


Cabinet 24 June 2020	 TOWER HAMLETS
Report of: Ann Sutcliffe, Corporate Director, Place	Classification: Unrestricted
SME Energy Improvement Grants Programme – Phase 2	

Lead Member	Councillor Asma Islam, Cabinet Member for Environment and Public Realm (Leading on Environment)
Originating Officer(s)	David Esdaile, Environmental Sustainability Officer
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	26 th May 2020
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	A borough that our residents are proud of and love to live in A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough.

Executive Summary

This is the second phase of this programme which provides SMEs across the Borough with grants from the Carbon Fund to improve the energy efficiency of their premises. This will result in lower energy costs, consumption and related carbon emissions.

The budget for the programme is £225,000. 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.

As this item is seeking approval for providing delegated authority to Officers to provide grants to SMEs the approval of the Cabinet is required as the Grants Determination Sub-Committee is currently postponed.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the grant funding of £225,000 to deliver the SME Energy

Reduction Programme – Phase 2.

2. Authorise the Corporate Director Place to enter into grant agreements and make any associated decisions in order to distribute the funding in accordance with this report.
3. Authorise the Corporate Director Place to nominate a Council officer or officers as the Corporate Director Place shall determine to sign on behalf of the Council any grant agreements and or offer letters necessary for the fulfilment of this scheme.

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.
- 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 This programme can be a key part of a green recovery following the COVID19 pandemic. The grants from the programme will help SMEs to futureproof their premises by ensuring that they are installing the most energy efficient technologies that will reduce their carbon emissions whilst also helping their business grow by making them more attractive and reducing their energy costs.
- 1.4 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 becoming a Net Zero Carbon Borough by 2050 or earlier if possible. 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.
- 1.5 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 must 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. Therefore, 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.
- 3.2 The budget being applied for this programme is £225,000. This budget will allow at least 40 SMEs to receive a grant.
- 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 4 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 apply.
- 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 To ensure applications are accurate a pre-verification visit is carried out to each SME once their application has been submitted to ensure that the current installation within the premises is as described and that the proposed project will achieve the desired outcome.
- 3.8 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. This includes a verification visit being carried out to ensure the works are completed as per the application form and the submitted invoice.
- 3.9 Due to the current COVID19 lockdown restrictions members of the Sustainable Development Team are currently working from home permanently and therefore the pre-verification and verification visits can not be carried out in person. Instead SMEs will be required to submit photos showing the premises before the works, during the works and of the completed installed works. This method was used to allow SMEs to receive their grants in Phase 1 of the programme after the lockdown restrictions came into place and it was successful in ensuring works were completed per the application and submitted invoice.
- 3.10 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.
- 3.11 The first phase of the programme has achieved the following savings to date;
- 42 SMEs awarded grants with funding available for at least a further 2.
 - £181,600 worth of grant funding applied for which have supported projects totalling £451,100. This means overall grants have paid on average 40% towards projects.
 - Projected carbon emission savings of 144 tonnes this is being achieved at £1,261 a tonne which is below our carbon offset price of £1,600 a tonne.
 - Although lighting upgrades are the most popular project grants have also funded solar panels, new heating/cooling systems, lighting controls, insulation and equipment upgrades.

It is anticipated that the second phase of the programme will achieve similar results.

- 3.12 Below is a case study of a completed project from Phase 1 of the programme.

Case Study – River Habitat Estate Agents

River Habitat Estate Agents are located on Commercial Road in Limehouse. They wanted to install solar panels on the roof of their office so that they could start generating some of their own electricity and reduce their reliance on the grid. There was a significant cost to carrying out this project. So River Habitat applied for a grant from the SME Energy Improvement Grants Programme.

River Habitat completed the application form and the application was

assessed by a Grants Panel who approved the application to provide a grant of £4,005. After securing the necessary planning permission to install the panels on the roof the project went ahead, and the panels were installed.

River Habitat are happy with the completed project which saw 11 panels installed which will now generate electricity for the office and will reduce their demand for electricity from the grid. It is projected that the project will reduce the electricity demand of the office by 2,638 kWh a year which is a carbon emission reduction of 1.5tCO₂.

As part of the installation River Habitat have access to a portal which monitors the performance of the panels. This shows you how much energy is being produced that day, month and over its lifetime. The portal also allows you to see how much energy each individual panel is producing. This will allow for effective monitoring to ensure that the panels are performing as expected.

River Habitat are happy with the completed project and the support of the grant from the SME Energy Improvement Grants Programme as it would have not been possible without the support of the grant.

- 3.13 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 a 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.
- 3.14 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.
- 3.15 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.
 - Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report is seeking approval to provide funding to SME's in Tower Hamlets to complete energy reduction retrofit projects that will not only reduce energy consumption but also the associated carbon emissions and costs.
- 6.2 SME's can apply for grant funding for up to 50% of the project cost, with a maximum grant payable of £5,000 for each project. This represents the second phase of the energy improvement grant programme for which the Council is providing funding of £225,000 to fund about 40 separate projects.
- 6.3 This funding is coming from s106 money from the carbon fund which must be used to fund projects that will reduce carbon emissions in the Borough. The grant programme will therefore not directly impact on the revenue budget of the Council.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the legal power to make grants of the variety and for the purposes detailed in this report.
- 7.2 The Council is subject to the legal Best Value Duty. For the purposes of these grants this means that the Council needs to ensure that applicants state the purposes for which the grant is intended and then monitor that the grant is used only for those purposes.

- 7.3 The Best Value Duty will be assisted through the application procedure and subjecting each application to the assessment criteria in the minuted meeting. This should ensure that the most meritorious applications receive the funding.
- 7.4 The Council should also monitor that the carbon savings are achieved as part of the purpose of the grant
- 7.5 The Council's monitoring duties will be assisted by having a simple agreement in place making the responsibilities of the Grant recipient clear which will also assist in ensuring that the Best Value obligations of the Council are met through the grant.
- 7.6 There are no direct legal implications arising from the Equality Act 2010 from these grants
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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

Officer contact details for documents:

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