

TITLE OF REPORT: **Salix Energy Efficiency Programme 2018/19 to 2019/20**

REPORT OF: **Tony Alder, Acting Strategic Director, Communities and Environment**

Purpose of the Report

1. To seek approval to the proposed programme of works to various existing Council premises to enable energy efficiency savings
2. To approve contract award for works to the Gateshead Housing Company (TGHC)

Background

3. The Council continues to reduce its energy consumption, energy costs and carbon dioxide emissions, to meet agreed corporate indicators and targets.
4. As of March 2018, the Council had reduced carbon emissions by 40% compared to the baseline year of 2007/8. The Council aims to achieve 50% reduction by March 2020.
5. Since 2009, an annual programme of energy efficiency works has contributed to reducing energy and carbon emissions. The programme includes surveys of appropriate Council properties, viability calculations, design schemes and construction works. The works are included within the Councils' Capital Programme and financed through either prudential borrowing or Salix grant funding. Salix Finance is a government back funding body, that provides grants and loans to support public sector energy efficiency schemes.
6. A budget of £250k was included for both 2018/19 and 2019/20 Capital Programme for Salix finance compliant projects but due to the success of projects to date and to enable additional works to be completed to benefit the Council this has been matched with grant funding from Salix Finance of £250k in 2018/19 and a further £250k in 2019/20, to create a budget of £500k per annum for these years.

Proposal

7. To achieve prioritised budget spend in 2018/19 and 2019/20 it is proposed to approve the award of contracts for the works programme to the Gateshead Housing Company.
8. It is also requested that Cabinet approve delegated powers to the Strategic Director, Communities and Environment, to negotiate the detailed terms and cost of works up to a total value of £1.0m for works to be delivered in 2018/19 and 2019/20.

9. Schemes listed in the Appendix 2 have been identified and prioritised with each Service within the available budget.

Recommendations

The Cabinet is recommended to:

- (i) Agree the proposed Salix programme of works as identified in Appendix 2, and approve the award of contracts for these works to the Gateshead Housing Company; and
- (ii) Authorise the Acting Strategic Director, Communities and Environment to agree the final terms and costs of contracts with the Gateshead Housing Company within the agreed overall budget limit.

For the following reasons:

- (i) In order to meet the Council's targets for the reduction in energy, carbon emissions and costs through energy efficiency improvements.
- (ii) In order to improve the internal environment in the Council's buildings.

Policy Context

1. On a local level, the proposals will contribute to the delivery of many targets within the Thrive Agenda “Making Gateshead a Place Where Everyone Thrives”, Vision 2030, the Council’s Climate Change Strategy and other Council strategies and commitments, specifically:
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
 - Reducing energy consumption and carbon emissions of homes and public buildings in the borough.
 - Reducing carbon emissions of homes and public buildings.
 - Sustainable Gateshead - Improving how we use energy and resources as well as working towards a sound economic future.
2. The proposal also generates savings to the Council’s revenue budgets, contributing to closing the budget gap, and so supporting the Thrive Agenda by increasing resources available to invest in public services where they are most needed.
3. The proposal will also accord with the provisions of the Corporate Asset Strategy and Management Plan 2015 – 2020. In particular; ensuring that the Council’s properties are fit for purpose and the continuous improvement of the sustainability of the Council’s assets;

Background

4. Salix Finance is a not-for-profit organisation funded by Business, Energy and Industrial Strategy and the Department for Education.
5. Salix enables public sector organisations across England, Scotland, Wales and Northern Ireland to take a lead in tackling climate change by increasing their energy efficiency. Salix provides capital grants for the public sector to reduce their energy costs by enabling the installation of modern, energy efficient technologies and replacing dated, inefficient technologies.
6. Between 2009-11, Gateshead Council received £325k grant funding from Salix Finance, which was matched by £325k of Council capital funding, to create a ring-fenced budget to fund energy efficiency works. To date, circa. £3M has been invested in Council buildings under the Salix scheme. Performance of the Salix scheme is report annually to Overview and Scrutiny committees (as part of both Carbon Emissions progress reports and Property Performance Reports).
7. Its estimated that through Salix schemes to date, the Council has reduced energy costs by £603k per year and carbon emissions by 2,722 tonnes per year.
8. Aside from the energy savings accrued through these projects, there are additional benefits of reduced maintenance resource and cost, e.g. LED lighting lasts longer than traditional fluorescent lighting and visible improvements to the internal environment through improved lighting quality. Schemes are thus aligned with the

Strategic Maintenance and other programmes to ensure the most effective project selection to benefit the overall council investment and corporate direction.

9. The Council has been recognised by Salix Finance as one of the top performing Salix Fund operators, out of more than 115 participating councils, hospitals, universities, and have remained in their top 5 performing participants since 2012.
10. All schemes are designed, procured and managed by Council Housing Design and Technical Services. As well as providing savings to Council energy budgets, the programme provides a reliable income stream for the Council's Facilities Management service, and the Gateshead Housing Company.
11. A budget of £250k per year was already included in the 2018/19 and 2019/20 Capital Programme for Salix finance compliant projects. Due to the success of projects to date and an increasing pipeline of projects, the Council successfully requested an additional £500k grant from Salix finance, to create an annual budget of £500k for 2018/19 and 2019/20.
12. With the annual budget for works increasing to £500k per year, the scale and volume of works has increased significantly. A two year rolling programme of works is now being proposed, to streamline and improve approvals and delivery of works.

Proposal

13. Table 1 in Appendix 2 outlines the current programme of Salix energy efficiency works for 2018/19 and 2019/20. Due to the scale of some schemes, and timescales for design and construction, many schemes must be delivered across financial years.
14. At present, the pipeline of schemes for 2019/20 exceeds the £0.5M budget. It is expected that some schemes will be completed in 2020/21, and an update will be provided annually in March for future programmes.
15. Schemes have been identified from Service requests, consideration of major energy users, coordination with the Strategic Maintenance programme of works. Consultation with Corporate Asset Strategy confirms projects are only approved for buildings that have a useful life. .
16. Each of the schemes is surveyed and energy savings calculated, with a requirement that schemes pay back their construction cost in 10 years or less. Once a scheme has passed the Council tests of payback and viability a full design and tender exercise is carried out followed by a submission to Salix with supporting technical & financial evidence for their review and approval.
17. Annual savings are monitored through revenue energy budgets for all schemes to ensure that the installations continue to perform as designed and to allow intervention should that not be the case, either through product fault or change of operational use.
18. All priorities for works within this budget have been agreed with each of the relevant Services, with as much flexibility as is possible, to retain and to react to, revised priorities as strategies develop and specific needs arise.

19. Except for two small projects that are to be delivered by the Council's in-house Facilities Management service, all other projects are proposed to be awarded to the Gateshead Housing Company. This will ensure the targeted programme is delivered to time and budget.
20. To allow the programme to be developed into specific costed and tendered projects, Cabinet is also request to approve delegated powers to the Acting Strategic Director, Communities and Environment to agree the final terms and costs of contracts with the Gateshead Housing Company up to a total value of £1.0m (the sum of works programmed for 2018/19 and 2019/20).

Consultation

21. Consultation has taken place with the Cabinet Members for Environment and Transport.
22. Consultation has taken place with the Gateshead Housing Company to confirm their ability to carry out this programme of works with their resources and with knowledge of other works being undertaken.

Alternative Options

23. **External procurement.** The Council could choose to delivery these works through open tendering and contract award to external contractors. However, this either wouldn't be in accordance with the Council Constitution, or would reduce potential income generated by delivery by internal services or the Council's associated company

Implications of Recommended Option

24. Resources

a) Financial Implication - The Strategic Director, Corporate Resources confirms that budgetary provision exists for the funding of the works within the 2018/19 and 2019/20 Capital Programme.

b) Human Resources Implications - Nil

c) Property Implications – The works will sustain Council property.

25. **Risk Management Implication** - Budget costs are identified in the surveys based on historical works and tenders and are used to develop the approved capital budget. Monitoring and approval processes have been put in place to ensure that although negotiated tender values of individual schemes may exceed their indicative budget costs, the overall project/programme annual budget has been fixed so that overspend of this approved budget will not occur. Tendered schemes may not progress with resultant abortive work and costs. Vision for the property Asset may change with resultant abortive work and costs.

26. **Equality and Diversity Implications** – Nil.

27. **Crime and Disorder Implications** – Nil.

28. **Sustainability Implications** – These works are being carried out to improve sustainability within Gateshead, within Council buildings and property.
29. **Human Rights Implications** - nil.
30. **Area and Ward Implications** – These proposals will have an impact in all wards.
31. **Background Information** - None.

Appendix 2. Proposed SALIX Energy Efficiency works programme

SALIX Energy Efficiency Programme of Works 2018/19 and 2019/20	Delivery contractor	2018/19	2019/20	Total
		£000	£000	£000
Blaydon Business Centre	Facilities Management	0	25	25
Civic Centre Specific Use Areas LED Lighting	TGHC	125	100	225
Civic Centre members foyer & upper landing LED lighting	Facilities Management	30	0	30
Park Road Depot LED Lighting	TGHC	220	145	365
GIBC LED Lighting, BMS & Heating	TGHC	35	50	85
Birtley Leisure Centre LED, Htg, Vent, BMS	TGHC	10	205	215
Birtley Swimming Centre	TGHC	10	190	200
Central Library LED Lighting (Phase II)	TGHC	70	0	70
	500	500	715	1,215