



**Committee name:** Cabinet

**Committee date:** 06/03/2024

**Report title:** Funding Approval for Three Carbon Reduction Projects

**Portfolio:** Councillor Hampton, Cabinet member for climate change

**Report from:** Interim executive director of major projects

**Wards:** All wards

**OPEN PUBLIC ITEM**

**KEY DECISION**

### **Purpose**

This report advises the council on actions undertaken to deliver on the climate agenda. It keeps members apprised on the recently submitted bid to improve the energy efficiency of the Council's social housing stock. Also due to recent news of a successful solar panel bid and the identification of opportunities to obtain grant funding for an energy heat network business case, we are seeking delegated authority to progress with the development of the business case during the pre-election period.

### **Recommendation:**

To recommend that Council delegates authority to the council's Chief Finance (s151) Officer in consultation with the portfolio holder for Resources to:

- a) Sign a memorandum of understanding (MoU) with the Department of Net Zero and Energy Security (DESNZ) to agree terms and conditions for Social Housing Decarbonisation funding up to a value of £3m;
- b) Increase the HRA Capital Programme by an amount equivalent to any DESNZ grant funding agreed plus the match funding element from the council, currently anticipated to be £2.7m;
- c) Increase the General Fund Capital Programme by £0.895m for the solar panel project on Riverside Leisure Centre and formally sign any related grant documentation for £0.520m. Note that the funding requirement from the council of £0.375m can be funded from borrowing; and
- d) Apply and sign a grant application for heat networks feasibility and business case.

To delegate authority to the Executive Director of Housing and Community Safety and the Chief Finance (s151) Officer in consultation with the portfolio holder for Climate Change to:

- e) sign subsequent delivery contracts for the energy efficiency works on the council's social housing stock;

To delegate authority to the Executive Director of Housing and Community Safety in consultation with the portfolio holder for Climate Change to:

- f) sign subsequent delivery contracts for the solar panel project at Riverside Leisure; and

To delegate authority to the Chief Finance (s151) Officer in consultation with the portfolio holder for Climate Change to:

- g) to sign subsequent procurement contracts for the energy network items detailed within the report.

### **Policy framework**

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich is a sustainable and healthy city corporate priority.

## **Background**

1. The Council has declared a climate emergency and has a clear carbon reduction commitment for its own activities and across the city. The council will also be developing detailed service plans behind the Corporate Plan policy strands that link to net zero over the coming months.
2. In the meantime, the council has been identifying opportunities where it is clear there will be a financial return at least covering cost or where the direction of travel on achieving net zero is already clear.
3. The three opportunities in this paper fit the overall corporate goal of targeting carbon reduction measures on its own activities.

## **Social Housing Stock Energy Efficiency Measures**

4. Following the success of the council's Social Housing Decarbonisation Fund (SHDF) Wave 1 project and as part of the council's ongoing and ambitious programme to improve the energy efficiency of its own social housing stock, a bid for £2.5m of funding was submitted to the SHDF Wave 2.2 funding round at the end of January 2024. This includes proposed match funding of £2.7m from the HRA capital programme. The total project value is therefore provisionally £5.2m which is planned to be spent over a 24-month period.
5. To enable flexibility and given the possibility that the funder may offer a sum greater than the funding bid for, the request for delegated authority has been limited to £3m.
6. The bid will deliver 672 energy efficiency measures on 261 dwellings including external wall insulation, improved ventilation, solar PV and loft insulation. The improvements are focused on the council's least energy efficient properties constructed using the 'Wimpey no-fines' post war method of building, which results in high heat loss through walls.
7. The scheme supports residents by improving comfort, making homes healthier to live in and reducing energy bills, whilst at the same time reducing greenhouse gas emissions from our social housing stock.
8. The Council will not find out whether it has been successful in winning the funding until March 2024 therefore, due to the timing of the pre-election period, to accept the funds and progress the improvements in accordance with the proposed timetable officers have sought delegated authority to accept the funds and incorporate into the capital programme.

## **Solar Panels on Riverside Leisure Centre**

9. Officers have been proactively targeting grants that would meet its aspirations of reducing the carbon emissions attached to its own energy usage. A successful bid has been made to add solar panels at Riverside Leisure Centre.
10. It is anticipated that adding solar panels will reduce 33% in electricity usage and save 82kg CO<sub>2</sub> per annum.

11. The carbon emissions associated with the production and installation of solar PV systems, known as embodied carbon, are typically offset within 2 years of operation. Solar panels have a life span of 25-30 years or more and produce clean energy throughout their operational life. The emissions saved from using solar energy over this period outweighs the emissions produced during manufacturing and installation making them carbon negative.
12. The Council anticipates £53k of savings on operational (utility) costs before the capital financing costs of the scheme.
13. The full cost of the project is £895k for which the Council was successful in achieving £520k of grant, as the grant was not allowed to cover the cost of the canopy upon which the solar panels are situated. Additional council resources of £0.375m are therefore required to allow this proposal to proceed.

### **Heat Networks**

14. It has long been identified that heat networks are a potential low carbon source of energy for Norwich. There are three specific opportunities in Norwich which will likely use large scale heat air pumps, although there are other options in the future such as waste heat from industrial processes.
15. It is important that the Council understands the financial opportunities so that it chooses the best delivery model, which maximises the benefit for the city, its residents and its taxpayers. During this process, there is the potential for the council to invest in the new infrastructure but that will be subject to future rigorous business cases.
16. There is a funding round that is anticipated to take place in June. Due to the timing of the elections (and pre-election period), to access these opportunities, the council is being asked to delegate authority to key officers to pursue these opportunities. The resultant business case will be brought back to Cabinet for future decisions.

### **Consultation**

17. The social housing decarbonisation fund bid has been collaboratively developed across teams with relevant officers and members. Tenants of properties chosen for improvement will be consulted with as part of the project's delivery arrangements.
18. Heat networks will require extensive consultation with key stakeholders, including the county council, local residents and businesses. This would take place post award as part of the feasibility and business planning exercise.
19. Cabinet members will be consulted on the best route forward for Heat Network funding routes once more information is obtained and the business case completed.

## Implications

### Financial and resources

20. £2.7m of HRA resources would need to be earmarked for providing the match funding for this programme of expenditure. However, most of these energy efficiency measures are assumed to be pursued within the 30-year HRA Business Plan which includes assumptions around government funding and HRA resources to achieve EPC (C) and net zero for its housing stock. Earmarking those resources against this project is achievable within the overall business plan assumptions.
21. The solar panel bid would have a net cost to the authority of £375k but will deliver estimated savings of £53k per year, it has a payback period of 7 years. Net of capital financing costs, it will deliver approximately £25k per year of additional savings on an on-going basis. This can be added to the MTFP, reducing the size of the savings gap.
22. The funding bid for a Heat Networks business case and options appraisals is intended to cover 75% cost of an external party undertaking the work. The council will be undertaking a procurement exercise to establish the most cost-effective option to pursue. At present, early indications are that the maximum cost to the council would be £200k and that would represent bidding for not just the feasibility analysis but a full business case. At this point those resources have not been identified and this must happen before the work is commissioned.

### Legal

23. Council has authority to delegate the approval of key decisions to the s151 officer and other Directors to ensure that the projects can be progressed during the pre-election period. Given the timeline of these projects it is not advisable to delay.

### Statutory considerations

Equality and diversity	These projects could assist in the equitable access to heat in the long run, affordable access to sports facilities
Health, social and economic impact	The Social Housing Decarbonisation Grant will improve living conditions and health outcomes and reduce energy costs for tenants.
Crime and disorder	N/A
Children and adults safeguarding	N/A
Environmental impact	As set out above.

## Risk management

Risk	Consequence	Controls required
<p>Not targeting corporate plan outcomes and achieving net zero in line with the council deadlines.</p> <p>The council needs to manage the contracts carefully as they represent significant resources.</p>	<p>Negatively affecting the reputation of the council.</p> <p>The council has less resources to use for other activities and outcomes.</p>	<p>The risk assessment should consider:</p> <p>the most efficient way to deliver council outcomes.</p> <p>The council has adequate procurement and financial control mechanisms over its capital programme.</p> <p>The council should examine and pursue the most efficient grant arrangement for the heat networks.</p>

### Other options considered

24. The Council has considered letting commercial partners take the lead and meet all costs but this creates a risk of sub optimal outcomes for the city and residents and that the council gives away large commercial opportunities for no benefit.

### Reasons for the decision/recommendation

25. The recommendation is to delegate the decisions to the relevant officers (in consultation with the relevant portfolio holders) due to the upcoming pre-election period interfering and/or delaying the projects and grant funding opportunities.

**Background papers: None**

**Appendices: None**

**Contact officer:** Environmental Strategy Manager

**Name:** Phil Hunt

**Telephone number:** 01603 987853

**Email address:** philhunt@norwich.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.