



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 Update and Phase 3b Contract Award
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Portfolio(s)	Cllr Kamaljit Kaur Nagpal, A Fairer Start Cllr Jasbir Anand, Thriving Communities Cllr Josh Blacker, Healthy Lives Cllr Deirdre Costigan, Deputy Leader and Climate Action
For Consideration By	Cabinet
Date to be Considered	19 th April 2023
Implementation Date if Not Called In	3 rd May 2023
Affected Wards	All
Keywords/Index	Public Sector Decarbonisation Scheme (PSDS), climate emergency and ecological strategy (CEES), award contract, schools, leisure centres

Purpose of Report:

This report seeks agreement to take the next steps to deliver the council's ambitious plan to reach net zero with a £15m investment in decarbonising heating systems in seven schools and our three main leisure centres.

1. Recommendations

It is recommended that Cabinet:

- i. Notes the applications by the then Executive Director Children's, Adults and Public Health for a further £13.721m of grant funding as part of the Public Sector Decarbonisation Scheme and, if successful, authorises the Strategic Director for Children's Services, following consultation with the Strategic Director for Economy and Sustainability to agree the final terms and agree the Council to enter into a grant agreement with Salix Finance (the fund administrator) to receive the grant funding. Successful applicants have 10 days in which to return a signed Grant Offer Letter.

- ii. Approves, subject to the grant applications being successful, capital expenditure of up to £13.721m being incepted into the 2023/24 capital programme for Phase 3b of the Public Sector Decarbonisation Scheme (PSDS), to be funded from a mix of grant and match funding, and to spend the entire grant income for the Public Sector Decarbonisation Scheme in accordance with the terms of the grant. Also notes the match funding of £1.273m will be funded from the existing approved capital programmes, which will require virement under the Financial Regulations.
- iii. Approves, subject to the PSDS 3b grant application being successful, the inception of £803,332 match funding from the carbon offset fund, which funding has been allocated by the carbon offset fund board, into the 2023/24 Economy and Sustainability capital programme for Phase 3b of the Public Sector Decarbonisation Scheme. Noting that further match funding is being sought to maximise the grant received, which will be the subject of further approval. If further match funding cannot be secured, then the scope of the leisure centres works will be reduced to fall within the available funding.
- iv. Approves the appointment of the delivery partner, as set out in Confidential Appendix A, for Stage 1 of Phase 3b following a mini-competition procurement process using the GLA and Local Partnerships RE:FIT framework agreement (National Framework Agreement for Energy Performance Contracting). Noting that there are no financial implications, apart from the Investment Grade Proposal fees, if of acceptable quality, directly associated with the appointment for Stage 1, and that the financial commitment relates to Stage 2, the construction works, which will be the subject of a further report.
- v. Authorises the Strategic Director for Children's Services to finalise the terms and enter into the Stage 1 agreement following consultation with the Strategic Director for Economy and Sustainability and the Strategic Director of Corporate Resources.
- vi. If the bids for Public Sector Decarbonisation Scheme (PSDS) 3b Grant funding are successful, delegates authority to the Strategic Director for Children's Services to finalise the terms of, and enter into, the Stage 2 agreement for appointment of the delivery partner for the construction/installation works, following consultation with the Strategic Director for Economy and Sustainability and the Strategic Director of Corporate Resources, to meet the short project delivery timescales set by Salix Finance as the fund administrator.
- vii. Delegates authority to the Strategic Director for Children's Services, following consultation with the Strategic Director for Economy and Sustainability, to finalise the list of building works and take any other necessary steps to secure the implementation of the works.
- viii. Notes that appointment of the Stage 1 Delivery Partner under a Call-Off Contract under the Re:Fit Framework Agreement enables projects to be delivered in phases and subsequent phases (if for example, additional funding becomes available) so that further phases of scoping/design work and works contracts may be entered into beyond the first phase of works. It should be noted that additional works contracts will not be entered into until further approval has been obtained.

2. Reason for Decisions and Options Considered

2.1. The Ealing 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 successful in significant funding awards in earlier phases and is currently on site with schemes funded by Phase 3a of the scheme.

2.3. The scheme has now been extended to a further phase, Phase 3b, and the Council has bid for funding to enable a further seven schools to receive new low carbon heating systems in 2023/24, bid value £3,006,074; and new low carbon heating systems which will remove the use of gas at the Council's three major wet leisure centres, bid value £10,715,176.

2.4. A small proportion of match funding is required for each bid, and this has been agreed with services as detailed in paragraphs 4a and 4b of this report, at £469,570 for the schools and £803,332 for the leisure centres.

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. This funding would allow the Council to make progress toward these targets.

2.6. Phase 3b 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. It has been confirmed that the retrofit of leisure centres is allowable under the scheme. 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 Council bids are based on energy efficiency audits on corporate buildings, including schools and leisure centres. These were confirmed with the Strategic Property and Investment team as assets that will not be disposed of in the near term. The audit produced a costed plan for energy efficiency upgrades, and two PSDS bids were based on these plans.

2.8. The Council is currently delivering Phase 3a of PSDS under the National Framework Agreement for Energy Performance Contracting dated 24 April 2020 (the "Framework Agreement"), OJEU reference number OJ/S S194 08/10/2019 471647–2019–EN. A further procurement through the RE:FIT framework agreement has been undertaken for the Phase 3b bid.

2.9. The grant funding award decision is expected soon, and the scheme sets a very tight timescale for delivery which requires that the schemes be complete by March 2024.

3. Key Implications

3.1 The Department for Business, Energy & Industrial Strategy and Department for Energy Security and Net Zero advise that Phase 3 of the Public Sector Decarbonisation Scheme is providing £1.425 billion of grant funding over the financial years 2022/23 to 2024/25 to support 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 The Council was successful in securing grant allocations through earlier phases of the scheme, including Phase 3a of the scheme which has provided grant funding for 8 schools and 6 sheltered housing schemes which are currently under way.

3.3 The Departments advise that the second Phase 3 application window, Phase 3b, will provide up to £635 million of funding over the financial years 2023/24 and 2024/25. The application window for Phase 3b closed on 31 October 2022. Applications were submitted by the Council for a further 7 school schemes and 3 leisure centre schemes.

3.4 The delivery timeline set by the operator of the Phase 3b scheme, Salix, is very short and requires public sector bodies to move very quickly to deliver the grant funded schemes by March of the financial year to which they relate. This will require the Council to make approvals decisions very quickly for 2023/24 schemes.

3.5 Cabinet, in December 2022, delegated authority to the Assistant Director: Planning Resources and Service development, in consultation with Commercial Hub and Legal, and the Leisure service, to procure the appointment of a delivery agent to manage and deliver PSDS Phase 3b, if the PSDS 3b bids are successful. Given the high values, a report is being brought back to Cabinet for decision to approve the appointment of the successful bidder at Stage 1, whilst obtaining related approvals required to proceed.

3.6 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.

3.7 Appointment of the delivery partner will also allow the Council to deliver subsequent phases of works through the framework agreement, without the requirement to undertake a further mini-competition, if future applications for PSDS funding are successful. Any subsequent works contracts will be the subject of further approvals.

3.8 Stage 2 of the process will involve provision of costed proposals, carbon savings estimated, performance guarantee, and will ensure grant compliance (and any subsequent approvals with the funder).

Leisure Centres

3.9 The leisure centres application covers the 3 major wet leisure centres; Northolt Leisure Centre, Everyone Active Acton Centre and Dormers Wells Leisure Centre which are critical facilities to the local community. As part of the PSDS application, site surveys have been undertaken across all 3 centres and generated the required technical appraisals to support the application to install new low carbon heating systems which will remove the use of gas on these sites and will replace failed boiler

plant, Combined Heat and Power (CHP) and air source Variable Refrigerant Flow (VRF) heat pumps.

3.10 In addition to the leisure facilities, there is also a library on site at Northolt Leisure Centre and the boiler systems also provides residents' heating and hot water (HIU) on the Eastcote Lane District Heat Network. Acton library is co-located at the Acton leisure facility as well as Council office accommodation for the Acton Housing Hub plus Children and Adult services.

3.11 The planned programme proposes a whole building renewal approach to include:

- Heat Pump Systems – heating only systems are to be installed where the demand is just for heating. Where sites also utilise cooling, heat recovery simultaneous cooling and heating systems are to be installed to allow for the recovery of cooling energy that would normally be rejected and use this to offset thermal demands. This is the key strategy for the leisure centres where it is proposed to install water loop systems for two sites and air source for one site.
- Solar thermal – will be applied to all sites (where practicable). The solar thermal will be used to reduce the high temperature demands (eg Dormers Wells Leisure Centre) leaving the heat pumps to supply heat at lower temperatures with enhanced efficiency.
- Insulation – the sites are modern and well-built so no measures have been advised.

Schools

3.12 The proposed schools PSDS 3b 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.

3.13 The schools schemes were reported to Cabinet in December 2022 and include replacement boilers with heat pumps and distribution and emitters, and solar panels.

3.14 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 3b are anticipated to be as follows:

a) Schools

Total Project value: £3,475,644

Total Grant value: up to £3,006,074 (capital)

Match fund required: £469,570 – from the existing approved Schools Condition Capital Programme funded by the Schools Condition Grant.

b) Leisure Centres

Total Project value: £11,518,508 (based on current match funding), up to £12,176,337

Total Grant value: £10,715,176 (capital)

Match fund required: £803,332 identified from the carbon offset fund, which funding has been allocated by the carbon offset fund board. Further match funding is being sought to maximise the grant received, which will be the subject of further approval, anticipated to be at Stage 2. If further match funding cannot be secured, then the scope of the leisure centres works will be reduced to fall within the available funding.

As noted above the grants have a matched funding requirement. These have been identified within the relevant capital programmes 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 Ealing Council 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), to appoint the successful delivery partner for Stage 1 of the process, as set out in Confidential Appendix A, comprising of inviting providers on the framework to submit proposals with costings and other terms which would then form the basis of Stage 2 and the associated construction works. Following evaluation of tenders, the proposals submitted by the successful delivery partner, as set out in Confidential Appendix A, has been determined to offer the best possible value for money for the Council.

5.3 The full tender report setting out details of the procurement process undertaken and evaluation scores of the tenderers is enclosed as 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 Ealing Climate and Ecological Emergency Strategy. The grants described in this report give the Council an opportunity to deliver domestic and commercial 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, sets extremely short project delivery timescales, with a completion date set of 31st March 2024. The scope of the proposed projects will be refined in Stage 1 of the delivery process to ensure that the scope taken forward to Stage 2 is deliverable within the allocated timeframe.

9. Community Safety

None

Links to the 3 Priorities for the Borough

The project is linked the Council's key priorities for Ealing:

- 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.

10. Equalities, Human Rights and Community Cohesion

An Equalities Assessment has been carried out for the proposals described in this report.

11. Staffing/Workforce and Accommodation implications:

Officers from the Schools Property, Projects Delivery Unit and Leisure 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, Projects Delivery Unit and Leisure teams will make arrangements to engage the additional resource required to deliver these projects.

12. Property and Assets

12.1 PSDS Phase 3b Council-owned properties were selected for retrofit, with comprehensive input from the Leisure team on the basis that they are managed by the London Borough of Ealing and are not part of any schedule of disposals.

12.2 School assets were selected to receive a decarbonisation plan on the basis that they are managed by the London Borough of Ealing 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 3b runs until March 2025
- 2023/24 projects need to be completed by March 2024 to meet grant criteria.
- Appoint the successful bidder as set out in Confidential Appendix A as soon as possible after the implementation period for this Cabinet.
- There is a fixed 60-day period for development of Investment Grade Proposals (IGPs).
- Decision to appoint a partner for the Stage 2 construction and installation works in July 2023. Note that the report recommending appointment of the Stage 2 delivery partner for the construction/installation works may need to be dealt with under the Council's urgency procedures to secure an exemption from call-in for the decision to enable works to start in August 2023.
- Undertake the works commencing August 2023
- 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 – Tender Report setting out the evaluation scores of the tenderers.

17. Background Information

Report to Cabinet, Children's Services Capital Approvals, 7 December 2022
<https://ealing.moderngov.co.uk/documents/s4009/Childrens%20Services%20Capital%20Approvals.pdf>

Climate and Ecological Emergency Strategy, 2021-2030
https://www.ealing.gov.uk/downloads/download/6005/climate_and_ecological_emergency_strategy

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	16/03/23	23/03/23	Throughout
Carolyn Fair	Acting Strategic Director Children	16/03/23	23/03/23	Throughout
Tamara Quinn	Assistant Director Planning, Resources & Service Development	16/03/23	23/03/23	Throughout
Emily Hill	Interim Strategic Director, Corporate Resources	16/03/23	22/03/2023	Throughout
Justin Morley	Head of Legal Services (Social Care and Education)	9/03/23		
Kathleen Ennis	Principal Lawyer (Housing and Social Care)	9/03/23		
Jackie Adams	Head of Legal (Commercial)	9/03/23	13/03/2023	Throughout
Sajal O'Shaughnessy	Lawyer (Legal Contracts)	9/03/23	13/03/2023	Throughout
Russell Dyer	Assistant Director, Accountancy	9/03/23	22/03/23	1
Stephen Bell	Finance Manager – Children and School Services	9/03/23		
Craig McDowell	Category Lead (People)	9/03/23		
Katherine Ball	Finance Manager - Capital and Projects	9/03/23		
Cllr Jasbir Anand	Portfolio Holder, Thriving Communities	16/03/23		
Cllr Josh Blacker	Portfolio Holder, Healthy Lives	16/03/23		
Cllr Deirdre Costigan	Deputy Leader and Climate Action	16/03/23	17/03/2023	Purpose of the report
Chris Bunting	Assistant Director, Leisure	09/03/23		
Connor McDonagh	Assistant Director of Economic Growth	09/03/23		

Report History

Decision type:	Urgency item?
Key decision	No
Report no.:	Report author and contact for queries:
	Laurence Field, Programme Manager