

<p>Grants Determination Sub Committee Decision</p> <p>21st April 2021</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Ann Sutcliffe, Corporate Director, Place</p>	<p>Classification: Unrestricted</p>
<p>SME Energy Improvement Grants Programme 2021</p>	

Lead Member	Councillor Asma Islam, Cabinet Member for Environment and Public Realm (Job Share) – Lead on Environment
Originating Officer(s)	Abdul J Khan, Service Manager – Energy Sustainability & Private Sector Housing David Esdaile, Environmental Sustainability Officer
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	15 th March 2021
Reason for Key Decision	
Community Plan Theme	A great place to live

Executive Summary

Following the success of the second phase of the SME Energy Improvement Grants Programme we are now seeking approval to run another phase of the programme. The budget for the programme is £400,000. Following feedback and looking at trying to drive carbon emissions lower it is being proposed that changes are made to how this programme operates for this phase.

Firstly, we are proposing to provide 50% grants up to £10,000 to SMEs who carry out heat decarbonisation and renewable energy projects. We will continue to provide 50% funding up to £5,000 to SMEs for all other retrofit projects that see the installation of energy efficient technologies such as lighting upgrades and more efficient machinery.

Recommendations:

The Grants Determination Sub Committee is recommended to:

1. Approve the grant funding of £400,000 to deliver the SME Energy Reduction Programme 2021.

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 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 fourth 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 57% 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 There are currently no other grant programmes available to SMEs to support energy retrofit projects. Therefore, we are creating a programme that provides support to SMEs.

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 energy costs.
- 3.2 The budget being applied for this programme is £400,000. £360,000 of this is for the delivery of grants.
- 3.3 The Programme will have two grant streams. Firstly, 50% grants up to £10,000 will be available to SMEs who carry out heat decarbonisation and renewable energy projects. These are projects that replace gas boilers with a heat pump or a low carbon heating source and installing renewable technologies such as Solar PV.
- 3.4 As with the previous phases of the programme it will continue to provide 50% funding up to £5,000 to SMEs for all other projects that see the installation of energy efficient technologies such as lighting upgrades and more efficient machinery.
- 3.5 The reason for the higher grants for the heat decarbonisation and renewable energy projects is due to the higher cost of these measures. To encourage SMEs to take up these measures we are providing up to £10,000 so that we can provide up to 50% of the costs of these projects as they have an average cost of between £15,000 - £20,000. So, a £5,000 grant would not provide sufficient support to allow SMEs to install these measures.
- 3.6 The limit for a grant is for 50% of the project costs up to £10,000 or £5,000 depending on the funding stream. 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.
- 3.7 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.
- 3.8 There will be a window for applications when the programme commences so that all SMEs have an equal opportunity to apply in case there is a high demand for grants. The application window will be for 4 weeks as those looking at carrying out heating and renewable projects will need longer to put together their application.
- 3.9 The following projects will be eligible for funding from the programme;

- Energy reduction projects such as lighting, heat decarbonisation, insulation and more efficient machinery.
 - Renewable technologies.
 - Any other project which will result in significant energy reduction will be considered.
- 3.10 Gas boilers will not be eligible for funding. This is because the programme has a funding stream dedicated to decarbonising heat. Therefore, funding gas boilers would not be in line with this.
- 3.11 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.
- 3.12 It will be ensured by the Sustainable Development Team that no funding will be released for any project until there is 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.
- 3.13 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 cannot 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 Phases 1&2 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.
- 3.14 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.
- 3.15 The first two phases of the programme have achieved the following to date;
- 87 SMEs awarded grants.
 - £403,621 of grant funding awarded which have supported projects totalling £932,654. This means overall grants have paid on average 43% towards projects.
 - Projected carbon emission savings of 250 tonnes this is being achieved at £1,614 a tonne which is below our carbon offset price of £2,850 a tonne.
- 3.16 Below is a case study of a completed project.

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.

- 3.17 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.
- 3.18 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.
- 3.19 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% and a maximum of £10,000 to carry out heat decarbonisation and renewable energy projects and 50% funding up to £5,000 for all other retrofit projects that see the installation of energy efficient technologies such as lighting upgrades and more efficient machinery. This represents the third phase of the energy improvement grant programme for which the Council is providing funding of £400,000.
- 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. In total £5.120m of s106 money has been ringfenced within the carbon fund. The approval of this scheme would take spend against this fund to £3.976m

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the legal power to make the grants referred to in this report.

- 7.2 The Council will continue to apply the same pre-published evaluation criteria to the allocation of the grant. This will ensure that the grant funds are both distributed fairly and the merits of each scheme are evaluated to assist with the demonstration of Best Value.
- 7.3 Each grant will be supported by a grant agreement which allows the Council to evaluate the use of the grant money and to ensure that it is used for the purposes stated in the application. This also assists the Council to demonstrate compliance with its Best Value duty.
- 7.4 There are no legal implications arising from the Equality Act 2010 under this report
-

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:

David Esdaile
Environmental Sustainability Officer
0207 364 6649