Rotherham Metropolitan Borough Council

Public Report with Exempt Appendix
Cabinet

**Committee Name and Date of Committee Meeting**
Cabinet – 18th September 2023

**Report Title**
Council Building Decarbonisation Programme

**Is this a Key Decision and has it been included on the Forward Plan?**
Yes

**Strategic Director Approving Submission of the Report**
Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**
David Rhodes, Environment, Energy and Data Manager
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**Ward(s) Affected**
All

**Report Summary**
On 30 October 2019, the Council declared a Climate Emergency and set out its action plan covering the following seven policy themes of Energy, Housing; Transport; Waste; Built & Natural Environment; Influence and Engagement.

At its meeting on 23 March 2020, Cabinet resolved to establish the targets of:

- The Council's carbon emissions to be at net zero by 2030 (NZ30)
- Borough-wide carbon emissions to be at net zero by 2040 (NZ40)

A Climate Emergency Action Plan was established, and progress has been reported annually since then. The policy and technological context of net zero is rapidly changing, and delivery of an annual action plan allows opportunities to be leveraged before they are missed. The Government has recently invested in heat network provision as a key heating source of the future, and this report has been brought forward in order to seek approval to proposals which will enable funding opportunities to be accessed and utilised within Government allocated spending timeframes.

A significant challenge in delivering the Council's Climate Change Action Plan is the reduction in carbon emissions from the Council buildings that are a product of current gas energy supply. In order to consider how it might tackle this challenge the Council approved, as part of the Budget and Council Tax Report 2022/23, a capital investment to begin to decarbonise its buildings. Decarbonisation works can consist of smaller enhancements for example, LED lighting, improved insulation, double glazing and solar Photovoltaics (PV) or much larger capital works such as removal of existing gas

boilers and replacement with an alternative source of energy such as a heat network or air source heat pump.

Whilst the smaller enhancements will reduce the Council's carbon impact and improve energy efficiency, these actions alone will not be sufficient for the Council to achieve Net Zero by 2030. As such the Council proposes to explore opportunities to replace the gas boilers within a number of the existing operational buildings. In order to achieve this, the Council will need to carry out the following key actions:

- Carry out capital works to the proposed operational buildings to make them suitable to connect to an alternative heat source.
- Carry out a procurement process to engage a third-party supplier to establish and provide that alternative heat source via a Heat Network Contract (there isn't currently an alternative heat source in place sufficient to meet the Council's need).
- Carry out a procurement process to engage a third-party supplier to act as a development partner to provide specialist knowledge and guidance required to deliver these actions.

The Council has already secured external funding through the Public Sector Decarbonisation Scheme (PSDS) to support the majority of the capital costs of the proposed works to the Council's operational estate. The Council's funds can be used as match funding to support the delivery of improvements to the Council's estate.

This report summarises the proposed approach to improving the energy efficiency of five Council buildings including works to enable connection to a low carbon heat source utilising funding from the Public Sector Decarbonisation Scheme (PSDS) and the allocated Council decarbonisation capital budget.

The report also sets out the rationale for the procurement of a Heat Network Contract to supply heat to Council properties and for the procurement of a Decarbonisation Partner to support the Council to develop schemes, secure further funding, design and deliver works including building decarbonisation, energy efficiency and electric vehicle charging infrastructure.

## Recommendations

That Cabinet:

1. Approves the programme of works to design and fit the LED and Solar PV works to the five Council buildings listed in Section 2.5 of this report to be delivered through a procurement process.
2. Approves the appointment of a partner to support and advise on the development of the remaining operational estate and to deliver the decarbonisation works contained in this report, to the five Council buildings, to be identified through a procurement process.
3. Approves the use of grant funding from the Public Sector Decarbonisation Scheme and a contribution from the existing Council capital decarbonisation project to deliver the proposed works to the Council's operational property, as set out in exempt Appendix 1.
4. Approve a procurement process to be undertaken to establish a heat delivery contract to provide a heat source to the proposed Council owned properties.

5. Approve that a report will be to be submitted to Cabinet following this process that will detail the outcome of the procurement, its financial feasibility and recommendations for heat delivery for the five buildings listed within Section 2.5.

**List of Appendices Included**
Appendix 1 Decarbonisation Financial Report (EXEMPT)
Appendix 2 Equalities Assessment
Appendix 3 Carbon Impact Assessment

**Background Papers**
Project Procurement and Delivery Guidance
Notice of Declaration of Climate Emergency 30-Oct-2019 14.00 Council Meeting.pdf (rotherham.gov.uk)
Responding to the Climate Emergency. Cabinet 23 March 2020:
Climate Change Annual Report Cabinet 20 March 2023

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**
No

**Council Approval Required**
No

**Exempt from the Press and Public**
Partial Exemption

An exemption is sought for Appendix 1 Decarbonisation Financial Report under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains (Commercial Confidential Information).

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because the information could be used by private companies to influence future procurement negotiations.

## Council Building Decarbonisation Programme

### 1. Background

1.1 On 30 October 2019, Rotherham Council declared a Climate Emergency and set out a plan of action to reduce carbon emissions generated by the Council, businesses, other organisations, and individuals across the Borough.

1.2 The following targets were set at its Cabinet meeting on 20 March 2020 to reduce carbon emissions across the Borough:

- The Council's carbon emissions to be at net zero by 2030.
- Rotherham-wide carbon emissions to be at net zero by 2040.

1.3 Since then, the Council has annually produced a Climate Change Action Plan which sets out how these targets will be met and covers seven themes including, Energy, Housing; Transport; Waste; Built & Natural Environment; and Influence and Engagement. The Council has committed funding in order to deliver a programme of building decarbonisation which will play a fundamental role in progressing the achievement of the Council's net zero target, given that the energy use within the Council's current building portfolio produced approximately 3581.65t$CO_2$ between 2021-2022, or 32.5% of the Council's overall emissions.

1.4 The Council has allocated £6.4m funding in the Capital Programme, which can be used to secure external funding and deliver improvements to decarbonise operational buildings.

1.5 The Council has recently been successful in securing £3.147m of external funding through the Public Sector Decarbonisation Scheme (PSDS) with a contribution required from the Council. A summary of decarbonisation budgets and grants is included in Appendix 1 (exempt) of this report.

1.6 Separate to the proposals within this report, the Council has also allocated £648,000 to expand the Council's electric vehicle infrastructure (EV) and continues to secure external funding to support this programme of work. Together with the funding for decarbonising buildings, there is a significant programme of activities that would benefit from additional expertise, capability, and capacity in the form of an external decarbonisation partner.

1.7 The government is investing £288m of capital funds UK wide in the support of new low and zero carbon heat networks through the Green Heat Network Fund. This investment in heat networks is intended to develop the UK's heat network market and decarbonise the heat sector. Heat networks provide a low carbon alternative to the carbon intensive gas heating systems which are currently the UK's primary heat source. They may also provide a more affordable option than air source heat pumps. Heat networks therefore form part of the Government's plan to decarbonise the UK's heating provision with a view to reaching net zero by 2050 whilst also improving energy resilience and independence from global markets.

1.8 Eligibility for this grant includes both public and private sector investors such as energy companies as well as registered third sector organisations. It is therefore proposed that the Council carries out a procurement process in order to identify a suitable supplier for the delivery of such a heat network to the Council's applicable town centre buildings.

## 2. Key Issues

2.1 A significant challenge in delivering the Council's Climate Change Action Plan is the carbon emissions produced as a result of current gas energy use. In order to consider how it might approach this challenge, the Council approved as part of the Budget and Council Tax Report 2022/23 a capital investment to begin to decarbonise its buildings. Decarbonisation works can consist of smaller enhancements for example, LED lighting, improved insulation, double glazing and solar Photovoltaics (PV) or much larger capital works such as removal of existing gas boilers and replacement with an alternative source of energy such as a heat network or air source heat pump.

2.2 Whilst the smaller enhancements will reduce the Council's carbon impact, these actions alone will not be sufficient for the Council to achieve Net Zero by 2030. As such the Council proposes to explore opportunities to replace the gas boilers within five existing operational buildings. Proposed buildings are listed at Section 2.5. In order to achieve this the Council will need to carry out the following key actions:

- Carry out capital works to the proposed operational buildings to make them suitable to connect to an alternative heat source.
- Carry out a procurement process to engage a third-party supplier to establish and provide that alternative heat source via a Heat Network Contract (there isn't currently an alternative heat source in place sufficient to meet the Council's need).
- Carry out a procurement process to engage a third-party supplier to act as a development partner to provide that specialist knowledge and guidance required to deliver these actions. This third-party supplier will also undertake the capital works as described in Section 2.5.

2.3 A proposal has been developed to decarbonise five operational Council buildings through both smaller capital enhancements and more significant capital works to enable connection to a low carbon heating source. All proposed works will contribute to the Council's carbon targets and the relevant objectives in the Climate Change Action Plan.

2.4 The PSDS funding of £3.147m secured by the Council has been awarded to fund these proposed works to improve the energy efficiency of Council buildings, along with works to enable heat to be supplied to buildings from low carbon sources. It is part of the grant conditions that these buildings must be connected to a low carbon heat source by 31 March 2025 and the existing gas boilers removed from operation.

2.5 The proposed works and connection to a low carbon heat source will significantly reduce the Council's overall carbon impact. The scheme, including connection to a heat network, is estimated to save as much as 468 tonnes of carbon per year, from the following improvements:

**Town Hall**

- Replace heating & hot water system with a low carbon alternative.
- Cavity Wall Insulation
- LED - New Fittings

**Riverside House**

- Replace heating & hot water system with a low carbon alternative.
- Additional Solar Panels

**Civic Theatre**

- Replace heating & hot water system with a low carbon alternative.
- LED - New Fittings
- Solar Panels
- Building & Energy Management Systems (BEMS)
- Time Switches
- Double Glazing

**Clifton Park Museum**

- Replace heating & hot water system a low carbon alternative.
- LED - New Fittings
- Solar Panels
- Building & Energy Management Systems (BEMS)
- Double Glazing

**Orchard Centre**

- Replace heating & hot water system with a low carbon alternative.

2.6 The above works are estimated to save the Council 468t$CO_2$ annually and are estimated to improve energy efficiency, and therefore cost, by approximately 25%. This is because of the energy efficiency measures included within the works but also that a typical heat network produces 48g$CO_2$/kWh of heat compared with the emissions from a typical gas boiler 228g$CO_2$/kWh. The carbon emissions of an air source heat pump are linked with the current make-up of the UK's gas supply and would reduce gradually as the UK invested in more renewable energy generation.

2.7 The PSDS scheme will enable the five buildings to be ready to be connected to heat from a low carbon source such as a heating network and/or air source heat pumps. The proposal to engage a third party to establish a suitable low carbon heat source that can support these properties is intended to ensure that once the buildings are ready to be connected to a new heat source there is a low carbon source ready to connect to. It is critical for the PSDS grant funding that the Council does carry out the building works and does connect to a low carbon energy source by 31 March 2025 or at the very latest the subsequent heating season, approximately October 2025. If the Council does not achieve this the grant will be subject to clawback as the energy savings from the smaller measures such as solar panels do not provide a sufficient reduction in Carbon emissions to meet the grant conditions.

2.8 In accessing the PSDS grant funding the Council had to indicate which type of low carbon heat source it would be looking to connect into. As such the Council

had to make a choice as to whether it expected to connect to a Heat Network or Air Source Heat Pumps. Although a Heat Network was selected, the Council can, if required, apply to the grant provider for a grant variation to change the low carbon heat source to an Air Source Heat. However, enabling buildings to connect to a heat network would have several advantages against installing on site air source heating including:

- Supporting the installation of a local low carbon heat network to allow wider connections across the Town Centre area with public and private sector buildings. For example, households and small businesses will have the opportunity to use the heat network.
- A heat network has the potential to positively impact on local economies and provide local opportunities for green jobs.
- More economical to run and reduced maintenance, servicing, and replacement costs.
- Potentially the lowest cost option currently to decarbonise building heating systems.

2.9 The works to the Council's operational buildings submitted as part of the proposed PSDS scheme can support the development of a local heat network. This would have the potential for the Council to become a future customer and this would be the intention of the proposed procurement process; to identify a third-party to build a heat network suitable for the Council to connect to and meet its energy requirements. However, in the event that a heat network does not become operational, alternatives such as air source heating will be brought forward for consideration.

2.10 The Council will have opportunities to withdraw from the proposal should the project not progress as expected. At the point the procurement for the external third-party supplier to create the heat network completes, the Council will have an opportunity to review the deliverability and financial impacts of the proposal and assess if it still meets requirements. If it does not meet the requirements, the Council can abandon the procurement and walk away from the project. If the proposal is positive and the Council enters into contract, then the scheme would progress. If the outcome of this procurement process is positive or negative, this will be brought back to Cabinet with recommendations for next steps. If for some reason the heat network does not get built, the supplier would have breached the terms of the contract and the Council would have to either look at air source heating or halt progress removing the use of gas boilers.

2.11 Whilst not connecting to a low carbon heat source would risk clawback of the full value of the PSDS grant funding (£3.147m), the works that would have been undertaken on the Council's buildings by this point are not necessarily ineffective. The smaller enhancements, like solar panels would still have carbon improvements, and the works to connect to an alternative low carbon source would still remain and be available should an opportunity present itself in the future. Given the drivers to move away from gas boilers it is expected that the Council will need to move to an alternative source in the future so the Council would just be further down that road. As such these works would need to be funded from the existing Council budget of £6.4m for the Decarbonisation Programme within the Capital Programme.

2.12 Salix Finance (who administer the PSDS funds) have agreed in principle that any changes to the agreed funding proposed as part of the Council's PSDS funding application on changes such as alternative low carbon heating systems or alternative buildings may be supported. However, any alternative heating systems requiring a design change or alternative buildings would need formal approval from Salix Finance. As the project is a multi-year scheme the timeframe for spending the grant remains as:

- Year 1 £325,874.00 must be spent by 31/03/2024.
- Year 2 £2,821,513.00 must be spent by 31/03/2025.

2.13 The funding cannot be carried over beyond these dates.

2.14 It is proposed that the year 1 spend will be procured separately to cover solar PV panels and LED works only. This is to ensure that the year 1 funding is spent by the 31/03/2024. The remaining enabling works listed in 2.5 are proposed to be procured via the decarbonisation partner procurement exercise. The decarbonisation partner will support the Council in a number of activities, including, design and development of the technical component for future funding applications, survey, design and installation of decarbonisation works in Council buildings, electric vehicle charger installation and provision of technical advice on building decarbonisation.

2.15 The installation of decarbonisation measures on the Council's operational estate, except for the five buildings detailed within this report, will be subject to their own procurement and if applicable Cabinet approval. Examples of installation might include retrofit of insulation, solar PV installation, double glazing, building management systems and other energy efficiency measures as well as connection to a heat network or alternative heat source as applicable.

2.16 In terms of the proposed decarbonisation partner, the scale of work that is required as part of the Council's programme of decarbonisation and associated programmes such as electric vehicle charging infrastructure, means that development and delivery will benefit from additional capacity and capability.

2.17 In addition, to ensure robust procurement procedures alongside challenging Government funding delivery timeframes, procuring a partner is beneficial. Numerous local authorities have awarded decarbonisation partner contracts to private sector partners including:

1. City of Lincoln Council - engaged a private sector contractor to review sites, prepare detailed site decarbonisation plans and investigate further opportunities for renewables at Council Sites.

2. Manchester City Council – Secured £19.67m PSDS funding with the support of private sector delivery partners (Ameresco, Kier and ISG) and are now delivering a programme of measures to a challenging delivery timescale through a variety of contracted delivery partners.

3. Cheshire East Council – Awarded a 10-year delivery contract with Equans.

4. Rochdale Borough Council – Supported by Equans with its application for PSDS funding and was then appointed to deliver the work.

5. Leeds City Council – Contracted with Cenergist to deliver a £14m carbon reduction programme that contributes to the Council NZ30 target.

2.18 Many other councils have successfully awarded similar contracts and received essential technical support to complete and submit funding applications and subsequently deliver the projects/programmes.

2.19 Funding applications such as PSDS consider capacity and capability in assessing the deliverability and feasibility of applications. The benefit of having a contracted partner would include:

- Providing technical assistance in funding applications and improve the likelihood of securing further grant funding.
- Streamlined delivery of decarbonisation works to comply with Government funding criteria.

2.20 The partner will be procured in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial and Procurement Procedure Rules as detailed in Section 6 of this report.

2.21 The final stage of PSDS funded works include the potential connection to a heat network and as such will require a contract to be in place to ensure that building retrofit designs are compatible with the chosen heat source. The capital and revenue implications of the decarbonisation of the five buildings included within this funded programme are available in Appendix 1. A contract will also mitigate against risks associated with fluctuations in the market. The award of any contract will be subject to a procurement procedure being undertaken in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial and Procurement Procedure Rules. In addition, the award of any contract will be subject to an assessment of the financial feasibility of the contract and a report back to Cabinet.

2.22 Heat networks deliver low carbon heating to buildings via a network of underground pipes originating at the heat source. Delivery of heat to the five Council properties is likely to involve disruption to some Council services as the supplier-side pipes from the heat source to Council buildings will need to be laid following contract award. It is expected that completion will be subject to planning, highways consent and construction timelines to allow pipes to be laid from the heat source to each building. Internal energy efficiency works would be undertaken following consultation with individual services.

## 3. Options considered and recommended proposal

3.1 A number of potential options have been considered including:

**Option 1 (Preferred Option)**:

1. Appoint via compliant procurement procedures a supplier of solar PV and LED lighting for installation to applicable Council buildings as per the

Public Sector Decarbonisation Scheme proposal contained within this report.

2. Appoint via compliant procurement procedures, a decarbonisation partner for a period of 3 years with the option of extending for a further two years. This option has the benefit of accessing technical expertise to complete, submit and deliver future Government grant funding applications and securing external funding as well as utilising the Council's own funding. The contract would be used to deliver on funding identified for decarbonisation in Appendix 1 including potential future external funding and to inform future Council decisions on further decarbonisation works.
3. Approve the use of the PSDS grant funding and deliver the PSDS funded works on the five listed buildings, through a compliant procurement procedure in line with PSDS grant timelines. In the event of the Council buildings not being connected to a heat network, approval will be sought from Salix Finance to use the funding for alternative low carbon heating systems, though the Council would look to consider options at this point.
4. Undertake a compliant procurement procedure for a heat network delivery supplier to provide low carbon heating through a heat network to the proposed Council owned properties and return to Cabinet for final approval of the final scheme proposal and costs. The heat delivery contract is expected to be for 20-25 years.
5. Approve that a report will be submitted to Cabinet following the procurement of a heat delivery contract with recommendations for next steps. This report will detail the outcome of the procurement, its financial feasibility, and recommendations for heat delivery for the five buildings listed within Section 2.5.

This is the recommended option.

3.2 **Option 2 –** Procuring individual projects for known decarbonisation measures on Council operational buildings.

The process of numerous tenders is lengthy, costly, onerous, will delay measures and carbon reductions and would be more resource intensive to deliver. This option does not provide technical support for Government grant applications unless procured separately which would likely not meet the short grant timescales for application.

This option means that the Council will no longer be able to use the PSDS funding for the specified five buildings as the procurement process is too lengthy to allow completion of designs in time for the Year 1 PSDS project milestone. As a result, this option is not recommended.

3.3 **Option 3** – Compliantly procure the decarbonisation partner and switch to an alternative low carbon heat source.

This option proposes using an alternative low carbon heating source, such as air source heat pumps, instead of connecting to a heat network. This option would be more expensive for the Council and if the Council decides not to

connect to a heat network the PSDS funding agreement would need to be varied by agreement. This option is considered within the financial model within exempt Appendix 1 in terms of costs for this option. Air source heat pumps are already in use throughout some Council buildings and are a more familiar technology in the Borough but come with additional revenue costs related to maintenance and increased electricity use.

This option would not require an additional heat contract but would have implications for the Council's revenue budgets.

Although in this case the decarbonisation partner would still be available to support future bids and ongoing energy efficiency programmes, this option is not recommended as there will be increased capital and revenue pressures. There is also the potential risk that Salix Finance may not approve the required change which would derail the proposed decarbonisation of the buildings included in the PSDS grant.

3.4 **Option 4** – Only carry out energy efficiency (LED/Solar PV) works using Council's funding.

This option proposes that no further decarbonisation work on the proposed buildings is undertaken, other than energy efficiency works using the Council's allocated decarbonisation budget.

This option is not recommended as it would result in the loss of the current and any future PSDS funding on the five buildings it has been awarded to. The PSDS specification requires a whole building approach which means that whilst replacement of a heat source is a critical criterion for the project, energy efficiency measures are required to deliver the carbon savings required by the scheme to be allocated funding.

In light of the Council's declaration of a climate emergency in 2019 and subsequent target to achieve net zero by 2030, this more limited approach is not recommended. Replacement of gas boilers with a sustainable low carbon alternative alongside improvements in overall energy efficiency are integral to meeting this target due to the substantial carbon emissions arising from gas combustion.

## 4. Consultation on proposal

4.1 There has not been any public consultation on this proposal.

## 5. Timetable and Accountability for Implementing this Decision

5.1 Asset Management will be responsible for implementing the decision in accordance with the timetable below:

5.2 Solar PV & LED Lighting Milestones

| Milestone | Date |
|---|---|
| Cabinet Decision | Q2 23/24 |

| | |
|---|---|
| Contractor/Supplier Procurement | Q3 23/24 – Q4 23/24 |
| PSDS Solar and LED Site works and Commissioning | Q4 24/25 |
| Y1 PSDS Invoice Deadline | 31st March 2024 |

5.3 Decarbonisation Partner and PSDS Implementation Milestones

| Milestone | Date |
|---|---|
| Cabinet Decision | Q2 23/24 |
| Contractor/Supplier Procurement | Q4 23/24 – Q2 24/25 |
| PSDS Site works design phase | Q2 24/25 |
| PSDS Site works and commissioning | Q2 24/25 – Q4 24/25 |
| Y2 PSDS Project Complete and Invoice deadline | 31st March 2025 |

5.4 Heat Network Contract Procurement Milestones

| Milestone | Date |
|---|---|
| Cabinet Decision | Q2 23/24 |
| Contractor/Supplier Procurement | Q4 23/24 – Q1 24/25 |
| Cabinet Approval | June 2024 |
| PSDS Commissioning Works Complete | Q4 24/25 |

## 6. Financial and Procurement Advice and Implications

6.1 The financial implications of the proposed recommendations are covered within the exempt financial Appendix 1.

6.2 The Council is required to contribute 12% of the PSDS grant to fund the cost of enabling works. The match funding will come from the Capital Programme Decarbonisation Fund.

6.3 There are procurement implications across each of the recommendations detailed in this report. The Council must ensure that all procurement activity is undertaken in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial Procurement Procedure Rules. For each of the contractual arrangements to be entered into an assessment will be made to determine the most appropriate route to market to ensure it meets the projects requirements and can be delivered within the required funding timescales.

## 7. Legal Advice and Implications

7.1 The proposed procedures for procuring the delivery partner, decarbonisation measures and heat network are compliant with the PCR and the Council's FPPR, as set out in the Procurement and Legal section of the Finance Appendix, Appendix 1.

7.2 If it is decided to procure connection to a heat network, an appropriate contract with the preferred supplier will be prepared which ensures amongst other things continuity of service and as far as possible price stability. Such a contract will be in a similar form to contracts used in respect of heat networks where other public authorities have followed this course of action. In this regard, a firm of solicitors who have advised in respect of previous projects of this nature have been commissioned to draft the relevant terms and conditions. This will ensure best practice is adopted, and as such the Council's interests are fully protected in relation to the supply contract which, as stated above, will likely be 20-25 years.

7.3 In terms of governance, as the matters set out within this report do not relate to functions which are reserved to Council in legislation or regulations, they are executive functions exercisable by Cabinet.

## 8. Human Resources Advice and Implications

8.1 There are no human resources implications arising from this report.

## 9. Implications for Children and Young People and Vulnerable Adults

9.1 No implications identified.

## 10. Equalities and Human Rights Advice and Implications

10.1 No implications identified though equalities assessment conducted and attached at Appendix 1.

## 11. Implications for $CO_2$ Emissions and Climate Change

11.1 Positive implications have been identified within the Carbon Impact Assessment at Appendix 3 including:

- Reduced $CO_2$ emissions from Council operational buildings through decarbonisation, increased on-site renewable energy and energy efficiency measures.
- Reduced $CO_2$ emissions from a heat network, 48g$CO_2$/kWh of heat compared with the emissions from a typical gas boiler 228g$CO_2$/kWh of heat.
- The scheme is estimated to reduce 468 tonnes $CO_2$ per annum.

## 12. Implications for Partners

12.1 No implications identified.

## 13. Risks and Mitigation

13.1 The main risks include:

a. Unable to complete the schedule of works funded by the Government's Public sector Decarbonisation Scheme within the timeframes agreed in the grant offer letter.

Mitigation – Accurate planning and delivery with the decarbonisation delivery partner will prevent going beyond the time criteria stipulated by Government and incurring penalties.

b. Unable to secure further external funding to support the decarbonisation agenda.

   Mitigation – Technical support from the decarbonisation partner combined with accurate data and evidence will provide the best opportunity to secure funding. The contract will include a clause to prevent any blame and stop financial claims for planned works.

c. An increase in market prices for the installation of decarbonisation measures.

   Mitigation – The market prices will be continuously monitored and if necessary, the schedule of rates adjusted, and programmes adjusted to align with changes.

d. Connection to the heat network is not possible at the end of the project and a change is required to design of the specified buildings heating systems.

   Mitigation – The proposal is to utilise the Year 1 funding for PV panels and LED lighting, which mitigates against this risk. Heat network enabling works will not be started until assurance from the awarded supplier is received. Salix Finance have agreed in principle that connection to the heat network can occur after project works are completed or a change to an alternative heat source may be allowed given the relevant approvals. Mitigation should also be in the form of effective project and relationship management with Salix Finance. Existing gas boilers will not be decommissioned until connection to a heat network or alternative low carbon solution.

e. Revenue costs exceed expected budgets or fluctuate unexpectedly.

   Mitigation – A financial breakdown of expected revenue costs, i.e., energy and maintenance costs are included in Exempt Appendix 1. Mitigating clauses should be included within the Heat Delivery Contract to protect the Council throughout the duration of this contract. Heat network market process will also be continuously monitored to allow for supplier challenge if needed. Approval will be sought from Cabinet prior to appointment.

## 14. Accountable Officers

Jonathan Marriott, Head of Asset Management

Approvals obtained on behalf of:

| | **Named Officer** | **Date** |
|---|---|---|
| Chief Executive | Sharon Kemp | 04/09/23 |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Judith Badger | 31/08/23 |
| Head of Legal Services (Deputy Monitoring Officer) | Bal Nahal | 31/08/23 |

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