



Report to Policy Committee

Author/Lead Officer of Report: Kathryn Warrington, Sustainability Programme Officer

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Report of: Kate Martin, Executive Director, City Futures

Report to: Transport, Regeneration and Climate

Date of Decision: 24th November 2022

Subject: **Local renewable energy fund**

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given?	1274			
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

Following the approval of a capital budget amendment of £3.5m for the installation of renewable energy and energy efficiency works on Council buildings, this paper seeks approval of the proposed scope of the programme, to include £33k match funding contributions towards two Heat Network Delivery Unit grant applications, the use of funds as development costs to pilot a community energy project and to approve the process for business case approval of individual programme elements.

Recommendations:

That the Transport, Regeneration and Climate Policy Committee:

- i) Approve the proposed programme scope.
- ii) Approve the allocation of £33k as match funding contributions to two Heat Network Delivery Unit grant funding applications.
- iii) Approve the use of this funding allocation for any development costs required for the pilot of a community energy project on a Council owned building.
- iv) Approve the principle that individual schemes within the programme scope can be submitted directly for financial approval within the capital approval process.

Background Papers:

[Council Meeting, 2nd March 2022 – Revenue Budget and Capital Programme 2022/23](#)

Lead Officer to complete:-						
1	<table border="1"> <tr> <td rowspan="4">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td> <td>Finance: Damien Watkinson and Kerry Darlow</td> </tr> <tr> <td>Legal: David Sellars and Nadine Wynter</td> </tr> <tr> <td>Equalities & Consultation: Ed Sexton</td> </tr> <tr> <td>Climate: Kathryn Warrington</td> </tr> </table>	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Damien Watkinson and Kerry Darlow	Legal: David Sellars and Nadine Wynter	Equalities & Consultation: Ed Sexton	Climate: Kathryn Warrington
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	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>					
2	<table border="1"> <tr> <td>SLB member who approved submission:</td> <td>Kate Martin</td> </tr> </table>	SLB member who approved submission:	Kate Martin			
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Lead Officer Name: Kathryn Warrington	Job Title: Sustainability Programme Officer					

Date: 14 November 2022

1. PROPOSAL

1.1 Background

In 2019, the Council declared a Climate Emergency and subsequently set a target for city wide emissions to be net zero by 2030. Following the production of the Zero Carbon Mitigation Pathways for reducing both city wide emissions and emissions from the Council's own estate and operations by 2030, the Council adopted its 10 Point Plan for climate action in March 2022. Within which was a commitment to use the Council's land and properties to meet net zero ambitions, including through the identification of opportunities for renewable energy generation on its buildings.

Whilst there is no legal duty currently placed on Local Authorities to set carbon reduction targets, the Climate Change Act sets a legally binding target of reaching net zero by 2050 and it is acknowledged that Local Authorities have the duty and powers to lead their areas in climate mitigation. By declaring a Climate Emergency in 2019 and setting a 2030 net zero target, the Council has set its ambition to achieve net zero ahead of the UK.

At Full Council on 2nd March 2022, a budget motion and list of amendments was received, amongst which was the inclusion of £3.5m for local renewable energy on Council buildings, especially community hubs such as schools, libraries, community centres and potentially council owned housing. The funding also sought to;

- Instigate supply chain, low carbon business and skills opportunities in the local economy
- Assess the feasibility of heat storage opportunities for the heat network
- Lever in additional grant funding.

1.2 Programme scope

Discussions have taken place with FM, Property, CDS, Housing, Leisure and Education to develop a scope for the local renewable energy programme, which has been agreed by City Futures and Operational Services PLT. The initial scope, summarised in the below table, takes into consideration that the Accommodation Strategy Review has not yet concluded and therefore there is uncertainty around the Council's future estate. As such, priority will be given to those buildings where there is increased certainty that they will remain in council ownership or delivering public services. This will result in a phased approach to programme delivery until the outcome of the Accommodation Strategy Review is known.

Building type	Additional information
Maintained school	Any measures would be installed to the school at no cost to them and they would benefit from the energy generation free of charge, helping to reduce energy costs.
Libraries	<p>If operated by the Council, the Council would retain all financial benefits of any energy cost reductions.</p> <p>Where leased out to a community group, any heat or power is to be sold via a Power / Heat Purchase Agreement. This will be at a rate lower than current energy prices and therefore the community group benefit from energy cost savings/</p>
Leisure Centres	As above
Commercial let estate	<p>Consideration to be given to sites that have an EPC rating of E, F and G to address Minimum Energy Efficiency Standards compliance.</p> <p>Any renewable energy generated would be sold to the user through a Power / Heat Purchase Agreement.</p>
New housing sites	Where this funding may provide additionality above and beyond Building Regulations, options to include renewable energy systems on new housing developments will be considered, particularly where it will help address fuel poverty concerns.
Existing housing with communal areas	On housing buildings with communal areas, options to include renewable energy systems that will reduce the energy usage and operating costs of the communal areas, thereby reducing service charges to tenants and leaseholders where applicable, will also be considered.
Capital programmes	The funding will be considered for the existing capital programme where new build or refurbishment schemes have not included for renewables due to upfront

	capital constraints. This funding can help provide additionality to those projects.
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It is proposed that any cost savings along with any income from power or heat sold through a Power / Heat Purchase Agreement on the non-school estate, will be ringfenced to cover on-going maintenance costs with any surplus being reinvested in further energy efficiency and renewable energy projects.

Retrofitting renewables on existing council housing using this funding has been excluded from scope as there is not sufficient allocation to ensure a fair programme of work to maximise the benefits to council tenants.

The funding is technology agnostic and will consider a range of building archetypes and technologies, aiming to be innovative in the use of the funding where appropriate.

All projects will be subject to full feasibility and business case development.

1.3 Community Energy – pilot

The 10 Point Plan for climate action also set a commitment to increase the amount of community owned energy in the city. The Council is exploring the opportunity to pilot a community owned energy project on a Council owned building. It is proposed that this funding allocation is used to meet any necessary feasibility and due diligence costs to enable a pilot of a community energy project.

1.4 Heat Network Delivery Unit funding

One of the objectives of this funding was to lever in additional grant funding. The Heat Network Delivery Unit (HNDU) was established in 2013 to support local authorities in developing heat networks by providing funding to help identify opportunities for heat networks, feasibility, and detailed project development.

An application to the 12th round of HNDU funding has been submitted for a techno-economic feasibility study looking at the densification and expansion of the Blackburn Meadows biomass CHP heat network, which will also look at the opportunities for harnessing waste heat sources.

The grant applied for totals £100k, with a match funding requirement of £16.5k, which is recommended to be met from this funding allocation.

A further HNDU application is currently being developed for techno-economic feasibility funding to assess the feasibility of extending the Veolia heat network, assessing opportunities for the inclusion of local

waste heat sources and heat storage opportunities. This bid will be submitted to the next HNDU submission deadline in December 2022. Again, the study costs being applied for are £100k, with a match funding requirement of £16.5k, which is recommended to be met from this funding allocation.

1.5 **Decision making**

The proposed scope of the programme cuts across all Council portfolios and several Policy Committees. It is therefore recommended that following agreement of the programme scope, site specific business cases and requests to draw down funding are submitted directly to Strategy and Resource Committee or the Finance Sub-Committee as part of the capital approvals process, enabling timelier project delivery than seeking approval from two or more Policy Committees.

2. **HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The Council declared a Climate Emergency in 2019 and subsequently set a target for the council and city to have net zero emissions by 2030. The Council's One Year Plan (2021/22) committed the Council to develop a 10 Point Plan for climate action, which was adopted in March 2022, reiterating its net zero by 2030 commitment. The 10 Point Plan included an action for decarbonising its own estate and operations, using its land and property for renewable energy generation opportunities.

The allocation of £3.5m capital made through the budget amendment at Full Council in March, supported the Council's commitment to decarbonisation and set out its leadership role in meeting climate mitigation targets.

More recently, the Council has adopted its Corporate Delivery Plan for 2022/23, within which the agreement of the scope of this programme and commencement of its delivery has been set as a key milestone in delivering on the Council's decarbonisation target, therefore the proposal set out in this Committee Report meets this Delivery Plan objective.

The installation of renewable energy and associated energy efficiency works on Council buildings, will deliver on the Council's decarbonisation targets and help reduce energy costs.

3. **HAS THERE BEEN ANY CONSULTATION?**

- 3.1 Consultation with key Council stakeholders has taken place, including with Property, FM, Housing, Leisure, Education, Operational Services, City Futures, Finance and Legal.

Once specific buildings have been identified, the use of the building will determine the need and level of any public and employee consultation and involvement.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

4.1.1 An initial Equalities Impact Assessment has been carried out, which confirms there are likely to be impacts on people who share different protected characteristics. A full EIA will be carried out following decision and once projects are identified. Individual EIAs will follow if needed.

4.1.2 Many of the impacts on communities and people with protected characteristics will be better known at project specific level. The full EIAs will aim to identify ways to mitigate any disproportionate impacts on geographical communities or communities of interest.

4.2 Financial and Commercial Implications

4.2.1 The funding was approved at Full Council in March 2022 and will be met by the Community Infrastructure Levy. Utilising CDS, feasibility and full business cases will be undertaken to ascertain the financial and technological viability of projects before they are committed to. Procurement of any goods and services will be in line with Financial Regulations.

There is no revenue budget identified for any abortive feasibility works.

There will be some administrative implications to establishing any schemes where power may be sold via a Power Purchase Agreement.

Consideration will need to be given to the ringfencing of any income and cost savings for future maintenance costs and further energy efficiency projects.

4.3 Legal Implications

4.3.1 As set out in the main body of the report, the Climate Change Act 2008 has set nationally legally binding targets for the reduction of greenhouse gases and within their remit, Local Authorities can help drive many of these reductions.

Each particular property will have its own set of legal implications depending on but not limited to its use, structural design and tenure. Specific property legal implications that cover all sites and circumstances will be considered as and when each project is brought through.

The drafting of terms and conditions for an appropriate Power / Heat Power Agreement will be required for each particular property as indicated in the table at paragraph 1.2 above.

4.4 Climate Implications

4.4.1 An initial Climate Impact Assessment has been undertaken, with full assessments to be undertaken once specific projects are known. The overall programme will contribute to the Council's net zero by 2030 target and once feasibility and business cases are complete, estimated carbon and cost savings will be known.

4.5 Other Implications

4.5.1 The Accommodation Strategy Review is currently underway and until that has completed, a full programme of works cannot be identified as the Council's future estate is not yet known. Long term investment in renewables will not be considered for any sites that the Council may be disposing of in the near future.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 **Scope**

Section 1.2 details options that have been excluded from the scope and the rationale for that. Other options include;

- Do nothing – this option has been rejected on the grounds that the Council would not be progressing towards its net zero by 2030 target nor demonstrating city leadership in climate mitigation.
- Invest in non-Council buildings – once relevant Council buildings have been assessed for energy efficiency and renewable energy opportunities, options to look at financing measures on non-Council buildings will be explored.

5.2 **Decision making**

The alternative decision making option would be for each Policy Committee where a project is taking place to agree the business case of the project and then approval to draw down funding is sought from Strategy and Resources Budget, which due to timescales of reporting cycles, would be a lengthier process.

6. **REASONS FOR RECOMMENDATIONS**

6.1 The proposed scope will ensure maximised cost and carbon savings for the Council, demonstrating its leadership in climate mitigation.

6.2 The recommendation to not fully finance the heat network feasibility from this funding but to use some of it as match funding to draw down

grant funding will enable more of the local renewable energy fund to be spent on capital delivery.

- 6.3 The recommendation to use some of this allocation to fund any required development costs to pilot a community energy scheme is due to a commitment in the 10 Point Plan, which sought to increase the amount of community owned energy in the city.
- 6.4 The decision making recommendation will enable the timely delivery of the local renewable energy programme.