

Cabinet

8 September 2020

Extension to Low Carbon Dorset programme

For Decision

Portfolio Holder: Cllr R Bryan, Highways, Travel and Environment

Local Councillor(s): County Wide

Executive Director: John Sellgren, Executive Director of Place

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Report Status: Public

Recommendation:

To approve an extension of the Low Carbon Dorset programme using European Regional Development Funding, pending contract.

Reason for Recommendation:

1. Executive Summary

Low Carbon Dorset is externally funded by the European Regional Development Fund (ERDF) and was launched in April 2018 to run until March 2021. The programme provides support to Dorset based Business, Community and Public Sector organisations to identify and deliver energy efficiency and renewable energy projects to reduce their carbon footprint. Support is provided in the form of free technical advice to help identify opportunities and a grant fund providing 40% of the costs of any eligible project.

Dorset Council is the accountable body for the programme and has a contract with the Ministry of Communities Housing and Local Government (MHCLG) to deliver the programme outcomes within a total budget of £6.44million. Delivery of the programme is overseen by an internal programme board.

The programme has been highly successful, and nearly fully subscribed. Over 350 organisations have been supported to deliver over 85 low carbon projects

across Dorset, Bournemouth and Poole worth £5.4 million. This will result in 3.15 million of match funding from beneficiaries, 111 businesses supported, 3 new low carbon products developed, 3.4 MW of new renewable energy capacity, 55 houses with improved energy efficiency, 267,713 kWhr/yr energy saved in public buildings, 3,824 Tonnes carbon emission reduced /yr in Dorset.

Further ERDF funding became available in July 2019 and Dorset Council applied for an additional £5.86 million to extend the project to 2023 and expand its delivery. This was a two-stage application process which is now reaching completion and it is anticipated that the application will be successful, and a contract will be received shortly for signature by Dorset Council.

This paper updates the cabinet on the Low Carbon Dorset programme and its potential extension and seek approval to sign any forth coming contract.

2. Financial Implications

There is no additional direct cost to Dorset Council as the accountable body responsible for delivery of the extended Low Carbon Dorset programme. However, there is a potential financial risk if delivery of the extension where unsuccessful.

The total budget for the extension is £11.72 million. This is broken down as

- £132k Overheads
- £1.17m Delivery costs (Staff, Consultancy, Travel, Communications and marketing)
- £10.41m Grant programme

The European Regional Development Fund (ERDF) will provide 50% of all project costs (£5.859 million). The remaining 50% match funding will be provided in two ways –

- i) A small proportion of indirect match funding from Dorset Council to provide 50% of overheads (office accommodation, legal, etc..). This is equivalent to £66,062. This is effectively match in kind.
- ii) Direct Match funding provided by grant beneficiaries. This will provide 50% match funding for the grant programme (£5.859m) and 50% match funding for the project delivery costs (£585k)

The financial model for the programme relies on the successful delivery of the grant programme to generate match funding to cover the project delivery costs. Grants are provided for 40% of a beneficiary's project only when it has been successfully completed, fully paid for and the required evidence provided. Dorset Council can use this evidence to claim 50% of the project costs from the ERDF MHCLG. The 10% difference covers the match funding for project delivery.

Potential Financial Risk

If no grants were allocated but delivery costs still accrued by Dorset Council, only 50% of these costs could be recouped directly from the ERDF. If the project ran its full course and accrued delivery costs with no grant income, the maximum theoretical financial exposure to Dorset Council could be up to £585k.

This risk is however, mitigated through the following:-

- i) The grant spend is closely monitored to ensure match is generated to cover delivery costs. If no grants were being taken up then the programme would be stopped, limiting any financial liability.
- ii) The current phase of the programme will end with surplus match in the region of £100k, this will cover the delivery costs for at least 6 months, even in the event of no further grant applications.
- iii) Demand of the programme is very high. The current programme is fully allocated, and we already have an immediate pipeline of over £500k of projects and a number of significant scale projects in the pipeline (est £6 million) for the next 6-12 months providing the extension is approved.
- iv) Not all of the grant budget needs to be allocated to cover the full costs of programme delivery. To generate the match funds required only £5.85 million of an available £10.41 million grant budget would need to be allocated.

These active management steps will minimise any risk. The actual financial risk would therefore be low.

3. Climate implications

The expansion of the Low Carbon Dorset programme directly supports the delivery of Dorset Council's Climate and Ecological emergency strategy and is identified within the strategy as a key action, helping to deliver in three of the 8 action areas - buildings, economy and renewable energy.

The specific purpose of the Low Carbon Dorset programme is to support organisations to reduce their carbon footprint through the installation of energy efficiency measures and renewable energy technologies such as solar panel. As well as support a small number of businesses develop a new low carbon product.

The extended programme will enable a significant increase in technical support available and expand the low carbon grant fund to enable support of over £18million of low carbon projects in Dorset, reducing Dorset's carbon footprint by at least 7,204 tonnes of CO₂e per year, by June 2023.

Although this is a small impact on Dorset's overall carbon footprint, a key role of the Low Carbon Dorset programme is to promote best practice and encourage replication which can have a much wider impact and reach across Dorset county.

4. Risk Assessment

Having considered the risks associated with this report, the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Low

As noted above there is a financial risk associated with delivery failure, but based on past experience and future pipeline of projects the risk of failing to deliver the project is low.

The largest risk associated with the programme is a reputational risk associated with the failure to accept the £5.3 million external funding available to support action on Dorset's Climate and Ecological emergency.

5. Equalities Impact Assessment

The funding application required an EqIA assessment to be undertaken as part of the submission to MHCLG and is a key requirement of the ERDF funding.

This will be updated and reviewed once final approval for the extended programme has been received and before the extended programme delivery starts.

6. Appendices

- a) There are no appendices to this report

7. Background Papers

Details of the programme and case studies of projects supported can be found on the programme website - www.lowcarbondorset.org.uk

Further details of the support available to organisations through the programme can be found in the programme's information packs:

- [Business Information Pack](#)

- [Community Information Pack](#)
- [Public-sector Information Pack](#)

8. Low Carbon Dorset programme overview

The current [Low Carbon Dorset](#) programme is funded through the European Regional Development fund, it launched in April 2018 and is due to complete in March 2021. The programme provides free technical and grant support to Dorset based Business (SMEs), Community and Public organisations to reduce their carbon emissions and costs through energy efficiency and renewable-energy measures. And in turn supports the development of Dorset's low-carbon economy and increases uptake of low-carbon technologies.

The programme is delivered by Dorset Council's Sustainability Team and Dorset AONB Team. A dedicated programme team ensure compliance, timely delivery, overall programme management and administration of grant fund, communications & engagement activities. A technical team provide on-site diagnostics and technical support to beneficiaries to bring forward projects. The programme specifically provides :-

- **Free on-site technical support** – diagnostic review of the beneficiary's organisation to identify all low-carbon and cost saving opportunities.
- **Provision of diagnostics report** – recommends measures and grant support opportunities
- **Low Carbon Dorset grant programme** – 40% funding towards eligible projects
- **Communication and engagement activities** – to encourage uptake and promote good practice to Dorset organisations through targeted marketing campaigns, workshops & events, online resources and demonstrative case-studies.

To date the programme has been very successful and highly regarded by organisations across Dorset. Over 350 organisations have applied since April 2018, many receiving in-depth technical guidance and support. Of these, 85 have so far been awarded a grant to deliver their low carbon project. These projects have ranged in scale from simple energy efficiency projects such as insulation or LEDs to more complex projects involving a range of measures from Solar PV and heat pumps through to a zero-carbon community-lead energy system for a new housing development. Case studies are being developed for supported projects and are available on the programme website:

<https://www.lowcarbondorset.org.uk/case-studies/>.

The programme has nearly been allocated. On average 3 expressions of interest continue to be received each week and a pipeline of future projects is already developing to be supported pending an extension. Over £500k of projects are due to apply for a grant imminently and an additional £ 6-7million worth of future projects have already been identified for future support in the next 12-18 months.

Programme extension

An additional £5.86 million of ERDF funding is being sought to extend the programme to 2023. This will add £11.7million to the total programme budget (50% ERDF , 50% match from beneficiaries) and provide funding to expand the programme and technical teams and the Low Carbon Dorset grant fund. An additional £10.41million of low carbon projects will be supported through the extended grant fund, significantly increasing targets already reached. By 2023, the combined programme will provide detailed support or grants to 220 small and medium sized enterprises (SMEs), and grant fund projects worth over £15.8million. This support will lead to:

- Development of 8 new low carbon products
- Installation of 7.9 MW renewable energy
- Improvement in energy performance of 66 houses
- Reduction in energy use in public sector by 1.7 million kWhr per year
- Reductions in Dorset's carbon footprint by at least 7,204 tonnes of CO₂e per year

The extension will be a seamless addition to the current programme and will follow the same successful delivery model. The programme will continue to support SMEs as its core activity but will also provide greater support for the public-sector including housing associations, town and parish councils, and projects led by community organisations. Additional resource will allow for a more targeted approach with these groups.

Dorset Council has itself received technical support and grant funding from the programme to introduce passive technology to maintain the controlled environment in the Dorset History Centre. This project involved replacing the former large air conditioning system and significantly reduced costs and carbon emissions. Another project is currently being developed to provide electric tools and solar panels for the Council's Countryside and grounds teams.

The extension project will significantly increase the provision of support and grant funding which must be utilised by March 2023. Dorset Council must ensure it maximises this opportunity for free support and 40% grant towards the capital cost of low carbon projects. To date this has been limited partly by difficulty meeting grant criteria, but largely by lack of available match funding for low carbon capital projects.

In addition, support will be further strengthened to organisations wishing to develop new low carbon products or approaches, supporting growth in Dorset's low carbon economy. It is envisaged that a partnership approach will be developed to deliver this part of the programme involving academic and research organisations.

One of the largest opportunities of the programme in terms of helping to tackle Dorset's Climate Emergency is in replication beyond the programme. A key focus of the extended project will be to promote best practice and share case studies that others can follow. A targeted proactive approach will be taken in key areas such as industrial estates and leisure services to encourage organisations to follow the lead of others in their area or sector.

An external evaluator (ASH Futures working with Regen) has been commissioned to provide insight into the programme's current strengths and opportunities to maximise delivery of the extension. As well as looking forward beyond 2023 at how the programme can be developed to enable the Council to continue to support Dorset organisations to respond to the climate and ecological emergency.