



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	CABINET - 11 JANUARY 2023
Report Number	AGENDA ITEM 8
Subject	PUBLIC SECTOR DECARBONISATION SCHEME (PSDS3b) CARTERTON LEISURE CENTRE
Wards affected	Carterton North West, Carterton North East, Carterton South
Accountable member	Cllr Dan Levy, Cabinet Member for Finance Email: dan.levy@cloud.westoxon.gov.uk
Accountable officer	Andrew Turner, Business Manager – Assets & Council Priorities Email: andrew.turner@publicagroup.uk
Summary/Purpose	For Cabinet to note the process being followed to enable the options for new heating systems at Carterton Leisure to be considered and to delegate decision making on the option to be progressed and whether a grant offer for Private Sector Decarbonisation Scheme (PSDS) funding should be accepted.
Annexes	None
Recommendation(s)	That Cabinet resolves to delegate authority to Chief Executive in consultation with the Deputy Chief Executive and S.151 Officer, Cabinet Members for Finance and for Climate Change, to : <i>a) Agree the selection of a preferred option based on the optioneering report commissioned from consultants.</i> <i>b) Agree whether a PSDS grant offer should be accepted, if the option selected in (a) is eligible for funding.</i> <i>c) Agree to underwrite the additional pre contract revenue costs required to complete the IGP, once an option is selected and costs can be confirmed.</i> <i>d) Include the Capital and Revenue implications associated with the selected option, in the revised Medium Term Financial Strategy.</i>
Corporate priorities	<ul style="list-style-type: none">● Climate Action: Leading the way in protecting and enhancing the environment by taking action locally on climate change and biodiversity

	<ul style="list-style-type: none"> • Healthy Towns and Villages: Facilitating healthy lifestyles and better wellbeing for everyone
Key Decision	YES
Exempt	NO
Consultees/ Consultation	Cabinet Member for Finance and Assets, Chief Finance Officer, Head of Legal Service.

1. BACKGROUND

- 1.1 In November 2022 Cabinet received a report which explained that the Council had been forced to withdraw from PSDS3a due to time delays associated with SSE installing a new sub-station. In order that the opportunity for PSDS funding was not lost the Council reapplied in October 2022, for the next round of funding.
- 1.2 An Investment Grade Proposal (IGP), was commissioned in support of the process to ensure the Council could consider whole life costs of any option selected and a developed design would ensure the best solution was put in place. Cabinet agreed to underwrite the estimated £53,000 for the IGP (Cabinet 16 November 2022, Minute 90 refers)

2. MAIN POINTS

- 2.1 Based on initial discussions with the grant administrator Salix, it was understood a grant offer would most likely be received in February and the progression of the IGP was timed to meet this deadline so that the Council could take an informed decision on whether accepting a grant offer was in its best interests.
- 2.2 In late November the Council was informed that the grant offer would likely be received in December, with a ten day window to accept or decline the offer of grant. Bringing forward the grant offer meant that the Council would not have the IGP in time to inform its decision making.
- 2.3 Working with its appointed Design and Build contractor Kier, the Council explored ways in which elements of the IGP could be accelerated to enable sufficient modelling to be received to inform the grant offer decision. At the same time the Council discussed with Salix the challenges the proposed timeline created and sought a delay in grant offer to enable sufficient time to complete the IGP.
- 2.4 In response to the actions above, Kier confirmed an optioneering report could be produced setting out the costs, carbon and practical implications of a total of eight options by 23rd

December. Salix then confirmed the grant offer would be deferred to January 2023 (exact date unknown).

- 2.5 The different approach being taken with an accelerated optioneering report containing eight options, followed by the IGP focusing on the design of the preferred option increased the estimated costs by around £15,000, above the £53,000 initially quoted. However the actual costs of the IGP is dependant on the preferred option selected as the 'like for like' replacement of a gas only system would clearly be light touch whereas more complex technical solutions would require specialist surveys and more design work.
- 2.6 The revised total pre-contract IGP costs will be provided by the consultant once an option is selected. These costs are incurred at risk until a grant offer has been accepted and any costs incurred prior to the grant offer may not be eligible for grant funding. However, without incurring this expenditure the Council risks entering into a grant agreement for a suboptimal solution that may have long term negative revenue implications for the Council. This expenditure is therefore essential to protect the long term financial interests of the Council.

3. CONCLUSIONS

- 3.1 Due to the limited time within which the Optioneering report needs to be considered and the ten day window to accept a grant offer once one is offered, delegations are sought to enable time critical decisions to be taken. Members should note that decisions will be made based on the key factors considered in the Optioneering Report, those being cost (affordability), carbon impact and practicality.

5. FINANCIAL IMPLICATIONS

- 5.1 The cost implications of each option will be contained in the Optioneering report. The decision will be made based on the whole life cost of installations, not just the initial capital outlay.
- 5.2 The grant application was based on an Air Source Heat Pump system. The cost information contained within the application is shown below. If the grant offer is accepted the relevant amendments to the costs (based on Optioneering report and IGP) will be submitted to Salix although it is unlikely the overall grant amount will be increased.

Grant funding requested (88%)	£1,606,000
Council budget (12%)	£219,000
Less current system replacement (5%)	£96,000
Expected Council contribution (7%)	£123,000

- 5.2 As a gas only or hybrid system is not eligible for PSDS funding, some options would not attract funding and will need to be considered on the basis that the Council incurs the full capital costs.

6. LEGAL IMPLICATIONS

- 6.1 Until the grant offer is received the exact terms of the grant funding will not be known. Based on the previous PSDS scheme and information received to-date it is unlikely that signing the grant agreement will legally tie the Council into completing the scheme. Therefore the Council could withdraw as it did previously. However, this risks reputational damage and would probably affect the Council's chances of obtaining further PSDS funding.

7. RISK ASSESSMENT

- 7.1 The primary risk with this project is that an option is selected driven by the availability of PSDS funding but that the whole life costs of this option when maintenance, utility costs and replacement are taken into account, results in higher costs than an alternative option. The optioneering report has sought to mitigate that risk.
- 7.2 The process being followed with the Optioneering report and IGP seeks to remove enough of the risks to bring the remaining ones down to manageable levels. If we don't have a concrete estimate on costs and timing of costs for the specific option we choose and Salix restrict spend in-year then a decision may need to be made not to proceed.
- 7.3 Funding has been sought for a two year project to de-risk the SSE installation delays. The grant application required that the funding split for each year be identified. There is a risk that the estimated funding split of 60% in 2023/24 and 40% in 2024/25 is not accurate for the option that is actually selected and the Council cannot spend 60% in the first year. The Council will manage this risk, working with Kier to ensure spend is projected and managed inline with allocations. However, the split is specific to the option selected. If we do not have clarity on the option specific split it presents an unacceptable risk.
- 7.3 A sum of £79,000 was included in the grant application for the IGP and design services. If costs exceed that sum the Council may have to meet the additional costs. There is also a risk that any costs incurred and invoiced prior to the grant agreement being signed may not be considered eligible expense by Salix. The Council will be requesting that costs currently being occurred in the optioneering and IGP are met by Salix in 2022/23. Whilst this sits outside the proposed 2023 - 2025 funding window, it is understood Salix have some PSDS underspend this year and may therefore consider this sort of request. If funding cannot be drawn down in this financial year, the Council may wish to delay the commissioning of the next stage of the IGP to enable funding to be received in 2023/24. Whilst this risk remains it must be considered against risk 7.1.
- 7.4 There is a risk that at the time the grant offer is made there are unanswered queries with Salix relating to the above risks i.e. whether the spending split is flexible. If this is the case

then the risks may be deemed unacceptable and the Council may have to decline the grant offer.

8. EQUALITIES IMPACT

8.1 No negative impact on different service users, customers or staff is expected from the implementation of the recommendations of this report.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

9.1 The carbon implications of each option will be contained within the Optioneering report and will be considered alongside cost and practicality.

10. ALTERNATIVE OPTIONS

10.1 Not to progress with the application and miss out on potential grant funding.

11. BACKGROUND PAPERS

(END)