

<b>Decision maker:</b>	<b>Cabinet member environment, economy and skills</b>
<b>Decision date:</b>	<b>Wednesday, 5 August 2020</b>
<b>Title of report:</b>	<b>Extension of ERDF Sustainable Energy in Public Buildings programme</b>
<b>Report by:</b>	<b>Marches Sustainable Energy Project Manager</b>

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

(All Wards);

## **Purpose**

To authorise acceptance of the offer by the Ministry of Housing Communities & Local Government (MHCLG) of further European Regional Development Fund (ERDF) capital and revenue funding to the council, in order to administer the Sustainable Energy in Public Buildings project covering the Marches local enterprise partnership (LEP) area on behalf of Herefordshire, Shropshire and Telford & Wrekin councils.

This funding allows public authority applicants to apply for grant funding in order to enable the installation of energy efficiency measures in public buildings.

## Recommendation(s)

That:

- (a) Subject to the bid being successful, the Assistant Director for Regulation, Environment & Waste Services is authorised to accept the ERDF funding and to implement the project in accordance with the original bid and subsequent project change request for a 3 year project extension;**
- (b) Herefordshire Council continue to act as accountable body and lead partner for the sustainable energy in public buildings project for the Marches LEP area.**

## Alternative options

- 1 Do nothing; by not accepting this funding the revenue savings and associated carbon reduction benefits to the council and partners of the sustainable energy in public buildings project would not be realised. We would therefore be reliant on ad-hoc capital loans to deliver energy retro-fit projects. Due to reductions in public sector budgets and decreased Government subsidies, this is becoming increasingly difficult.

## Key considerations

- 2 The council originally applied for and accepted ERDF funding for the Sustainable Energy in Public Buildings project in March 2016. This additional funding will continue this project which would otherwise have ended.
- 3 The Marches LEP Local Authorities: the council, Shropshire Council and Telford & Wrekin Council will continue as partners on the project with the council as acting as accountable body.
- 4 This further funding would allow public authority applicants to continue to apply for grant funding in order to enable the installation of low carbon technology measures in public buildings.
- 5 To date the project has supported installations in 17 public buildings and is estimated to have delivered annual energy and greenhouse gas savings of 1.15Gwh and 357 tonnes across the Marches against targets of 1.00Gwh and 328 tonnes CO2 equivalent respectively. In Herefordshire annual reductions of 0.2 GWh and 60 tonnes CO2e are estimated to have been achieved across 6 buildings from a mixture of solar PV and LED lighting and control installations.
- 6 Grant recipient buildings in Herefordshire under the original programme were:
  - a. Herefordshire Archive and Records Centre (HARC)
  - b. Blueschool House
  - c. No. 8 St Owen's Street
  - d. The Museum, Resource & Learning Centre
  - e. Hereford Crematorium
  - f. Leominster Multi-agency Office (MAO)

- 7 The funding has now been extended and if the bid is successful the project will now advise, fit and showcase the installation of low carbon technologies in a further estimated 20 public buildings across the Marches LEP area. Eight of these are forecast to take place in Herefordshire.
8. This will aim to achieve target reductions in annual primary energy use of 1.13 Giga Watt hours (GWh) across the Marches LEP region, which equates to around £250,000 at today's prices. It will also help to mitigate against possible future price increases and reduce annual GHG emissions by 281 tonnes carbon dioxide equivalent (CO<sub>2</sub>e).
9. It will generate circa £1,062,720 of new work for local installers supporting low carbon economic growth, skills development and jobs. All works will be procured on a building grant basis in line with EU procurement requirements, the Public Contract Regulations 2015 and the council's contract procedure rules.
10. This project will support energy efficiency refurbishments and renewable installations across Herefordshire and the wider Marches region public buildings as well as supporting the delivery of their carbon reduction and climate change strategies.
11. The council is proposing an aspirational target to be carbon neutral by 2030/31. This project would help to complement existing and future capital projects in helping to realise this. Local authorities are uniquely placed to assess the needs of their local areas and residents and to act as catalysts for change to improve the energy efficiency of, and reduce carbon emissions from buildings.
12. The project will provide grants to public building owner applicants with a focus on whole building retrofit using a mixture of renewables (solar, heat pumps etc.) LED lighting and controls as well as potentially more standard measures such as building envelope insulation. Match funding will be required at 50% for projects in Herefordshire and 40% for projects in Shropshire and Telford & Wrekin applications plus nominal revenue match contributions for each local authority partner.
13. Possible buildings currently being considered for the extended project in Herefordshire include Plough Lane offices, Hereford Town Hall, Hereford Shirehall, Hereford Leisure Centre, Leominster Leisure Centre, Widemarsh Children's Centre and Ross-on-Wye Swimming Pool.
14. Discussions with project partners have enabled a project pipeline of around 20 buildings to have been developed with further scope indicated if these are not realised, this situation will however be monitored continually through the project governance and reporting processes with other groups of buildings identified for targeting should this be required. It is envisaged that this targeting will take place via existing contacts however email, leafleting and social media could be explored in conjunction with the council Communications Team if required.
15. The project is planned to start in 2020 and run until May 2023.
16. Project governance will continue to be provided by a project steering group and board structure with all three LEP areas represented on each. Grant applications will be brought forward by partners in conjunction with the project team. They will then be formally scored by the steering group and appraised to ensure compliance. If applications meet the minimum criteria, applications will then be recommended for endorsement through the project board. Final sign-off of grant offers will be signed off by the Assistant Director for Regulation, Environment & Waste Services on recommendation from the project board in accordance with the council's constitution.

## Community impact

17. The project will contribute towards the following local and regional strategic priorities, targets and legislation:

- The Marches Local Enterprise Partnership (LEP) area identifies the low carbon economy as one of its strategic economic plan (SEP) priorities with specific activity targeted to increase the use of renewable energy, decrease energy use and promote smart energy systems. The updated SEP has the following sustainable targets:
  - o 50% renewable electricity production by 2030;
  - o 57% reduction on 1990 carbon emissions by 2032.
  
- The Marches EU Structural and Investment Funds Strategy 2014-20 (ESIF) echoes the Strategic Economic Plan and confirms the need to increase the use of renewable energy, decrease energy use and promote smart energy systems as part of the Marches ESIF Strategic Activity 'Supporting the Shift to a Low Carbon Economy' (Priority Axis 4).
  
- This project was initially proposed by and developed in close consultation with the Marches Low Carbon Task & Finish Group which was established to develop a series of proposals across the Marches to deliver each of the low carbon sub-priorities.
  
- In March 2019, Herefordshire Council unanimously declared a Climate Emergency and formally adopted commitments to lead a local response, aspiring for the county to become carbon neutral by 2030. Relevant partners, Shropshire and Telford & Wrekin Councils have also subsequently declared Climate Emergencies.
  
- The council County Plan (2020-24) Priorities:
  - o Protect and enhance our environment and keep Herefordshire a great place to live:
    - Reduce the council's carbon emissions towards a target of carbon neutrality by 2030;
  - o Support the an economy which builds on the county's strengths and resources;
  - o Secure better services, quality of life and value for money.

## Equality duty

18. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
19. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our partners are required to comply with equality legislation as public authorities as per 14. but also in the commissioning of providers, who will be made aware of this in their contractual requirements.

## Resource implications

20. Potential council grant projects will be developed in conjunction with Property Services and any relevant project management fees will be re-charged to the relevant capital codes.
21. This is an extension of an existing ERDF project, for which capital and revenue cost codes are set up as detailed below. Here the revenue match is within existing budgets and the capital match funding is within the approved capital programme.

Revenue or Capital cost of project (indicate R or C)	2019/20	2020/21	2021/22	Future Years	Total
SEPuBu project Capital (CM7255)- More Developed (Herefordshire Council)	£0	£53,136	79,704	83,160	£216,000
Capital grant payments to partners	£0	£63,763	£191,290	£123,379	£378,432
SEPuBu project Revenue match funding requirement (C07528)	£0	£17,176	£24,364	£34,774	£76,314
<b>TOTAL</b>	<b>£0</b>	<b>£134,075</b>	<b>£295,358</b>	<b>£241,313</b>	<b>£670,746</b>

<b>Funding streams (indicate whether base budget / external / grant / capital borrowing)</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
<b>SEPuBu project ERDF grant funding allocation (Capital)</b>	<b>£0</b>	<b>£116,899</b>	<b>£270,994</b>	<b>£206,539</b>	<b>£594,432</b>
<b>SEPuBu project ERDF grant funding allocation (Revenue)</b>	<b>£0</b>	<b>£36,444</b>	<b>£47,731</b>	<b>£64,019</b>	<b>£148,194</b>
<b>Partner revenue match funding contribution (revenue)</b>		<b>£13,477</b>	<b>£13,477</b>	<b>£13,476</b>	<b>£40,430</b>
<b>TOTAL</b>	<b>£0</b>	<b>£166,820</b>	<b>£332,202</b>	<b>£284,034</b>	<b>£783,056</b>

<b>Revenue budget implications</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>note any impact on revenue budget, good or bad</i>					
<b>TOTAL</b>					

## **Legal implications**

22. The council agreed to accept the role of accountable body for the Sustainable Energy in Public Buildings grant under the terms of the Principal Funding Agreement signed on 1 March 2017 between the council and The Secretary of State for Communities and Local Government. This agreement clearly sets out what is eligible expenditure for a grant claim and the project specific obligations as well clawback provisions which would allow the Secretary of State to suspend payment of the grant, reduce the maximum sum that can be claimed and cease to make payments in the event of a material default. The categories of

material default are insolvency/bankruptcy, an unsatisfactory report by the council's auditors; breach of state aid rules; cessation of the approved use of a project funded by the grant or change of use of the funding without the prior consent of the Secretary of State; claims made are not in accordance with the spend forecast and a failure to comply with the conditions of the grant agreement. Misrepresentation, fraud, disposal of an asset associated with a project funded by the grant without the prior written consent of the Secretary of State. The further funding will be subject to the terms of this agreement. The terms of this agreement are well understood by the project team and there has been full compliance with the Principal Funding Agreement.

23. The council in 2017 also entered into 2 Delivery Partner Agreements with the other Marches local authorities (Shropshire Council and Telford and Wrekin Council). The terms of the Delivery Partner Agreements are materially the same as the Principal Funding Agreement to ensure that all obligations under the Principal Funding Agreement "flow through" to the delivery Partners and there is a contractual obligation on both to co-operate with council and to not put the council in a position where it would be in breach of the Principal Funding Agreement. These delivery partnership agreements also remain in place.
24. There is a requirement for 50% capital match funding for each project in Herefordshire delivered under the funding. This requirement is lower for each project in Shropshire and Telford and Wrekin at 40%. Capital budgets have already been allocated for this match in Herefordshire and approval to allocate this match will be made on project by project basis.
25. Each grant recipient is required to enter into an agreement having been offered a grant which reflects the terms of the Principal Funding Agreement. This ensures that the council is provided with comfort that its obligations will be met under the Principal Funding Agreement.

## **Risk management**

26. As the accountable body any risk of overspend and/or funding clawback would sit with the council. The delegated grants team will monitor and manage the financial and grant compliance of the project as well as providing technical and administrative support. This team is experienced in managing a number of European funded projects and programmes. Members of the Sustainability and Climate Change team will also provide the project management function and liaise with project partners. Applications for funding will be refined through the project steering group and recommendations for approval sought through the project board before senior officer sign-off.
27. A risk register for the project has already been formulated and submitted to MHCLG as part of the original application for funding. This will be a standard agenda item for the project steering group and risks will be escalated as deemed necessary to the project board.
28. Technical grant works sign-off will take place in order to ensure works have been properly completed in accordance with the required schedule of works. This will be either a self-assessment by the contractor as part of industry standards and national accreditation schemes, or by suitably qualified partner personnel.

Risk / opportunity	Mitigation
If actual financial and output claims fall below profile or overall project spend/outputs are not realised then there is a risk that committed project funding may be withdrawn by the managing authority	<p>Project pipeline of buildings developed with partners, ensuring it is sufficient to achieve profile and targets.</p> <p>Council Project management team working with partners to bring project applications forward</p> <p>Regular project monitoring and reporting to managing authority and via steering group and project board meetings</p>
Uncompliant procurement and clawback- If partners do not procure correctly then there is a risk that funding could be clawed back by the managing authority	<p>Compliant procurement is a condition of grant.</p> <p>Procurement is monitored through steering group meetings and grant appraisal process. ERDF procurement guidance has also been circulated among partners.</p>
Covid-19 crisis could potentially lead to delays in approval from managing authority leading to project extension start date being pushed back	Discussions are on-going with Managing Authority and it has been agreed in principle that work can continue while waiting for formal decision in light of covid-19 and phase 1 project underspend. Project end date to be revised depending on delay however there are existing pipeline projects lined up for when funding is confirmed.

29. These risks will be managed at service level as per the current project.

## Consultees

30. Marches LEP partner councils have been consulted and support the proposals.
31. The Cabinet member for Environment, Economy and Skills has been consulted and is supportive of the proposals.
32. Consultation with the Political Groups has taken place and the Green Group have stated that they welcome the proposals. No other comments were received.
33. Feedback will be provided to consultees through the reporting consultation process as well as through the project, corporate reporting and wider sustainability and climate change engagement.

## Appendices

None

## Background papers



None

**Please include a glossary of terms, abbreviations and acronyms used in this report.**