

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	ICMD				
<b>Title</b>	PSDS Decarbonisation Work				
<b>Report of</b>	Director for Communities and The Environment				
<b>Purpose of the Report</b>					
<p>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 delegated authority is provided Chief Executive to award the contract following a compliant procurement exercise.</p>					
<b>Key Decision (Y/N)</b>	<b>Y</b>	<b>Date of Notice</b>		<b>Exempt (Y/N)</b>	<b>N</b>

### 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 February 2022.

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 and on 26<sup>th</sup> November desktop feasibility was completed across nine sites using a combination of:

- LED lighting
- Secondary glazing
- BMS upgrades
- Pipework insulation

Sites included: *Ryelands House, Morecambe Town Hall, The Platform, White Lund Depot, Lancaster Town Hall, Old Fire Station, Maritime Museum, City Museum and Palatine Hall.* The scope at Ryelands House also includes the instillation of a Ground Source Heat Pump.

Due to the listed nature of many of the building, further work is taking place to determine whether the full scope of work can be delivered within the required timeframe of 31<sup>st</sup> March 2022.

Should the full scope of work be delivered, it is anticipated that the collective CO2 savings could be up to 150 tCO2e per annum and save in the region of £48k p/a (possibly higher) based on energy costs from 2018-2021.

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 in full by the current PSDS grant underspend. 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 Kevin Frea

- (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) 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.

## 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 Property Group and have engaged with the council's Principle Conservation Officer.

## 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 sites 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.

Initial indications suggest that the overall impact of delivering the work across all sites would lead to savings in the region of £48,000 per when considered against current gas and electricity usage. This will be subject to further review as part of the next phase of due diligence checks. 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, Property Group 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

<b>Contact Officer</b>	Elliott Grimshaw
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<b>Tel</b>	01524 582833
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<b>Email</b>	<a href="mailto:egrimshaw@lancaster.gov.uk">egrimshaw@lancaster.gov.uk</a>
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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 26<sup>th</sup> November 2021 for retrofit improvements across several sites including, *Ryelands House, Morecambe Town Hall, The Platform, White Lund Depot, Lancaster Town Hall, Old Fire Station, Maritime Museum, City Museum and Palatine Hall.*

2.4 The scope at Ryelands House also includes the instillation of a Ground Source Heat Pump to further reduce gas consumption.

2.5 Should the *full scope* of work be delivered, it is anticipated that the collective CO2 savings could be up to 150 tCO2e per annum and save in the region of £48k p/a (possibly higher) based on energy costs from 2018-2021.

2.6 An application to carry out the full scope was submitted to Salix finance on 9<sup>th</sup> December 2021. Officers expect to find out if this has passed technical assessment and funding approved in the first part of the new year. If successful, capital costs of this project will be covered in full by the current PSDS grant.

2.7 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.

- 2.8 Further work is continuing to review the practicalities of delivering the *full scope* of work across all sites. It may be necessary to amend the scope of work in order to achieve delivery by 31<sup>st</sup> March 2022. This work is ongoing and will be agreed with Salix/BEIS.
- 2.9 Due to timescales and conditions attached to the grant funding, this report seeks approval to accept the offer, should it be forthcoming whilst noting that the extent of the work may need to change, subject to the point raised in 2.8.
- 2.10 The report also requests that Cabinet provide delegated authority to the Chief Executive to award the associated contracts when a decision is ready to be made in January 2022.
- 2.11 Should an offer be forthcoming, final acceptance will be by a Director and subject to S151 officer consent following due diligence checks, in accordance with the Council's own financial procedure rules.
- 2.12 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.
- 2.13 Officers are exploring procurement frameworks to support in order to help expedite the delivery of the project.
- 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)

<b>Option 1:</b> Approve proposal in full
<p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>It is anticipated that the collective CO2 savings could be up to 150 tCO2e per annum and save in the region of £48k p/a (possibly higher) based on energy costs from 2018-2021</li> </ul>
<p><b>Disadvantages:</b></p> <p>None</p>
<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Procurement will be line with the council's procurement strategy.</li> <li>Further due diligence on capital costs and revenue implications will come from the next phase of detailed design.</li> </ul>

- 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:**

- 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.