

Report for: Decision by Leader of the Council

Subject: Public Sector Decarbonisation Scheme Grant Funding

Responsible Officer: Paul Walker - Corporate Director, Community

Portfolio Holder: Cllr Graham Henson, Leader of the Council

Key Decision: Yes - receipt and use of capital grant funding in excess of £1 million.

Power to be exercised: Paragraph 3 of the Appendix to the Executive Procedure Rules, Part 4D of the Constitution

Exempt: No

Urgent: Yes

Wards affected: Various, please see Appendix for list of sites

Enclosures: Appendix: List of Council Applications & Sites

Section 1 – Summary and Recommendations

This report requests urgent authority to receive and utilise funding from the Public Sector Decarbonisation Scheme, a government grant fund available for the carrying out energy works that support the decarbonisation of public buildings.

Recommendations:

The Leader of the Council is requested to:

(1) Approve the principle of the Council accepting any grant funding received from the Public Sector Decarbonisation Scheme under s31 of the Local Government Act 2003.

(2) Delegate authority to the Corporate Director - Community to enter into documentation and take all other necessary actions to:

- (a) formally accept specific awards of funding from the Public Sector Decarbonisation Scheme; and
- (b) procure and deliver the implementation of works for which funding has been received.

(3) Delegate authority to the Director of Finance to amend the capital programme to include any capital grant funding awarded to the Council under the terms of the Public Sector Decarbonisation Scheme, subject to the capital project meeting the requirements of Financial Regulation B48.

(4) Note that the outcome of the Council's funding applications will be reported to a future meeting of Cabinet.

Reasons (for the recommendations): To enable the Council to receive and use external funding for the delivery of energy works that will support decarbonisation of its built estate, thereby taking action to address the climate emergency.

Section 2 – Report

1. Introduction & Background

Harrow's Climate Emergency

1.1. Harrow Council declared a Climate Emergency in 2019, which included a resolution to aim to work towards achieving a carbon neutral position by 2030. In March 2020 Cabinet adopted an interim strategy that set out initial actions to begin to address emissions arising both from its own operational activity and across the borough more widely.

- 1.2. The first theme of the interim strategy approved by Cabinet is 'Clean Energy used Efficiently'. This includes the following overarching objectives:
- To transition to 100% renewable and low carbon energy solutions
 - To maximise energy efficiency and conservation measures across our buildings
- 1.3 Energy related emissions connected with our built estate are by far the largest single component of the Council's directly incurred greenhouse gas emissions, comprising over 90% of our combined Scope 1 (direct transport and heating emissions) and Scope 2 (electricity usage) emissions. Taking action to improve the energy efficiency of our buildings is therefore crucial in order to significantly reduce our corporate carbon footprint.

The Public Sector Decarbonisation Scheme

- 1.4 Recognising the importance of decarbonisation the public estate, in the autumn of 2020 the government announced a new grant fund of £1 billion, known as the Public Sector Decarbonisation Scheme (**PSDS**) and administered by its agent, Salix Finance. The PSDS aims to reduce carbon emission associated with public (non-residential) buildings, with a focus on decarbonising the heat supply by utilising alternative technologies (for example heat pumps) to replace gas and other fossil fuels as a source of heating fuel. Public bodies (including local authorities) were invited to propose projects for funding.
- 1.5 In January 2021 the Council submitted a range of funding bids to the PSDS. The Council's applications, which covered 11 maintained school and corporate sites, prioritised according to the age and condition of existing energy infrastructure, totalled c £3.8 million. The applications and the proposed works and sites are listed in the Appendix to this report. The projects include a range of proposed energy interventions including insulation works, installation of building management control systems and the replacement of gas boilers with heat pump technology. Under the terms of the PSDS works are required to be carried out prior to 30th September 2021.
- 1.6 In February 2021 Salix announced that the Fund, much of which has been allocated by the Treasury for 20/21 delivery (but which allowed 21/22 delivery applications) has been significantly oversubscribed with a total value of applications in excess of £2.3 billion. However, due to the complexity and lead in times for delivery of the required energy works it is understood that the works comprised in many applications, including in most of Harrow Council's applications, are unable to be delivered by public authorities by 31st March 2021.
- 1.7 As a solution to meet the Treasury's requirement to distribute funding in the 2020/21 financial year Salix have recently proposed an urgent

change in their national delivery strategy. The proposal is that the government utilises section 31 of the Local Government Act 2003 to pay local authorities funding in advance in the financial year 20/21, for delivery of works into 21/22. This solution requires local authority applicants to respond in a very short timescale, confirming in writing by 20th February 2021 that they agree to receive funding in advance, and then to enter into grant agreements with the Government prior to the end of this month. This will enable the funding to be processed and paid to local authorities prior to the end of the 20/21 financial year.

- 1.8 The Council is currently awaiting confirmation from Salix Finance as to which of its applications will be funded. Early indication is that Application 2, for works to Grimsdyke School, Milmans Resource Centre and Grange Primary School is potentially in scope for funding and is subject to a technical assessment which is currently underway. However, the Council needs to be ready to move quickly to accept any funding and enter into the appropriate documentation with the secretary of state should it be successful with any of its applications.
- 1.9 Consequently it is recommended that authority is delegated to the Corporate Director – Community to accept any funding award and to enter into the necessary documentation to facilitate delivery of works for which funding has been secured. A further delegation is also requested to the Director of Finance to enable any grant funding award to be added to the capital programme when received.

2. Options considered

- 2.1 The Council has two options:
 - (a) Formally agree prior to 20th February 2021 that it will receive any grant funding awarded to it this financial year, to be utilised in 21/22.
 - (b) Decline to accept any funding award.
- 2.2 Salix Finance have made it clear that a failure to meet the February deadline in order to confirm acceptance of funding means that applicants will not receive funding towards decarbonisation works. This is an opportunity to receive significant grant on a 100% fully funded basis that meets the Council's strategic objective to decarbonise its estate. Option (a) is therefore recommended.

3. Implications of the Recommendation

Resources and Staffing

- 3.1 The projects for which grant funding have been applied for can be delivered within existing resources.

Risk Management Implications

- 3.2 Risk included on Directorate risk register? No

Separate risk register in place? Yes

- 3.3 The main risks to delivery of grant funded works concern compliance with the delivery timetable and the risk of cost overruns. If grant funding is awarded the Council will need to ensure completion of the works by 30th September 2021 in accordance with the terms of the PSDS. The proposed utilisation of existing frameworks (see procurement implications below) will enable reduced procurement and commissioning lead in times, and the works will be closely monitored by a project board to ensure compliance with the grant delivery timescales. It is envisaged that any significant works to school heating systems will be carried out over the summer period when the schools are closed.
- 3.4 Costs have been calculated for the funding applications by the Council's professional advisors following site surveys based upon prevailing market rates for the different type of energy interventions specified and a contingency has also been included. Upon receipt of a grant funding award the Council will engage with its professional advisors to produce a detailed scope of work and costing estimates. Any significant discrepancies will be reviewed and as appropriate discussed with the funder before proceeding. Generally, incurred costs will be monitored on a regular basis against the grant funding award by the project board.

Procurement Implications

- 3.5 All works are proposed to be delivered utilising existing capital works and professional services frameworks that have already procured in compliance with the public procurement rules. The Council's corporate capital works and professional services frameworks would be utilised for any funded works in Applications 1 and 2 (listed in the Appendix). For Applications 3-7, although at present it appears unlikely that these are in scope for funding, should these be successful Harrow would propose appointing a delivery partner via the Energy Services and Project Delivery Framework (ESPD) procured in 2020 by Cambridgeshire County Council (CCC). Council officers engaged with CCC colleagues in the preparation of the applications, and are satisfied that the framework, which can be accessed by other local authorities, would meet the council's delivery requirements.

Where there is a need to deviate from the above proposed procurement routes and strategies this will be done in a manner which is compliant with the Public Contract Regulations (as amended) and

the Council's Contract Procedure Rules. This will be in consultation with the Corporate Director – Community and with the professional support and advice of the Head of Procurement.

Legal Implications

- 3.6 It is proposed that the power in s31 of the Local Government Act 2003 is used to pay PSDS funding to successful local authority applicants. Section 31 provides that a minister can pay a grant to a local authority towards expenditure incurred or *to be incurred* by it, on terms and conditions that the minister so specifies.

Financial Implications

- 3.7 The total estimated value of the works comprised in the Council's applications to the PSDS is £3,895,312 (see Appendix). However, as the PSDS is oversubscribed the council is very unlikely to receive grant funding for all of its applications. At present indications from Salix are that Application 2, for £1,413,075 is in scope for funding with further applications potentially considered if available funding is not taken up by other applicants.
- 3.8 All applications have been submitted on a 100% grant funded basis and it is not envisaged that, if successful, they will require any additional capital contributions from the council in order to ensure delivery.
- 3.9 Any grant funding received will need to be included in the capital programme. In year amendments to the capital programme for specific projects up to £5 million are permitted under Financial Regulation B48 where the expenditure is wholly covered by additional external sources, is consistent with existing priorities and provided that there are no full year revenue budget effects.

Equalities implications / Public Sector Equality Duty

- 3.9 It is not considered that the acceptance of funding and the carrying out of energy works to public buildings to improve their efficiency will have any adverse impact upon persons with protected characteristics.

Council Priorities

- 3.10 By making available a funding stream to carry out decarbonisation works to its estate, this decision directly furthers the Council's priority to 'Improve the environment and address climate change'.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Cleared by the Chief Financial Officer

Date: 10th February 2021

Statutory Officer: Hugh Peart

Cleared by the Monitoring Officer

Date: 10th February 2021

Section 3 - Procurement Officer Clearance

Statutory Officer: Nimesh Mehta

Cleared by the Head of Procurement

Date: 9th February 2021

Section 3 – Corporate Director Clearance

Chief Officer: Paul Walker

Cleared by the Corporate Director-Community

Date: 10th February 2021

Mandatory Checks

Ward Councillors notified: NO - if funding is awarded local councillors for sites at which works are to be carried out will be notified.

EqIA carried out: NO

Section 4 - Contact Details and Background Papers

Contact: Matthew Adams, Head of Natural Resources & Climate Strategy - matthew.adams@harrow.gov.uk; tel. 07833 048 924

Background Papers:

[The Climate & Ecological Emergency - Interim Strategy and Action Plan](#)
(Cabinet decision March 2020)

For Leader

* I do agree to the decision proposed

* I do not agree to the decision proposed

* *Please delete as appropriate*

Notification of disclosable non-pecuniary and *pecuniary* interests (if any):

[Should you have a *disclosable* pecuniary interest, you should not take this decision.]

Additional comments made by and/or options considered by the Portfolio Holder

Signature:
Leader

Date:

Call-in waived by the Chair of Overview and Scrutiny Committee

YES - The decision is urgent in order to provide confirmation to Salix Finance, the Scheme administrators, by the government’s deadline of 20th February 2021 that the Council is prepared to accept any awarded grant funding, such funding to be paid in advance prior to the 20/21 financial year end for delivery of works in the next financial year.

APPENDIX

Harrow Council Applications to the Public Sector Decarbonisation Scheme

Application 1 (proposed delivery via Council framework contracts)

Grange Primary School	External wall Insulation, LED lighting
West Lodge Primary School	Cavity wall insulation, LED lighting, Building Management System (BMS)
Grimsdyke School	External wall insulation, LED lighting
Millmans Resource Centre	LED lighting
Bedford House	LED lighting
Pinner Library	Loft insulation, LED lighting

The total grant funding applied for is £603,572.

Application 2 (proposed delivery via Council framework contracts)

Grimsdyke School	Install Air Source Heat Pump (ASHP), BMS extension
Millmans Resource Centre	Replace gas-fired boiler with ASHP
Grange Primary School	Install ASHP, further insulation improvements

The total grant funding applied for is £1,413,075.

Applications 3 -7 (proposed delivery via Cambridgeshire County Council procured Energy Services framework)

Harrow Arts Centre	ASHP, BMS System, Solar PV, Pipework Insulation	£466,549
Whitmore High School	ASHP, BMS System, Solar PV	£449,160
Stag Lane School	ASHP, BMS, Solar, pipework insulation	£313,257
Pinner Park School	ASHP, BMS System, Pipework insulation, Solar PV	£299,559
Whitchurch School	ASHP, BMS System, Pipework insulation, Solar PV	£350,140

The total grant funding applied for applications 3 to 7 is £1,878,665.

TOTAL VALUE OF ALL APPLICATIONS = £3,895,312