

## **Economy and Growth Committee**

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<b>Date of Meeting:</b>	14 March 2023
<b>Report Title:</b>	Public Sector Decarbonisation Scheme – 3B
<b>Report of:</b>	Peter Skates – Director of Growth and Enterprise
<b>Report Reference No:</b>	EG/35/22-23
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1.** To inform the Committee of the acceptance, under urgency powers, of a Public Sector Decarbonisation Fund Grant of up to £7.8m, in three lots, and to secure a resolution of the Committee in respect of undertaking associated works.

### **2. Executive Summary**

- 2.1** At the full Council meeting on 22 May 2019, members approved a Notice of Motion relating to Climate Change, and committed to “work with all businesses, residents and organisations in Cheshire East to reduce their carbon footprint by reducing energy consumption and promoting healthy lifestyles”. The Carbon Neutral Action Plan sets out actions to reduce carbon emissions from the Corporate Assets, including encouraging and enabling retrofit of a wider borough properties.
- 2.2** The Council’s Corporate Plan 2021-25 sets out our vision for a more open, fairer, greener Cheshire East. The Plan sets our priorities under the three broad aims including “a thriving and sustainable place” which includes the aim to be a carbon neutral council by 2025, which this initiative will contribute towards.
- 2.3** Following the announcement of the Public Sector Decarbonisation Fund in August 2022, Cheshire East officers engaged with different services across the Cheshire East area to establish interest in a bid to improve the energy performance of their building stock.
- 2.4** Council officers, alongside the Council’s appointed Service Provider, Equans, put forward proposals which were consolidated into three bids submitted to

BEIS by the Council on 11 October 2021. The bid had to contain a commitment by the Council to contribute co-funding of at least 12% of the total project cost. Therefore there is a requirement for the Council to contribute match funding, and as the accountable body we are expected to enter into a Grant Offer and administer the grant, reporting progress to BEIS on a monthly basis.

- 2.5** BEIS recently notified Cheshire East that we have been successful in our bid for £2,014,929 for the Lot 1 properties. This award will enable us to significantly decarbonise our properties and enable decarbonisation at schools and Tatton Park, to name a few.
- 2.6** The Council has been advised that Lot 3 (schools) has passed technical assessment and an offer letter should be sent to the Council in the coming weeks.
- 2.7** The final lot is still undertaking technical assessment; it is hoped that the results of this will be favourable
- 2.8** Match funding is required, which will be met from existing budgets with no additional funding required.
- 2.9** BEIS imposed a strict requirement upon the Council to formally accept the grant offer by 16th March. In order to do so, authority from Full Council would normally have been needed. Given that there was no scheduled meeting of Full Council in between the grant offer being made, and the BEIS deadline, there was no option other than to utilise urgency powers set out in the Council's Constitution, to secure the necessary authority. At the time of writing this report, the urgency process had not been concluded but, of necessity, the recommendations set out below assume that this urgent authority will have been given by the time of the Committee meeting. If, for any reason, such urgent authority is not given, the Committee will be fully briefed.

### **3. Recommendations**

- 3.1.** Committee is recommended:
- 3.2.** To note the acceptance, under urgency powers, of the grants awarded up to £7,800,000 from BEIS for the purpose of decarbonising our own estate and enable the low carbon transition across selected schools, museum, leisure centres and Tatton Park
- 3.3.** To note the approval, under urgency powers, of a fully funded Supplementary Capital Estimate up to the value of the grant offer(s).
- 3.4.** To note that the match-funding required from the Council to finance the schemes will be identified from existing budgets, and that approvals for virement will be obtained, in that regard, in accordance with the Finance Procedure Rules in the Constitution
- 3.5.** To authorise the Director of Growth and Enterprise and Section 151 Officer to enter into the Grant Offer Agreement on behalf of the Council and to take all necessary measures to administer, spend and distribute the grant.

- 3.6. To authorise the Director of Growth and Enterprise to approve the delivery of the programme of work, in line with the conditions of grant, and the identification of local match-funding resources, and to obtain further approvals as required by the Council's financial procedure and procurement rules.

#### 4. Reasons for Recommendations

- 4.1. The Council's Constitution states that where services wish to undertake an activity not originally identified in the budget, approval must be sought for a supplementary estimate.
- 4.2. Expenditure of over £1,000,000 must be approved by full Council, or through urgency powers on behalf of Council, should this be required in exceptional circumstances.

#### 5. Other Options Considered

- 5.1. Whilst, in theory, the Council could adopt a "do-nothing" approach, this would not deliver any decarbonisation works and would not be in line with the Council's climate emergency commitment.

#### 6. Background

- 6.1. On 11 October 2022 the Department for Business, Energy and Industrial Strategy (BEIS) announced the Public Sector Decarbonisation Fund Round 3B, which presented an opportunity for Local Authorities to apply for funding to be used to improve the energy performance of public sector buildings.
- 6.2. On the same day Cheshire East Borough Council submitted three bids to seek decarbonisation grants for three separate lots.
- 6.3. Acceptance of the grants would normally require approval by Full Council in accordance with Financial Procedures Rules, Chapter 3, Part 3, paragraph 18. Under urgency powers, set out in the Constitution, the decisions associated with this matter, and which would normally be made by Council, are in the process of being sought from the Chief Executive. Under these powers, authority is proposed to be delegated to the Economy and Growth Committee to take all other steps required in respect of allocation of the grant monies (see attached draft urgency decision notice).
- 6.4. The Council has successfully secured previous rounds of the Public Sector Decarbonisation Scheme, in detail Round 1, 2 and currently being delivered Round 3A.
- 6.5. PSDS3b is based on the three key eligibility criteria:
- 6.6. **Low carbon heating.** The scheme must include installations with full gas displacement
- 6.7. **Worst first.** Boilers selected for a replacement must be more than 10 years old

- 6.8. Client contribution.** A minimum match funding of 12% must be provided by the beneficiary in order to qualify for the grant.
- 6.9.** The worse first principle for the scheme meant that the number of properties eligible for the grant allocation was limited to those with older boilers.
- 6.10.** The grant will be spend during a multi-year programme with FY 2023/24 being a Planning Year. All capital works must be complete by 31<sup>st</sup> March 2025.
- 6.11.** The three separate bids have been submitted on the 11<sup>th</sup> of October. The breakdown of the funding is as follows:

Lot 1- Grant available up to <b>£2,100,000 (Awarded)</b>	Air Source Heat Pumps Cost £	Solar PV Cost (£)	Other measures (£)	Match required £
Crewe Crematorium	£2,238,910			£1,152,816
Lyceum Theatre	£362,666			£102,649
West Park Museum	£162,047			£86,851
Tatton Park (Orangery& Bothy)	£514,710			£61,765
<b>LOT 1 TOTAL</b>	<b>£3,278,333</b>	n/a	n/a	<b>£1,404,081</b>
Lot 2 – Grant allocation up to <b>£1,100,000 (application made - to be determined)</b>	Air Source Heat Pumps Cost £	Solar PV Cost (£)	Other measures (£)	Match required £
Alsager Library	375,390		36,200	
Knutsford Leisure Centre	347,574		6,400	
Nantwich Library	274,794	43,697	163,935	
<b>LOT 2 TOTAL</b>	<b>997,758</b>	<b>43,697</b>	<b>206,535</b>	<b>149,759</b>
LOT 3 – Grant Allocation up to <b>£4,600,00</b>	Air Source Heat Pumps Cost £	Solar PV Cost (£)	Other measures (£)	Match required £

<b>(application made – to be determined)</b>				
7 Schools	<b>4,490,467</b>	<b>574,350</b>	<b>130,325</b>	<b>624,286</b>

## 7. Consultation and Engagement

N/A

## 8. Implications

### 8.1. Legal

- 8.1.1. The grant funding is specific to applications made in each of the grants funding application phases, the Council should only use the monies for the purposes authorised by the grant offer.
- 8.1.2. The decision making process for the approval should follow that set out in section of the Finance Procedure Rules set out in Chapter 3 Part 4 of the Constitution. In order to formally accept the grant the Council will be required to enter into a grant funding agreement, this will need to be reviewed by Legal Services once it has been received. .
- 8.1.3. If any grant funding is to be provided to third parties, the Council will need to ensure that it is compliant with the UK’s subsidy Control regime and if appropriate to the Public Contracts Regulations 2015.
- 8.1.4. Approval of a Supplementary Estimate will require adherence to the provisions of the Budget Policy Framework Procedure Rules contained within the Constitution at Chapter 3 Part 3. In addition, where a grant is in excess of £1 million or if any match funding will be required then the Corporate Leadership Team must be consulted in advance and that grants may require spending within a restricted timescale and may therefore require the use of urgency powers to approve the spending in line with the conditions of the grant.

### 8.2. Finance

- 8.2.1. The Supplementary Capital Estimate of £7.8m is fully funded by the external grant and once approved will become a named scheme within the Council’s capital programme and will be monitored accordingly in line with the conditions of the grant.
- 8.2.2. As indicated in paragraph 6.11 the total proposed cost of the programme is £9.9m, with Cheshire East Council and the respective schools contributing match funding of £2.1m.
- 8.2.3. The specific budgets from which the matched funding is be transferred for each Lot has yet to be identified but the budgets will need to be vired from existing capital or revenue budget allocations. There is no additional

funding available from Cheshire East Resources to cover any shortfall in funding.

8.2.4. If for some reason not all of the match funding is available then the grant associated to that particular Lot should not be spent until such time as an agreement has been sought from the Department for Business, Energy and Industrial Strategy (BEIS) as to whether the Council can reduce their level of match funding or in the event that none of the match funding can be found return the grant.

8.2.5. The additional virements once agreed will be approved as per Constitution and the Finance Procedure rules to increase the total budget available to £9.9m.

### **8.3. Policy**

8.3.1. The Corporate Plan 2021-25 includes the vision for an Open, Fair and Green Cheshire East. The corporate plan includes delivery of the actions in the carbon action plan, including reducing corporate emissions and providing support to a wider borough to reduce their carbon use.

### **8.4. Equality**

8.4.1. No implications. Grant is only awarded to the public sector for energy efficiency improvements in their building stock.

### **8.5. Human Resources**

8.5.1. There is no provision for the grant to contribute towards PM cost.

### **8.6. Risk Management**

8.6.1. Grant must be spend on eligible schemes and within the deadline.

### **8.7. Rural Communities**

8.7.1. No direct implications

### **8.8. Children and Young People/Cared for Children**

8.8.1. Subject to Lot 3 – Schools bid being successful, the schemes would improve thermal comfort within the educational premises.

### **8.9. Public Health**

8.9.1. Improving energy efficiency of public sector buildings has a direct impact on the physical and mental wellbeing of occupants by improving thermal comfort of their office space/leisure centre/schools.

### **8.10. Climate Change**

8.10.1. The Council has committed to becoming carbon neutral by 2025 and to encourage all businesses, residents and organisations in Cheshire East to reduce their carbon footprint. The public sector low carbon

upgrades and energy efficiency retrofit works will directly contribute to tackling climate change.

<b>Access to Information</b>	
Contact Officer:	Denise Griffiths Denise.Griffiths@cheshireeast.gov.uk
Appendices:	n/a
Background Papers:	n/a