

Recommendations:

- 1) Accept BEIS grant funding of £1,010,860 for the Public Sector Decarbonisation Scheme, under Section 31 of the Local Authority Act 2003.
- 2) Where no authority exists, delegate to the Director of Transport & Facilities Management in consultation with the Director of Finance and Commercial Services and the Director of Legal and Governance to approve such procurement strategy to secure services in line with this report and thereafter approve a contract awards to the successful bidders.
- 3) Where no existing authority exists, delegates authority to the Executive Director of Place in consultation with the Director of Finance and Commercial Services and the Director of Legal and Governance to take such steps to meet the aims and objectives of this report.
- 4) Authorise the inclusion of the £1,073,365 budget into the capital programme for the delivery of the programme of works.
- 5) Approval of a procurement strategy to enable the design work to be progressed via the Capital Delivery Partner Framework if required and appointment of a contractor via an existing contract or direct appointment from a suitable framework on a two-stage basis.

Background Papers:

None

| Lead Officer to complete:- | |
|-----------------------------------|---|
| 1 | <p>I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</p> <p>Finance: Mark Wassell</p> <p>Legal: Henry Watmough-Cownie</p> <p>Equalities: Annemarie Johnston</p> <p><i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i></p> |
| 2 | <p>EMT member who approved submission: <i>Mick Crofts</i></p> |
| 3 | <p>Cabinet Member consulted: <i>Cllr Terry Fox</i></p> |
| 4 | <p>I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any</p> |

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| additional forms have been completed and signed off as required at 1. | |
| Lead Officer Name: Chris Richardson | Job Title: Head of Facilities Management |
| Date: 11/02/2021 | |

1. BACKGROUND

1.1 The Public Sector Decarbonisation Scheme provides grants for public sector bodies to fund energy efficiency and heat decarbonisation measures.

The £1 billion scheme is part of the Chancellor's 'Plan for Jobs 2020' commitment to support the UK's economic recovery from COVID-19, supporting up to 30,000 skilled jobs in the low carbon and energy efficiency sectors.

The scheme is managed by the BEIS delivery body Salix Finance.

1.2 The scheme is available for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, including central government departments and non-departmental public bodies in England only, and will deliver the following objectives:

- Deliver stimulus to the energy efficiency and heat decarbonisation sectors, supporting local jobs.
- Deliver significant carbon savings within the public sector.

The scheme allows public sector bodies (PSBs) including eligible central government departments and their non-departmental public bodies in England only to apply for a grant to finance up to 100% of the costs of capital energy-saving projects that meet the scheme criteria.

2. PROPOSAL

2.1 Sheffield City Council has successfully applied for £1.010m of grant funding to deliver 14 decarbonisation schemes across 4 Council buildings delivering.

2.2 The schemes, once delivered, will deliver each year 1.058m of kwh savings, £62,319 energy efficiency savings and 159 tonnes of Carbon savings. Over the lifetime of the 14 schemes a total of 5,335 tonnes of CO2 will have been saved. The schemes will also provide significant financial savings with regard to replacing bulbs, tubes and lower repair and maintenance costs.

2.3 The overall cost of the schemes is £1,073,365 with £1,010,860 being funded by the grant. The remaining £62,505 will be funded from an existing approved budget allocation earmarked specifically for mechanical replacement schemes.

2.4 Salix will be using Section 31 of the Local Authority Act to issue the grant funding to

SCC during March 2021.

- 2.5 To receive the grant funding SCC need to have completed and signed the Section 31 paperwork and issued back to Salix by the 28th February 2021.
- 2.6 The Public Sector Decarbonisation Scheme project for SCC must have commenced by the 31st March 2021.
- 2.8 The Public Sector Decarbonisation Scheme project must be completed by the 30th September 2021.
- 2.9 The sites identified in Appendix A were chosen due to the known level of carbon output, energy performance and the need for plant replacement following servicing and repairs. These sites were also recognised as falling into the 'worse energy performers' across the SCC estate. Property Services confirmed the 4 buildings are part of the Core estate and are not identified for any immediate disposal or change of use.
- 2.10 We used APSE (Association of Public Sector Excellence) to provide the building energy surveys, calculate energy performance from data SCC provided. Then ASPE, using their knowledge and experience, put forward options to improve performance and produced costs estimates and potential energy savings that formed part of the SCC application.

3. HOW DOES THIS DECISION CONTRIBUTE?

- 3.1 Zero Carbon City – Using latest technologies within our buildings to reduce our energy consumption and resulting carbon supports Sheffield becoming a zero-carbon city by the end of the next decade and playing our full contribution to the Paris Climate Change agreements.
- 3.2 Strong Economy – Reduction in energy usage and consumption supports the future financial targets for the Authority along with the use of local supplies, services and contractors to deliver the schemes.
- 3.3 An in-Touch Organisation – Keeping in touch with the latest technology around energy efficiency demonstrates that the Council is proactively managing its energy and carbon use and continuing to work towards the Zero Carbon City aim.
- 3.4 Better Health and Wellbeing – A reduction in carbon emissions supporting the Councils Zero Carbon City aim will assist in creating a better and healthier environment for the people of Sheffield.

4. HAS THERE BEEN ANY CONSULTATION?

- 4.1 No specific consultation on these schemes or funding has taken place, however the receipt of this funding and the delivery of the schemes is a good news story for the Council and residents of the City.

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

5.1.1 An Equality Impact Assessment has not been undertaken as the works proposed will affect the operation of the buildings and will not affect how the buildings are used.

5.2 Financial and Commercial Implications

5.2.1 **Estimated Project Expenditure and Funding**

| | |
|-------------------------------|------------------|
| Estimated Project Expenditure | 1,073,365 |
| BEIS (Grant) | (1,010,860) |
| *Match Funding | (62,505) |

*There is an expectation that SCC will need to fund the £62,505 shortfall and it is proposed that this would be funded via an existing approved budget allocation earmarked specifically for mechanical replacement schemes. This match funding will need to be available and eligible to use and will need the funder's approval to use.

5.2.2 **Memorandum of Understanding (MoU) between BEIS and SCC**

Key features (not exclusive) of the funder's draft MoU and associated grant documents are summarised below. The Grant Manager will need to read, understand and comply with all of the terms and conditions.

The project involves reduction of energy use or the switch to, or enabling works in preparation for, a cleaner heat source, as set out in the Grant Application / Grant Offer Letter.

- Salix will administer on behalf of BEIS/SCC.
- MoU to apply with Grant Offer Letter and should be read alongside Grant Offer / Grant Determination Letter – these documents together constitute the Agreement.
- It is the funder's intention that the MoU and associated agreements are not intended to be legally binding and no legal obligations shall arise.
- Parties to the MoU/Agreement intend to honour their obligations.

The Grant may only be used for the purposes that a capital receipt maybe used for in accordance with regulations made under section 11 of the Local Government Act 2003.

The Grant requires a signed declaration from the Chief Executive and Chief Internal Auditor of Sheffield City Council

- Practical Completion: 30 September 2021

- The timetable for delivery/completion of the Project including measures and costs are identified in the grant documentation.
- In case of a conflict between the Grant Offer Letter and MoU, the provisions of the Grant Offer Letter shall prevail.
- Any inconsistency between the MoU and Specific Conditions, the Specific Conditions shall prevail.
- No changes to the Project/Programme without Salix approval.
- Single payment on the Grant Payment Date.
- Project to/will be initiated before 01 April 2021

Use of the Grant

- Expenditure (as per Project Programme) should not exceed the forecast amounts without prior approval.
- Grant cannot be used to purchase buildings/land or fund any expenditure entered into before the Grant Payment Date without prior approval.
- No spend of Grant after the date of Practical Completion.
- Unspent monies to be returned to the funder.
- Grant cannot be used for a range of expenditure heads (see MoU) including input VAT that is reclaimable.

Accountable Officer

- SCC to appoint an Accountable Officer (approved by Salix) to ensure compliance with the grant requirements (see MOU on the role)
- Grant cannot subsidise economic activity /generate revenue/capital gain
- Monitor Project as per Salix requirements /achieve energy savings/CO2 reductions
- Retain project records (as per MoU) for six years from the date of Practical Completion.
- Grant is subject to audit if requested

Monitoring and Reporting

- Comply with monitoring/reporting requirements as per MoU/Grant Offer Letter
- Comply with match funding requirements and reporting

Receipt of Other Funding Sources

- SCC cannot accept any other public/European funding for the Project without Salix /BEIS approval.
- Comply with subsidy control rules in the UK for delivery of the Project.
- The grant is subject to clawback if subsidy control rules are breached.
- Procurement must be carried out in accordance with SCC's internal procurement guidelines and financial regulations, and with all applicable laws including the Procurement Regulations.

Grant Clawback

There are a range of circumstances where the grant may be withheld, suspended or repaid including (not exclusive):

- Delivery to start within 6 weeks of start date otherwise SCC will need to provide Salix with a reasonable explanation.
- Not making satisfactory progress with project delivery
- Obtaining duplicate funding from a third party for the Project
- Obtaining funding from a third party without prior written consent
- Grant is used as an unlawful subsidy

5.2.3 **Commercial implications**

All public sector procurement is governed by and must be compliant with both European Legislation and UK National Law. In addition, all procurement in SCC must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs).

Contracts Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process.

The Project Manager will need also need to develop a viable exit strategy for when the grant funding ends to ensure that there are no unfunded ongoing costs as currently there are no identified funding sources available

Due to the very tight timescales for completion of the work in the funding deadlines to now be met, the report recommends that the Council will directly procure via the Capital Delivery Framework or APSE Framework the required design work whilst simultaneously appointing a suitable contractor either by adding the work into an existing contract or direct appointment through an appropriate Framework for this type of work.

In this way the design and construction of the scheme can still be achieved in line with the timescales required of the Public Sector Decarbonisation Fund.

5.3 **Legal Implications**

5.3.1 This decision is in line with the Council's Green City Strategy adopt approaches which promote and support a lower carbon economy, greater resilience to climate change and cleaner growth. The Council has declared a climate emergency and is working towards Sheffield becoming a zero-carbon city by the end of the next decade.

The decision maker must be satisfied that the Authority will approve the required matching funding of £62,505, without this approval the project will be at risk.

The proposed agreement that has been forwarded to this Authority states that the

agreement is a Memorandum of Understanding (MOU). MOU's are often utilised in commercial arrangements and are quoted as being legally non-binding. However, where a purported MOU become prescriptive and detailed then arguably such agreement although titled MOU is in fact legally enforceable. In this case it would appear that the titled MOU is fact a grant agreement and therefore enforceable. The final agreement / MOU has not yet been been finalised. In any event, the Council would need be satisfied that any requirements whether legally enforceable or not could be met, particularly such conditions as:

- The Public Sector Decarbonisation Scheme project for SCC must have commenced by the 31st March 2021.
- The Public Sector Decarbonisation Scheme project must be completed by the 30th September 2021.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 Do nothing – replace mechanical plant like for like when needed

Buildings continue to be poor energy performers
No reduction in Carbon
Cost to SCC to replace mechanical plant when unable to repair
Does not assist the Council in achieving the Zero Carbon City aim
Reputation damage for not taking advantage of Government funding

6.2 Refuse funding and Council self-fund schemes

No allocated budget for these schemes
Unlikely to be delivered within same timescales
Reputation damage for not taking advantage of Government funding

7. REASONS FOR RECOMMENDATIONS

- 7.1 The Council accepts the funding grant via Section 31 of the Local Authority Act
This will allow the delivery of the identified schemes this year (by 30th September 2021) with a minimal financial contribution. These schemes fully support the Council aim to be a Zero Carbon City.