

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	9 th February 2021		
Title	Acceptance of Public Sector Decarbonisation Funding				
Report of	Director for Communities and The Environment				
Purpose of the Report					
To seek approval of Public Sector Decarbonisation Funding should an offer be forthcoming.					
Key Decision (Y/N)	Y	Date of Notice	01/02/21	Exempt (Y/N)	N

Report Summary

In September 2020, the Department for Business, Energy and Industrial Strategy (BEIS) launched the Public Sector Decarbonisation Scheme (PSDS) which is administered by Salix Finance.

The scheme offered £1bn of grant funding to support the public sector tackle climate change and deliver stimulus to the energy efficiency and low carbon heat sectors, supporting jobs.

In November 2020, officers submitted an expression of interest for £6.8M under the PSDS to install air source heat pumps (ASHP) to Salt Ayre Leisure Centre, along with retrofit glazing improvements to improve the thermal efficiency of the building. The bid also included an optimized solar farm with battery storage on the disused landfill site adjacent to provide electricity to the leisure centre via a direct wire. Such a scheme would be expected to make significant reductions to SALC's CO2 emissions

Officers are continuing with detailed modelling to determine the optimum size of the solar array and are working with Distribution Network Operator (ENWL) consultants to seek and review options for import and export connections to support the scheme. Desktop network studies have provided options, but confirmation from the DNO is needed to proceed.

Salix finance have informed the council that if funding is offered, officers will need to confirm that necessary approvals have been provided to accept the funds by no later than 20th February 2021.

Due to timescales, officers wish to seek approval of the funding if successful. Once approved by Cabinet (as within the B&P Framework) acceptance is delegated to a Director with the written consent of the S151 Officer subject to due diligence.

Recommendations of Councillor Frea

- (1) That Cabinet support the scheme and approve the PSDS funding should an offer be forthcoming noting that any final acceptance by a Director is subject to S151 officer consent following due diligence

Relationship to Policy Framework

The project links to the following priorities and cross-cutting themes:

- A co-operative, kind and responsible council specifically embracing innovative ways of working to improve service delivery and the operations of the council.
- Climate Emergency – Net zero 2030 ambition. This project could reduce the Council's emissions by upwards of 30% and bring SALC close to carbon neutrality.

Conclusion of Impact Assessment(s), where applicable

Climate- As set out in report

Wellbeing & Social Value

Digital

Health & Safety

Equality

Community Safety

Details of Consultation

Officers have been working on feasibility for the solar farm and air source heat pumps with partners including the Council's planning team, Lancashire County Council, Suez, ENWL, APSE Energy and several other specialist consultants.

Legal Implications

Section 31 of the Local Government Act 2003 allows the government wide-ranging powers to make grants for any purpose, capital or revenue, to any local authority.

Legal Services will need to check any conditions of grant offer in consultation with finance.

Financial Implications

£6.8m capital funding applied for as part of the PSDS funding. The revenue implications of carrying out work will be determined following the completion of detailed modelling and further diligence.

Other Resource or Risk Implications

Project will be delivered in-house by the Business Improvement & Project Lead and Climate Change Project Manager. Support provided by finance and external consultants, including APSE Energy.

Section 151 Officer's Comments

Although the paper seeks approval to accept the funding, should an offer be made Members should note that there remains a significant amount of work to be undertaken ahead of any formal acceptance, or commencement of the project. As noted within the report the proposed Terms and Conditions need to be fully reviewed and considered to ensure that they are acceptable and that there are no detrimental or onerous requirements which the Council would not be prepared to meet. In addition, further due diligence work is required ensure that the full revenue impact of the whole project is understood and that any savings, or additional cost are evaluated and balanced against the wider outcomes of the project.

Various elements of this project are contained within the current 2020/21 budget & policy framework, with the fully integrated project being presented to Council 24 February 2021 for approval as part of the 2021/22 – 2024/25 Capital Programme. Members should also note that within the 2021/22 programme provision has been made (c£3.8M) to enable the Council to “self-fund” should the offer not be made, or the T&C’s prove to be unacceptable. Successful application of external funding could enable this provision to be removed and revenue savings released in future years via a reduction in minimum revenue provision (MRP) and interest charges.

Monitoring Officer's Comments

The Monitoring Officer has been consulted when drafting this report and is satisfied the correct governance steps have been followed when submitting the expression of interest. As the projects fall within the existing Budget & Policy Framework this decision to approve the external funding lies with Cabinet. Acceptance of the grant will be subject to due diligence and S151 written consent.

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Links to Background Papers

1.0 Introduction

- 1.1 The Council declared a climate emergency in January 2019, with an ambition of achieving net zero by 2030.
- 1.2 Salt Ayre Leisure Centre (SALC) produces 30% of the council’s CO2 emissions and is the highest single emitter across the council’s property portfolio.
- 1.3 During 20/21 work has been taking place to plan and deliver a project that will provide solar energy to SALC. This project is included in the Council’s own capital programme.

- 1.4 In July 2020, officers commissioned a heating and thermal efficiency review of SALC which was completed in September 2020. The focus of the report was to consider and appraise decarbonised heating solutions along with reviewing building fabric improvements.
- 1.5 In November 2020, officers submitted a high-level £6.8M bid under the PSDS to install air source heat pumps (ASHP) at SALC as recommended by the earlier report, along with retrofit glazing improvements to improve the thermal efficiency of the building.
- 1.6 The bid also included an optimized solar farm and battery on the adjacent disused landfill to provide electricity to the leisure centre via a direct wire. Such a scheme would be expected to generate significant CO2 reductions.
- 1.7 Officers expect to find out whether the bid has been successful by 12th February 2021. Due to tight timescales, officers need to have the necessary approvals to confirm acceptance of the funding by 20th February 2021.

2.0 Proposal Details

- 2.1 That Cabinet accepts the PSDS funding should an offer be made, subject to all necessary due diligence.
- 2.2 Further modelling is taking place to determine the exact numbers, but if delivered the project would be expected to generate significant CO2 savings for SALC and help the council transition towards net zero.
- 2.3 If funding is approved in principle, officers would continue to work on modelling the design of the scheme to confirm the expected capital costs and any associated revenue implications. Following approval by Cabinet, final acceptance is delegated to a Director with written consent of S151 Officer, subject to the aforementioned due diligence.

4.0 Options and Options Analysis (including risk assessment)

Option 1: Accept PSDS Funding
Advantages: <ul style="list-style-type: none"> • Opportunity to significantly reduce emissions generated from SALC. • Contributes towards the council's 2030 net zero ambitions. • Provides up to 100% of capital costs. • Improves a flagship facility further still.
Disadvantages: <ul style="list-style-type: none"> • None
Risks:

- Revenue Implications: Currently unknown at this stage. Financial model to be submitted to S151 and Director prior to grant acceptance deadline of 20th February 2021.
- Funding requires the project to be delivered by September 2021. Some possible slippage may be permitted up to March 2022. Significant progress has been made already. Officers feel timescales are achievable at this present time.

Option 2: Reject PSDS Funding

Advantages:

- None.

Disadvantages:

- Reducing emissions from high-emitting facilities presents a significant challenge.
- Future funding opportunities are unknown.
- Decision goes against climate emergency ambitions.

Risks: As above

4. Officer Preferred Option (and comments)

Option 1: Accept Public Sector Decarbonisation Funding

Further work will be carried out to determine the optimum modelling of solar PV, battery storage and air source heat pumps. It is anticipated that this work will be completed prior to the funding acceptance deadline of 20th February 2021 and will provide S151 and Director with a full financial model for consideration.

Capital funding from the Public Sector Decarbonisation Scheme provides the Council with an opportunity to move significantly closer to its net zero 2030 target. If delivered, this flagship project would cement the council's ambitions and intentions set out following the 2019 Climate Emergency declaration and provide clear, significant, demonstrable action.