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<b>Subject:</b>	<b>PUBLIC SECTOR DECARBONISATION FUND</b>
<b>Meeting and Date:</b>	<b>Cabinet - 12 April 2021</b>
<b>Report of:</b>	<b>Roger Walton, Strategic Director (Operations and Commercial)</b>
<b>Portfolio Holder:</b>	<b>Councillor Oliver Richardson, Portfolio Holder for Environment and Corporate Property</b>
<b>Decision Type:</b>	<b>Key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To seek approval to deliver a grant-aided project to reduce the carbon emissions of both the Whitfield Offices and the Dover Museum, following a successful bid to the Public Sector Decarbonisation Fund.

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**Recommendation:** It is recommended that Cabinet:

- 1) Approves the project to deliver carbon emission reductions at Whitfield Offices and the Dover Museum.
- 2) Approves the procurement methodology as outlined in this report.
- 3) Delegates to the Strategic Director (Operations and Commercial), in consultation with the Portfolio Holder for Environment and Corporate Property, the authority to take all necessary actions to deliver the project, including award of contract, contract variations and approval of any necessary significant design changes.

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## 1. Summary

- 1.1 Dover District Council's successful bid for the Public Sector Decarbonisation Fund grant has resulted in a grant award of £830k. The Council's bid was for works in relation to the Whitfield Offices and the Dover Museum because these are buildings that currently use a lot of energy and have the potential to be upgraded relatively easily.
- 1.2 The overall cost of the project is estimated to be £1,025k, included allowances for officer time and contingency. It is therefore proposed that the Council allocates £195k of resources to fully finance the project. The viability assessment conducted by Salix for the whole project demonstrates that the resulting reduction in energy costs will provide a payback within a period of 8 years. This results in an expected payback of the DDC contribution within a 2 year period.
- 1.3 The short delivery timetable means that decision making is crucial to the project running to time. Cabinet are therefore being asked to approve the key components and deliverables of the project in this report and to delegate to the Strategic Director (Operations and Commercial), in consultation with the Portfolio Holder for Environment & Corporate Property, the authority take all necessary actions to deliver the project.

## 2. Introduction and Background

- 2.1 The Public Sector Decarbonisation Fund is a grant awarded by Salix on behalf of the Department for Business, Energy and Industrial Strategy following a competitive bid process and a viability assessment conducted by Salix. The purpose of the grant is to encourage local authorities to reduce the carbon emissions of their built assets.
- 2.2 Dover District Council's bid was for works in relation to the Whitfield Offices and the Dover Museum because these are buildings that currently use a lot of energy yet have the potential to be upgraded relatively easily. The bid for works at Whitfield consists of: the introduction of air source heat pumps as the primary source of heat instead of the existing gas boilers; the provision of a solar photovoltaic system on south facing roof slopes; enhancements to the building management system controls and the conversion of residual lighting to LED. The bid for works at the Dover Museum comprises the introduction of air source heat pumps, replacing the lighting with LED lamps and enhancing the building management system controls.
- 2.3 The overall anticipated project costs including design, which were submitted as part of the bid, was approximately £940k. This has been revised to £1,025k to allow for charging of officer time, potential impacts of building inflation and a contingency allowance. The grant award is for the sum of £830k and the remaining £195k will be funded by DDC. The viability assessment conducted by Salix for the whole project demonstrates that the resulting reduction in energy costs will provide a pay-back period of 8 years. This translates into a payback period of less than two years for the DDC contribution.
- 2.4 The decision to accept the £830k was taken as a delegated decision on 22<sup>nd</sup> February, at which time £45k was released for procuring detailed feasibility work. Until the grant was awarded undertaking the detailed feasibility ran the risk of being abortive work however the tight timetables associated with the bid meant that delaying the detailed feasibility work until Cabinet could consider whether the project represented too great a risk to the project programme. Hence limited sums have been already been committed for feasibility work, which will be forfeited should Cabinet decide not to proceed with the project.
- 2.5 The Salix grant funding includes the constraint of a very fast design and construction phase timetable, which if not met runs the risk of some of the funding being reclaimed by Salix. With this constraint in mind the method of procurement was considered in detail with the Council's experienced employer's agent and a single stage design and build contract chosen as the best methodology to engage a contractor swiftly whilst still safeguarding the Council's interests.
- 2.6 The procurement itself was discussed in consultation with Dover District Council's in-house procurement team and a suitable framework, the Fusion 21 framework used widely by local authorities to deliver 'sustainable' projects, is recommended as the procurement route. The Fusion 21 framework management has already undertaken the investigations and market testing to demonstrate that the contractors on the framework deliver 'best value'. The framework also allows for a direct call-off to happen. This is the recommended route because it allows direct engagement with the contractor very early on in the project so that the contractor's practical experience and knowledge of its supply chain can influence the early design work to achieve a more cost effective, quicker solution. The early involvement also means that when the contract is formally let the contractor is already fully cognisant of the project deliverables and does not need to expend 3 or 4 weeks in getting up to speed. All of the above actions are consistent with the Council's procurement rules.

2.7 The short delivery timetable means that decision making is crucial to the project running to time. Cabinet are being asked to approve the key components and deliverables of the project in this report and it is therefore recommended that Cabinet delegate to the Strategic Director (Operations and Commercial) in consultation with the Portfolio Holder for Environment & Corporate Property the authority take all necessary actions to deliver the project, including award of contract and contract variations. Please note that if the amount of the Salix grant award changes as a result of the feasibility and subsequently detailed design changes the section 151 officer is authorised to amend the acceptance of any revised award under delegated authority, as defined in the constitution.

### 3. Identification of Options

3.1 Option 1 - Approve the project.

3.2 Option 2 - Terminate the project and return the Salix grant funding of £830k

### 4. Evaluation of Options

4.1 **Option 1 - approve the project.** This is the recommended option since the project significantly reduces the carbon emissions from two of the Council's key buildings at very little direct cost since the majority of the capital expenditure is grant funded. The project demonstrates the Council's commitment to climate change through action. The successful delivery of the project will show central government and other funders that Dover District Council can effectively deliver such projects thus increasing the chances of future successful bids.

4.2 **Option 2 - terminate the project and return grant funding.** This option would save Dover District Council expenditure of £195k, less the cost of the abortive feasibility work currently being undertaken. For the reasons espoused in paragraph 4.1 of this report this option is not recommended.

### 5. Resource Implications

5.1 The project will be mainly funded from the £830k Salix grant income. The remaining £195k will be funded from the Special Revenue Project provision for Climate Change Initiatives. The anticipated savings in energy costs forecast a pay back period of less than two years for the DDC funding allocation.

#### Climate Change Implications

5.2 The project, due to the substantial grant, delivers significant savings on carbon emissions at very little direct cost. Successful delivery of the project not only signals the Council's commitment to its climate emergency declaration in action as well as words but will also demonstrate to Salix and central government that Dover District Council can be trusted to deliver other projects to reduce carbon emissions within the district. The external oversight of Salix adds an independent audit that the project is cost effective both in terms of carbon emissions and money.

### 6. Corporate Implications

6.1 Comment from the Section 151 Officer: Members are reminded that the Council's revenue and capital resources are under pressure and so they will wish to assure themselves that all proposals progress the Council's priorities, are the best option available and will deliver value for money. (HL)

- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 6.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149> (KM)
- 6.4 Other Officers (as appropriate): The Climate Change & Energy Conservation Officer has been consulted in the preparation of this report and has no further comments to make. (AM)
7. **Appendices**
- Risk Register
8. **Background Papers**
- None.

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