

**Report of:** Chief Officer of Sustainable Energy & Air Quality (SEAQ)

**Report to:** Director of Resources & Housing

**Date:** 7<sup>th</sup> August 2019

**Subject:** Release of earmarked reserve money to pay for fuel poverty and climate change related projects

**Funding source:** 979781/602 (earmarked reserve)

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: N/A Appendix number: N/A	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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## Summary of main issues

1. The purpose of this report is to seek approval to spend £125k (£80k capital and £45k one-off revenue) with the funding coming from the release of £125K from an earmarked reserve.
2. The reserve has been accrued over a number of financial years from 'surpluses' generated by two separate projects; namely, 'White Rose Energy' ('WRE') – which began in 2016 – and a small-scale solar photovoltaic (PV) panel pilot, which started in 2010.
3. These projects were established with a view to creating surpluses to establish a fund for both fuel poverty alleviation and general sustainability related initiatives.
4. The money released will be re-invested into 3 principal areas:
  - The discretionary fuel poverty fund (DFPF) – **capital**;
  - An LED lighting conversion programme in our own social housing - **revenue**; and,
  - General climate change emergency work, beginning with a tree planting scheme during the next winter period - **revenue**.

## Recommendations

1. The Director of Resources and Housing is recommended to approve:
  - a release of £125K from an identified earmarked reserve relating to WRE and a solar project, comprising:
    - a fully funded injection into the capital programme of £80K (from the overall £125K), tied to linked authority to spend of that money on priority projects to help tackle fuel poverty across the city; and,
    - a one-off revenue based funding exercise of £45K (from the balance of the released £125K), where the money is to be used on a tree planting scheme and also, a project with a low carbon/fuel poverty focus in social housing.
2. The Director of Resources and Housing is also asked to note that SEAQ intends to use 'within year' income coming into the WRE budget to partially cover budgetary pressures relating to the council's response to the climate change emergency.

## **1 Purpose of this report**

- 1.1 The primary purpose of this report is to seek approval to spend £125K on fuel poverty and sustainability related initiatives, with the total funding coming from an earmarked reserve.

## **2 Background information**

- 2.1 In 2010/2011, the council delivered a project to install 11 solar PV systems on private households across several estates in Leeds. The deal used grant income from the West Yorkshire Housing Partnership to pay for the installations. The council then took the benefit of the available government subsidy income (feed-in – FiT – and export tariffs), whilst the householders benefitted from taking advantage of all usable electricity generated by the panels, without having to contribute anything towards the cost.
- 2.2 Auspiciously, these solar PV systems were installed before the government's 1<sup>st</sup> major cutback of the primary FiT subsidy, which meant that the revenue stream was relatively generous when considering the small size of the overall installed capacity.
- 2.3 Given the above, there should be a net surplus generated by the solar assets every year. Some of this needs to be set aside and retained for the future, as the inverters – which make the electricity produced usable – are likely to need replacing within the lifespan of the assets. The rest of the money was always intended for reinvestment into fuel poverty alleviation projects; in fact, this was an actual grant condition and is therefore obligatory, given that we may be audited in the future.
- 2.4 Currently, this solar scheme has £63K held within the earmarked reserve.
- 2.5 WRE is a brand owned by the council but operated as an energy company, under licence, by Robin Hood Energy (RHE). It was created to give the council influence to change the energy market in respect of what is on offer to residents in the Yorkshire region.
- 2.6 The idea behind this work was to hold an energy company to a contractual performance management regime so that both good quality customer service and price competitiveness could be achieved across a core offering of tariffs, which would serve everyone's needs.
- 2.7 RHE manage almost all of the functional elements, i.e. billing, customer service, complaints, energy buying, regulatory compliance, and so on. The council's responsibilities extend to marketing and promoting the brand to residents and coordinating a void switching scheme with Housing Leeds, for which it receives an income.
- 2.8 The income from RHE was always anticipated to result in a net surplus – once costs of administration were settled – with all residual money being funnelled into social responsibility related projects.
- 2.9 The resource costs associated with managing WRE are covered by salaried positions.

- 2.10 There is an earmarked reserve of £127K, which has been generated from the net income from WRE's income. Year on year, more money will most likely be added to the earmarked reserve, as the within year costs should always be covered by incoming revenue.

### **3 Main issues**

3.1 It has always been the intention to use money brought into the council via the private dwelling solar and WRE schemes to pay for initiatives linked to fuel poverty and general sustainability work.

3.2 We banked surpluses over a number of financial years so that we could amass an appropriately sized budget for the work intended. We now need the money to be released from the earmarked reserve, so we can deliver what we intended.

3.3 The breakdown of the proposed project spend is as follows:

- £80K to be allocated to the 'discretionary fuel poverty fund' (DFPF), with £50K to come from WRE and £30K from solar (from the appropriate earmarked reserve lines);
- £30K to be allocated to the WRE revenue budget (24415) – taken from the WRE specific earmarked reserve – for use in an LED lighting conversion project in Housing Leeds' social housing voids;
- £15K to be allocated to the WRE revenue budget (24415) – taken from the WRE specific earmarked reserve – for use in a tree planting scheme to tackle environmental issues such as carbon emissions, air quality impacts, biodiversity loss, and flood risk; and,

3.4 The above constitutes £125K in total, which will come from the earmarked reserve, with £95K to come from the WRE budget line and £30K from solar.

3.5 SEAQ also intend to use the within year revenue budget for WRE (cost-centre 24415), where there will be circa £50k of surplus by financial year end, to partially offset the budgetary pressures relating to the climate emergency. The precise spend is not fixed but is anticipated to be used across the following areas: the Big Leeds Climate Conversation, a potential intern's salary, linked website development, various educational materials, additional tree planting, possible consultancy, and on possible other elements too.

### **4 Corporate considerations**

#### **4.1 Consultation and engagement**

4.1.1 Members of the 'environment programme board' ('EPB') were briefed on the principles behind the release of this funding several months ago and it was agreed that these proposals proceed.

4.1.2 The September 2015 executive board meeting gave the go ahead for the eventual WRE initiative to be spawned. Around this time decision makers and the council's finance department were briefed with respect to the future aspiration to create a

fund for social responsibility related projects, and appendix I of that report shared a prospectus for the project, which stated the following as a 'key desired outcome':

*Ability to generate a modest revenue surplus – without affecting the competitive viability of the tariff structures – to reinvest in linked initiatives around city-wide CO<sub>2</sub> reductions, affordable warmth, and any other innovative energy related projects.*

4.1.3 As such, this programme of spend – and the associated release of reserve money – is a recognition of one of the original intentions behind the scheme.

4.1.4 With respect to the net income from the solar scheme, the initial grant agreement dictated that any surpluses made in relation to operating revenue from the government subsidies accumulated could only be used for either equipment maintenance and servicing or sustainability projects. Use of the surplus money for these projects therefore fulfils this requirement.

## **4.2 Equality & diversity / cohesion & integration**

4.2.1 An Equality Impact Assessment (EIA) screening tool has been undertaken for the purposes of this recommendation and has indicated that an EIA does not need to be carried out. There will be no adverse effect on any particular groups of people within the city posed by this proposed course of action.

## **4.3 Council policies & city priorities**

4.3.1 These proposals are intrinsically tied to the council's declaration of climate change emergency, which was publically stated in late February 2019. Indeed, there is actually a low carbon dimension to all of the work mooted as a result of this funding stream release as fuel poverty alleviation measures have the added benefit of reducing energy use and/or making appliances and heating more efficient.

4.3.2 In terms of fuel poverty, the 'Affordable Warmth Strategy 2017-2030' establishes the council's policies, targets, and implementation plans in respect of future years. The money released via this decision will be invaluable in supporting the vital aims of this work, which are focussed on a reversal of circumstances for some of our most vulnerable and disadvantaged residents.

## **4.4 Resources and value for money**

4.4.1 **Full scheme estimate:** The capital costs of the proposals total £80k and these are fully funded from the use of the earmarked reserve outlined above. There are no on-going capital implications from this proposal.

4.4.2 **Capital funding and cash flow:**

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	80.0		80.0				
<b>TOTALS</b>	<b>80.0</b>	<b>0.0</b>	<b>80.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2019 £000's	FORECAST				
			2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023 on £000's
LCC Supported Borrowing	0.0						
Revenue Contribution	0.0						
Capital Receipt	0.0						
Insurance Receipt	0.0						
Lottery	0.0						
Gifts / Bequests / Trusts	0.0						
European Grant	0.0						
Health Authority	0.0						
School Fundraising	0.0						
Private Sector	0.0						
Section 106 / 278	0.0						
Government Grant	0.0						
SCE ( C )	0.0						
SCE ( R )	0.0						
Departmental USB	0.0						
Corporate USB	0.0						
Earmarked Reserve	80.0		80.0				
<b>Total Funding</b>	<b>80.0</b>	<b>0.0</b>	<b>80.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### 4.4.3 Revenue effects:

The proposal includes £45K of one-off revenue spend and this will be fully funded by the use of the earmarked reserve. There are no additional on-going revenue implications from these proposals that require specific approval.

REVENUE EFFECTS	2019/20 £000's	2020/21 SUBSEQUENT YEARS £000'S
EMPLOYEES		
PREMISES COSTS		
SUPPLIES & SERVICES	45.0	
USE OF EARMARKED RESERVE	-45.0	

#### 4.5 Legal implications, access to information, and call-in

4.5.1 This is a significant operational decision as defined under article 13 of the council's constitution.

4.5.2 There are no legal implications anticipated by this decision and likewise, no impediments relating to access-to-information or call-in are envisaged.

## **4.6 Risk management**

- 4.6.1 There is money available within the earmarked reserve and a mandate is in place to use the surpluses created by these 2 schemes to both strengthen our fuel poverty work and to address societal issues pertaining to 'unsustainable' development. Hence, if we renege on previous promises there is a risk that the council will fail to deliver on its past commitments in respect of leveraging these projects for social good.
- 4.6.2 Domestic energy efficiency funding – linked to fuel poverty alleviation – has been more difficult to secure in recent years, for a variety of reasons. With this context in mind, it would appear sensible to take advantage of the opportunity to augment the associated internal budgets.
- 4.6.3 The declaration of climate change emergency has also created a huge programme of future work, which will require a massive influx of funding if we the council is to respond in a meaningful way. The proposals set out in this report will contribute over £65K worth of crucial funding to help kick-start this emerging programme (£15K for tree planting – from the earmarked reserve release – and £50K to be assigned to linked initiatives from within year spend).

## **5 Conclusions**

- 5.1 The money required to fund the proposed projects is held within the earmarked reserve, ready to be used, and approvals are in place to allow the council to withdraw it for the purposes detailed within this report.
- 5.2 Given the fact that this funding is being assigned to priority projects, the release of said money should be seen as wholly positive, based on the societal benefits that the expenditure will result in, i.e. fuel poverty alleviation and reducing environmental impacts.
- 5.3 Money within the earmarked reserve cannot be spent on goods, services, and works in the normal way. As such, we are seeking approval for finance to move the money into the right places, where it can then be used as intended.

## **6 Recommendations**

- 6.1 The Director of Resources and Housing is recommended to approve:
- a release of £125K from an identified earmarked reserve relating to WRE and a solar project, comprising:
    - a fully funded injection into the capital programme of £80K (from the overall £125K), tied to linked authority to spend of that money on priority projects to help tackle fuel poverty across the city; and,
    - a one-off revenue based funding exercise of £45K (from the balance of the released £125K), where the money is to be used on a tree planting scheme and also, a project with a low carbon/fuel poverty focus in social housing.

- 6.2 The Director of Resources and Housing is also to note that SEAQ intends to use 'within year' income coming into the WRE budget to partially cover budgetary pressures relating to the council's response to the climate change emergency.

**7 Background documents**

None.