



Northumberland

County Council

CABINET

09 March 2021

Summary of New Capital Proposals considered by Officer Capital Strategy Group

Report of: Neil Bradley, Service Director, Strategic Commissioning and Finance

Cabinet Member: Councillor Nick Oliver, Portfolio Holder for Corporate Services

1. Purpose of report

The following report summarises proposed amendments to the Capital Programme considered by the officer Capital Strategy Group via email on 02 February 2021.

2. Recommendations

In relation to new projects, Cabinet is recommended to:

- 2.1. **Bearl Depot Vehicle Covered Storage:** approve the proposal to erect a new vehicle storage and office facility on the Bearl Depot site at a cost of £540,000 to be funded from the Property Stewardship Fund within the Council's 2021/22 Medium Term Financial Plan.

In relation to the acceptance of additional grant funding, Cabinet is recommended to:

2.2. Public Sector Decarbonisation Fund – Ground Source Heat Pump Projects:

- Accept, in principle, the grant award of £3.013m from BEIS through the Public Sector Decarbonisation Fund; and
- Subject to receipt of the grant, approve the installation of ground source heat pumps at six sites identified in Northumberland to enable the Council to meet key parts of its Climate Emergency Commitment, detailed within the Climate Action Plan 2021-23.

2.3. Green Homes Grant:

- Accept the grant award from BEIS through the Green Homes Grant voucher scheme; and
- Approve the installation of carbon reducing technologies into both private and council owned properties in Northumberland to enable the Council to meet key parts of its Climate Action Plan 2021-23.

3. Links to Corporate Plan

The Council's Capital Programme is consistent with the priorities in the Corporate Plan in particular the 'Living', 'Enjoying' and 'Thriving' priorities

4. Background

This paper summarises reports considered by the officer Capital Strategy Group on the allocation of funding within the Medium-Term Plan to specific projects and proposed amendments to accept additional external grant funding into the Medium-Term Plan.

SUMMARY OF NEW CAPITAL PROPOSALS CONSIDERED BY OFFICER CAPITAL STRATEGY GROUP VIA EMAIL ON 02 FEBRUARY 2021

5. BEARL DEPOT VEHICLE COVERED STORAGE

- 5.1. The Group received a proposal to replace the covered storage and offices at Bearl Depot in Stocksfield, used for NCC's highways construction and gritting operations, at a cost of £540,000. The old building had become a health and safety hazard and was demolished back in December 2018. Funding for the project is already included in the 2021/22 Medium Term Financial Plan under Property Stewardship.

Background

- 5.2. The large shed at the Bearl Depot, which was used for storing road gritters and other plant operating in the west of the County, was condemned by the Council's Health and Safety Team as it had become unsafe. The shed was therefore demolished in December 2018.
- 5.3. A suitable storage facility is still required in Bearl to support the Council's highways construction and gritting operations. The Council provides services for the A69 from this depot.
- 5.4. The Highways team requires a covered area at Bearl for the garaging of winter services vehicles, to enable staff to change ploughs, perform fleet maintenance and undertake any running repairs during harsh winter weather conditions. Other depots used for winter services contain full fleet maintenance workshops or covered areas where vehicles can be parked up to be worked on (such as inside the salt barn).
- 5.5. Welfare and office facilities for staff are currently contained within old porta cabins that have reached the end of their useful life. It is therefore proposed to build a new welfare and small office facility as part of the project.
- 5.6. The Bearl Depot lease had been due to expire in April 2020 and therefore any replacement storage facility could not be considered until it was confirmed that a new lease would be granted by the landlord. Terms for a new 21 year lease with security of tenure have now been agreed and therefore the project can be progressed.
- 5.7. Poor site drainage at the Depot has been identified as an issue and will also be addressed as part of the proposed project.

5.8. The following table details the estimated capital cost of the proposal;

	Year 2021/22	Year 2022/23	Later Years	Total
	£	£	£	£
CAPITAL COST				
Construction cost	448,827	-	-	448,827
Design Fees and Surveys etc	52,394	-	-	52,394
Contingency	38,779	-	-	38,779
Total Capital Cost	540,000	-	-	540,000

CSG Recommendation

5.9. The group supported the report and recommends Cabinet to approve the proposed £540,000 investment, funded from the specific Stewardship Fund budget provision included in the 2021-24 Medium Term Financial Plan, for a new vehicle storage and office facility on the Bearl Depot site in Stocksfield.

6. PUBLIC SECTOR DECARBONISATION FUND – GROUND SOURCE HEAT PUMP PROJECTS

6.1. The Group received a paper seeking an approval in principle for the installation of six ground source heat pumps at various sites across Northumberland. This was on the condition that installations would be 100% grant funded through the Public Sector Decarbonisation Fund to be approved by BEIS in the near future.

Background

6.2. As part of NCC's Climate Emergency Commitment the Council needs to lower its own carbon emissions by 50% by 2025. A key strategic part of that work is decarbonising heat, which is detailed within the Climate Action Plan 2021-23 as key priority area 3.

6.3. To support councils with their ambitions The Department for Business, Energy and Industrial Strategy (BEIS) have made available the Public Sector Decarbonisation Fund, to which the climate team has applied, requesting 100% of the capital cost of six ground source heat pumps. It should be noted that the bid has not yet been approved, however due to stringent delivery timelines officers are keen to gain approval in principle for the use of the grant funding. No expenditure will occur if the grant is not approved.

6.4. The projects must reach practical completion by the end of September 2021. Given that 5 of the 6 proposed sites require planning permissions, this will be a very tight deadline, but officers are working closely with their chosen procured contractor to create a robust programme of works to enable delivery.

- 6.5. The sites due to be installed have been selected as they require major heating system upgrades or replacements in the next three years. The sites are as follows;
- Willowburn Leisure Centre;
 - Belford Fire Station;
 - Swarland Primary School;
 - Stannington First School;
 - Stamfordham Primary School; and
 - Whittingham C of E School.
- 6.6. These six projects are estimated to save 333tCO₂ per year from the point of install. As part of the project, officers are required to engage in metering and monitoring and provide update figures detailing the energy usage and carbon savings. This will enable close tracking of NCC's own carbon reduction ambitions.
- 6.7. It is expected that this will be the first of a number of rounds of Public Sector Decarbonisation Fund and officers will place further requests for funding to facilitate significant carbon reduction projects.
- 6.8. There are not expected to be any significant revenue impacts. As the full capital requirement for the project is covered by the grant there is no cost of borrowing revenue cost.
- 6.9. There is a minor energy cost saving expected, but as a number of these schemes are replacing natural gas with GSHPs there is limited financial benefit from the energy savings. Additional benefit may be realised if the existing gas supply to the properties can be terminated as the fixed costs attributable with having a gas connection, known as standing charge, are significant. This will need to be determined as the project progresses into full design stage.
- 6.10. A far more significant saving is in the costs expected to be incurred over the next 3 years on replacement of systems. Based on condition surveys there is approximately £267k of replacement work required to these heating systems. £217K is the expected cost for Willowburn Leisure Centre and the remaining 5 sites are approximately £10K each. By replacing them now through Public Sector Decarbonisation Fund that requirement is covered by the grant funding.
- 6.11. The anticipated start date for the projects is March 2021, with an expected completion date of September 2021.
- 6.12. The following table details the capital requirement for the proposal;

	Year 2020/21	Year 2021/22	Later Years	Total
	£000	£000	£000	£000
CAPITAL BUDGET REQUIREMENT				

Design and Engineering	131	-	-	131
Equipment Capital	-	349	-	349
Installation and Commissioning	-	2,181		2,181
Project Delivery	-	83		83
Contingency	-	269	-	269
Total Capital Cost	131	2,882	-	3,013

CSG Recommendation:

6.13. The group accepted the report and recommends Cabinet to:

- Accept, in principle, the grant award from BEIS through the Public Sector Decarbonisation Fund; and
- Subject to receipt of the grant, approve the installation of ground source heat pumps at six sites identified in Northumberland to enable the Council to meet key parts of its Climate Emergency Commitment, detailed within the Climate Action Plan 2021-23.

7. GREEN HOMES GRANT

7.1. The Group received a paper to approve grant funding by means of a voucher scheme to support the installation of carbon reducing technologies into both private and council owned properties in Northumberland. The funding will cover a mix of air source heat pumps (ASHP), solar PV and external wall insulation (EWI).

Background

7.2. The Green Homes Grant (GHG) voucher scheme was originally announced by BEIS in August 2020 and has been created to enable carbon reducing technologies to be installed into private properties. To supplement the GHG a separate Local Authority Delivery (LAD) aspect was announced, whereby local authorities could apply for grant funding allocation to deliver specific measures in their social housing properties.

7.3. NCC applied for phase 1 of the LAD scheme, but was unsuccessful in its bid. Due to an undersubscription to LAD phase 1, phase 1b was announced in November 2020 with distinct scheme amendments. NCC has partnered with Eon Energy, who has a track record of securing LAD funding and successful delivery. The bid to GHG LAD1b was constructed through this partnership in close collaboration with NCC's Housing department.

7.4. NCC was informed on 27th January 2021 that it had been successful in its application to GHG LAD1b, and awaits the full details of the memorandum of understanding to be produced.

7.5. The programme allows NCC to install a single primary measure into each property assisted by the scheme. The primary measures will be a mix of air source heat pumps (ASHP), solar PV and external wall insulation (EWI). All of these measures,

where appropriately deployed, will assist in reducing carbon emissions and alleviating fuel poverty. This scheme is an important first step towards implementing a large scale low carbon retrofit which will support the goals of the Climate Action Plan 2021-23.

- 7.6. The approval is for delivering 200 energy efficiency measures in the owner-occupied sector and 140 measures in the Social sector properties. These measures will directly support fuel poverty alleviation for the residents of those properties.
- 7.7. The total project cost, including match funding from the HRA Capital Major Repairs Reserve for the social housing properties being delivered, is £3,428,414 with the breakdown of the total grant funding allocation as follows;
 - £3,068,393 for capital costs to install measures into eligible homes;
 - £322,521 for administration costs to provide resource to deliver the scheme and facilitate the customer journey; and
 - £37,500 for ancillary support to make properties suitable for the retrofit works.
- 7.8. The administration costs will be split between Eon and NCC to cover both staffing requirements for the scheme as well as all marketing costs.
- 7.9. The capital cost breakdown between private sector properties and NCC's own social housing stock is as follows;
 - Private Sector capital costs = £1,882,921
 - Social Housing sector capital costs (including LA contribution) = £1,185,472
- 7.10. For NCC's own social housing stock, the LA contribution from the HRA Capital Major Repairs is £505,238.
- 7.11. Eon are able to bring both experience and access to additional funding streams, most notably energy company obligation (ECO) funding which can be utilised to support measures which are not directly being installed as part of the Green Homes Grant. This will mean NCC can install additional loft and cavity wall insulation measures and provide a more holistic approach to its residents, further increasing the value to the local economy, property owners and cutting additional carbon.
- 7.12. The project is slightly constrained by a very tight delivery window, with the anticipated start and end dates being February 2021 and September 2021 respectively. As such the ground work and preparation for the scheme will require immediate commencement. This will involve officer's time being utilised at risk until this capital request is formally approved. Notification of approval from BEIS has been received, however the funding MOU has not come through yet and hence the funding has not been formally agreed.
- 7.13. Whilst there is a small revenue implication within the match funding from the HRA Capital Major Repairs Reserve this is largely offset by this funding being allocated, in some instances, to projects that were planned to be undertaken and funded entirely

from NCC funds. Hence the grant funding being brought in will help ease budget constraints and/or allow further work to be undertaken.

- 7.14. There is also a less tangible but no less important benefit to the residents of the properties receiving the install measures. These measures will lower utility bills providing additional disposable income to those households. This will support lifting people out of fuel poverty and may assist with improving rent payment levels in NCCs social housing stock.

CSG Recommendation

- 7.15. The Group supported the proposals and recommends Cabinet to accept the grant award from BEIS through the Green Homes Grant voucher scheme, and approve the installation of carbon reducing technologies into both private and council owned properties in Northumberland to enable the Council to meet key parts of its Climate Action Plan 2021-23.

Implications

Policy	The capital programme is part of the Medium-Term Financial Plan 2021-24. The plan supports the Corporate Plan.
Finance and value for money	The report outlines proposed project allocations and amendments to the approved Capital programme. The financial implications of these proposals are outlined in the main body of the report.
Legal	There are no direct legal implications.
Procurement	In line with all other capital expenditure, the additional spend will be subject to the Council's recognised procurement procedures.
Human Resources	Not applicable.
Property	The properties affected by the proposals are identified in the main body of the report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable.
Risk Assessment	The risks associated with the proposals are regarded as acceptable but these risks will continue to be reviewed up to and during

	implementation of the proposals.
Crime & Disorder	There are no Crime and Disorder implications.
Customer Consideration	There are no Customer Considerations.
Carbon reduction	Carbon Reduction projects are included within this report, specifically as a result of installing ground source heat pumps at six sites across the County, and the Green Homes Grant.
Health & Wellbeing	There are no Health and Wellbeing implications.
Wards	All wards

Background papers:

Medium Term Financial Plan 2021-24

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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