



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

**REPORT TO CABINET MEMBER FOR CLEAN GROWTH &
REGENERATION**

17 November 2022

Report of the Executive Director - Place

**Approval of Green Entrepreneurs Programme (GEP) - Small Grants Fund
Amendment for Decarbonation Support
(Cabinet Member for Clean Growth & Regeneration)**

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To seek the Cabinet Member's approval to amend the current criteria for small grants strand of the Green Entrepreneurs scheme to help improve access to funding for local businesses in decarbonising their operations, helping address the energy cost crisis and moving towards a net zero carbon future.

4. Information and Analysis

Background

4.1 On 11 February 2021, Cabinet approved an allocation of £2m to implement the Green Entrepreneur's Fund (GEF) to help businesses and communities fund innovation and support 'green recovery' on the back of COVID. The Fund was launched in March 2021 by Derbyshire County

Council, supported by the University of Derby which has been commissioned to provide objective, expert advice in the assessment of grant funding proposals.

- 4.2 The GEF is due to run from 1 April 2021 to 31 March 2024 and is made up of revenue and capital funding, designed to encourage business/technological solutions to reduce CO2 and tackle climate change that 'go beyond the mainstream of current thinking'.
- 4.3 The GEF is a grant scheme made up of three different strands that will support businesses, communities and individuals to develop local energy sources and/or low carbon initiatives, alongside opportunities to help re-skill the local workforce and address gaps in the green economy. At the point the GEF was originally established, the three strands were:
- **Demonstrator projects** - £1.2 million allocated to support a small number of high quality projects e.g. green, alternative energy, clean fuel etc. Up to £200,000 available per project supported by a grant intervention rate up to 40%
 - **Small grants** - £500,000 allocated to provide grant funding of between £10,000 - £20,000 with an intervention rate up to 40% (based on a minimum project spend of £25,000). Funding is aimed at supporting projects where the organisation is on a net-zero pathway
 - **Skills and re-training** - £100,000 available to support individuals (aged 19+) to gain skills required within the green economy (not supported by other funding streams). A maximum of £1,500 is available per person.

NB: The demonstrator and small grant elements were developed with an ambition of saving an average of 500kg of carbon per £1,000 grant investment.

- 4.4 Eligibility criteria for funding was originally based around the following requirements for businesses:
- Be a small and medium sized enterprise (SME), sole trader, partnership, charity with a minimum of 50% income from trade, or a formally constituted social enterprise or community partnership.
 - Demonstrate a sound investment plan that will lead to a measurable reduction in carbon emissions, energy efficiency and/or alternative energy initiatives, within the project timescale.
 - Demonstrator and small grants would be awarded on the basis of saving on average 500kg of carbon per £1,000 grant investment.
 - Be located in Derbyshire for the benefit of Derbyshire communities – excluding Derby City Council boundaries.

- The project must not have commenced and can confirm it is not deliverable in the stated timescales proposed without grant support.
- Is able to set out indicative spend and clear outputs and outcomes for the funding – that align to the core objectives of the GEF programme.

Developing the Proposal

- 4.5 Since the launch of the grant fund, the scheme has enjoyed considerable success, particularly in relation to the demonstrator and scholarship funds. However, applications for small grants (strand 2) have been limited. At the time of writing, the Council had received 41 expressions of interest (EOI) with 12 progressing to full application; six applications are currently being supported as live projects. This equates to a value of approximately £95,000 from the initial allocation of £500,000.
- 4.6 The original criteria for this strand require applicants to demonstrate in their EOI and full applications how proposals ‘encourage solutions beyond current mainstream thinking’. Also, where these include capital spend to support alternative/low carbon energy investment, how the proposals form part of a wider package of implementation working towards a net zero pathway or decarbonisation project.
- 4.7 Specifically, the criteria stipulate that mainstream LED and solar panels -and by extension other renewable energy solutions that are not part of a wider project package - are ineligible. This currently rules out applications from organisations who are looking to undertake decarbonisation projects, including expenditure to support switching energy provision from conventional fossil fuel to alternative and renewable sources, reducing their carbon footprint.
- 4.8 In recent months, the GEF scheme has experienced a significant increase in the number of businesses enquiring whether the Fund can support low carbon energy proposals; this is due primarily to the Derby and Derbyshire (D2) De-Carbonise grant scheme ending in October 2022 (which was specifically set up to improve energy efficiency and de-carbonise business) and the parallel steep rise in energy bills.
- 4.9 In line with the comments outlined in paragraph 4.7, applicants to date have been advised that it is not possible to support low carbon energy proposals through GEF. However, given the limited number of successful applicants to date, alongside the current cost of living crisis and its impact on business resilience/survival, it is considered appropriate now to review the Strand 2 criteria and assess whether they can be widened to help meet the most pressing local business needs.

- 4.10 To this end, the GEF Board commissioned the Economy and Regeneration Service to review the current criteria and develop proposals that would support increased business resilience and where possible, wider community benefits such as behaviour changes for their staff e.g. encouraging/supporting a switch to EV car use, energy efficiency and safeguarding jobs. External support to this review has been secured through the University of Derby within the terms of the service level agreement. The remainder of this report sets out the considerations and proposed changes to Strand 2 criteria.

Review and Assessment

- 4.11 Local businesses enquiring about the GEF are reporting a fourfold increase in energy costs which is ultimately threatening to impact resilience and survival – any grant support for decarbonisation and energy efficiency would help address these challenges by inevitably reducing current levels of fossil fuel consumption, energy costs - and overall carbon emissions which is the key ‘in principle’ element of Strand 2 of the grant scheme.
- 4.12 The previous De Carbonise project undertook 180 audits of business premises within Derbyshire, with 78 accessing the DE Carbonise grants. The level of demand and interest in energy efficiency and low carbon solutions is clear, with 180 businesses having made the first step in accessing impartial audits and advice reducing their environmental impact; this has the potential to create a critical mass of SMEs in Derbyshire implementing carbon reduction measures upon which promotion and advocacy to other business could be built – creating additional leverage.
- 4.13 Within the current GEF scheme, 16 expressions of interest (EOIs) already have been received and rejected (on the basis they were ineligible in looking for support for mainstream technologies). This clearly indicates further latent demand for support and these EOIs could be revisited and invited to reapply for small grants support, subject to meeting any amended criteria.
- 4.14 Worth noting is that some of the enquiries being received by the GEF project team (e.g. for installing solar panels or air/ground source heat pumps) have costs less than the current minimum project cost threshold (£25,000). For example, a recent EOI for solar panels installations for two roofs came to approximately £20,000 and for smaller interventions, costs in the region of £10,000- £15,000 are not unusual. Currently, there are no alternative sources of funding for these types of intervention following closure of the DE Carbonise programme.

4.15 Having regard to the above, the review has identified a number of potential impactful areas that could be supported through amending the eligibility criteria of Strand 2 of GEF: (list is not exhaustive):

- Installing solar panels
- Air/ground source heat pumps
- Retrofitting boilers
- EV charging points etc at their premises
- LED lighting
- Energy efficiency improvements to building fabric
- Equipment and machinery renewals providing energy and efficiency savings
- Battery storage.

4.16 Clearly, the over-riding objective of the GEF scheme is decarbonising the local economy and achieving lower emissions; on that basis, applicants will be required to provide information on how their proposals meet the expected decarbonisation benefits and contribute to the overall GEF output measures, whilst working towards a zero-carbon future. Applicant organisations also will be asked to highlight how the grant funding will support them with managing their resources and staff, and to explain how the funding will lead to the introductions of further/new measures and advance their 'net zero' pathway. It is proposed that applicants be supported with links sent from the programme team to resources and materials from [University of Derby](#) and [The Carbon Trust](#).

4.17 In looking to amend and widen the eligibility criteria it is important to demonstrate wider community benefits from any grant funding. This could include jobs being safeguarded by improving business resilience and more staff engaged in low carbon/green economy activity. It is proposed that a condition of grant success be that applicants record and report back on these wider benefits as a demonstration of leverage and increased value for money. All applicants will be also encouraged to commit to a net zero carbon future and be signposted to the University of Derby Low Carbon Business Network.

4.18 Making the above proposed changes to the small grants criteria will help demonstrate the responsive nature of the scheme to the challenges being faced by business, particularly during this challenging economic period with substantial energy cost increases whilst maintaining programme outputs for carbon emissions reductions. Implementation of low-cost capital investment to buildings and new processes will enable

businesses and communities to take the first step to embedding low carbon solutions into their organisations.

- 4.19 In ensuring the integrity of the GEF key principles are maintained, it is proposed to retain the original output measure of 550kg co2e saving per £1,000 grant awarded and require that grant recipients record their carbon emission outputs. Any additional energy generated that is then fed into the grid will also be collected and recorded through this process.
- 4.20 It is proposed that close monitoring of grant uptake for the types of interventions outlined at paragraph 4.15 be undertaken – with a nominal programme ceiling set of £350,000 for what are essentially considered ‘mainstream technologies’; this would retain £150,000 of the allocated £500,000 for non-mainstream technologies (see paragraph 4.3). Through regular review, and depending on demand from local businesses, the GEF Board could then consider applying either ‘demand management’ measures (e.g. accepting a certain level of cost and carbon savings or introducing application rounds and timetables with a funding allocation to each round).
- 4.21 It is also proposed to retain the current levels of delegation attached to the scheme. Under the Green Entrepreneurs Fund Terms of Reference, it was reconfirmed at the June 2022 Board meeting that the Board delegates to the University of Derby Programme Delivery Team, the assessment and approval or rejection of small grant fund applications up to and including £15,000. Applications above £15,000 would therefore still be presented to the Board for approval or rejection.

5. Consultation

- 5.1 The Green Entrepreneurs Fund Programme Board, which is made up of local authority, the University of Derby and business representative organisations, was presented with a report in October 2022 that set out the key issues being faced by businesses, level of demand for funding support and the broad shape of amendments to grant funding proposals identified in paragraphs 4.11 to 4.21 above. That report was approved by Board members.

6. Alternative Options Considered

- 6.1 Option 1: Retain the existing grant criteria (do nothing) and not broaden the eligibility criteria of the small grants fund. This option is not considered appropriate as it will not address the key issue of under-performance in Strand 2 and will not enable businesses to meet their

current energy and emissions challenges or help build business resilience.

- 6.2 Option 2: Make some amendments to the grant criteria by reducing the minimum threshold for project costs from £25,000 to £15,000, whereby individual small grant awards could be made from £6,000 at a 40% intervention rate. This option would increase the likelihood of some proposals being more eligible but would still not address the fundamental challenges outlined in option 1.

7. Implications

- 7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Report provided by University of Derby to the Green Entrepreneurs Fund Programme Board October 2022.

9. Appendices

- 9.1 Appendix 1 – Implications

10. Recommendations

That the Cabinet Member:

- a) Notes the outputs of the review and agrees to amend the small grants criteria to include eligibility for mainstream technologies (as outlined in paragraph 4.15 of this report
- b) Agrees to including the requirement to assess wider community benefits as part of the grant process, include monitoring of impacts
- c) Agrees to setting a nominal funding ceiling of £350,000 within the small grants strand of £500,000 for 'mainstream technologies' supported by regular monitoring information to the Programme Board to allow assessment of demand and impacts on the wider fund.

11. Reason for Recommendations

- 11.1 To ensure the Green Entrepreneurs Fund remains relevant and responsive the current challenges being faced by Derbyshire businesses as they move to decarbonise.

12. Is it necessary to waive the call-in period?

12.1 No.

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Implications

Financial

- 1.1 There are no changes to the overall funding allocation originally aligned to the Green Entrepreneurs scheme therefore, there are no additional costs to the Council.
- 1.2 The current levels of delegation are to be retained. The scheme has delegated authority to issue grants of up to £15,000 and applications above £15,000 still need approval from the Green Entrepreneurs Fund Programme Board.

Legal

- 2.1 The Director of Legal and Democratic Services will provide advice to the Board as necessary regarding all elements of the GEF scheme, including Strand 2, 'small grants'.

Human Resources

- 3.1 None.

Information Technology

- 4.1 None.

Equalities Impact

- 5.1 The proposed changes widen the eligibility criteria and will ensure greater access to potential funding for more Derbyshire businesses and greater community impact, including vulnerable groups.

Corporate objectives and priorities for change

- 6.1 The proposal demonstrates "Strategic fit" by supporting Council Plan themes as follows:
- 6.2 **A prosperous and Green Derbyshire** – The Green Entrepreneurs Fund 'small grants' element is designed to support the Council in its ambitions to reduce carbon emissions working with communities. This aim will help to lessen the effects of climate change across Derbyshire, reaffirming the Council's support for small businesses.

- 6.3 **Effective Early Help for Individuals and Communities** – The offer of decarbonisation grants to SMEs in communities reinforces the Council's commitment to support local businesses continued recovery from the covid pandemic, and as important, sustaining local businesses in enabling sustainable growth and employment against rising fuel costs.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 Policy and procedures will be followed as required to deliver the programme of works.