



Report for:
ACTION

Item Number:

Contains Confidential or Exempt Information	Yes (in part) Appendix A is exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
Title	Public Sector Decarbonisation Scheme Phase 3c Contract Award
Responsible Officer(s)	Robert South, Strategic Director Children's Services Tamara Quinn, Assistant Director Planning Resources and Service Development
Author(s)	Laurence Field, Head of Education Infrastructure and Commercial Services FieldL@ealing.gov.uk
Portfolio(s)	Cllr Kamaljit Kaur Nagpal, A Fairer Start
For Consideration By	Assistant Director Planning Resources and Service Development
Date to be Considered	17 May 2024
Implementation Date if Not Called In	30 May 2024
Affected Wards	All
Keywords/Index	Public Sector Decarbonisation Scheme (PSDS), climate emergency and ecological strategy (CEES), award contract, schools.

Purpose of Report:

This report seeks authority to award the installation and construction works contract towards delivering the Council's ambitious plan to reach net zero with a further circa £2.7m investment in decarbonising heating systems in four schools.

1. Recommendations

It is recommended that the Assistant Director Planning Resources and Service Development:

- i. Awards the contract for the appointment of the delivery partner for the construction and installation works for the Public Sector Decarbonisation Scheme Phase 3c, for a value of £2,760,533.44, to Asset Plus Energy Performance Limited, in line with the approved grant award and proposals set out in Confidential Appendix A.
- ii. Approves the inception of the £2,235,368.00 grant into the capital programme for the Public Sector Decarbonisation Scheme Phase 3c Schools programme, noting that Cabinet agreed match funding of approximately £525,165.44 to be funded from the existing approved High Priority Condition programme.

2. Reason for Decisions and Options Considered

2.1. The council's Climate and Ecological Emergency Strategy (CEES) sets a date of 2030 to be a net zero carbon borough. A number of funding routes are being used to progress towards this target.

2.2. The Department for Business, Energy and Industrial Strategy (BEIS) launched the Public Sector Decarbonisation Scheme (PSDS) in 2020, delivered by Salix Finance. The council was previously successful in securing significant funding for earlier phases of the PSDS and Asset Plus Performance Limited (as the delivery partner) is currently carrying out the construction and installation works in selected schools and leisure centres funded by Phase 3b of the scheme. The scheme is now funded by the Department for Energy Security and Net Zero (DESNZ).

2.3. The scheme has been extended to a further phase, Phase 3c, and the council has been successful in a bid for additional funding to enable a further four schools to receive new low carbon heating systems between 2024 and 2026, bid value £2,235,368.00.

2.4. A small proportion of match funding is required for the bid, and this has been agreed as detailed in paragraph 4a of this report, at £525,165.44, which was approved by Cabinet in December 2023.

2.5. The CEES commits the council to improving its own commercial portfolio (offices, centres, etc.) and managed schools to meet the net zero carbon target by 2030. As noted in the May 2023 CEES Cabinet update report, the delivery of the CEES has been impacted by unprecedented global events. Additionally, underlying assumptions adopted in the development of the strategy included central government commitment to regulatory changes and strategic investment. Neither has been forthcoming to the pace and extent forecast, which makes delivering the strategy far more challenging than previously estimated. Although the impacts of these challenges are recognised, the council must continue its efforts, capitalise on emerging opportunities, and find solutions to mitigate the impact of these challenges on our aim to achieve the 2030 net zero pledge. The PSDS projects contribute towards one of the five CEES thematic objectives, Energy, through Prioritising energy performance (retrofitting). There remains considerable difficulty of planning in relation to short term and one off funding schemes such as PSDS, which also involves a detailed application process and sets very challenging timescales for delivery. There is a need for a long-term sustainable government funding commitment to support a coordinated plan across all council activities towards carbon neutrality by 2030.

2.6. Phase 3c PSDS grants are available for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings including central government departments and arm's length bodies in England. The scheme allows Public Sector Bodies including eligible central government departments and their arm's length bodies to apply for a grant to finance up to 100% of the costs of capital energy saving projects that meet the scheme criteria.

2.7. The grant funding award decision was made by Salix Finance, the scheme operator on behalf of DESNZ, and the scheme sets a requirement for project delivery which requires that the grant be fully spent by March 2026.

3. Key Implications

3.1 The DESNZ advise that Phase 3 of the Public Sector Decarbonisation Scheme supports the aim of reducing emissions from public sector buildings by 75% by 2037, compared to a 2017 baseline, as set out in the Net Zero and Heat and Buildings strategies.

3.2 Utilising grant funding to deliver retrofits on the council's own buildings delivers multiple benefits including:

- Financial savings to residents, leisure centres, schools and the council through reduced energy and building maintenance costs
- Demonstrating leadership in the borough with carbon and energy saving projects
- Development of local case studies
- Positive changes in staff behaviour at work, which could also lead to positive changes in behaviour outside work
- Reduced cold-related ill health (excess winter deaths and winter hospital admissions)
- The growth of the Green Economy, supporting economic recovery and renewal through the skills agenda so residents can access good quality and secure employment.

3.3 The council was successful in securing grant allocations through earlier phases of the scheme, including Phase 3b of the scheme which has provided grant funding for 7 schools which are currently under way.

3.4 Cabinet, in December 2023, delegated authority to the Assistant Director Planning Resources and Service Development, to procure the appointment of a delivery agent in compliance with the council's Contract Procedure Rules (CPRs) to manage and deliver Phase 3c.

3.5 Cabinet, in December 2023, also delegated to the Assistant Director Planning, Resources and Service Development authority to award contracts for the schemes, where these exceed £0.500m, following consultation with the Portfolio Holder and the Strategic Director Resources

3.6 Cabinet, in April 2023, noted that appointment of the Stage 1 Delivery Partner under a Call-Off Contract under the Re:Fit Framework Agreement enabled projects to be delivered in phases and subsequent phases (if for example, additional funding became available), so that further phases of scoping/design work and works contracts may be entered into beyond the first phase of works.

3.7 The proposed schools PSDS 3c projects are related to the Schools High Priority Condition programme in that the installations provide new low carbon heating systems where existing systems have reached, or are reaching, the end of their operational life.

3.8 The schemes were reported to Cabinet in December 2023 and include replacement boilers with heat pumps and distribution and emitters, and solar panels.

3.9 The works are programmed where possible to take place during the 6-week school summer holiday period to minimise disruption to school sites. This places particular emphasis on procuring a contractor in advance of the summer holiday period.

4. Financial Implications

The financial implications of the Public Sector Decarbonisation Scheme Phase 3c are anticipated to be as follows:

a) Schools

Total Project value: £2,760,533.44

Total Grant value: £2,235,368.00 (capital)

Match fund required: £525,165.44 – from the existing approved Schools Condition Capital Programme funded by the Schools Condition Allocation grant.

As noted above, the grant has a match funding requirement. This has been identified within the relevant capital programme and may be subject to virement approval in accordance with the Financial Regulations of the council.

5. Legal

5.1 As authorised by Cabinet in December 2022, the council invited and evaluated proposals for the appointment of a delivery partner to deliver the Public Sector Decarbonisation Scheme to complete energy efficiency upgrades to the council's corporate buildings, under the GLA and Local Partnerships RE:FIT framework agreement (National Framework Agreement for Energy Performance Contracting).

5.2 A mini-competition was carried out by the council under the RE:FIT Framework Agreement in compliance with the procedures set out in this framework and the Public Contracts Regulations 2015 (as amended), and Cabinet in April 2023 approved the appointment of the successful delivery partner for Stage 1 of the process, comprising of inviting providers on the framework to submit proposals with costings and other terms which would then form the basis of the Stage 2 award of Phase 3b of the scheme in July 2023, and the associated construction works.

5.3 The appointment of the Stage 1 Delivery Partner under a Call-Off Contract under the Re:Fit Framework Agreement enabled projects to be delivered in phases and subsequent phases (if for example, additional funding became available), so that further phases of scoping/design work and works contracts may be entered into beyond the first phase of works. It is proposed that the contract for Phase 3c of the scheme is awarded through this procurement route. Details of the proposals to be delivered by the delivery partner are set out in Confidential Appendix A.

6. Value for Money

6.1 All proposals pursued are subject to rigorous value for money (VfM) procedures through the feasibility study and option appraisal process. Providing Cabinet approval is granted, contracts will be awarded in accordance with the framework agreement criteria and the council's Contract Procedure Rules and Public Contracts Regulations 2015 (as amended).

6.2 During the execution of the projects, regular progress review meetings will be held to ensure the project is being executed to approved budgets and timescales.

7. Sustainability Impact Appraisal

7.1 The council has committed to treat climate change as a crisis, where a swift, intensive and substantial response is critical to combatting this climate disruption, not dissimilar to the council's response to the COVID-19 crisis, which most severely affected wards with the highest fuel poverty rates. Climate change presents an opportunity for communities to unite behind a common cause and proactively change their behaviours and built environment, prepare for the future by insulating homes and buildings, switching to low-carbon heating sources, and mitigate ongoing harm to our natural environment.

7.2 In January 2021, Cabinet approved the Climate and Ecological Emergency Strategy. The grants described in this report give the council an opportunity to deliver retrofits at scale, under largely grant funded schemes. This forms part of a broader ambition to scale up retrofitting and upskill the local workforce, which will underpin the growth of the green economy.

8. Risk Management

8.1 There are established processes for managing capital projects and risks are identified as part of the project management process. Risk Registers will be prepared for all of the projects, and these will be updated and managed until completion of the projects.

8.2 Salix Finance, as the fund administrator, has set project delivery timescales, with a completion date set of 31st March 2026 for the implementation of Phase 3c of the scheme. The scope of the proposed projects will be further refined during the detailed design stage, if required, to ensure that the scope remains deliverable within the allocated timeframe.

9. Community Safety

None

10. Links to the 3 Priorities for the Borough

The project is linked the council's key priorities:

- Tackling the climate crisis – Both projects contribute directly to the reduction of carbon emissions.
- Creating good jobs – There is extensive potential for job creation in the borough during the scale up phase, bringing highly skilled, technical, and high paying job opportunities, as well as apprenticeships for those looking to upskill or move into the green economy.

11. Equalities, Human Rights and Community Cohesion

An Equalities Analysis Assessment has been carried out for the proposals described in this report, and is attached as Appendix B.

12. Staffing/Workforce and Accommodation implications:

Officers from the Schools Property and Projects Delivery Unit teams will be responsible for monitoring and delivering the outcomes of each project. There is a provision within the grant funding allocation to ensure that suitably qualified resource will be appointed to provide project management, technical review, and commercial management during the delivery of the contract. The Schools Property and Projects Delivery Unit teams will make arrangements to engage the additional resource required to deliver these projects.

12. Property and Assets

12.1 PSDS Phase 3c school assets were selected to receive a decarbonisation plan on the basis that they are managed by the council and are not part of any schedule of disposals.

13. Any other implications

None.

14. Consultation

Senior managers and officers from Children's Services and Economy and Sustainability have participated in discussions to identify properties for funding bids. They will continue to be stakeholders throughout the implementation of the schemes.

15. Timetable for Implementation

- The Public Sector Decarbonisation Scheme Phase 3c runs until March 2026
- The project grant spend must be completed by March 2026 to meet grant criteria
- Phase 3c contract (construction works) implemented June 2024
- Undertake the works commencing July 2024
- Subsequent phases of the works are sought in line with funding availability/need and undertaken in line with the terms of the Framework, and governance arrangements.

16. Appendices

Confidential Appendix A – Scheme details setting out what will be delivered in Phase 3c.

Appendix B: EAA

17. Background Information

Report to Cabinet, Children's Services Capital Approvals, 06 December 2023:

<https://ealing.moderngov.co.uk/documents/s9318/Childrens%20Services%20Capital%20Approvals.pdf>

Report to Cabinet, Public Sector Decarbonisation Scheme Phase 3b Contract Award, 19 April 2023:

https://ealingintranet.moderngov.co.uk/documents/s5960/3.%20PSDS%20Phase%203b_2023.04.19_Final_Untracked.pdf

Report to Cabinet, Climate and Ecological Emergency Strategy Update and Progress Report, May 2023:

https://ealing.moderngov.co.uk/documents/s6378/5.%20CEES%20Update_Progress%20Report%20May%202023%20Final.pdf

Report to Cabinet, Children’s Services Capital Approvals, 7 December 2022

[APPENDIX B \(moderngov.co.uk\)](#)

Council Climate Emergency Declaration, 2 April 2019

<https://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5004/Committee/2/SelectedTab/Documents/Default.aspx>

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Cllr Kamaljit Kaur Nagpal	Portfolio Holder, A Fairer Start	18/04/24	18/04/24	Throughout
Robert South	Strategic Director Children	18/04/24	18/04/24	Throughout
Emily Hill	Strategic Director Resources	19/04/24	24/04/24	Throughout
Tamara Quinn	Assistant Director Planning, Resources & Service Development	18/04/24	18/04/24	Throughout
Justin Morley	Head of Legal Services (Social Care and Education)	18/04/24		
Kathleen Ennis	Principal Lawyer (Housing and Social Care)	18/04/24	30/04/2024	17
Afam Ajoh	Contracts & Project Lawyer	18/04/24		
Sajal O’Shaughnessy	Lawyer (Legal Contracts)	19/04/24	22/04/24 25/04/24	2,3,4,8
Russell Dyer	Assistant Director, Accountancy	18/04/24		
Kamaljit Kaur	Finance Manager Education	18/04/24		
Adrian Moody	Category Lead Commercial Hub	18/04/24		
Katherine Ball	Finance Manager - Capital and Projects	18/04/24		
Maria Yaschanka	Net Zero Manager	18/04/24		

Report History

Decision type:	Urgency item?
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Key decision	No
Report no.:	Report author and contact for queries:
	Laurence Field, Head of Education Infrastructure and Commercial Services