

Title: Use of Delegated Powers - Decarbonisation of Council Buildings – addition to the Capital Programme

Lead Officer: Dave Barber

Portfolio Holders: Alan Rhead/Jan Matecki

Public report

Wards of the District directly affected: Leamington Clarendon;
Kenilworth St John's

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: Yes

Included within the Forward Plan: no

Equality Impact Assessment Undertaken: No

Consultation & Community Engagement: No

Final Decision: Yes

Accessibility checked: Yes

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	27/4/21	Chris Elliott
Head of Service	27/4/21	Dave Barber
CMT		
Section 151 Officer	27/4/21	Mike Snow
Monitoring Officer	27/4/21	Andrew Jones
Finance	27/4/21	Victoria Bamber
Portfolio Holder(s)	27/4/21	Alan Rhead

1. Summary

- 1.1. Under the Code of Financial Practice, prior to a new scheme be incorporated in the Capital Programme, a business case for the scheme should be presented to the Cabinet.
- 1.2. This report seeks agreement to incorporate the Public Sector Decarbonisation Programme in to the Capital Programme following a successful bid to the Public Sector Decarbonisation Fund.

2. Recommendation

- 2.1. The Cabinet is recommended to formally note the approval of the incorporation of the Public Sector Decarbonisation Fund programme (involving Jubilee House, the Glasshouse Restaurant and Temperate House; and the Newbold Comyn Sports Pavilion) in to the General Fund Capital Programme

3. Reasons for the Recommendation

- 3.1. The Chief Executive, in consultation with the Group Leaders, has used his delegated powers to approve the inclusion of the Public Sector Decarbonisation Fund (PSDF) programme in the General Fund Capital Programme. Following the approval of the Council's bid to the PSDF in March and the subsequent appointment of contractors, it was necessary to take this decision urgently to enable the planning for the works to commence promptly. This reflects the funder's deadline of 30th September for completing the PSDF works.
- 3.2. Paragraph 9.2 of the Council's Code of Financial Practice states "Prior to a scheme being incorporated in the Capital Programme, a business case for the scheme must be presented to the Cabinet. The business case must include details of:-
 - How the scheme will contribute towards the Council's priorities and its Fit for the Future Programme, as set out in other policies and strategies, and service plans
 - a robust estimate of the capital cost of the scheme
 - The revenue implications
 - proposed funding for the scheme, both revenue and capital
 - VAT implications
 - Analysis of risks and mitigations.
- 3.3. In March 2021, the Council received confirmation from Salix Finance that its application to the Public Sector Decarbonisation Fund (PSDF) had been successful. This involved a grant of £744,829.67 towards decarbonisation works for Jubilee House, the Glasshouse Restaurant and Temperate House; and the Newbold Comyn Sports Pavilion. The grant relied on match funding of £157,193.78 from the Council (to be funded from the Climate Action Fund), providing a total works programme worth £902,023.45.
- 3.4. It is proposed that this programme be incorporated in to the Capital Programme based on the case set out below.

- 3.5. **How the scheme will contribute towards the Council's priorities:** the proposed works provide an important part of the Council's response to the Climate Emergency. In particular, they make a significant contribution to the ambition of becoming a carbon neutral the Council by 2025. The proposed works are expected to reduce the Council's carbon emissions by 138 tonnes CO2e per annum, representing around 8% of the Council's carbon emissions.
- 3.6. **Estimate of the capital cost of the scheme:** the scheme has been worked up by the Council's technical consultants, in accordance with the requirements of the PSDF including detailed works and costings. The proposed schemes have been tested and verified by Salix Finance who administer the PSDF on behalf the Government.
- 3.7. **The revenue implications:** In the short term, the proposed works are expected to increase the cost of heating within the three buildings by a total of approximately £25,000 per annum, with the vast majority of this falling on Jubilee House. This is because the schemes involve replacing gas heating systems with electrical heat pumps. Although the total energy demand of the new schemes is lower, electricity prices are currently significantly higher than gas prices. This results in an increased revenue cost. Whilst it is not possible to be certain about future energy costs, the Government energy strategy seeks to phase out gas heating systems and replace them with low carbon systems such as electric heat pumps. In this context it would be reasonable to expect the cost gap between electricity and gas to narrow in the next few years and potentially for gas prices to be higher than electricity. If that were to occur, the increased revenue costs would be for a limited period only. It is therefore proposed that the increased revenue costs for 2021/22 and 2022/23 are not passed on to the tenants of these buildings and are covered by the Climate Action Fund.
- 3.8. **Proposed funding for the scheme, both revenue and capital:** As set out in 3.2 above, the vast majority of the capital costs will be covered by a grant from the Public Sector Decarbonisation Fund with the match funding coming from the Climate Action Fund. As set out in 3.6 an increase in in revenue costs for 2021/22 and 2022/23 at Jubilee House and the Glass House/Temperate House as a result of the switch from gas to electricity will be covered by the Climate Action Fund at a cost of approximately £12,500 for 2021/22 and £25,000 for 2022/23. Thereafter, whilst it is hoped that the costs differential will be minimal, any ongoing cost increases will be covered by the service area and/or the tenants
- 3.9. **Analysis of risks and mitigations:**

- Energy prices: there is a risk that the differentials in energy prices between gas and electricity do not narrow as anticipated in 3.6 above. In that case, the proposed works will have ongoing revenue implications which will need to be covered through a combination of increased service budgets and where tenants are in place, passing the costs on to the tenants. The more immediate impacts will be mitigated as set in 3.7 above.
- Cost of works: the capital costs of the works have been derived from a thorough assessment by professionals and have been verified by Salix Finance. It is therefore expected that they represent an accurate picture. The overall costs include a contingency of 8%.

4. Policy Framework

4.1. Fit for the Future (FFF)

4.1.1. These are the words to use:

4.1.2. "The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects."

4.1.3. External impacts of proposal(s)

People - Health, Homes, Communities – the proposals will deliver improved facilities for three of the Council's buildings

Services - Green, Clean, Safe – To support the Council's ambition of becoming a carbon neutral Council by 2025, the proposals will deliver significant carbon savings as set out in paragraph 3.4 above.

Money- Infrastructure, Enterprise, Employment – undertaking these works will support local jobs and will provide low carbon facilities for the tenants and users of the buildings

4.1.4. Internal impacts of the proposal(s)

People - Health, Homes, Communities – the proposals will deliver improved facilities for three of the Council's buildings

Services - Green, Clean, Safe – To support the Council's ambition of becoming a carbon neutral Council by 2025, the proposals will deliver significant carbon savings as set out in paragraph 3.4 above.

Money- Infrastructure, Enterprise, Employment – undertaking these works will support local jobs and will provide low carbon facilities for the tenants and users of the buildings

4.1.5. Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. In this case, the proposals are directly linked to the approved Climate Emergency Action Programme and provide a key element towards the implementation of the CEAP.

4.2. **Changes to Existing Policies**

There are no changes to existing policies

4.3. **Impact Assessments**

There are no equalities impacts associated with these proposals

5. Budgetary Framework

- 5.1. The funding for the capital works is as follows: a grant of £744,829.67 from the PSDF and match funding of £157,193.78 to be funded from the Climate Action Fund for which approval has already been established under delegated authority.
- 5.2. The £744,829.67 Grant has been received in advance and the £157,193.78 match funding is in place to create a total £902,023.45 Capital Budget which will be added to the Councils General Fund Capital Programme for the 2020/21 financial year.
- 5.3. The anticipated increases revenue costs (over and above increases in gas prices that may occur anyway) as set out in paragraph 3.7 will be funded from the Climate Action Fund during 2021/22 and 2022/23. The exact cost of this will be assessed in March 2022 and March 2023, with relevant adjustments being made from the Climate Action Fund at that time, based on the net increase in costs.

6. Risks

- 6.1. The key risks associated with these proposals are set out in paragraph 3.8 above

7. Alternative Option(s) considered

- 7.1. The Cabinet could choose not to accept the PSDF grant and not to undertake the works proposed. This would save the required match funding and would avoid the likely short-term increases in revenue costs described in paragraph 3.7. However, this course of action is not recommended as it will pass up the opportunity for significant external funding towards the Council's stated climate change ambitions.