

PSDS3c - Decarbonisation funding opportunities for corporate and school buildings

Date: 24 May 2024

Report of: Senior Project Officer

Report to: Director of Communities, Housing and Environment

Head of Learning Systems

Director of Strategy and Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The Council has been successful with a bid for grant funding to the Public Sector Decarbonisation Scheme (PSDS) 3c. This bid will support the replacement of existing carbon-intensive (gas/oil) heating systems with air source heat pumps, plus the installation of solar panels, insulation, and other energy efficiency measures at 11 sites from 2024-26 (see Appendix 1). This report seeks authorisation for spend, and approval of a match funding contribution from the Council. This report also describes and seeks approval for the procurement approach to deliver these works.

Recommendations

- a) Note the successful submission of the grant funding application to the Public Sector Decarbonisation Scheme (PSDS 3C) of £7m to be matched by 12% funding and approve that signature of the successful grant agreement is delegated to the Chief Officer, Climate, Energy and Green Spaces.
- b) Approval of an injection into the capital programme and authority to spend to the value of up to £7.9m for the delivery of this scheme.
- c) The Head of Learning Systems is requested to approve a match funding contribution of:
 - a. £335,482 from 2024/25 budget for delivery at 6 schools, and.
 - b. £110,130 from 2025/26 budget for delivery at 2 schools
- d) The Director of Strategy & Resources is requested to approve a match funding contribution of £393,294 from contingency funding for the corporate sites included in this bid.

- e) Approve the direct award of a contract to Cenergist Limited at a value of £7,431,155 through a Procurement for Housing framework.
- f) Approve the direct award of a contract to Solar for Schools Community Benefit Society Limited to install solar panels at up to 8 Leeds schools. This decision shall be made in line with CPR 9.5. The works value will total £398,635.
- g) Delegate approval for the Chief Officer of Climate, Energy and Green Spaces to enter into School Agreements with each school included in this scheme.
- h) Delegate approval for the Chief Officer of Climate, Energy and Green Spaces to enter into Power Purchase Agreements (PPA) for each of the schools included within this programme of works.

What is this report about?

- 1 This report discusses a funding bid to PSDS3c and the approach to delivery. The grant will facilitate the decarbonisation of 8 schools and 3 corporate buildings through replacement of all fossil-fuel heating systems with electricity powered air source heat pumps, installation of solar panels and other energy efficiency technologies, and building fabric improvements.
- 2 These decisions are required for the Council to continue to act on its ambition to reach net zero by 2030.

What impact will this proposal have?

- 3 This project would support the Council’s efforts to tackle the Climate Emergency and reach net zero by 2030. Decarbonisation of eleven sites through the installation of a range of low-carbon and/or energy efficiency technologies would be achievable at a considerable capital saving as the Council is required to only contribute a minimum of 12% match funding, particularly important given the eventual need for the Council to complete these works at its own cost in the future. The procurement approaches outlined in this report are proposed to ensure timely completion of works in line with grant funding requirements.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing
- Inclusive Growth
- Zero Carbon

- 4 This proposal contributes directly to the pillars of Inclusive Growth and Zero Carbon
 - a) Inclusive Growth was incorporated by selecting sites from across the city, ensuring that communities from across Leeds benefit from the decarbonised heating provision in local schools and corporate buildings.
 - b) These projects will deliver savings of 1,104.15 tonnes of CO2 per annum through removing predominantly gas-fired heating system and replacing them with low-carbon air source heat pumps, and through the installation of solar panels and energy efficiency measures such as insulation to reduce consumption.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 5 Procurement and Commercial Services have reviewed the DCR prior to the decision and confirm that the procurement approaches recommended are in line with Council CPRs.
- 6 Land and property to be instructed to negotiate the agreement with the school, the details of which will form part of a separate DDN.

- 7 Children and Families have been engaged and consulted with throughout the grant process. The team have formed part of the site selection process to minimise clashes with the service's Planned Maintenance Programme (PMP) and have also agreed to contribute the below match funding amounts:
- i. £335,482 from 2024/25 budget for delivery at 6 schools, and;
 - ii. £110,130 from 2025/26 budget for delivery at 2 schools
- 8 Asset Management have been consulted directly in the development of the PSDS bid to inform the selection of appropriate buildings to ensure only buildings earmarked for long-term retention are selected.
- 9 Building managers are being consulted as project delivery approaches to facilitate site surveys and works delivery and ensure any local factors and timescales are considered. The CEGS service is and will be project managing delivery to mitigate as much as possible any disruptive impacts of site surveys and works and ensure that services are not unduly impacted by these works.
- 10 Ward members have been consulted with to make them aware of the bids that have been submitted and the rationale for selecting sites in their ward.

What are the resource implications?

- 11 The project management of the procurement and project delivery will be delivered by existing resource within the Climate, Energy and Green Spaces service, plus support from other directorates where necessary including Leeds Building Services, Children and Families and Legal Services. No allowance is permitted within the PSDS bid process for staffing resource as only capital funding is granted.
- 12 These works require a minimum match funding contribution of 12% for the grant to be awarded. The match funding contributions are detailed below

Service	2024/25 contribution	2025/26 contribution	Total contribution
Children's Services	£335,482	£110,130	£445,612
LCC Funding	£393,294	£0	£393,294
PSDS Grant funding	£6,073,142	£917,747	£6,990,889

- 13 This project represents excellent value for money in that the Council would have 11 of its corporate buildings and schools provided with a fully decarbonised heating solution plus ancillary energy efficiency technologies and solar panels for a fraction of the actual project value. Given the inevitability that the Council will need to deliver these works to meet its decarbonisation targets, the spend is justifiable.
- 14 Each site will have a cost forecast of the impact of these works upon the energy billing. For school sites, it shall be ensured that the works will deliver a net-cost saving (based on standard energy pricing), or the project shall not proceed.

What are the key risks and how are they being managed?

15 The key risks are:

a) Delivery

- i. delivering the project in line with the timescales stipulated by the grant requirement and managing cost pressures. To mitigate these risks the following actions are proposed:
 - (1) Direct award for heat pump work through the Procurement for Housing framework to increase the timescales for delivery and enable works to commence prior to the school summer holidays – a key period for completing disruptive works. The contract will be a fixed price of grant value plus LCC's match funding contribution - this gives cost certainty to the Council during this time of budgetary pressure.
 - (2) Beginning preliminary asbestos and structural surveys in April using our client contribution will provide a significant programme advantage compared to previous PSDS work programmes to drive down risk and enable delivery to commence earlier in the year and during the crucial school holiday period.

b) Procurement

- i. Proceeding with alternative procurement routes - such as full open tenders - to those laid out in this report would be incompatible with the grant funding requirements to complete all works at 9 sites by March 2025 and a further 2 sites by March 2026.

c) Cost and site change

- i. At bid stage, the Cenergist Limited provided maximum costs based on preliminary surveys and a risk weighting. To meet the necessary contract value with a 12% client contribution on top of the PSDS grant, Cenergist Limited are producing detailed design reducing their costs down to the required contract value. If this is unachievable at specific sites, then alternatives will be considered and as a result the scope of sites and technologies installed at each site may change.
- ii. To submit a compliant PSDS bid, the Council needs to reduce the capital costs of solar installations in order to meet the £325 spend / tonne of CO2 saved. Traditional delivery models where the Council provides full capital costs to a contractor responsible for design & installation are not compatible with this bid. As a result, it has been necessary to source another route to delivery.

What are the legal implications?

16 Cenergist Limited – direct award (via Procurement for Housing Framework)

17 The procurement process, award and proposed contract have been undertaken in line with the Council's Contract Procedure Rules (CPR) and Public Contract Regulations (PCR) 2015 to ensure fairness, transparency, and the achievement of value for money.

18 Consultation of CPR 3.1.5 has been given and it is acknowledged that the Council do not have a suitable internal framework to call-off from, for the purposes of this project.

19 Referencing CPR 3.1.6, it was also identified that the YORhub suite of frameworks did not provide an appropriate solution for this particular works contract. The proposed framework provider, Procurement for Housing, are a pre-approved third-party framework for the purposes of CPR 12.3.2 and as such, CPR 12.1 and CPR 12.2 can be disregarded at this time.

- 20 Under the Procurement for Housing Framework– Renewables & Energy Efficiency Works and Associated Consultancy Services Lot 1C (Ref: 2023/S 000-008054) a direct award to Cenergist Ltd, a registered supplier(s) on the aforementioned framework is permitted.
- 21 The direct award value to Cenergist Ltd for procuring and installing the required air source heat pumps is £7,431,155.00 is of high value, in accordance with CPR 9 and over threshold in terms of PCR 2015. As a consequence of the value, this is to be determined as a Key Decision, that is eligible for call-in. As such, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules. The term of this direct appointment being proposed up to 24 months.
- 22 In accordance with CPR 14.1 there is no requirement to advertise this procurement externally, given it is a direct award via a compliant third-party framework. However, it should be noted that once the contract is completed, the procedure to register all the contract details on the Council's E-tendering system must be followed pursuant again to CPR 14.1.
- 23 The above comments should be noted. In making their final decision, the Director of Communities, Housing & Environment should be satisfied that the course of action chosen represents best value for the Council.

Solar for Schools CBS Limited (SFS) – direct award under CPR 9.5

- 24 CPR 9.5 permits the direct award of a contract where the relevant Director considers there is genuinely no competition such that only a particular organisation or provider can meet the Council's specific requirements and in such circumstances, there is no need to seek waiver approval (CPR 9.1 and 9.2). In making this direct award the above conditions of CPR 9.5 are deemed to be satisfied due to the unique business model provided by SFS. SFS is a registered society not for profit organisation who have a history of delivering solar PV schemes tailored specifically for school's estate. Their business model includes;
- a) Design, supply and installation
 - b) Maintenance, support and monitoring, and replacement of inverters
 - c) Part-capital contribution repaid through power purchase agreement (PPA) at a lower rate than market electricity prices.
 - d) Provision of online educational resources based on solar generation at the school and annual workshop with students.
- 25 The direct award to SFS has been assessed against the provisions of the Subsidy Control Act 2022 to ensure no unlawful subsidy is provided, as required under CPR 9.5.
- 26 Awarding a contract directly to SFS without competition could leave the Council open to a potential challenge from other providers, to whom this contract could be of interest. However, the fact that this direct award contract is well below the threshold for works contracts under the PCR 2015 and the fact that SFS have already delivered on PSDS1, PSDS3a, and PSDS3b it is considered that such challenge risk is low. Although there is no legal obstacle preventing the use of CPR 9.5, the above comments should be noted and in making the final decision, the Director of Communities, Housing and Environment should be satisfied that the course of action chosen represents best value for money.
- 27 The term of this direct appointment being proposed up to 24 months.
- 28 For each school, a Power Purchase Agreement shall be put in place stipulating the cost per kilowatt-hour the school will pay to SFS for electricity generated by the solar panels. This tri-party agreement shall be signed by the Council, the relevant school and SFS.

29 School Agreement(s)

- 30 Prior to the commencement of work at school sites a School Agreement will be put in place to set out key deliverables and responsibilities of the Council and each school. This shall include:
- a) Detailed designs for locations of equipment (air source heat pumps; solar panels & inverters) installations
 - b) Energy cost forecasting
 - c) Contributions from the Council and the school towards the total project cost

Options, timescales and measuring success

What other options were considered?

31 Cenergist Limited – direct award

32 A full open tender or a mini competition were considered as options, however the timescales for completion of works by March 2025/26 to avoid loss of grant income means that there is significant pressure on delivery and the option that provided the quickest compliant procurement route was sought.

33 Solar for Schools CBS Limited – direct award

34 A full open tender or a mini competition were considered as options, however the timescales for completion of works by March 2025/6 to avoid loss of grant income means that there is significant pressure on delivery and the option that provided the quickest compliant procurement route was sought.

How will success be measured?

35 Success will be measured in the receipt of grant funding, and the timely completion of all works in line with the grant funding requirements to deliver a decarbonised heating supplies and energy efficiencies to all buildings in scope.

36 Success will also be measured through the measurement of energy consumption at sites and ensuring that the sites meet the forecasted changes in energy consumption specified at design stage.

What is the timetable and who will be responsible for implementation?

37 Implementation will commence upon contract award to Cenergist Ltd and Solar for Schools CBS Ltd. Contracts shall be awarded in June 2024, and preliminary surveys shall commence shortly after. Works are expected to commence in Summer 2024, with the first phase of sites to be completed by March 2025 and the second phase by March 2026.

38 The Chief Officer for Climate, Energy and Green Spaces will be responsible for implementation.

Appendices

- Appendix 1: PSDS3b – Site list(attached below)

Background papers

- None

Appendix A:

Site	Delivery year		Total value
	2024/25	2025/26	
Guiseley Primary School	Yes		£ 365,572.48
Hunslet Carr Primary School	Yes		£ 399,524.16
New Bewerley Community School	Yes		£ 467,886.72
Herd Farm*	Yes		£ 307,932.80
Parklands Primary School	Yes		£ 1,077,471.36
York Road Transport Depot	Yes		£ 2,510,502.40
West Leeds Activity Centre	Yes		£ 147,556.64
West SILC	Yes		£ 820,715.84
Bramley Day Centre	Yes		£ 704,751.04
Broomfield SILC		Yes	£ 573,398.56
Brudenell Primary School		Yes	£ 454,478.08

*Provisional replacement for Morley Victoria