60% reduction on 280,162 kWh is 168,097 kWh which is equivalent to 69 tonnes of carbon emissions.

- 3.10 Until projects are developed it is difficult to know what the total carbon savings from the project will be. As shown in the example in Figure 3.1 lighting improvements will reduce electric consumption by around 60%. As each school has varying consumption it is difficult to put a monetary or carbon reduction figure on the programme. However it is hoped that each project would at least see energy consumption reductions of 20%. There is an aspiration that the programme will achieve total carbon savings of between 300 to 400 tonnes of carbon.
- 3.12 The selection of projects will be based on the schools applying through a Carbon Offsetting proforma and following the below process.
1. Schools to complete and submit an expression of interest and supporting evidence in a 3 week window.
 2. Applications are assessed by the Sustainable Development Team in consultation with Children's Services. Projects that will achieve the highest carbon reduction based on the old technology being replaced, their value for money for the carbon saving and the return on investment of the project will be supported to complete a full application to go before the Selection Panel.
 3. The Selection Panel will assess and decide on applications.
 4. A visit to the school will be carried out to ensure project is as described and will achieve the carbon savings that have been submitted in the application.
 5. Delivery time scales will be agreed with schools and when the funding will be released to them.
 6. School to submit evidence that the project has been completed and costs paid as per the approved application.
 7. Projects will be monitored 12 months after completion to ensure projected savings are being achieved. For most schools this will be

straightforward as many schools are on the Council energy contract and we have access to their consumption data. For the schools that are not they will be required to provide utility bills to allow monitoring to be completed.

8. If there is funding still available after the initial application window then schools will be invited again to submit applications.
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- 3.13 No particular type of project or energy efficient technology will be prioritised as the aim of this programme is to reduce carbon emissions by any means that is appropriate. However larger infrastructure projects or projects that are maintenance projects rather than about proactive energy reduction will not be considered. Any projects of this nature should engage with Children Services and their Capital Delivery Programme.
 - 3.14 The decisions on awarding funding to schools 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. The Panel will be made up of the Sustainable Development Service Manager, representative(s) from Children's Services, Sustainable Development Team Leader and the Environmental Sustainability Officer. 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.
 - 3.15 All projects that are delivered through the award of funding from this programme will be the responsibility of the School. Should any maintenance or costs be incurred at a later date on the technologies installed then that cost will be the responsibility of the school.
 - 3.16 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. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report asks the Grants Determination sub-Committee to approve grant funding of £240,000 to deliver a Schools Energy Retrofit Programme. This funding will be provided from s106 resources within the Carbon Offset Fund; these s106 resources must be spent on projects that will reduce carbon emissions within the Borough.

- 4.2 All schools within the Borough will be able to bid for a maximum amount of £30,000 of grant funding, meaning that at least eight schools will be involved in this pilot scheme. Energy retrofit projects undertaken by schools within the Borough using this funding will reduce energy consumption, carbon emissions and ultimately should lead to reduced energy costs for the schools involved.
- 4.3 As outlined in 3.14, decisions about awarding funding to schools will follow the process set out in the Carbon Offsetting Solutions Study adopted by Cabinet in January 2016, based on (1) carbon savings, (2) additionality and (3) community benefits.
- 4.4 As outlined in 3.15 all projects that are delivered through funding from this programme will be the responsibility of the school receiving the grant funding, and any maintenance costs that may arise at a later date will be the responsibility of the school.

5. LEGAL COMMENTS

- 5.1 Whilst there is no strict legal definition of grant, a grant is in the nature of a gift and is based in trust law. However, grants are often given for a purpose so it is sometimes unclear whether a grant has been made or the arrangement is a contract for services.
- 5.2 There will be many grants which are made by the Council for the purpose of discharging one of its statutory duties. However, as a grant is in the nature of a gift, it is considered there must be some element of discretion on the part of the Council as grantor as to whom a grant is made to and whether this is made. If the Council is under a legal duty to provide a payment to a specific individual or organisation, and cannot lawfully elect not to make such a payment, then that should not amount to a grant.
- 5.3 In this case, whilst the section 106 agreement specifies what the contribution is to be spent on, it is not specific to schools and the Council is therefore not under a legal duty to make the payments to the chosen schools. The payment is therefore discretionary and a grant.
- 5.4 There is a need to ensure that the Council has the power to make the grants in question. In that regard, the proposed grants are supported by the Council's general power of competence. Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes.
- 5.5 When considering whether to approve the grant, consideration should be given to the arrangements in place to ensure that the power that is exercised is consistent with its best value arrangements. The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy,

efficiency and effectiveness” (the Best Value Duty). Paragraph 7 below considers this in further detail.

- 5.6 When implementing the scheme, the Council must ensure that no part of the funds issued represents a profit element to any of the recipients. The inclusion of profit or the opportunity of making a profit from the grant or third parties indicates that the grant is really procurement activity and would otherwise be subject to the Council’s Procurement Procedures and other appropriate domestic and European law. This would mean therefore, that the Council would have failed to abide by the appropriate internal procedures and external law applicable to such purchases.
- 5.7 When making grants decisions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). A proportionate level of equality analysis is required to discharge the duty and information relevant to this is contained in the One Tower Hamlets Considerations section of the report

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The programme will help to contribute to the community plan objective of ‘a great place to live’. This programme will make Tower Hamlets ‘greener’ by reducing CO2 emissions and it will also improve buildings that are not only used as schools but also used by the community.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 This proposal will provide S106 funding from the Carbon Offset Fund to achieve carbon emission reductions that it has been set up to achieve. The open application nature of the programme and the assessment of applications will ensure that projects that achieve the highest carbon reductions for the best value of money will be approved meaning that the maximum carbon reductions possible will be achieved whilst achieving best value from the Carbon Offset Fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 Tower Hamlets produces the third highest level of total carbon emissions of the 33 Local Authorities in Greater London. The proposals will contribute to delivering CO2 emission reductions in the Borough as well as reducing fuel costs for schools and improving the working environment in these schools.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 It will be ensured that no funding will be released to any school for any of the proposed projects until sufficient evidence has been provided that the project will achieve an acceptable carbon reduction. This will involve schools providing evidence to identify how the project will result in a reduction of

carbon emissions. This will ensure that the fund will not be used for maintenance projects that have no energy or carbon reduction outcomes.

- 9.2 The funding for the projects will be released to the schools and not the contractor who complete the works. This is to ensure that projects are completed to the satisfaction of the school before any money is paid.
- 9.3 All projects that are delivered through the award of funding from this programme will be the responsibility of the School. Should any maintenance costs be incurred at a later date then that cost will be the responsibility of the school.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no crime and disorder implications.

11. SAFEGUARDING IMPLICATIONS

- 11.1 There are no safeguarding implications.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

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

- NONE

Officer contact details for documents:

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