

**Committee Name and Date of Committee Meeting**

Cabinet – 22<sup>nd</sup> January 2023

**Report Title**

Public Sector Decarbonisation Scheme (PSDS) Grant Funded Decarbonisation Works

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

All

**Report Summary**

On 30 October 2019, the Council declared a Climate Emergency and set out its action plan covering the following seven policy themes of Energy, Housing; Transport; Waste; Built & Natural Environment; Influence and Engagement.

A Climate Emergency Action Plan was established, and progress has been reported annually since then. The policy and technological context of net zero is rapidly changing, and delivery of an annual action plan allows opportunities to be leveraged before they are missed. The Government has invested funding (Public Sector Decarbonisation Scheme (PSDS)) to assist with the decarbonisation of public buildings, and this report has been brought forward in order to seek approval to proposals which utilises the PSDS funding that will be invested in decarbonisation measures within Government allocated spending timeframes.

A significant challenge in delivering the Council's Climate Change Action Plan is the reduction in carbon emissions from the Council buildings that are a product of current gas energy supply. In order to consider how it might tackle this challenge the Council approved, as part of the Budget and Council Tax Report 2022/23, a capital investment to begin to decarbonise its buildings. This capital investment is used as a match funding requirement to enable the Council to secure external PSDS funding.

The Council proposes to explore opportunities to replace the gas boilers within a number of the existing operational buildings.

This report summarises the proposed approach to improving the energy efficiency and decarbonisation of eight Council buildings including works to install a low carbon heat source utilising funding from the Public Sector Decarbonisation Scheme (PSDS) and the allocated Council decarbonisation capital budget.

## **Recommendations**

That Cabinet: -

1. Approves the use of grant funding from the Public Sector Decarbonisation Scheme, if successful, and a contribution from the existing Council capital decarbonisation to deliver the proposed works to the Council's operational property, as set out at paragraph 2.4 of this report.
2. Delegates authority to the Assistant Director of Financial Services in consultation with the Cabinet Member for Jobs and Local Economy to agree Air Source Heat connection contracts at each of the buildings as set out in paragraph 2.4 of this report.

## **List of Appendices Included**

Appendix 1 PSDS Phase 3C Works

Appendix 2 Equalities Assessment

Appendix 3 Carbon Impact Assessment

## **Background Papers**

[Project Procurement and Delivery Guidance](#)

[Notice of Declaration of Climate Emergency 30-Oct-2019 14.00 Council Meeting.pdf \(rotherham.gov.uk\)](#)

[Responding to the Climate Emergency. Cabinet 23 March 2020:](#)

[Climate Change Annual Report Cabinet 20 March 2023](#)

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

## **Council Approval Required**

No

## **Exempt from the Press and Public**

No

## **Public Sector Decarbonisation Scheme (PSDS) Grant Funded Decarbonisation Works**

### **1. Background**

- 1.1 On 30 October 2019, Rotherham Council declared a Climate Emergency and set out a plan of action to reduce carbon emissions generated by the Council, businesses, other organisations, and individuals across the Borough.
- 1.2 The following targets were set at its Cabinet meeting on 20 March 2020 to reduce carbon emissions across the Borough:
  - The Council's carbon emissions to be at net zero by 2030
  - Rotherham-wide carbon emissions to be at net zero by 2040
- 1.3 Since then, the Council has annually produced a Climate Change Action Plan which sets out how these targets will be met and covers seven themes including, Energy, Housing; Transport; Waste; Built & Natural Environment; and Influence and Engagement. The Council has committed funding to deliver a programme of building decarbonisation which will play a fundamental role in progressing the achievement of the Council's net zero target given that the energy use within the Council's current building portfolio produced approximately 3581.65tCO<sub>2</sub> between 2021-2022, or 32.5% of the Council's overall emissions.
- 1.4 The Council has allocated £6.4m funding in the approved Capital Programme, which can be used to secure external funding and deliver improvements to decarbonise operational buildings. In September 2023 Cabinet approved the Council's approach to decarbonisation of five of the Council's buildings through the Public Sector Decarbonisation Scheme, Riverside House, Town Hall, Civic Theatre, Clifton Park Museum and Orchard Centre. This report covers the next phase of proposed activity to further decarbonise the Council's property estate.
- 1.5 The Council submitted two applications on 7 November 2023 for £1,566,752 of external funding through the Public Sector Decarbonisation Scheme (PSDS) with a contribution of £3,152,833 required from the Council. A breakdown of the decarbonisation budgets and grants is included in Appendix 1 of this report. The results of the applications are not expected to be announced until January 2024 at the earliest.

### **2. Key Issues**

- 2.1 A significant challenge in delivering the Council's Climate Change Action Plan is the carbon emissions produced as a result of current gas energy use. In order to consider how it might approach this challenge, the Council approved as part of the Budget and Council Tax Report 2022/23 a capital investment to begin to decarbonise its buildings. Decarbonisation works can consist of smaller enhancements for example, LED lighting, improved insulation, double glazing and solar Photovoltaics (PV) or much larger capital works such as removal of existing gas boilers and replacement with an alternative source of energy such as a heat network or air source heat pump.

2.2 Whilst the smaller enhancements will reduce the Council's carbon impact and improve energy efficiency, these actions alone will not be sufficient for the Council to achieve Net Zero by 2030. As such the Council proposes to explore opportunities to replace the gas boilers within a number of the existing operational buildings with low carbon heating systems. To achieve this, Asset Management has carried out the following actions:

- Identified Council owned operational buildings that comply with PSDS funding criteria. The buildings identified for PSDS Phase 3C funding include:
  1. Kimberworth Place.
  2. Matrix Dinnington Business Centre.
  3. Swinton Civic Hall.
  4. Oaks Lane Depot.
  5. Boston Castle.
  6. Hellaby Depot – Denby.
  7. Hellaby Depot – Sandbeck.
  8. Century 1 Business Centre.
- Decarbonisation site surveys have been carried out at each site listed above to identify decarbonisation measures, calculate energy/carbon savings, potential savings and estimated project costs. The reports have been used as evidence to support PSDS applications for each building. A summary of the decarbonisation interactions and calculated / estimated data is at Appendix 1 'PSDS Phase 3C Works'.

2.3 This report summarises the proposed approach to improving the energy efficiency of eight Council buildings including works to install a low carbon heat source utilising funding from the Public Sector Decarbonisation Scheme (PSDS) and the allocated Council decarbonisation capital budget.

2.4 The proposed works and low carbon heating systems will significantly reduce the Council's overall carbon impact from the following improvements.

Description of Work													
Building	Decarbonisation of the heating systems	Loft insulation	Roof Insulation	Double glazing	Cavity wall Insulation	External wall insulation	Building Energy Management	Heating - zone control valves	Hot water - efficient taps	Hot Water - efficient showers	LED Lighting	Lighting controls	Solar PV
Kimberworth Place	X	X				X		X	X		X	X	X
Matrix Dinnington Business Centre	X						X	X			X	X	X
Swinton Civic Hall	X	X		X			X					X	X
Oaks Lane	X			X	X		X		X	X	X	X	X
Boston Castle	X	X	X	X			X				X	X	X
Hellaby - Denby	X						X			X	X	X	X
Hellaby - Sandbeck	X						X		X			X	X
Century Business Centre	X										X		X

- 2.5 The above works are estimated to save the Council 310 tCO<sub>2</sub> annually and are estimated to improve energy efficiency. The carbon emissions of an air source heat pump are linked with the current make-up of the UK's gas supply and would reduce gradually as the UK invested in more renewable energy generation.
- 2.6 The PSDS scheme will enable the eight buildings to be ready to install air source heat pumps. It is critical for the PSDS grant funding that the Council does carry out the building works and does install a low carbon energy source by 1 February 2026. If the Council does not achieve this, the grant will be subject to clawback as the energy savings from the smaller measures such as solar panels do not provide a sufficient reduction in carbon emissions to meet the grant conditions.
- 2.7 In accessing the PSDS grant funding the Council had to indicate which type of low carbon heat source it would be looking to use. As such the buildings have been assessed by low carbon heating specialists and air source heating is recommended at each site.

2.8 The timeframe for spending the grant is:

- Year 1 24/25 - £180,400
- Year 2 25/26 - £1,386,352
- **Total - £1,566,752**

The funding cannot be carried over beyond these dates.

### **3. Options considered and recommended proposal**

3.1 A number of potential options have been considered including:

**Option 1 (Preferred Option)** – That the Council:

1. Approves the use of grant funding from the Public Sector Decarbonisation Scheme if awarded and a contribution from the existing Council capital decarbonisation fund to deliver, via a compliant procurement process the proposed works to the Council's operational properties outlined at paragraph 2.4 of this report.

This is the recommended option.

3.2 **Option 2** – Procuring individual projects for known decarbonisation measures on Council operational buildings.

The process of numerous tenders is lengthy, costly, onerous, will delay measures and carbon reductions and would be more resource intensive to deliver.

This option means that the Council will no longer be able to use the PSDS funding for the specified eight buildings as the procurement process is too lengthy to allow completion of the works. It also requires a full building approach which ad hoc decarbonisation or energy efficiency projects would not achieve. As a result, this option is not recommended.

3.3 **Option 3** – Do nothing

This option proposes that no further decarbonisation work on the proposed buildings is undertaken, other than energy efficiency works using the Council's allocated decarbonisation budget.

In light of the Council's declaration of a climate emergency in 2019 and subsequent target to achieve net zero by 2030, a do nothing approach is not recommended. Replacement of gas boilers with a sustainable low carbon alternative alongside improvements in overall energy efficiency are integral to meeting this target due to the substantial carbon emissions arising from gas combustion.

#### **4. Consultation on proposal**

4.1 There has not been any public consultation on this proposal.

#### **5. Timetable and Accountability for Implementing this Decision**

5.1 Asset Management will be responsible for implementing the decision in accordance with the timetable below:

<b>Milestone</b>	<b>Date</b>
Cabinet Decision	Q3 23/24
Contractor/Supplier Procurement	Q4 23/24 – Q2 24/25
PSDS Site works and Commissioning	Q3 24/25 – Q4 25/26
Y1 PSDS Invoice Deadline	31 <sup>st</sup> March 2025
Y2 PSDS Invoice Deadline	31 <sup>st</sup> March 2026

#### **6. Financial and Procurement Advice and Implications**

6.1 The Council is awaiting the outcome of bids for PSDS grant funding for decarbonisation works totalling £1,566,752. If successful, the Council's required match funding contribution is £3,152,833 to be funded from the approved Capital budget for decarbonisation works of £6.4m. Full details of the capital costs of the proposed works, and the associated annual financial impact and carbon savings arising, are included within Appendix 1 of this report.

6.2 The Council must ensure that the procurement activity is undertaken in compliance with procurement legislation, namely the Public Contracts Regulations 2015 (as amended) and the Council's own Financial Procurement Procedure Rules. An assessment needs to be made to determine the most appropriate route to market to ensure it meets the projects requirements and can be delivered within the required funding timescales.

#### **7. Legal Advice and Implications**

7.1 The measures proposed are in compliance with the funding requirements. Further the Council must ensure that the other terms of the funding agreement are complied with in particular around timescale for delivery.

7.2 As stated above, the proposed procurement must comply with the Public Contract Regulations 2015 (as amended). An appropriate set of terms and conditions will then need to be concluded with the selected partner(s) to protect the Council's interests and ensure successful delivery of the project.

7.3 Section 9D of the Local Government Act 2000 requires that all functions of a local authority are the responsibility of the executive unless otherwise specified in regulations. The discharge of functions in relation to the project set out in the report are not specified within legislation or regulations as to not be functions of

the executive. Therefore, this is an executive power to be exercised by the Cabinet

## **8. Human Resources Advice and Implications**

8.1 There are no human resources implications arising from this report.

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 No implications identified.

## **10. Equalities and Human Rights Advice and Implications**

10.1 No implications identified though equalities assessment conducted and attached at Appendix 2.

## **11. Implications for CO<sub>2</sub> Emissions and Climate Change**

11.1 Positive implications have been identified within the Carbon Impact Assessment at Appendix 3 including:

- Reduced CO<sub>2</sub> emissions from Council operational buildings through decarbonisation, increased on-site renewable energy and energy efficiency measures.
- The scheme is estimated to reduce 301.5 tonnes CO<sub>2</sub> per annum.

## **12. Implications for Partners**

12.1 No implications identified.

## **13. Risks and Mitigation**

13.1 The main risks include:

- a. The Council is not successful in acquiring grant funding due to the highly competitive nature of the public sector decarbonisation scheme; future bids on these buildings would then be prohibited.

Mitigation – Use of the Council's allocated capital budget will allow the works to proceed.

- b. Unable to complete the schedule of works funded by the Government's Public sector Decarbonisation Scheme within the timeframes agreed in the grant offer letter.

Mitigation – Accurate planning and delivery with the decarbonisation delivery partner will prevent going beyond the time criteria stipulated by Government and incurring penalties.

- c. An increase in market prices for the installation of decarbonisation measures.

Mitigation – The market prices will be continuously monitored and if necessary, the schedule of rates adjusted, and programmes adjusted to align with changes.

- d. Revenue costs exceed expected budgets or fluctuate unexpectedly.

Mitigation – A financial breakdown of expected revenue costs, i.e., energy and maintenance costs are included in Appendix 1. Close liaison with Financial Services will be essential to ensure allocated budgets and revenue costs align.

**14. Accountable Officers**

Jonathan Marriott, Head of Asset Management

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	08/01/24
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	02/01/24
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	03/01/24

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