

REPORT TO EXECUTIVE

Date of Meeting: 1 October 2024

Report of: Strategic Director Corporate Resources

Title: Public Sector Decarbonisation Scheme 3b Project – RAMM & Riverside Leisure Centre

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Executive

1. What is the report about?

1.1 This report summarises the outcome of the work undertaken to date exploring the implementation of decarbonisation measures at RAMM (RAMM) and the Riverside Leisure Centre, funded by the Public Sector Decarbonisation Scheme 3b grant from central government. Importantly, the report concludes that, due to challenges at both sites and the immovable grant funding spend deadline, the project overall cannot proceed.

1.2 The City Council declared a Climate Emergency in 2019 and as part of this commitment, the Council aims to achieve net zero Green House Gas (GHG) emissions for its own corporate activities by 2030. In 2021, the City Council commissioned a carbon footprint baseline report, undertaken and completed by the Centre for Energy and the Environment, at the University of Exeter.

1.3 The Carbon Footprint report sets out a range of carbon reduction measures, including the decarbonisation of heat, and identifies key sites producing high levels of carbon emissions. The highest consuming sites across the corporate estate are RAMM and the Riverside Leisure Centre. Both buildings fulfil the funding criteria set out by the Government's Public Sector Decarbonisation Scheme (PSDS), a government grant for public sector bodies to fund heat decarbonisation and energy efficiency measures.

1.4 In March 2023, the City Council secured PSDS 3b funding from Salix (on behalf of the then 'Department for Business, Energy and Industrial Strategy'), securing a grant of up to £6.392m, with a contribution of £0.871m required from the Council. A requirement and condition of the grant is that grant monies are to be spent by 31st March 2025, they cannot be carried into the financial year 2025/2026.

1.5 The grant, to be spent over two years, would fund:

- a) Year 1 activities to explore heat decarbonisation and efficiency measures which include designing & pricing low carbon air and water source heat pump solutions at both RAMM and the Riverside Leisure Centre,
- b) Year 2 activities to procure, install, commission and handover the decarbonisation measures at each site.

1.6 The outcome of the Year 1 exploration, design & pricing stage has identified significant challenges to delivering within the timeframe, budget and quality parameters required at both sites. These challenges cannot be overcome and sufficient progress made in the remainder of this financial year to accord with the requirements of the grant financial year expenditures. On the basis of the findings to date and the funding spend deadline, the project presents too much risk to the City Council to proceed.

2. Recommendations:

It is recommended that Council approve:

2.1 That following due consideration the outcomes of the Year 1 exploration, design, and pricing stages, the PSDS 3b project (RAMM & Riverside) does not proceed any further; and

2.2 Officers to allocate time to progress matters in preparation for future funding opportunities to secure monies required to decarbonise both sites.

3. Reasons for the recommendation:

3.1 The outcomes of the feasibility, design, and pricing stage of the PSDS 3b project at RAMM & the Riverside Leisure Centre has resulted in the position that the progression of PSDS 3b measures at either site is not, at this stage, acceptable to the City Council.

3.2 To continue spending money on the PSDS 3b projects will expose the City Council to unacceptable levels of uncertainty and financial risk.

3.3 The work undertaken in the feasibility, design and pricing stage has identified challenges to be overcome and opportunities for success which can be progressed & explored in order to be in a good position for the successful application for & delivery of future decarbonisation grants at the two sites.

4. What are the resource implications including non financial resources

4.1 Salix have advised that the costs for the works undertaken to date are recoverable from the PSDS 3b grant. The total spend to end of June 2024 is £553,346.93, although further final invoices and costs are awaited.

4.2 PSDS Phase 4 is expected to be released later this autumn and it is hoped the Council can utilise the information and understanding gained during the PSDS 3b exercise to bid again for funding and deliver a revised project.

4.3 To resolve issues identified in PSDS 3b and to ensure the City Council is ready to bid for future rounds of PSDS grant funding, further surveys to establish different solutions and identify alternative locations on site will be required. It will also be necessary to obtain clarity from National Grid on their timescales for providing additional electrical supply where needed. These matters will require officer time and may require funding for third party surveys / input (to be confirmed).

5. Section 151 Officer comments:

5.1 Whilst disappointing, this recommendation protects the Council from unacceptably high levels of risk. The work undertaken so far will be useful in assisting with any future bid for decarbonisation funding and will provide valuable information to underpin a bid.

6. What are the legal aspects?

6.1 This report sets out the reasons for not proceeding with the decarbonisation measures at the RAMM and Riverside Leisure Centre. It does not raise any legal issues which are relevant to that decision.

7. Monitoring Officer's comments:

7.1 The project cannot proceed due to the challenges set out in this report. It has been identified that these challenges cannot be overcome and that to proceed with the project would present an unacceptable level of risk to the Council. The proposal not to proceed any further with the project ensures that the Council is not exposed to an unacceptable level of financial risk.

8. Report details:

8.1 Exeter City Council declared a Climate Emergency in 2019 and as part of this commitment, the City Council set a target to achieve net zero Green House Gas (GHG) emissions for its own corporate activities by 2030. Decarbonising heat is a key part of the City Council's Carbon Reduction Plan to reduce consumption, provide energy efficiency and meet with government policy to deliver clean heat.

8.2 To understand, manage and monitor the organisations GHG emissions, the Net Zero team commissioned an annual organisational GHG Inventory report, provided by the Centre for Energy and the Environment. This year's report was presented to Scrutiny Committee in March. The inventory reported that emissions from the City Council's owned non domestic buildings (commercial property) represent 42% of the Council's carbon footprint. Grant funding opportunities are constantly sought for energy efficiency and decarbonisation measures across the commercial property estate, with decarbonisation plans being developed for key sites.

8.3 The Government's PSDS fund is awarded based on the highest amount of direct carbon emission reductions saved, as well as criteria such as, a building must have fossil fuel heating and/or cooling system and be over 10 years old. For the highest consuming commercial sites being RAMM and the Riverside Leisure Centre, funding is essential. In March 2023, the City Council secured a PSDS 3b grant of up to £6.392m, with a City Council contribution of £0.871m resulting in a total £7.263m budget.

8.4 It is a requirement of the funding that the grant monies will need to be spent by 31st March 2025, any grant underspend by 31st March 2025 will not be carried over into financial year 2025/2026. To manage the commitments of the City Council and Salix, the City Council divided the project into two clear and distinct phases. The first phase being the investigation, exploration, design, and procurement of the solutions at each site, whilst the second phase is for the installation and commissioning of the solutions.

8.5 A competitive tender exercise was undertaken in June/July 2023 and a specialist contractor was appointed in August 2023 for the first phase of the project.

8.6 The outcome of the works to date within the initial phase have found that:

8.6.1 **RAMM**

Having developed the design and associated solutions, the contractor has advised that, to deliver the decarbonisation measures proposed, would cost circa £1m over the allowed budget.

The contractor has also reported that the challenges of the site location (a reduced level dig in the green space at the rear of the RAMM building with proximity to the Exeter Phoenix building, adjacency to the wall at Northernhay Gardens, proximity to the Roman Wall, limited accessible width on the highway route into the rear of RAMM) create logistical constraints which render the scheme undeliverable within acceptable cost and disruption parameters.

Additionally, the formal Connection Offer received from National Grid for the increased electricity supply required for the Air Source Heat Pumps on site is subject to planned reinforcement of the electricity network in the city and that the required additional electricity required at RAMM will take between 3 to 6 years to provide.

Unfortunately, there is not sufficient time remaining in Financial Year 2024/2025 to resolve the outstanding issues, develop alternative solutions, and spend the full grant monies before the grant expenditure deadline of 31st March 2025 (total grant funding remaining to be spent in 2024/2025 is just under £5m)

8.6.2 **Riverside**

The contractor has undertaken the design and procurement activity and provided an Offer for the installation & commissioning phase works. However, there are a number of issues and concerns:

- uncertainty over the remaining life of the existing roof metal deck;
- uncertainty in relation to the internal areas affected by changing the roof, including exact locations to be closed or restricted to the public, duration of closures to the affected areas;
- uncertainty on the extent of likely damage and necessary repair to the internal areas as a result of changing the roof;
- risks in connection with the surety of outturn cost;
- uncertainty on the overall programme duration, and
- unagreed contractual conditions and risk allocation proposed by the contractor in their offer.

8.7 All of the above result in the conclusion that the project contains too much risk (at this stage) to confidentiality assess that the project will be delivered to budget, time, and quality parameters. Therefore, the offer has not been accepted by the City Council.

8.8 The time required to conclude the unresolved matters to the satisfaction of the City Council, then undertake the works required on site, would materially compromise the ability to meet the grant funding spend deadline of 31st March 2025.

8.9 Alternate options considered and explored were:

a) The City Council approached Salix and sought an extension to the grant spending deadline of 31st March 2025. With the spending deadline extended, the projects would have time to explore different solutions and / or satisfactorily conclude currently unresolved matters. Unfortunately, Salix have confirmed that an extension to the grant spending deadline is not possible.

b) In order to build on the work to date and put the RAMM site in a good position for future PSDS funding rounds, the City Council approached Salix to understand if grant monies can continue to be spent this financial year exploring and developing solutions in alternative locations – accepting that the actual delivery of the project (& full grant funding expenditure) cannot be achieved this financial year. Unfortunately, it was confirmed that the grant monies can only be spent on the basis that the grant outcomes can be achieved within the PSDS 3b funding. Therefore, further grant expenditure exploring alternative options for the site is not possible.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The recommendations within this report support a number of City Council strategic priorities, including:

- Leading a Well-Run Council;
- A balanced budget;
- Value For Money Services; and
- Well Manged Assets

9.2 If the next PSDS grant application is a success, phase 2 of the decarbonisation of both RAMM and the Riverside Leisure Centre will support the Strategic Priority of Net Zero Carbon City and Leading a Well-Run Council.

10. What risks are there and how can they be reduced?

10.1 Additional surveys are being sought for both sites, so when the next PSDS funding application is submitted and is successful, work can start immediately.

10.2 The original officer working group set up to drive forward this particular project, will continue to meet to reduce and eliminate the barriers to decarbonising both RAMM and the Riverside Leisure Centre.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation, and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and

- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies, and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage, and civil partnership status in coming to a decision.

11.4 The Net Zero team will take into account the potential impact of actions in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage, and civil partnership status in coming to a decision. A separate EQIA will be developed for future PSDS projects.

12. Carbon Footprint (Environmental) Implications:

12.1 Not to proceed with the project will mean carbon emissions will remain unchanged at RAMM & the Riverside Leisure Centre. However, the work undertaken in the feasibility, design and pricing stage has provided detailed information required to overcome challenges, together with opportunities which can be progressed. Consequently, the City Council will be in a good position for future funding rounds, to deliver decarbonisation measures needed at the two sites, reduce carbon emissions, and contribute to the Council's Net Zero target.

13. Are there any other options?

13.1 The alternative options are listed within 8.9.

Strategic Director Corporate Resources

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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