

CAPITAL INVESTMENT BUSINESS CASE

Civic Centre District Energy Scheme grant



EXECUTIVE SUMMARY

The Executive Summary is a short summary of the Business Case and should be the last section you complete, this will enable you to extract or only the key facts from relevant sections i.e. 'project on a page'. The summary is a 'snapshot' of the business case which will need to tell the story and sell the proposal.

This business case relates to the allocation of grant funding for Civic Centre, to provide a compatible building heating system, which will allow connection to low carbon heat network infrastructure, to achieve the City's commitments to carbon reduction. The wider low carbon infrastructure has already been approved under the Civic Centre District Energy Scheme Business Case with Government grant funding secured towards this, which also supports decarbonisation of the Theatre Royal and Plymouth Combined Courts.

PCC has been working with the developers for some time, to secure a viable scheme for the Civic Centre. This has been a considerable challenge due to the scale of the project, the risks inherent in refurbishment and change of use and depressed market values in the Central area. It was clear from the outset that there was no prospect of the project proceeding without significant financial subsidy.

The Grant Funding Agreement proposed enables the project to be able to connect to this heat network, with a compatible solution. Estimates for the costs of a compatible solution range between £450k and £600k, although the higher costs builds in significant risk and contingency. A funding agreement is proposed which is 'up to' £600k. Of the proposed grant funding, £152k will be derived from the S106 Beckley Point district energy contribution and the £448k from the D2 Grids funding, which has been confirmed. This grant funding can only be used for heat network projects.

The solution would ensure that energy bills for heating and hot water are significantly lower than the alternative direct electric solution, and in line with the Heat Trust scheme requirements.

The proposed funding arrangements are:

Funding Source	£	Secured
S106	151,575.26	Yes
D2Grids ERDF	448,424.74	Yes
Total	600,000.00	

There is a risk that costs could increase, although the grant allowance is based on recent cost estimates and builds in significant risk and contingency, and in the grant agreement would be capped at an upper limit, with payments in arrears, based on evidence of spend.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£600,000	Contingency (show as £ and % of project value)	20% £120,000
Programme	The programme for the grant is dependent on the programme for the Civic Centre	Directorate	Place - SP&I

Portfolio Holder	Climate Change	Service Director	Paul Barnard
Senior Responsible Officer (client)	Paul Elliot	Project Manager	Jon Selman
Address and Post Code	Civic Centre, Armada Way, PL1 2AA	Ward	St Peter and the Waterfront
Current Situation: <i>(Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)</i>			
<p>PCC has been working with the developers for some time, to secure a viable scheme for the Civic Centre. This has been a considerable challenge due to the scale of the project, the risks inherent in refurbishment and change of use and depressed market values in the Central area. It was clear from the outset that there was no prospect of the project proceeding without significant financial subsidy.</p> <p>The developers had included a direct electric solution which is cheaper in capital terms but the occupants would have significantly higher heating and hot water costs. Using a wet heating system would allow connection to the proposed heat network infrastructure (also supplying the Theatre Royal & Combined Courts), which already has funding approved and secured, allowing access to much lower costs heating and hot water, as well as being a lower carbon solution.</p> <p>The solution would therefore ensure that energy bills for heating and hot water are significantly lower than the alternative direct electric solution, and in line with the Heat Trust scheme requirements to protect consumers. It would also support the wider roll out of heat networks in the City Centre, as a strategic location, with an energy centre which would allow expansion across the wider area.</p>			
Proposal: <i>(Provide a brief, concise paragraph outlining your scheme and explain how the business proposal will address the current situation above or take advantage of the business opportunity) and (What would happen if we didn't proceed with this scheme?)</i>			
<p>The provision of grant funding to the developers of Civic Centre to provide a compatible building heating system, will allow connection to low carbon heat network infrastructure, which will supply Civic Centre to achieve the City's commitments to carbon reduction, which also supports decarbonisation of the Theatre Royal and Plymouth Combined Courts. The wider low carbon infrastructure has already been approved under the Civic Centre District Energy Scheme Business Case with Government grant funding secured towards this.</p> <p>The Grant Funding Agreement proposed enables the project to be able to connect to this heat network, with a compatible solution. Estimates for the costs of a compatible solution range between £450k and £600k, although the higher costs builds in significant risk and contingency. A funding agreement is proposed which is 'up to' £600k.</p> <p>Of the proposed grant funding, £152k will be derived from the S106 Beckley Point district energy contribution and the £448k from the D2 Grids funding, which has been confirmed. This grant funding can only be used for heat network projects.</p> <p>A separate subsidy control paper has been prepared and agreed by the PCC legal team. Great care has been taken to ensure that risks are appropriately managed and value for money is achieved. For example, the final amount paid will reflect the actual and evidenced cost of the final designed solution, when these can be provided and not exceed the maximum grant value. Also if for any reason the developers were not to proceed, then the grant would not be paid.</p> <p>Without subsidy it would not be viable this development to connect to the heat network, resulting in higher carbon emissions, and higher costs to residential occupiers, but also impacting</p>			

on the City Council plans for wider decarbonisation of the City Centre. The development would also not comply with the planning conditions relating to its planning consent.

The Council has been working collaboratively with the developers over many years to deliver this project and it is recognized that the investment of their resources in terms of time and money has been significant. With the benefit of the grant funding this project can now proceed to a delivery phase.

Milestones and Date:		
Grant Award Date	Start On Site Date	Completion Date
September 2023	June 2024	November 2025

SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

Risk Register: *The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).*

Potential Risks Identified		Likelihood	Impact	Overall Rating
Risk	Costs escalate	Medium	Medium	Medium
Mitigation	Grant agreement caps PCC contribution and contingency already built in.	Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0			
Risk	Civic Centre works not delivered	Low	Low	Medium
Mitigation	Grant agreement based on evidence of spend.	Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£0			

Outcomes and Benefits

List the outcomes and benefits expected from this project.

*(An **outcome** is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome)*

*(A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)*

Financial outcomes and benefits:	Non-financial outcomes and benefits:
Uses S106 or grant funding already secured and limited in its use for heat network infrastructure.	Reducing the City's carbon emissions, contributing to the Climate Emergency Action Plan. Supporting the redevelopment proposals for Civic Centre, to ensure that the development is planning policy and building regulations compliant. Supporting further decarbonisation in the City Centre.

	<p>Support its ambitions for deployment of renewable energy at scale.</p> <p>Support the delivery of Joint Local Plan policy DEV32</p> <p>Deliver a cost of heat that would be lower than the counterfactual.</p>
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Low Carbon	
What is the anticipated impact of the proposal on carbon emissions	The anticipated carbon savings of expansion to the Civic Centre at least 93 t/ annum, based on a gas counterfactual.
How does it contribute to the Council becoming Carbon neutral by 2030	Supports the decarbonisation of existing and challenging buildings and support low carbon redevelopment of the Civic Centre. The scheme is also strategically important for the roll out of heat networks in the City Centre. It would therefore directly support the Climate Emergency Declaration and Climate Emergency Action Plan.
Have you engaged with Procurement Service?	No
Procurement route options considered for goods, services or works	Not applicable- grant only.
Procurements Recommended route.	
Who is your Procurement Lead?	
Is this business case a purchase of a commercial property	No
If yes then provide evidence to show that it is not 'primarily for yield'	
Which Members have you engaged with and how have they been consulted (including the Leader, Portfolio Holders and Ward Members)	

SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT: *In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole. Exact amounts only throughout the paper - not to be rounded.*

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	Prev. Yr.	22/23	23/24	24/25	25/26	26/27	Future Yrs.	Total
	£	£	£	£	£	£	£	£
Grant				150,000	450,000			600,000
Total capital spend				150,000	450,000			600,000

Provide details of proposed funding: Funding to match with Project Value

Breakdown of proposed funding	Prev. Yr. £	22/23 £	23/24 £	24/25 £	25/26 £	26/27 £	Future Yrs. £	Total £
D2Grids				150,000.00	298,424.74			448,424.74
SI06					151,575.26			151,575.26
Total funding				150,000.00	450,000.00			600,000.00

Which external funding sources been explored	The two funding sources are SI06 and D2Grids funding, both of which are secured.
Are there any bidding constraints and/or any restrictions or conditions attached to your funding	This grant funding can only be used for heat network projects.
Tax and VAT implications	The payment of a grant or funding is outside the scope of VAT, since there is no supply to the Council, and so the Council will not incur any VAT on costs relating to this project. The project will not generate any VAT-exempt income for the Council, and there will no impact, therefore, on the Council's partial exemption position.
Tax and VAT reviewed by	Sarah Scott

REVENUE COSTS AND IMPLICATIONS

Cost of Developing the Capital Project (To be incurred at risk to Service area)

Total Cost of developing the project	n/a
Revenue cost code for the development costs	n/a
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	Y
Budget Managers Name	Paul Elliot

Ongoing Revenue Implications for Service Area

	Prev. Yr. £	22/23 £	23/24 £	24/25 £	25/26 £	26/27 £	Future Yrs. £
Service area revenue cost							
Other (eg: maintenance, utilities, etc)							
Loan repayment (terms agreed with Treasury Management)							
Total Revenue Cost (A)							
Service area revenue benefits/savings							

Annual revenue income (eg: rents, etc)							
Total Revenue Income (B)							
Service area net (benefit) cost (B-A)							
Has the revenue cost been budgeted for or would this make a revenue pressure	Not applicable						
Which cost centre would the revenue pressure be shown	n/a	Has this been reviewed by the budget manager				Y/N	
Name of budget manager							
Loan value	£	Interest Rate	%	Term Years		Annual Repayment	£
Revenue code for annual repayments							
Service area or corporate borrowing	n/a						
Revenue implications reviewed by	Stephen Coker / Sharon Gillett						

Version Control: (The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)

Author of Business Case	Date	Document Version	Reviewed By	Date
	00/00/2022	v 1.0	Ruth Didymus	24/05/2023
	00/00/2022	v 2.0		00/00/2022

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approves the Business Case
- Allocates £600,000 for the project into the Capital Programme funded by S106 (£151,575.26) and D2Grids ERDF (£448,424.74)
- Authorises the grant agreement to be drawn up
- Delegates the signing of the grant agreement to Service Director for SPI, where they do not already have authority to do so

Leader Tudor Evans		Service Director SPI Paul Barnard	
Either email dated:	<i>Date 12/07/2023</i>	Either email dated:	<i>Date 15/06/2023</i>
Or signed: n/a		Signed: n/a	
Date: n/a		Date: n/a	