

Cabinet

22 June 2021

Low Carbon Dorset Grant Payments over £500,000

For Decision

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

Local Councillor(s): Cllr Marcus Andrews (BCP), Cllr David Brown (BCP),
Cllr Richard Burton (BCP)

Executive Director: J Sellgren, Executive Director of Place

Report Author: Heather Kiel
Title: Programme Manager, Low Carbon Dorset
Tel: 01305 225847
Email: heather.kiel@dorsetcouncil.gov.uk

Report Status: Public

Recommendation:

1. To agree that the Low Carbon Dorset project can make payment of a grant up to the value of £1,500,000 to Canford Renewable Energy Ltd, IF the grant application from the said applicant is approved.
2. That, following any future decision by the Low Carbon Dorset grants panel to award grants over the key decision threshold of £500k, agreement to make any such award should be delegated to the Executive Director for Place after consultation with the relevant portfolio holders.

Reason for Recommendation:

Cabinet is required to approve all key decisions with financial consequences of £500,000 or more. By June 24th, the Low Carbon Dorset grants panel and board could have approved an application which would require a grant offer of up to £1.5m to Canford Renewable Energy Ltd. Before formally offering this grant to the applicant, the Low Carbon Dorset team seek an assurance from Cabinet that they can pay an amount above £500,000 when this is claimed by the applicant and in accordance with any limits agreed in the grant offer. The Low Carbon Dorset grant fund and the method by which grants are paid out by Dorset Council

and claimed back from the European Regional Development Fund has already been agreed by the predecessor Dorset County Council Cabinet. However, this is the first case where a potential single grant payment could be over £500,000. Given that the use of the money for grants has already been agreed, the existing track record of grant recovery, the strict approvals process by the Low Carbon Dorset Board and Grants Approval Panel and the mitigation of risks associated with the size of such payments, the risks associated with this payment are minimal.

1. Executive Summary

- 1.1 Low Carbon Dorset is a grants programme set up to encourage investment in renewable energy and emission reductions. It is funded by the European Regional Development Fund (ERDF) until June 2023. Grants are offered on the basis of a comprehensive application process, before work is carried out. Applicants pay for the work then claim on completion or in agreed phases for larger grants. Their claim(s) is paid by Dorset Council which then claims back those grants, in arrears, from the ERDF via the Ministry for Housing Communities and Local Government (MHCLG). A total of £5.7m of grant money is available over the 5 years of the project.
- 1.2 The Low Carbon Dorset programme has received an application for a large solar and green hydrogen-generation project from Canford Renewable Energy Ltd. They are seeking a grant in the region of £1.5 million. The project will be considered by the Low Carbon Dorset grants panel on 23rd June.
- 1.3 Previous Cabinet meetings have agreed to the creation and extension of the Low Carbon Dorset programme, which is operating successfully and is on course to spend its money and achieve its targets. Until now, all grant awards have been under £500,000. This potential grant of £1.5m is the first to be over the £500,000 threshold, so Low Carbon Dorset are seeking agreement from Cabinet to pay this grant if the application is successful.
- 1.4 Most future grants are likely to be under £500,000 but in the event that the programme wishes to approve any future grant over £500,000, Low Carbon Dorset are also asking that the power to permit such payments is delegated to the Executive Director for Place, after consultation with the relevant portfolio holders, in order to allow timely decisions and reduce the workload on Cabinet.
- 1.5 Given the due diligence that is carried out before grant award, that grants are paid out after projects are completed or in agreed phases of completion, and that the terms of the grant allow for reduced payments or no payment for underperforming projects, there is little risk to the Council

of spending money without the ability to claim it back from MHCLG. This is one of the reasons that the programme has been approved previously. Whilst having one project receive a grant of this size does increase risk for Dorset Council, the due diligence performed to minimise this is stringent with additional advice from Finance, Legal, Procurement and MHCLG gained before proceeding. It is therefore the £500,000 threshold on which we seek Cabinet agreement.

- 1.6 This paper provides background information on the grant scheme, information regarding the specific application, and details on how the payments would be timed and processed.

2. Financial Implications

- 2.1 Dorset Council is the accountable body for the Low Carbon Dorset Programme and has a contract with the Ministry of Communities Housing and Local Government (MHCLG) to deliver the programme outcomes.
- 2.2 Any grants approved by the programme are paid to the successful applicant by Dorset Council on completion of the project and subsequently reclaimed from MHCLG. To date, £1,147,674 has been paid out, and a further £2,000,242 is contracted to grant applicants. Claims from MHCLG are made quarterly in arrears and to date, all money claimed by Dorset Council from MHCLG has been paid without problem. Once the programme is complete, it will be cost neutral to Dorset Council.
- 2.3 A decision regarding the grant to Canford Renewable Energy Ltd is expected on 23rd June 2021, and if the decision is to support, then a grant award letter would be sent to the applicant in late June 2021 offering the money. This award letter is also relevant to the project's application to the Dorset Local Enterprise Partnership for loan financing. Canford Renewable Energy expect to start spending money in October 2021, with spending of the elements relevant to the Low Carbon Dorset grant being completed by May 2022.
- 2.4 The following table estimates the likely timeframe for applicant claims and money being reimbursed to Dorset Council by MHCLG

	Applicant claim to Low Carbon Dorset – Dorset Council pays	Paid back from MHCLG to DC	Earliest date available in DC account for that quarter
Q4 2021	£380k		
Q1 2022	£770k	£380k	February 22

Q2 2022	£350k	£770k	May 22
Q3 2022		£350k	August 22
Total		£1.5m	

3. Well-being and Health Implications

3.1 There are no direct well-being implications to this decision.

4. Climate implications

4.1 The technical and financial support provided by the Low Carbon Dorset programme directly supports the Dorset Council Climate and Ecological Emergency strategy by enabling organisations across Dorset to bring forward low-carbon projects.

4.2 The application in question would represent the largest installation of renewable energy in Dorset for many years (though it is small in the context of previous subsidised systems), and includes a system to generate green hydrogen, something which is currently unavailable in Dorset, but which the Climate and Ecological Emergency Strategy identifies as an urgent requirement (it is eventually likely to be the only viable fuel for larger vehicles and much of the area's heating demands).

5. Other Implications

5.1 Given the nature of the project for which the grant would be awarded, there are positive sustainability implications.

6. Risk Assessment

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

Current Risk: Medium
Residual Risk: Low

6.2 On approval of a grant the beneficiary receives a contract to deliver the agreed project and is paid by Dorset Council on satisfactory completion of that project. The grant paid by Dorset Council is claimed back from the Ministry of Housing and Local Government, who administer the scheme on behalf of the ERDF.

- 6.3 As with all Low Carbon Dorset grants, there is a low risk that the full grant amount cannot be reclaimed by Dorset Council from MHCLG. This might occur if there is disagreement over eligible costs arising from issues such as procurement procedure or State Aid rules. However, robust measures are in place to ensure all grant payments can be reclaimed in full. Ongoing dialogue with MHCLG ensures all elements of the grant funded work are eligible within the rules of the ERDF and that Dorset Council receives all the required evidence from the grant beneficiary to award the grant. The Grant award is only paid by Dorset Council following satisfactory completion of the contracted work, verification and provision of required evidence. This allows payment of the grant to then be reclaimed from MHCLG.
- 6.4 These active management steps minimise any risk and have a record to date of being 100% successful. In the case of the application from Canford Renewable Energy, Low Carbon Dorset staff have subjected the project to enhanced due diligence, with Dorset Council's Procurement experts offering advice to the applicant, as well as internal and external legal opinion being sought on State Aid, and advice and opinion from Dorset Council Finance Department. Low Carbon Dorset have also assessed the likely completion dates to ensure that they will complete to allow adequate time to claim from MHCLG before closure of the programme in March 2023. Therefore, Low Carbon Dorset deem the actual financial risk to be low. Similar due diligence and timeframe considerations would also be applied in any future application that might exceed the £500,000 threshold.

7. Equalities Impact Assessment

- 7.1 There are no equalities issues arising from the subject of this report.

8. Appendices

- 8.1 None.

9. Background Papers

There are no additional papers appended, but the following provides some background information.

Climate Emergency

- 9.1 The high-level background is the Paris Agreement which aims to keep the global average temperature increase below 1.5°C and the Climate Change Act which puts a legally binding requirement on the UK to reduce its greenhouse gas emissions to zero by 2050.

- 9.2 Dorset Council declared a climate and ecological emergency in May 2019 and set targets to reduce the Council's emissions to zero by 2040 and do all it can to reduce the Council area's emission to zero by 2050. Previously, the predecessor authorities had adopted a Renewable Energy Strategy and an Energy Efficiency Strategy.

Low Carbon Dorset

- 9.3 Low Carbon Dorset was set up in 2017 to address in part the issues in the Renewable Energy and Energy Efficiency Strategies. The programme provides free technical advice 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. In turn, it supports the development of Dorset's low-carbon economy and increases uptake of low-carbon technologies.
- 9.4 Formal Cabinet approval for the programme and its operation was given by Dorset County Council on 11th February 2016 under the agenda item "Partnership bid for European Structural Investment Funds for 'Dorset Low Carbon Economy Programme'". The programme was offered an extension by MHCLG which was approved by Dorset Council's Cabinet on 7th September 2020 under the agenda item "Extension to Low Carbon Dorset Programme".
- 9.5 The targets of the extended programme are to incentivise the development of 8 new low carbon products, the installation of 7.9 MW renewable energy, the improvement in energy performance of 110 houses, the reduction in energy use in public sector by 1.7 million kWh per year and reductions in Dorset's carbon footprint by at least 7,204 tonnes of CO₂e per year. The programme is on course to reach the majority of its targets early.
- 9.6 The programme is operated by a team of eight officers. Governance is provided by a Programme Board of senior officers and Councillors. Upon submission of an Expression of Interest, applicants are reviewed for their eligibility. Eligible applicants are visited by a Technical Officer to provide free advice and technical support. If suitable projects are identified, an application for grant support is made based on detailed quotes. This application is checked for eligibility (State Aid, procurement, intervention rates, etc) and scored by the Low Carbon Dorset team against a set of criteria including value for money. Based on these scores, the Programme Manager makes a recommendation to approve, refer or decline, and the final decision is made by a vote of a decision group. For smaller projects, this decision group is the Low Carbon Dorset board. For projects with total eligible costs over £200,000, or from Dorset Council itself, the decision is

made by an external panel, which is formed from members of the Local Nature Partnership. If a grant is awarded, an award letter is sent to the applicants with a series of terms and conditions. They then sign this as a contract and return it, allowing them to proceed with the project. Once the project is complete, has been paid for by the applicant, and a site visit proves to the Technical Officer that the project delivers the expected activities, the applicant claims the money offered in the grant award letter. The payments of these claims are combined quarterly with the running cost of the Low Carbon Dorset programme team, and the money claimed back from MHCLG. For some larger grant awards, phased claims and payments can be agreed.

Canford Renewable Energy

- 9.7 Canford Renewable Energy (CRE) currently operate several MegaWatts (MW) of landfill gas engines. They wish to install a 5MW solar farm on a capped landfill site and some of the output from this, along with some output from the landfill gas engines, will operate an electrolyser to make green hydrogen from water.
- 9.8 The 5MW solar farm would be the largest renewable energy installation in Dorset since 2017. The green hydrogen facility would be amongst the first in southern England and would be a major step towards breaking the no-supply, no-demand cycle. The need for green hydrogen is highlighted as a key point in the Dorset Council Climate and Ecological Emergency Strategy. The project would guarantee that the Low Carbon Dorset programme exceeds two of its targets, MW renewable energy production and reduction in CO₂e, as well as incentivising the development of a low carbon product.
- 9.9 This Canford Renewable Energy project will cost circa £6m in total. As well as the £1.5m grant from Low Carbon Dorset, they are also applying to the Dorset Local Enterprise Partnership for a Growing Places loan to help fund the project and initial responses have been positive.

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.