

Forward Plan reference number: FP/993/02/21

Report title: Addition to Capital Programme in 2021/22 through the Public Sector Decarbonisation Funding Scheme	
Report to: Councillor Christopher Whitbread - Cabinet Member for Finance	
Report author: Paul Crick, Director, Performance, Investment and Delivery	
Date: 29/04/2021	For: Decision
Enquiries to: Ben Finlayson, Head of Infrastructure Delivery and Facilities Management. 03330320511. ben.finlayson@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 To seek approval to add £3,200,250 grant funded Salix Public Sector Decarbonisation Fund Scheme to the 2021/22 Capital Programme to deliver the School and Core Estate Windows upgrade.

2. Recommendation

- 2.1 To approve the addition of £3,200,250 to the 2021/22 capital programme to be funded entirely by Salix Public Sector Decarbonisation Grant Funding for the Schools and Core Estate Windows upgrade.

3. Summary of issue

- 3.1 ECC's 2020/21 estimated electricity and gas budget is £3.2m (excluding schools and street lighting) and includes energy usage for offices, community learning centres and libraries. Including schools, this figure is £7.4m. Considering anticipated future increases in energy costs, the ongoing energy expenditure will further increase the already significant financial burden of operating these facilities. Therefore, it is important to identify opportunities for more efficient energy usage by initiating and implementing energy efficiency schemes.
- 3.2 Achieving efficiencies in energy consumption presents opportunities to reduce Scope 1 carbon emissions from the ECC Core and Schools Estate which aligns with the ECC ambition to achieve Net Zero Carbon across its estate. Scope 1 emissions are those generated at the point the energy is used, i.e. emissions from boilers through the burning of fossil fuels (gas).
- 3.3 There are national drivers for moving towards a low carbon economy and achieving cleaner growth including:
- 3.3.1 The Government's commitments to the Paris Agreement on climate change and its carbon reduction targets;

- 3.3.2 The amendment to the Climate Change Act 2008, which commits the UK to a Net Zero carbon emissions target by 2050. This is particularly important as non-domestic buildings account for nearly a fifth of the UK's carbon emissions.
- 3.4 Delivering a portfolio of low carbon measures on sites within the ECC core estate and schools would achieve:
- Energy efficiency and reducing ongoing energy costs to the Council;
 - Reducing carbon emissions from the Council's Core Estate and moving ECC towards net zero emissions; and
 - Supporting the growth of low carbon technology within Essex.
- 3.5 The Department for Business, Energy and Industrial Strategy (BEIS) has launched the £1bn Public Sector Decarbonisation Scheme delivered by Salix Finance Limited, a non-departmental public body wholly owned by the Government, which is administering the grants. The Grant Scheme will offer £1bn of grant funding, to public sector organisations, which aligns with BEIS' new mission and priorities:
- Fighting coronavirus;
 - Backing business;
 - Unleashing innovation; and
 - Tackling climate change.
- 3.6 The Council has applied for the Public Sector Decarbonisation Scheme and has been successful in securing £3,200,250 of funding. This funding will be used to deliver window upgrades at 15 core estate sites and 21 school estate sites and is to be spent by March 2022. in order to deliver energy efficiency and carbon reduction benefits as set out in paragraph 4.1.2 below.

4. Options

- 4.1 The following options have been considered in detail:

4.1.1 Option 1 - Do-nothing and continue with the existing approach.

This would result in the Council forgoing the opportunity of obtaining £3,200,250 from the Public Sector Decarbonisation Scheme. Without the funding, the Council would undertake energy efficiency upgrades on ECC Core Estate and school sites only on the basis of lifecycle replacement intervals. This is not the preferred option because:

- It is an inefficient approach which leaves existing energy inefficient sites untouched with the concomitant effects of ongoing energy costs and carbon emissions to ECC.
- It fails to capitalise on an opportunity to accelerate the reduction of carbon emissions from the ECC Core Estate and schools; and
- It fails to take advantage of public sector decarbonisation grant, thereby offsetting future capital costs of glazing replacement for ECC.

4.1.2 Option 2 – adding the £3,200,250 of Public Sector Decarbonisation Grant Funding for the delivery of the Essex County Council School and Core Estate windows upgrade programme to the 2021/22 Capital Programme.

This option involves the delivery of window upgrades at 15 core estate sites and 21 school estate sites. The upgrade from single glazing to double glazing at these sites will deliver energy efficiency and carbon reduction benefits at a capital cost of £3,200,250 that is 100% grant funded from the Salix Financing public sector decarbonisation fund. The project plan to be developed by the Mitie Programme Management Office (PMO) will outline project completion plans detailing 30 September 2021 as the completion date in line with the grant conditions.

The window replacement projects would eventually need to be undertaken as part of the capital maintenance programme for maintained schools and the core estate. However, this could be a long time in the future due to the lifecycle replacement nature of those budgets. The utilisation of Salix grant funding allows these projects to be advanced and the benefits realised early at no cost to ECC and fully offsets the future cost of replacement. Other benefits of undertaking the projects are outlined below.

- The core estate windows upgrade programme would deliver window upgrades from single glazing to double glazing across 15 core estate sites
- The schools windows upgrade programme would deliver window upgrades from single glazing to double glazing across 21 school sites

Therefore, this proactive approach achieves the aims set out in paragraph 3.4 above. This option is the recommended option.

5. Links to Essex Vision

5.1 This report links to the following aim in the Essex Vision

- Develop our County sustainably

For more information visit www.essexfuture.org.uk

5.2 This links to the following strategic aims in the Organisational Plan:

- Enable inclusive economic growth
- Help create great places to grow up, live and work
- Transform the council to achieve more with less

6 Issues for consideration

6.1 Financial implications

- 6.1.1 In line with the terms and conditions outlined by Salix Financing, this project must be completed by 30 September 2021 however there are some flexibilities allowed by Salix. It is ECC's intention to complete the project within this timescale, but in the event that any part of the grant remains unspent for the purposes on which it was given to ECC, at the end of the Grant Period, or should any part of the Grant be provided for items of Eligible Expenditure which subsequently cost less than forecasted in the Project Programme, ECC would have to ensure that any unspent monies are returned to Salix immediately. Furthermore, if a project is on a projected overspend track, Salix will arrange to discuss how this situation is being risk managed. That discussion will include alternative funding sources to meet the projected additional costs. Salix will also discuss if the project needs to adjust the project programme or reduce the scope of the project. This would be to ensure that the remaining grant is sufficient to meet the remaining costs required for the delivery of the project. Salix is not authorised to agree additional funding if that funding will result in the project exceeding the £500/tCO_e LT limit. That is, the cost to save a tonne of carbon (CO₂e)¹ over the lifetime of the project must be no more than £500 - this is automatically calculated by the Support Tool in the Grant Application Form.
- 6.1.2 The cost estimate of the Core Estate and Schools windows upgrade programme has been provided by Mitie's Programme Management Office (PMO) and these costs include both the Mitie PMO project delivery costs as well as 10% contingency allowance. In the unlikely event of cost overruns, the respective schools and core estate capital maintenance budgets will be utilised to mitigate any cost overruns, meaning that there is unlikely to be any budget pressure arising from this project. The latest cost information is as per Appendix 1.
- 6.1.3 This programme of works will be delivered through the existing Mitie Contract, and the budget additions will be additions to the current capitalised building maintenance programmes in each of the two portfolios (as set out below). Separate records of the grant funded expenditure will be maintained, however, to evidence requirements under the grant conditions.
- 6.1.4 The total value of the grant has been paid to ECC in advance under the Section 31 grant arrangements. Although administered by Salix the payment is from BEIS. Monthly progress reports will be required under the grant conditions.
- 6.1.5 Whilst the works to upgrade windows could ultimately potentially be accommodated within the existing capitalised building maintenance budget envelopes, it is not proposed to reduce those existing envelopes in the light of this additional grant funding, not least because these windows upgrades were not already programmed in the short term. In addition, the grant conditions ask that the works undertaken are new additional works.

¹ Carbon savings are automatically calculated by the Application Form, based on the methodology in the BEIS Supplementary Guidance to Treasury's Green Book.
<https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

Capital

- Essex County Council Schools windows upgrade programme: Preliminary scheme cost is estimated at £1.8m with the total costs covered within the BEIS PSDS grant awarded to ECC (100% grant funded). To be added to the Education, Excellence, Skills and Training Portfolio (Schools Capitalised Building Maintenance) 2021/22 budget.
- Essex County Council Core Estate windows upgrade programme: Preliminary scheme cost is estimated at £1.4m with the total costs covered within the BEIS PSDS grant awarded to ECC (100% grant funded). To be added to the Finance, Resources and Corporate Affairs Portfolio (Capitalised Building Maintenance) 2021/22 budget.

Revenue

- The core estate windows upgrade programme would deliver window upgrades from single glazing to double glazing across 15 core estate sites and this is estimated to result in annual energy cost savings of **£5,003** to ECC. If these sites are converted to ASHP as part of the decarbonisation of our estate, the annual savings would rise to £15,012.
- Below is an example of returned prices and predicted savings. Full details can be found in Appendix 1.

Core	Actual m2	£/m2	Tendered Cost £	Current Energy Cost	Predicted Saving
Chelmsford ACL	142	636.10	109,343.52	£7,990	£1118
Chelmsford RC	232	602.57	140,055.48	£1,074	£563
North Weald Library	61	566.09	34,589.16	£731	£102
Great Parndon Library	98	745.86	72,954.00	£1,892	£265
Harlow Central Library	605	581.62	351,693.58	£9,107	£1275

- The schools windows upgrade programme would deliver window upgrades from single glazing to double glazing across 21 school sites, and this is estimated to result in total annual energy cost savings of **£26,169** to the respective schools' energy budgets. If these sites are converted to ASHP as part of the decarbonisation of our estate, the annual savings would rise to £97,302. (See appendix 1 for further detail)
- Below is an example of tendered prices for the schools portfolio, with examples of savings potential from the windows project. Full details are in the Appendix 1.

Schools	Actual m2	£/m2	Tendered Cost £	Current Energy Cost	Predicted Saving
Stebbing	106	431.04	45,528.48	£4,987	£698
Baddow Hall JS	399	613.43	244,452.60		
Kingswood PS	592	843.15	499,437.90	£13,283	£1,859
Broomfield	127	679.83	86,193.45	£8769	£1228

Non Financial Benefits

- Improving the building fabric across these 36 sites will improve comfort levels for staff, pupils and service users alike.
- Increasing the air tightness of our properties, and improving their thermal performance, will enable development of low carbon heating projects, enabling ECC to decarbonise their estate through the removal of gas heating systems.
- The windows project will also benefit the tenants at 20 Main Road, Danbury. They are responsible for their energy bills, and so will benefit from the improvement double glazing will provide. This is currently used by Jestres Pre School.

6.2 Legal implications

6.2.1 ECC will enter into a grant agreement with Salix Finance Limited for receipt of the funding. ECC can only spend capital in accordance with its Capital Programme. Addition to the Capital Programme, as set out in this report, requires approval from the Cabinet Member for Finance.

7 Equality and Diversity implications

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- Advance equality of opportunity between people who share a protected characteristic and those who do not.

- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8.0 List of appendices

- 8.1 Equality Impact Assessment

9.0 List of Background papers

- 9.1 Grant application summaries
- 9.2 Salix S31 Grant terms and conditions

I approve the above recommendations set out above for the reasons set out in the report.	Date
Councillor Christopher Whitbread Cabinet Member for Finance, Resources and Corporate Affairs	08.10.21

In consultation with:

Role	Date
Councillor Ball - Cabinet Member for Education Excellence, Lifelong Learning and Employability	14.10.21
Executive Director, Finance and Technology (S151 Officer)	01.10.21
Stephanie Mitchener on behalf of Nicole Wood	
Director, Legal and Assurance (Monitoring Officer)	06.05.2021
Susan Moussa on behalf of	
Paul Turner	

