

Cabinet

6 April 2021

Public Sector

Decarbonisation Scheme

For Decision

Portfolio Holders: Cllr R Bryan, Highways, Travel and Environment
Cllr T Ferrari, Economic Growth, Assets & Property

Local Councillor(s): All Councillors

Executive Director: J Sellgren, Executive Director of Place

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Report Status: Public

Recommendation:

That Cabinet agrees:

1. To begin procurement exercises that will be required in relation to the £18.7m Public Sector Decarbonisation Scheme (PSDS) grant; that comprises individual procurement activity which will be over the key decision threshold of £500k.
2. That following procurement the further step of making any contract 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 £500k or more.

1. Executive Summary

- 1.1 The Department for Business, Energy and Industrial Strategy (BEIS) launched the Public Sector Decarbonisation Scheme (PSDS) in 2020 to be delivered by Salix Finance. The Grant Scheme will allocate £1bn of grant funding nationally to fighting coronavirus, backing business, unleashing innovation and tackling climate change. The scheme will encourage green investment aligning with the Government's Net Zero and clean growth goals.
- 1.2 The PSDS grant is available for public sector capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings. The grant provides 100% of the costs of capital energy saving projects such as making buildings more energy efficient and installing low carbon heating measures, for example insulation, glazing, heating controls and heat pumps.
- 1.3 With support of Salix, in November 2020 the Council applied for the PSDS grant and the related Low Carbon Skills Fund (LCSF). In January 2021 Salix confirmed the offer of these funds, totalling £19 million, and the Council entered into grant agreements as shown below with Salix on 5th February 2021 which will 100% fund the Council's development and delivery of low carbon projects on its estate.

Low Carbon Skills Fund (LCSF) – two grants that are in total £298k

These two grants have funded the full costs of detailed surveys of buildings in order to finalise the overall capital programme and detailed costs. All work under these grants to be completed by end of March 2021.

Public Sector Decarbonisation Scheme (PSDS) - £18.7 million

This will fund 100% of the costs for contractors, consultants and capital works to deliver a retrofit programme of low carbon projects on selected Council property. At the time of this report, the work under this grant to be completed by September 2021.

- 1.2.1 This paper sets out the details of the grant applications and offers. Successful delivery will allow the Council to make a step change on decarbonisation in line with the Climate and Ecological Emergency Strategy.

2. Financial Implications

- 2.1 The application timescales have been extremely short therefore the capital project costs are an estimate at this stage, based on the best available information and previous experience of similar projects.
- 2.2 The two LCSF grants have covered the full costs of detailed surveys of buildings in order to finalise the overall capital programme and costings.
- 2.3 The Public Sector Decarbonisation grant will cover the full costs of the capital programme up to a maximum budget of £18.7 million. Any overspend would need to be covered by the Council. A contingency of between 10 – 15% has been included in the application to reduce this risk.
- 2.4 A programme of works and expenditure will be agreed with Salix and funds will be drawn down at agreed milestones, with suitable evidence of final costs.
- 2.5 Potential for revenue savings is extremely difficult to predict at this stage and will incorporate an element of cost avoidance from the failure of the existing Building Energy Management System. It is important to note this funding would allow some of the more expensive carbon reduction measures to be brought forward early such as heat pumps replacing gas boilers, reducing the immediate cost saving benefit, but helping the Council achieve long term savings and targets in line with its Climate and Ecological Emergency Strategy.

3. Well-being and Health Implications

- 3.1 Although there are no direct well-being implications, it should be considered that the improvements to building efficiency will benefit Council employees by providing a more pleasant working environment.

4. Climate implications

- 4.1 The purpose of both the LCSF grants and the PSDS grants are to support the public sector to decarbonise their estates and to develop long term decarbonisation plans in line with national targets.
- 4.2 The work covered by the £18.7m PSDS capital grant programme will directly enable the Council to bring forward some of its ambitions to have a carbon neutral estate by 2040 as set out in its Climate and Ecological Emergency Strategy. The work will be an excellent step forward and enable some of the more difficult measures to be tackled early on.

5. Other Implications

5.1 None

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 Several risks to the delivery of the programme have been identified. These largely relate to complexity and scale of the programme and the short timescales required to deliver. Deliverability could potentially be affected by the speed with which enough resources can be mobilised, capacity within the supply chain and contractors to supply and install equipment required and potentially ongoing implications of Covid-19. Successful programme delivery will require close engagement and liaison with site managers to ensure access and buy in to the scheme.

6.3 Mitigating these risks will require active early engagement with the supply chain and site managers. Some initial discussions have been held with contractors to gauge capacity and potential supply chain issues.

6.4 Additional risk in respect of financial is noted under 2. Financial Implications.

7. Equalities Impact Assessment

7.1 Not applicable. This project is for building efficiencies in accordance with the Council's Climate and Ecological Emergency Strategy.

8. Appendices

8.1 None.

9. Background Papers

9.1 Cabinet 28th July 2020 – Draft Climate and Ecological Emergency Strategy

10. Low Carbon Skills Fund (LCSF) - £298k grant

10.1 The LCSF grant (two grant offers) will cover 100% of the costs of contractors and consultants to:

- i) Undertake detailed site surveys and design work in order to test feasibility and further develop a fully costed programme of capital work to be covered by the PSDS (below). This work to include: surveys for lighting; fabric and roof structure; and solar. As well as systems design for Heat pumps, Solar Panel, LED lighting, building energy management systems and building fabric improvements.
- ii) Undertake energy surveys of additional selected buildings to enable the development of a strategic Heat Decarbonisation Plan across the remaining estate

10.2 All work under this grant must be completed by end March 2021.

10.3. The extremely tight timescale set by government for the commitment of the spend, the late confirmation of grant arrangements and the provision of final grant documentation, as well as the need to mobilise a contractor to undertake the works in such a tight timescale, did not allow time for a Cabinet decision in relation to the two grant offers under the LCSF.

10.4 The decision to approve the two grant offers was taken on 3 February 2021 by Cllr Ray Bryan as Portfolio Holder with delegated authority to take decisions within his portfolio area up to the key decision threshold. This enabled the Council to promptly enter into funding agreements with Salix Finance on behalf the Department, Energy and Industrial Strategy (BEIS) in respect of the LCSF, allowing procurement to be started and work to be commissioned immediately in order to meet the extremely tight delivery timescales.

11. Public Sector Decarbonisation Scheme (PSDS) - £18.7 million

11.1 The PSDS grant will cover 100% of the costs for contractors, consultants and capital works to deliver a retrofit programme of low carbon projects on selected DC property. This programme will be targeted at four areas where the Council can initially prioritise retro- fit activities. Thirty-seven buildings have been selected that best fit the funding criteria and offer the best carbon saving potential. These are:

- i) All remaining OFF GAS properties (e.g. supplied by oil or LPG – 22 in total), suitable for heat pump heating solutions
- ii) Three key leisure centres eligible for advanced heat-pump technology for pools and air handling, as has been installed at Gillingham.
- iii) A selected number of larger ON GAS properties (12 in total) where heat pumps or hybrid heat pump solutions are suitable. These will include some mainly larger offices and Tricuro sites.

iv) Upgrade of the TREND Building Energy Management System equipment across most of the estate (270 buildings), enabling improved or continued energy efficiency savings.

- 11.2 Each project will take a whole building approach, principally changing heating systems from fossil fuels to electric heat pumps but also backed up by energy reduction through improvements to building fabric (insulation etc) and switching to LED lighting. As well as each building having onsite renewable energy generation in the form of roof mounted Solar PV.
- 11.3 The programme will also include upgrading existing (old) Building Energy Management Systems (BEMS) and new installation in buildings where this is currently not in place, a total of 270 buildings. This will ensure we maintain energy management systems across the estate which have been proven to save around 20-25% on energy bills.
- 11.4 The programme of work submitted with the application was developed based on best estimates of technology and costs from knowledge of the estate and technical teams. This has been assessed by Salix as a viable programme but will be finalised following work undertaken as part of the Skills fund. Salix have indicated that any revised programme would still need to fit within the £18.7m budget and meet the Salix eligibility criteria.
- 11.6 Following the completion of the detailed survey work undertaken as part of the Low Carbon Skills Fund programme there will be a re-evaluation of the programme of work submitted in order to prove viability. At this point there will be potentially an opportunity and/or a need to alter the programme of work in order to accommodate variances in evidence gathered as opposed to the original estimates or changes in circumstances (such as building disposal).
- 11.7 At the time of this report, all works under this grant must be completed by September 2021.
- 11.8 The extremely tight timescale set by government for the commitment of the spend, the late confirmation of grant arrangements, and the provision of final grant documentation, as well as the need to mobilise a contractor to undertake the works in such a tight timescale did not allow time for a Cabinet approval of the key decision in relation to the PSDS grant offer.
- 11.9 The decision to approve the grant offer was taken on 9 February 2021 by the Chief Executive under item 14 of the Scheme of Delegation (Chief Officer decisions in cases of urgency) and following consultation with the Leader, the relevant Portfolio Holders, the Chairman of Place and Resources Scrutiny Committee, the Section 151 Officer and the Monitoring Officer.

11.10 It is envisaged that work packages will be procured via existing contractual arrangements, e.g. existing framework agreements or contracts. It is recognised however that as packages of work are identified there may be requirement(s) identified that are not able to be met by existing contractual arrangements. In case of this eventuality, Cabinet is asked to delegate authority to the Executive Director for Place, after consultation with the relevant portfolio holders, to undertake procurement activity and subsequent contract award.

12. Governance

12.1 This will be a complex programme of work with short deadlines and will require a robust governance structure to ensure successful and timely delivery. Officers from Assets and Property will have a key role in commissioning and programme managing this programme of work. Programme management costs have been included in the PSDS grant application.

12.2 A programme manager has been assigned to oversee the whole project and the programme will be managed through the governance as illustrated below.

Project Governance: Public Sector Decarbonisation Scheme

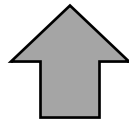
Oversight Board

Function: To have oversight of the project and in such role it will:

- Seek assurance that the project is appropriately administered
- Ensure resources are available to the delivery team
- Make appropriate and timely decisions as required by them

Core Board Members: Chair, Group Support Officer, Councillor Representation (Portfolio Holders and Lead Members), Delivery Board representation, CLT representation, Finance, Procurement, Legal plus any specialists as needed.

Meeting Frequency: Every 2 weeks (subject to review)



Project Delivery Team

Function: To group will:

- Ensure appropriate resources are provided to the delivery teams for a successful outcome
- Review progress and oversee project pathways
- Discuss changes in project scope and approve solutions
- Approve the progress report to be taken to the Oversight Board
- Ensure decision pathways are in place and that they are appropriate for timely approvals

Core Board Members: Chair, Group Support Officer, Project Delivery Manager, Legal, Finance, Procurement, Assets and Property, and Corporate Sustainability (Councillors may attend as observers)

Meeting Frequency: Every 2 weeks (subject to review)

13. Wider Benefits

- 13.1 This programme of work will be a major step in the Council's ambition to become zero carbon by 2040 and accelerate several actions in the Climate and Ecological Emergency Strategy Action Plan, helping to meet 2040 carbon targets.
- 13.2 The grants secured 100% funding – providing both capital and revenue costs for programme delivery. This will enable the fast tracking of the Council's retrofit programme, without total reliance on capital funds (see 2. Financial Implications). It will also allow some of the more expensive measures (such as heat pumps) to be brought forward.
- 13.3 The programme of work will lead to significant carbon and revenue savings for the Council and some schools. Estimated to be in the region of 3-3,500 tonnes/ carbon per year (approx. 10% of the Council's carbon footprint) with revenue savings from reduced energy use in the region of £400k / year, shared between the Council and some schools. Some measures will ensure current savings continue offering additional cost avoidance from effective energy management iro. £200k/yr.
- 13.4 Wider economic and social value benefits through strengthening low carbon supply chains and potential for growth in low carbon sector jobs within Dorset and beyond.
- 13.5 Leadership through demonstration of range of low carbon technologies within public sector buildings.

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.