

SURREY COUNTY COUNCIL**CABINET****DATE: 26 APRIL 2022****REPORT OF CABINET MEMBER: MARISA HEATH, CABINET MEMBER FOR ENVIRONMENT****LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR ENVIRONMENT, TRANSPORT AND INFRASTRUCTURE****SUBJECT: SURREY'S GREENER FUTURES GRANT PROGRAMMES****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE****Purpose of the Report:**

The Council has committed to work with partners to enable the county to be net zero carbon by 2050 and to ensure its own estate to be net zero carbon by 2030. It has been recognised that external funding will be essential to the delivery of these targets, and that Government grants are a key source of additional funding. The purpose of this report is twofold: first, to seek approval for the receipt of a number of specific funds with which SCC have already been successful, and secondly to get approval for similar decisions for future applications.

Recommendations:

It is recommended that Cabinet:

1. Approve the receipt of funding into the Council's capital pipeline from Government net zero carbon grant funding programmes, specifically the Public Sector Decarbonisation Scheme (PSDS3) and the Sustainable Warmth Programme (which includes the Green Homes Grant Local Authority Delivery (GHGLAD3) and Home Upgrade Grant (HUG1))
2. Note the use of match funding from the approved Corporate Capital Maintenance Programme, subject to the Capital Programme Panel (CPP) approving business cases for individual sites.
3. Approve the request to competitively procure the Sustainable Warmth Programme and PSDS3 services under separate contracts, in accordance with the Council's Procurement and Contracting Standing Orders.
4. Approve the receipt of future funding schemes for the purposes of delivery of the Greener Futures ambition, including future tranches of the PSDS schemes and Sustainable Warmth programmes as well as, but not limited to, the schemes included in Annex 1. Receipt of funding will be subject to Capital Programme Panel approval.

Reason for Recommendations:

The recommendations in this report will enable the Council to:

- Draw down Government funding of £13.15m. This includes £2.652m from PSDS3 to decarbonise buildings in the SCC estate and schools and £10.5m from the Sustainable

Warmth Programme, which includes £8.3m for GHLAD3 and £2.2m for HUG1, which will be used to decarbonise homes of residents on low incomes.

- Be as agile as possible to maximise the attraction of future external grant funding sources.

Executive Summary:

1. In October 2021, Cabinet approved the Greener Futures Climate Change Delivery Plan, which set out the requirement to reduce greenhouse gas emissions from the county by at least 20% by 2025, in order to meet the net zero 2050 target within Surrey's carbon budget. Cabinet also approved the Council's 2030 net zero carbon plan for its own operations.
2. The Council's 2030 net zero target is based upon a principle of a presumption to adopt net zero solutions including net zero new builds and/or the replacement of heating systems with net zero solutions (e.g. heat pumps) unless there are specific business case or site-specific reasons why this is not possible.
3. When the Climate Change Delivery Plan was agreed, it was recognised that significant external funding, including grants, would be essential to enable delivery of the targets due to the scale of the change needed and, possibly more expensive nature of low carbon technologies in the short term. It was therefore agreed that wherever possible, external grant funding would be sought to minimise the financial draw on SCC.

Current Funding Success – Public Sector Decarbonisation Fund GHLAD, HUG (1)

4. To date, ETI has attracted in £65m in external funding to deliver Surrey's Greener Futures targets.
5. **Table 1** details the current round of funding applications that are in the process of being agreed. Cabinet is asked to approve the receipt of the funding from these grants as detailed in the table.
6. Cabinet is also asked to note the use of match funding of up to £1.367m, as estimated in the table below in relation to the PSDS3 grant to replace fossil fuel boilers with heat pumps. This is to be financed from the Corporate Capital Maintenance Budget by using the amounts already allocated to cover the cost of boiler replacements.

Table 1. Grant funding programme details

Grant programme	Description	Funding awarded	Estimated match funding	Outcomes	Procurement route	Delivered timescales
Public Sector Decarbonisation Scheme (PSDS3)	Funding to replace old fossil fuelled boilers with heat pumps and energy efficiency/thermal insulation measures. The grant recipient is required to provide the 'like for like' costs of replacing the boiler with a fossil fuel replacement and the grant funding covers the additional costs associated with the heat pump installation (the funding is capped at £325 per tonne carbon saved)	£2.652m (funding is capped at £325 per tonne carbon saved)	Up to £1.367m this will come from the Corporate Capital Maintenance Programme	Heat pumps and energy efficiency measures installed in 10 buildings in the corporate estate and 5 schools. List of sites included in Annex 2.	Running a mini competition from the LHC framework to procure a turnkey installer. This framework has been assessed by colleagues in Procurement and Legal as a suitable procurement route.	Measures installed by March 2023
Sustainable Warmth – GHLAD3	Funding to install decarbonisation measures in low-income households (with a total income of approximately £30,000 or less), living in the most inefficient homes (homes with	£8.3m	N/A however the Council has a top up fund (£330k) to enable	949 homes receiving decarbonisation measures	An Open OJEU tender for a managing agent with a local installer network,	Measures installed by March 2023

	an Energy Performance Certificate EPC rating of D, E, F or G). The measures have been fully funded (with a cap of £10k per household) and have included energy efficiency measures, thermal insulation, heat pumps and solar PV.		more costly decarbonisation measures to be installed.			
Sustainable Warmth – Home Upgrade Grant (HUG1)	As above, however this funding is for low in-come households in off-gas communities, the funding cap is higher at £20k.	£2.2m		154 homes receiving decarbonisation measures		

Accessing Future Grant Funding

- 7. Due to the often short deadlines associated with these national funding streams, the competitive nature of such funding and the need for rapid delivery, SCC needs to be as agile as possible in order to maximise funding drawn in and enable procurement and delivery of services funded by the grant within the often constrained delivery timelines. It is not always possible to include funded projects in the Annual Procurement Forward Plan (APFP), as was the case with the programmes included above.
- 8. Cabinet is therefore also being asked to approve in advance the development of future applications for and receipt of grant monies from funding sources that support the delivery of the Greener Futures ambition, including but not limited to the Public Sector Decarbonisation Scheme and the Sustainable Warmth Programme which includes the Green Homes Grant Local Authority Delivery (GHGLAD) and Home Upgrade Grant (HUG). **Annex 1** outlines some of the known funds for information. Individual projects will remain subject to review and approval by the Council’s Capital Programme Panel.

Consultation:

- 9. The Cabinet Members responsible for Property, Finance and Environment were notified of the PSDS funding application on 4 October 2021 and expressed support.
- 10. All SCC members were updated on the Sustainable Warmth Programme at a Member Development Seminar focussing on Decarbonising Surrey’s Homes and Tackling Fuel Poverty on 13 December 2021.
- 11. The Greener Futures Member Reference Group, which is a subset of Communities, Environment and Highways (CEH) Select Committee, was updated on the progress of these grant programmes during their session on 10 February 2021.
- 12. In addition, climate change leads from the Boroughs and Districts have been kept up to date with the progress of the Sustainable Warmth Programme via the monthly Greener Futures Network meetings.

Risk Management and Implications:

- 13. There are numerous risks relating to the delivery of decarbonisation schemes, including risks associated with the installation and operation of measures as well as programme related risks, such as delays resulting from supply chain issues.
- 14. The risks relating to these programmes have been captured in a risk register, which sets out the risk owners and mitigation strategies. The risk registers will be kept up to date by

the relevant delivery teams, and key risks and issues will be reported to the Council's Greener Futures Board, which will have oversight of these programmes.

15. Risk mitigation is included in the grant terms and conditions of these programmes and will be built into the contracts with the managing agent/turnkey installers. Contract documents will be signed off by the Council's Legal and Procurement teams.

Financial and Value for Money Implications:

16. The Initial Greener Futures Finance Strategy sets out a process for defining how the Council's Climate Change Delivery Plan for 2021 to 2025, and subsequent plans, will be financed and where there are currently gaps in funding.
17. The Finance Strategy recommends that, where possible, the Council should draw in external funding to reduce the pressure on the Council's capital borrowing and Medium Term Financial Strategy (MTFS). It also recommends that existing budgets should be utilised, where appropriate, to fund decarbonisation activities, especially where a return on investment can be generated.
18. To ensure that grant programmes offer value for money, the Council's Procurement team will support the development of competitive procurement exercises to ensure the Council secures the most favourable rates.
19. With regard to the PSDS funding, Cabinet is asked to note the use of the Corporate Capital Maintenance Budget to provide match funding of up to £1.367m for the PSDS3 grant funding. Amounts currently allocated in this budget for boiler replacement will be repurposed to provide this funding and enable the installation of heat pumps and energy efficiency/thermal insulation measures. There is therefore no request for additional capital funding to enable these works.
20. The ongoing revenue costs associated with heat pumps may increase costs in the first instance creating a revenue pressure in the short term; however, the costs over time should reduce. Fortunately, current modelling on the selected sites does not suggest that the costs in the short term are any greater in the case of this programme of work. Regardless, each site will be assessed individually and any resultant running cost pressures will be mitigated by the installation of solar panels. Once these more detailed site by site assessments are completed, a business case will be presented to the Capital Programme Panel for approval. The business cases will set out the full financial implications of replacing boilers with heat pumps, and any necessary mitigations through solar initiatives.

Section 151 Officer Commentary:

21. Although significant progress has been made to improve the Council's financial position, the medium term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
22. The Section 151 Officer supports the recommended acceptance of grant funding into the Council's capital pipeline, and the application of match funding from approved property

capital budgets. Schemes will proceed following approval of detailed business cases by the Council's Capital Programme Panel, including an assessment of ongoing running costs.

Legal Implications – Monitoring Officer:

- 23. The Council will need to meet any grant terms or conditions further to the award of grants. Legal services will advise on, and complete, any agreements that are required.
- 24. The agreement of any future matched funding proposals will be subject to approval through the Capital Programme Panel as set out in the report.

Equalities and Diversity:

- 25. These projects are included within the scope of the Equalities Impact Assessment which was produced for the Climate Change Delivery Plan which was approved by Cabinet in October 2021.
- 26. These projects were not found to have any negative impacts upon any groups of residents. In fact, the Sustainable Warmth Programme will have a positive impact by reducing the fuel bills of Surrey's lowest income households. The PSDS3 project will have a positive impact by reducing operational energy costs and increasing thermal comfort for five schools.
- 27. Further funding bids will be subject to an Equalities Impact Assessment.

Other Implications:

- 28. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Environmental sustainability	No significant implications arising from this report
Compliance against net-zero emissions target and future climate compatibility/resilience	The delivery of this project will result in carbon reduction from low income households in Surrey, helping to meet Surrey's net zero carbon targets and mitigate climate change.
Public Health	The delivery of this project will have public health benefits through the reduction of the number of households living in fuel poverty which is linked to increased winter deaths and morbidity

What Happens Next:

29. The next steps include,
- a. Procuring managing agent/turnkey installers for the PSDS3 and Sustainable Warmth Programme.
 - b. Developing site specific business cases for each of the 15 sites for which we have been awarded PSDS funding, to be approved at CPP.
 - c. Developing risk management and communications plans for the programmes.
 - d. Preparing for funding applications for future grant funding opportunities.
-

Report Author: Katie Sargent, Greener Futures Group Manager, 07754 387029

Consulted:

The following consultation has taken place:

Internal

- Cabinet Members for Environment, Property, Finance & Resources.
- SCC Members (through Members Development Seminar focusing on Decarbonising Surrey's Homes and Tackling Fuel Poverty on 13 December).
- CEH Select Committee (through Greener Futures Member Reference Group).
- Service leads for relevant teams.

External

- Engagement with Borough and District Environment Directors and Climate Change officers.

Annexes:

Annex 1 – List of potential funding sources

Annex 2 – List of sites receiving PSDS3 grant funding

Sources/background papers:

Not applicable

Annex 1 – List of potential funding sources

Fund	Funding provider	Description
Sustainable Warmth	Department of Business, Energy and Industrial Strategy	Funding to install decarbonisation measures in low-income households living in the most inefficient homes. Additional funding available for off-gas homes. The measures have been fully funded (with a cap of £10k per household) and have included energy efficiency measures, thermal insulation, heat pumps and solar PV.
Public Sector Decarbonisation Scheme (PSDS)	Department of Business, Energy and Industrial Strategy	Government's PSDF is a competitive funding stream which provides capital investment for public sector organisations to decarbonise their buildings. The fund prioritises the installation of heat pumps and covers the additional cost of converting end of life boilers to heat pumps (the like for like cost is covered by the public sector organisation)
Flood and Coastal Erosion Risk Management Grant in Aid (FCERM GiA) and Local Levy	Environment Agency	The FCERM GiA forms part of the EA's 6 year capital programme and is prioritised using the EA's Partnership Funding process. "Local Levy" funding from the Thames Regional Flood and Coastal Committee (TRFCC) is also available for schemes and is again administered through the EA. Both sources of funding are used to supplement SCC's own Capital Flood alleviation Programme.
UK Shared Prosperity Fund Investment Framework	Department for Levelling Up, Housing and Communities	The UKSPF has been designed to replace the EU Structural and Investment Funds. It is due to be launched in 2022.
Active Travel Fund	Department for Transport	Government's Active Travel Fund provides Local Transport Authorities with funding for walking and cycling facilities.
Bus Service Improvement Plan	Department for Transport	Government's bus service improvement funding allocated through the national bus strategy, 'Bus Back Better'
Local Electric Vehicle Infrastructure Fund (LEVI)	Office for Zero Emission Vehicles	Funding of up to £500m across England to assist with upscaling commercial projects to install local EV chargepoints to those without access to off-street charging. The fund includes On-street residential chargepoint funding and a £50m pot to support resource with authorities.
Local Authority Treescapes Fund	Forestry Commission	The LATF provides capital funding for the establishment of trees in non-woodland settings.
Farming in Protected Landscapes Fund (FiPL)	Department of Farming, Environment and Rural Affairs	Funding for farmers and land managers in areas of outstanding natural beauty (AONB) for projects which support nature recovery and mitigate the impacts of climate change

Annex 2 – List of sites receiving PSDS3 grant funding

These buildings were selected in October 2021 following a process of prioritisation against the grant funding criteria and were determined in consultation with the Land and Property Service and Agile team. Where subsequent decisions have been made by the Council regarding disposal of any of the buildings below, we will discuss options with Salix, who manage the PSDS3 programme on behalf of Government.

Building name
Keswick Care Home
Leatherhead Library
Chertsey Fire Station
Oxted Library
Frimley Green Library
Rylston Registry Office
Caterham Hill Library
Leatherhead Fire Station
The Bridge Youth Centre
Clifton Hill School
The Orchard Infant School
Lingfield Primary School
Oatlands School
The Pines – Surrey Arts
Dorking Nursery School