

## London Borough of Enfield

### Portfolio Report

**Report of:** Mark Bradbury – Director Property & Economy

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**Subject:** Investment Decision for RE:FIT 2 - Energy Retrofitting in 10 Corporate Buildings using the Government's Public Sector Decarbonisation Fund

**Cabinet Member:** Cllr Maguire (Finance & Procurement)

**Also consulted:** Cllr Barnes (Climate Change)

**Executive Director:** Sarah Cary

**Wards** Town, Edmonton Green, Grange, Southbury, Ponders End, Bush Hill Park, Enfield Highway, Lower Edmonton

**Key Decision:** KD 5230

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### Purpose of Report

1. The purpose of this report is to seek approval of the investment decision to proceed with the decarbonisation programme of corporate buildings using the Government's one-off Public Sector Decarbonisation Fund (PSDF).
2. Delivering decarbonisation projects through the PSDF will save energy and carbon and help deliver the Council's Climate Action Plan net zero carbon target for Council operations by 2030 in accordance with its Climate Emergency Declaration.
3. The report summarises the decarbonisation programme proposals that the Council has identified through its RE:FIT Service Provider (Ameresco Ltd), the existing RE:FIT mechanism by which the proposals were identified and quantified and the timeframes in which the PSDF funding application is to be made and the decarbonisation projects are to be delivered.

### Proposal(s)

4. Approves the Council's application for PSDF funding of up to £3.475m (for projects costs) + 10% contingency (£347.5k) = (£3.8225m)
5. If the funding application is successful, to delegate to the Executive Director of Place authority to enter into a grant agreement with Salix Finance Ltd to receive grant funding to invest in heat decarbonisation projects in 10

corporate buildings, delivered through the Council's existing RE:FIT programme. To authorise the Executive Director to make adjustments to the amount of grant as necessary.

6. Approves that the Council should also apply for the accompanying Public Sector Low Carbon Skills Fund of up to £347.5k and, if the funding application is successful, to delegate to the Executive Director Place authority to enter into a grant agreement with Salix Finance Ltd to receive grant funding to cover costs to CMFM (10% of the investment cost) to provide the expert construction related technical services to ensure the delivery of the contract works for the PSDF projects.
7. Delegate authority to the Director Property & Economy to deliver the programme of heat decarbonisation projects, including procurement of works and making any revisions to the programme as necessary ensure funding is fully utilised.
8. Note the at risk spend of £14k for the High-Level Appraisal for this specific tranche of projects which will not be recoverable should the Council subsequently decide not to invest.

### **Reason for Proposal(s)**

9. On 30 September 2020, the Government launched its £1bn Public Sector Decarbonisation Fund to stimulate economic recovery brought about by the Covid-19 pandemic downturn. The PSDF would enable the public sector, including local authorities, to invest in capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings to deliver significant carbon savings while injecting investment in the economy.
10. This strongly aligns with the Department of Business, Energy & Industrial Strategy's mission and priorities: fighting coronavirus, backing business, unleashing innovation and tackling climate change. The scheme will encourage green investment aligning with the Government's Net Zero and clean growth goals.
11. The scheme allows local authorities to apply for a grant to finance up to 100% of the costs of capital energy saving projects that meet the scheme's criteria. The PSDF attracts zero interest and does not have to be repaid.
12. Delivering decarbonisation projects through the PSDF will save energy and carbon and help deliver the Council's Climate Action Plan net zero carbon target for Council operations by 2030 in accordance with its Climate Emergency Declaration. It will also enable the Council to further lead by example and promote its green credentials as a result saving energy and carbon.
13. In addition, the PSDF will help enable the Council to meet its statutory obligations under the Housing and Planning Act 2016 and Minimum Energy Efficiency Standards (MEES) by improving the energy performance of its corporate buildings by changing to heat decarbonisation technologies. After 1

April 2023, property owners must not continue to let any buildings which have an EPC rating of less than E unless an exemption is registered.

14. Furthermore, by not acting, the Council will lose the opportunity invest in approximately £3.475m heat de-carbonization technologies in its corporate buildings, with annual carbon savings of approximately 670 tonnes of carbon dioxide (tCO<sub>2</sub>) to help meet the Council's net zero carbon emissions target by 2030.

### **Relevance to the Council's Plan**

15. The proposal directly contributes to delivering the cross-cutting action theme 'by reducing our carbon footprint and improving air quality' and more specifically the for the Council's operations to be net zero by 2030.
16. Delivering heat decarbonisation projects to Council buildings through the PSDF will directly contribute to reducing our carbon footprint and improve air quality.

### **Background**

#### **RE:FIT Framework**

17. In June 2017, the Executive Director – Regeneration & Environment, authorised the Sustainability Service to use the Greater London Authority's RE:FIT Framework (see RE 17/12 entitled 'RE:FIT 2 – Energy Retrofitting in Corporate Buildings'). The OJEU compliant Framework provides the means to select a Service Provider to develop an energy retrofitting programme and guarantee energy savings, providing a solid business case to mitigate the risk of underperformance.
18. Following the issue of an Invitation to Tender in August 2017 and the holding of a mini competition in October 2017, the Council selected Ameresco Ltd as its RE:FIT Service Provider. A further Operational Delegated Authority Report was required for the actual award and appointment of the contract to Ameresco Ltd (see RE 17/75 entitled 'Award and Appointment of Winning Service Provider for RE:FIT 2 - Energy Retrofitting in Corporate Buildings').
19. The RE:FIT Programme Delivery Unit provides free-of-charge consultancy support throughout the project, outline project feasibility and quality assurance.

#### **Previous use of RE:FIT**

20. Ameresco Ltd has so far carried out two tranches of projects in corporate buildings. The Investment Decisions for each of these tranches required its own internal approval by way of an Operational Delegated Authority Report (Part 1):
  - Tranche 1 focused on the 18 most energy intensive corporate buildings; approximately £665k was invested with total project savings of £80k and

230 tCO<sub>2</sub> per year; project installations were completed in 2019 (ref: KD 4647)

- Tranche 2 focused on a further 23 corporate buildings; approximately £250k was invested with total project savings of £25k and 40tCO<sub>2</sub> per year; project installations were completed in 2020 (ref: KD 4858)

### **Proposed PSDF Projects for Submission**

21. The scheme is designed and best suited for 'shovel ready' projects – this is where full details of proposed projects are already finalised (i.e. Capex costs and savings), technical difficulties have been investigated and resolved, internal approval has been received and all that is remaining is to secure funding (in this case the PSDF fund) before the go-ahead is given to the contractor to install the projects.
22. However, Enfield does not have any 'shovel ready' projects and very little prior notice was issued before the scheme was officially launched on 30 September 2020. This would leave only about 3 months to prepare proposals, a process that would, based on experience with previous RE:FIT tranches, normally take about 9-12 months. Other local authorities found themselves in a similar position.
23. Therefore, being able to put any projects forward at all should be considered an achievement having regard to all the challenging time limitations and complexity of projects. Had there been more time, a more comprehensive investigation could have been carried out.

### **Eligible Projects**

24. The types of eligible decarbonisation projects fall under the following categories and are more technically complex when compared to more straightforward measures we had previously been installed in tranches 1 and 2 (e.g. LED lighting and controls).
  - Category 1 – Technologies that directly contribute to the heat decarbonisation of a building by installation of low carbon heating (e.g. air source heat pumps, ground source heat pumps, water source heat pumps).
  - Category 2 – Technologies that do not directly contribute to the heat decarbonisation of a building but reduce overall energy demand (e.g. building management systems, insulation, renewables).
  - Category 3 – Technologies that do not reduce carbon emissions but enable future heat decarbonisation projects to take place (e.g. battery store, electrical infrastructure).
  - Category 4 – Technologies that replace coal fuelled or oil fuelled heating systems (n/a for buildings under consideration).

### **Choice of Buildings**

25. Following consideration of these factors and given available resources, it was determined that the best chance of identifying projects which would meet the requirements in the limited time available, was to focus on corporate buildings which Ameresco Ltd are already familiar with by way of a previous survey or project installations, albeit for non-heat decarbonisation technologies. This means the focus is on those having the highest energy consumption and/or lowest Display Energy Certificate rating and/or highest kWh/m<sup>2</sup>/year value. As such, the following 10 corporate buildings were identified:

- Civic Centre, Silver Street, Enfield EN1 3XA
- Edmonton Centre, 36-44 South Mall, London N9 0TN
- Thomas Hardy House, 39 London Road, Enfield EN2 6DS
- Central Pavilion, Enfield Playing Fields, Gt Cambridge Rd, Enfield EN1 3SD
- Queen Elizabeth II Stadium, Donkey Lane, Enfield EN1 3PL
- Morson Road Depot, 9 Morson Road, Enfield EN3 4NQ
- Park Avenue Day Centre, 65c Park Avenue, Enfield EN1 2HL
- Formont Centre, Waverley Road, Enfield EN2 7BP
- Edmonton Family Centre, 5 Lacey Close, London N9 7SA
- Rose Taylor Centre, 55b The Sunny Rd, Enfield EN3 5EF

### High Level Appraisal Findings

26. Through the implementation of decarbonisation projects, the Council will achieve significant upgrades to its energy infrastructure. Ameresco Ltd will deliver approximately £3.475m worth of project investment with annual carbon savings of approximately 670tCO<sub>2</sub> to help contribute to the Council's net zero carbon emissions target. Other benefits include a significant reduction in gas use, upgrades to building fabric, extended life and optimised operation of existing equipment.

27. Table 2 below shows the decarbonisation Energy Conservation Measures (ECM) for each building; Table 3 shows the overview of costs and savings for each building.

ECM #	ECM Description	Civic Centre	Edmonton Centre	Thomas Hardy House / Dugdale Centre	Central Pavilion	Queen Elizabeth II stadium	Morson Road Depot	Park Avenue Day Centre	Formont Centre	Edmonton Family Centre	Rose Taylor Centre
1	Ground Source Heat Pump (GSHP)				✓						
2	Air Source Heat Pump (ASHP)	✓	✓	✓		✓	✓	✓	✓	✓	✓
3	Solar Photovoltaic	✓			✓	✓	✓	✓			
4	VSD Installation/Optimisation	✓									
5	Pipework Insulation						✓				✓
6	Double glazing with metal or plastic frames	✓			✓						
7	Loft insulation									✓	

Table 1 - Included buildings and proposed heat decarbonisation projects

Premises/Buildings	Total Electricity Savings	Total Gas Savings	Total Energy Savings	Total Savings	Carbon Savings	Total Capex
	kWh/Yr	kWh/Yr	kWh/Yr	£/Yr	te/Yr	£
Civic Centre	- 625,858	2,460,667	1,834,809	-£ 22,529	390.4	£ 1,272,694
Edmonton Centre	- 135,713	424,247	288,534	-£ 9,782	64.7	£ 404,858
Thomas Hardy House / Dugdale Centre	- 83,080	259,714	176,633	-£ 6,556	39.6	£ 405,976
Central Pavilion	- 15,392	68,874	53,482	-£ 194	11.3	£ 75,287
Queen Elizabeth II stadium	- 67,251	210,231	142,980	-£ 4,310	32.1	£ 148,698
Morson Road Depot	24,533	313,857	338,389	£ 13,522	57.1	£ 712,805
Park Avenue Day Centre	- 40,493	163,127	122,634	-£ 896	25.8	£ 162,455
Formont Centre	- 34,229	118,005	83,776	-£ 1,170	18.3	£ 108,121
Edmonton Family Centre	- 33,383	109,300	75,917	-£ 1,848	16.8	£ 102,997
Rose Taylor Centre	- 30,545	103,838	73,292	-£ 1,133	16.1	£ 81,101
<b>TOTAL</b>	<b>- 1,041,413</b>	<b>4,231,859</b>	<b>3,190,446</b>	<b>-£ 34,897</b>	<b>672</b>	<b>£ 3,474,992</b>

Table 2 – Overview of costs and savings per building

28. With heat pumps, savings are achieved from a carbon perspective in the long term as the electricity to run them decarbonises over time whereas gas will remain closer to its current carbon factor level. Since gas is currently about 3.5p/kWh while the electricity rates are towards 17p/kWh, it is more expensive to run the heat pumps on electricity which explains the negative financial savings figures for heat pump technologies and hence the overall savings totals.

29. Since the Council would benefit from £3.475m project investment, the additional running costs of nearly £35k per year would be insignificant compared to the amount of investment over the lifetime of the technology. It should be also stressed that the principal reason for installing these technologies is to minimise carbon emissions and help the Council meet its net zero carbon target by 2030.

30. Simple paybacks have no actual value as the Capex would be a third-party grant through a successful application at no cost to the Council.

### Comparison of PSDF to Salix Recycling Fund

31. Tranches 1 & 2 were funded through our Salix Recycling Fund which has been in operation since 2010; although it is administered by Salix Finance Ltd, it is very different to the PSDF as summarised below.

Comments	Salix Recycling Fund	PSDF
Maximum payback period for projects	10 years	None
£/tCO <sub>2</sub> /Lifetime of project	£240	£500
Type of funding	Conditional grant	Grant
Repayments to Salix Finance Ltd	To be repaid at the end of the scheme	Not required
Match funding	Required for start-up of fund and any top-ups	Not required
Project types	Other energy conservation measures that meet the above compliancy criteria	Decarbonisation projects only

Table 3 – Comparison between Salix Recycling Fund and PSDF

32. Overall, the PSDF is more attractive (i.e. no maximum payback times, no repayments, no match-funding and a higher £/tCO<sub>2</sub>/Lifetime), although technologies are restricted to heat decarbonisation projects.
33. The application for PSDF funding will be made once we have received the High-Level Appraisal from Ameresco Ltd and the proposals have received internal approval, hence this report. A detailed Investment Grade Proposal will follow a successful application for funding.

### **Delivering the Retrofit Projects (CMFM)**

34. As with previous RE:FIT 2 tranches 1 & 2, an internal recharge to CMFM of 10% of the investment cost of projects (approximately £347.5k) is required; this will provide the expert construction related technical services (i.e. providing the 'delivery arm' for RE:FIT 2, with 'Clerk of Works' role on the client side as listed below) and ensure the delivery of the contract works for the PSDF projects. This will be covered by a separate application to the accompanying Public Sector Low Carbon Skills Fund.

- Technical expertise - Building Surveyors / Mechanical Services Engineers / Electrical Services Engineers / Quantity Surveyors / Construction Design & Management Client due diligence / Site Inspection / Technical admin
- Functions and duties will be both 'Client Technical' due diligence and Construction industry standard schedules of services for each Royal Institute of British Architects stage as relevant to the procurement:
  - As part of the 'Client Technical' due diligence, CMFM will review advice on any potential issues that may impact on future maintenance of the corporate buildings, identify any further investigation that may be required such as Asbestos Refurbishment & Demolition or Structural Surveys and give consideration to Corporate Landlord implications
  - As part of the Construction services, CMFM will provide advice on the pre-contract tender documents; post contract the key duty will be to act as Contract Administrator under the Joint Contract Tribunal contract and to undertake Design Acceptance of Contractors Proposals
  - CMFM will also assist with contract advice, the procurement process on London Tenders Portal, Authority Reports, issue Letters of Limited Liability / Acceptance, raise Purchase Orders, manage payments and provide Capital Monitor reporting

35. All other roles will remain unchanged. The Commercial Operations Manager – Sustainability (see paragraph 47) will continue in the role of Programme Sponsor and will be supported by the RE:FIT Delivery Unit on contract management; Ameresco Ltd is both the Principal Contractor and Principal Designer.

### **Contingency Fund**

36. It is prudent to allow for a 10% contingency fund for any unforeseen enabling works that might be identified through the detailed design prior to the installation of the heat decarbonisation projects. This equates to approximately £374.5k and will form part of the application for PSDF funding. Contingency funds were previously approved for RE:FIT 2 tranches 1 & 2.

### **Maintenance**

37. Operating and Maintenance (O&M) manuals will be issued by Ameresco Ltd on completion of the project installations to ensure in-house staff are competent to operate and maintain the technologies efficiently. These will be accommodated within existing property maintenance budgets.

38. The RE: FIT Framework also requires ongoing Measurement and Verification (M&V) to monitor the energy saving performance of the technologies installed; this is likely to commence approximately autumn 2022 onwards to prove that projected savings are being made.

### **Key Dates**

39. For local authorities, the closing date for the submission of applications to Salix Finance Ltd is Monday 11 January 2021, with applications assessed by Friday 29 January 2021 to check viability of projects. The same date applies to applications for the Public Sector Low Carbon Skills Fund.

40. Project installations are to be completed by 30 September 2021 and ongoing project Measurement & Verification (to prove that projected savings are being made) would commence from approximately September 2022.

### **Main Considerations for the Council**

#### **Safeguarding Implications**

41. There are no perceived Safeguarding Implications since the focus of this report is funding for the decarbonisation of corporate buildings.

#### **Public Health Implications**

42. Climate change has been described as the greatest threat to the health of the public in the 21<sup>st</sup> century and resultant carbon savings subsequent to this report will help mitigate this threat.

#### **Equalities Impact of the Proposal**

43. Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably because of any of the protected characteristics. We need to consider the needs of these diverse groups when designing and changing services or budgets so that our decisions do not unduly or disproportionately affect access by some groups compared to others.



44. Corporate advice has been sought in regard to equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report to agree investment in RE: FIT 2 - Energy Retrofitting in 10 Corporate Buildings using the Government's Public Sector Decarbonisation Fund. However, it should be noted that the any contracts awarded should include a duty on the successful applicant to assist us with meeting our obligations under the Equalities Act 2010.

### **Environmental and Climate Change Considerations**

45. The principal focus of this report relates directly to matters of Environmental and Climate Change considerations. The heat decarbonisation projects will have significant benefits in reducing carbon emissions and moving to low carbon heat sources, delivering annual carbon savings of approximately 670tCO<sub>2</sub>.

### **Risks that may arise if the proposed decision and related work is not taken**

46. If the investment decision is not approved, the Council will miss an opportunity to invest £3.475m in decarbonisation of its corporate buildings which will deliver annual carbon savings of approximately 670tCO<sub>2</sub> and help contribute to the Council's net zero carbon emissions target by 2030.

47. Should the Council subsequently decide not to invest in the above project proposals, then it shall underwrite the costs of £14k to Ameresco Ltd for producing the High Level Appraisal.

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

48. The Commercial Operations Manager – Sustainability, who has been managing the Council's RE: FIT 2 programme since its inception in 2017, will be leaving the Council at the end of January 2021. While this is expected to leave sufficient time to make the application for PSDF funding and then deal with any technical project queries arising that may be raised by Salix Finance Ltd, the Council will need to ensure that a replacement project manager is in place as soon as possible to ensure that the project installations are delivered by the 30 September 2021 deadline.

49. In addition, the Council shall have regard to the latest national and local Covid-19 restrictions which may potentially impact on the project installation programme in the event of tighter restrictions being imposed.

### **Financial Implications**

50. Investment decision is to proceed with approximately £3.475m projects + 10% contingency (£347.5k) in 10 corporate buildings using the Government's Public Sector Decarbonisation Fund. The new technologies will cost the Council slightly more to run (£34.9k per annum) due to their technological advance but the investment will also provide annual carbon savings of 670tCO<sub>2</sub> to help meet the Council's net zero carbon emissions target by 2030, in accordance with its Climate Emergency Declaration. This will be third

party capital funding which will not have to be repaid nor attract interest repayments, thereby not increasing the Council's capital requirements.

51. As with previous RE:FIT tranches 1 & 2, 10% of the investment cost (approximately £347.5k) is required for an internal recharge from CMFM team for the use of their external construction expertise provider. This will provide the Council with the necessary technical expertise for the delivery of the projects (see paragraph 33). This will be funded through a separate application to the accompanying Public Sector Low Carbon Skills Fund (also administered through Salix Finance Ltd).

	£000s	Funding Sources (Proposed Grant Applications)
Public Sector Decarbonisation Fund	3,475.0	Government's Public Sector Decarbonisation Fund (PSDF)
Contingency @ 10%	347.5	
<b>Total</b>	<b>3,822.5</b>	
CMFM (CMCT) Project Management Cost (Technical Expertise) @ 10%	347.5	Public Sector Low Skills Fund
<b>Total</b>	<b>347.5</b>	
<b>Grand Total Estimated Cost</b>	<b>4,170.0</b>	

Table 4 – Overview of total project costs

Premises/Buildings	Total Electricity Savings	Total Gas Savings	Total Energy Savings	Total Savings	Carbon Savings	Total Capex
	kWh/Yr	kWh/Yr	kWh/Yr	£/Yr	te/Yr	£
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Table 5 – Overview estimated costs and savings per building

52. The initial High Level Appraisal for investment in corporate buildings has been drawn by Ameresco Ltd (see table 5 above), at a total cost of £14k, which will be met from the existing Sustainability Team budgets should the Council subsequently decide not to invest.

## Legal Implications

53. The content of this report constitutes a Key Decision and this item has been included in the Key Decision List reference: 5230. Once approved the decision to proceed will be subject to the usual five-day call-in period.

54. Section 111 Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
55. The Council also has a general power of competence in section 1(1) Localism Act 2011 which states that a local authority has the power to do anything that individuals may do, provided it is not prohibited by legislation.
56. In addition, the project will help enable the Council to meet its statutory obligations under the Housing and Planning Act 2016 and Minimum Energy Efficiency Standards (MEES) by improving the energy performance of corporate buildings by implementing heat decarbonisation technologies.
57. Furthermore, the Council as landlord also has a statutory duty to improve the energy efficiency in its buildings through the Minimum Energy Efficiency (MEES) Regulations. MEES Regulations require commercial buildings in England and Wales to be brought up to a minimum Energy Performance Certificate (EPC) rating of 'E'. After 1<sup>st</sup> April 2023, property owners must not continue to let any buildings which have an EPC rating of less than E unless an exemption is registered.
58. In accordance with the Housing and Planning Act 2016, there is a duty on local authorities to report on improving efficiency and sustainability in Council buildings from 2017.
59. This contract is subject to Public Contracts Regulations 2015 ("Regulations"), and the Council's Constitution and Contract Procedural Rules. Further procurement advice is contained in the Confidential Appendix of this report.
60. The Council must also adhere to the Duty of Best Value in accordance with the Local Government Act 1999.
61. Any liability cap sought by the Service Provider must be expressly consulted with and authorised by the Executive Director – Finance, Resources & Customer Services. Whilst previous report states that a liability cap of £10m has been authorised, this decision should be reviewed in light of the significantly increased value of the proposed contract.
62. In respect of any contract with a value of £1m and over, the Council's Contract Procedure Rules (CPR 7.2) state that the contractor must be required to provide sufficient security. 'Sufficient security', means one of the following: (i) parent company, ultimate holding company or holding company guarantee where their finances prove acceptable; (ii) director's guarantee or personal guarantee where their finances prove acceptable; (iii) performance bond, retained funds or cash deposit; or (iv) any other security as determined by Financial Management Services and/or Legal Services. Evidence of the form of security required or why no security was required must be stored on the E-Tendering Portal for audit purposes. The Council should liaise with the Procurement & Commissioning Hub for assistance on this.

63. The Council will need to ensure that all funding received under the grant is managed and utilised in accordance with State Aid law and in accordance with the terms and conditions of the grant agreement.

64. The Council must ensure that all guidance available to it regarding this scheme is adhered to at all times and it must further ensure that all legal agreements entered into in consequence of the approval of the proposals set out in this report must be approved by the Director of Law and Governance.

### **Workforce Implications**

65. There are no perceived Workforce Implications since the focus of this report is funding for the decarbonisation of corporate buildings. The Council's CMFM team will be employed to support the installation of the technology and this is accounted for in the budgets described in this report.

### **Property Implications**

66. Strategic Property Services supports the initiative to decrease corporate energy consumption in operational buildings, thereby exceeding statutory requirements. Investing in Council buildings will save energy and carbon and will contribute to the Council's net zero carbon reduction target by 2030.

67. Careful consideration, however, should be paid to co-ordinating investment activity of this type with the identification and sale of surplus operational property and the wider asset rationalisation programme. The Council would not wish to invest in energy retro-fitting of any building where it was reasonably foreseeable that the property asset could be deemed suitable for future disposal within a timeframe where the "invest to save" criteria could not be achieved.

### **Other Implications - Procurement**

68. This information is provided in the Part 1 Confidential Appendix of the report.

### **Options Considered**

69. Do nothing. By doing nothing, the Council would miss the opportunity of investing £3.475m of Government grant funding on heat decarbonisation projects at no cost to the Council that might otherwise not be carried out. These projects would deliver annual carbon savings of approximately 670tCO<sub>2</sub> which would help contribute to the Council's net zero carbon emissions target by 2030.

70. Use alternative sources of public funding provided by Salix Finance Ltd such as our existing Salix Recycling Fund or the Salix Energy Efficiency Loan scheme. In addition to having to return this money in the long term, both these schemes have much more stringent criteria to satisfy in terms of payback periods and £/tCO<sub>2</sub>/Lifetime of projects and so cannot be used to invest in heat decarbonisation technologies.

71. Therefore, by applying for the PSDF through an application to Salix Finance Ltd, the Council would be able to finance the heat decarbonisation project opportunities which it might otherwise not be able to do.

## Conclusions

72. In conclusion, the Council should approve the investment decision in this report and apply for the Government's PSDF funding for heat decarbonisation projects for 10 corporate buildings to the value of up to £3.475m (for projects costs) + 10% contingency (£347.5k) = (£3.8225m); the project opportunities (see paragraph 26), which are specific to heat decarbonisation technologies, would deliver annual carbon savings of approximately 670tCO<sub>2</sub> and would help contribute to the Council's net zero carbon emissions target by 2030.

73. In addition, the Council should approve the investment decision in this report and apply for the Government's accompanying Public Sector Low Carbon Skills Funding of up to £347.5k to cover costs to CMFM to provide the expert construction related technical services to deliver the contract works for the PSDF projects.

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Date of report 2 December 2020

**Appendices** High Level Appraisal (Executive Summary 16/11/20) – Ameresco Ltd

PL 20.101 P KD5230 - Confidential Appendix (for Part 1 report)

## Background Papers

None.