

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	14 September 2021
Title	PSDS Decarbonisation of Sheltered Schemes		
Report of	Director for Communities and The Environment		
Purpose of the Report			
<p>That Cabinet support the application for further schemes and approve the Public Sector Decarbonisation Scheme funding should an offer be forthcoming noting that any final acceptance by a Director is subject to S151 officer consent following due diligence.</p> <p>Should acceptance of funding be granted it is requested that Cabinet provide the Chief Executive with delegated authority to award the contract for the solar scheme, ground source heat pumps and building upgrades following compliant procurement exercises.</p>			
Key Decision (Y/N)	Y	Date of Notice	23/08/21
		Exempt (Y/N)	N

Report Summary

In Jan 2019, the Council declared a climate change emergency. The Council's priorities include the theme of 'Taking action to meet the challenges of the climate emergency'. Specific actions include-

- Net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal.
- Increasing the amount of sustainable energy produced in the district and decreasing the district's energy use.

In February 2021, the council received £6.8M of PSDS funding to decarbonise Salt Ayre Leisure Centre (SALC). Due to grid restrictions, the solar scheme was reduced from 3MWp to 1.3MWp, reducing the expected project costs to below £5M.

The scheme was resubmitted to Salix Finance / BEIS and was accepted. Officers expect construction to be completed by October 2021 and energisation completed by November 2021. The project is expected to reduce the council's natural gas emissions by 35% The full project is expected to be delivered for £4.8M.

In June 2021, Salix Finance informed officers that the £2M underspend on SALC could be reinvested in further decarbonisation schemes providing they meet the PSDS criteria. This includes full project completion by March 2022. An application to Salix would be required to facilitate this.

In line with the grant criteria, officers commissioned desktop reviews of all properties within the council's scope 1 (direct) emissions.

Desktop feasibility was completed on 19th August with four sheltered schemes appearing to offer the most complete solutions using a combination of Ground Source Heat Pumps and Solar PV:

1. Beck View,
2. Ripley Court,
3. Parkside Court

4. Melling House.

Collectively the sites contribute 15% of the council's natural gas emissions. Estimated costs for delivering all four schemes is £1.9M.

Consent has been provided by S151 Officer and Director of Communities & The Environment to submit a new application to Salix Finance and utilise the funding on these schemes.

If successful, capital costs of this project will be covered by the current PSDS grant underspend. This also means any capital provisions made in the HRA programme for boiler replacements at these sites can be removed or reallocated.

Initial estimates and modelling suggests that energy costs across the sites will reduce, on average, by £7,000 per scheme. Estimates will be confirmed following completion of detailed design, should the funding application be successful.

Engineer site visits carried out as part of the feasibility also suggests that internal upgrades to pipework and radiators are not necessary, minimising any disruption to residents and limiting it to external works only (GSHP and solar).

Directors have authority to accept funding bids approved by Cabinet/or Full Council, subject to due diligence being completed and with the written consent of the Chief Finance Officer.

The timescales of the grant funding are very tight and officers are exploring available procurement frameworks. Due to the value, a Key Decision has been submitted.

Recommendations of Councillor Matthews

- (1) That Cabinet support the application for further schemes 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 checks, in accordance with the Council's own financial procedure rules
- (2) Subject to the acceptance of an offer for external funding, that Cabinet approve the reallocation of £2M unspent funding in respect of further decarbonisation projects across the HRA and approve the necessary adjustments between the General Fund and HRA capital programmes
- (3) That Cabinet support the request to provide delegated authority to the Chief Executive to award the associated contracts when a decision is ready to be made

Relationship to Policy Framework

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

1. An inclusive and prosperous local economy. A proportion of the overall evaluation will include an element of social value, in line with the procurement strategy and contract procedure rules.
2. Climate Emergency – Net zero 2030 ambition. Collectively, the sheltered schemes listed within the report produce 15% of the council's natural gas emissions.

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

The Climate Emergency Projects team have been working in collaboration with the council housing team to review desktop feasibility. Additional consultation with residents at each scheme will take place should the funding be approved and projects progress.

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

As part of the due diligence checks, desktop feasibility has been completed for each of the schemes listed. Costs and CO2 savings appear to meet the current grant criteria and there aren't expected to be any direct revenue implications for the council by accepting the funding (should it be approved) and delivering the projects.

Within the schemes listed, the tenants are subject to service charging which include a charge for gas and electricity. Once complete, there will be no charge for gas but the electricity charge will increase. Initial indications as carried out within the desktop feasibility were that the overall impact would lead to savings in the region of £7,000 per annum per scheme when considered against current usage and the proposed system. This will be subject to further review as part of the next phase of due diligence checks.

Following subsequent due diligence checks, should there be a significant increase to tenants then a tenant consultation exercise will need to take place prior to acceptance of the funding or an alternative way of funding the increase will need to be identified.

As detailed in the report, both the General Fund and HRA capital programmes will need to be updated to include the movement of the required £2M to fund this scheme (albeit covered by external funding).

Officer time in delivering the schemes can be managed within existing budgets.

Other Resource or Risk Implications

Project will be delivered by the Climate Emergency and Council Housing Teams. Support provided by finance and external consultants where appropriate.

Section 151 Officer's Comments

The s151 Officer has provided written support for the application for further funding in accordance with Financial Procedure Rules. If the application is successful and an offer is made acceptance will be subject to further due diligence and viability assessments, further commentary will be made at that point.

Monitoring Officer's Comments

Acceptance of the grant will be subject to due diligence and S151 written consent. Pursuant to Section 3 of the Council's Contract Procedure Rules approval of tenders with a value of over £200K can be delegated to the Chief Executive

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Links to Background Papers

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1.0 Introduction

1.1 In Jan 2019 the declared a climate change emergency. The Council's priorities include the theme of 'Taking action to meet the challenges of the climate emergency'. Specific actions include-

- Net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal.
- Increasing the amount of sustainable energy produced in the district and decreasing the district's energy use.

1.2 The Council's CO2 emissions from its direct activities (scope 1 and 2) are split between 59% from gas (heating), 40% from road diesel and 1% from business travel.

1.3 In February 2021, the council received £6.8M of PSDS funding to decarbonise Salt Ayre Leisure Centre (SALC) reducing natural gas emissions by 35%. Due to grid restrictions, the solar scheme was reduced from 3MWp to 1.3MWp, reducing the expected project costs to under £5M.

2.0 Proposal Details

2.1 In June 2021, Salix Finance informed officers that the £2M underspend on SALC could be utilised on further decarbonisation schemes providing they meet the PSDS criteria and subject to a successful application. This includes full project completion by March 2022.

2.2 In line with the grant criteria, officers commissioned desktop reviews of all properties within the council's scope 1 (direct) emissions.

2.3 Desktop feasibility was completed on 19th August with four sheltered schemes appearing to offer the most complete solutions: using a combination of Ground Source Heat Pumps and Solar PV: *Beck View, Ripley Court, Parkside Court and Melling House*.

2.4 Collectively the sites contribute 15% of the council's natural gas emissions. Estimated costs for delivering all schemes is £1.9M.

2.5 If successful, capital costs of this project will be covered by the current PSDS grant. This means any capital provisions made in the HRA programme for boiler replacements can be removed or reallocated.

2.6 The timescales of the grant funding are very tight and officers are exploring available procurement frameworks. Due to the value, a Key Decision has been submitted.

2.7 Due to timescales and conditions attached to the grant funding, this report seeks approval to submit an application for further schemes 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 checks, in accordance with the Council's own financial procedure rules.

- 2.8 Subject to the acceptance of an offer for external funding, that Cabinet approve the reallocation of £2M unspent funding in respect of further decarbonisation projects across the HRA and approve the necessary adjustments between the General Fund and HRA capital programmes.
- 2.9 The report also seeks to provide the Chief Executive with delegated authority to award the contracts when a procurement decision is made to support a delivery deadline of March 2022.
- 2.10 Due diligence continues and full detailed design will be commissioned once funding is secured. This will be shared with S151 Officer and Director for Communities & The Environment for final project approval.
- 2.11 At this stage, CO2 reductions have not had a benefits value assigned beyond their direct impact on energy costs. It is widely recognised that decarbonising heat is one of the most significant challenges in achieving carbon neutrality in the UK context. The decarbonisation of these schemes would make a significant contribution to both
- 2.12 The decarbonisation of these schemes would make a significant contribution to shifting away from the direct use of fossil fuels and generating local, renewable energy, reducing the council's natural gas emissions by a further 15%. In total, this would provide the council with a 50% CO2 reduction (from natural gas) by the end of 21/22.
- 2.13 Officers are exploring procurement frameworks to support in order to help expedite the delivery of the project. Due to the value, a Key Decision has been submitted.
- 2.14 Conditions attached to the funding require the project to be delivered by the end of March 2022. Officers need to work at pace and in an agile manner to deliver the schemes within the required timeframe.

3.0 Options and Options Analysis (including risk assessment)

Option 1: Approve proposal in full
<p>Advantages:</p> <ul style="list-style-type: none"> • Enables officers to continue working at pace and deliver the project within the required timeframes in line with the PSDS funding set out by the department for Business, Energy and Industrial Strategy (BEIS). A demonstration of how well this has worked is reflected in the SALC scheme. • Project has the potential to deliver a CO2 saving from natural gas of a further 15% bringing the council's total natural gas emissions down by as much as 50% by the end of 21/22
<p>Disadvantages:</p> <p>None</p>
<p>Risks:</p>

- Procurement will be in line with the council's procurement strategy.
- Further due diligence on capital costs and revenue implications will come from the next phase of detailed design.
- Officers intend to review the Salix/BEIS T&Cs to ensure risks of not delivering by March 2022 are known, included in due diligence and mitigated where possible.

Option 2: Reject Proposal in full

Advantages:

- None.

Disadvantages:

- Reject Transfer of funding between GF and HRA
 - Project cannot be delivered. Surplus funding returned to Salix/BEIS once SALC project is completed.
- Reject delegated authority to CEX for the associated contracts
 - Decision to award contract will require a cabinet decision, which would present and put the project at risk of not achieving the delivery deadline of March 2022.

Risks: As above

4. Officer Preferred Option (and comments)

Option 1: Approve Proposal

That Cabinet support the proposal and enable officers to progress with the schemes in line with the required delivery deadline. The proposal effectively mirrors the previous arrangements and approvals provided for the original scheme at SALC.