

Cabinet
Council

9th March 2021
16th March 2021

Name of Cabinet Member:

Cabinet Member for Education and Skills – Councillor K Maton

Director Approving Submission of the report:

Director of Education and Skills

Ward(s) affected:

All Wards

Title:

Maintained Schools Energy Efficiency Retrofit Grants

Is this a key decision?

Yes - the proposals have financial implications in excess of £1m per annum.

Executive Summary:

Approval is sought for the future acceptance of PSDS grant funding if bids are successful to support the delivery of energy efficiency retrofit measures on maintained schools within Coventry.

The Department for Business, Energy and Industrial Strategy (BEIS) created the Public Sector Decarbonisation Scheme (PSDS) to provide grants to encourage projects that help towards the UK's Net Zero and clean growth goals. The Grant Scheme is available for up to 100% of costs for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings. The first round of funding round closed on the 11th January 2021 for projects to be delivered by the 30th September 2021. Coventry City Council were initially unsuccessful in a bid to secure funding for our schools in this round, however, have subsequently been granted funds as we were on the reserve list. In Round 1, the funding normal process required acceptance of the grant to be made within 20 days of offer of a grant meaning that there is insufficient time to seek approval following confirmation of successful grants. This last-minute funding offer required acceptance within 5 days,

Coventry City Council therefore wishes to be prepared for future rounds of PSDS funding by obtaining approval to act quickly when further funding becomes available. Due the scale of the PSDS funding scheme, the future offers of funding could exceed £2.5m.

Recommendations:

The Cabinet is asked to:

- 1) Approve in principle the proposal for the implementation of the Energy Efficiency Building Retrofit Works as set out in the report (“the Project”) subject to grant funding being secured to cover the cost of delivering the Project
- 2) Approve the conclusion of any necessary procurement exercises and following completion, to award and enter into such contracts with the preferred suppliers.
- 3) Request that officers continue to pursue further funding opportunities that may be offered to support further decarbonisation of Coventry’s school buildings in consultation with the Cabinet Member for Education & Skills and the Cabinet Member for Finance.

Cabinet is asked to recommend that Council:

- 4) Approve the proposal for the Council to accept the PSDS grant funding, if successful, as the Accountable Body to support delivery of the Project.
- 5) Delegate authority to the Director of Finance and the Director of Education and Skills following consultation with Director of Law and Governance to finalise the terms and conditions of the PSDS grant and any other legal agreements required to facilitate delivery of the Project, and incorporate the awarded grant within the approved Capital Programme as necessary.

Council is requested to:

- 1) Approve the proposal for the Council to accept the PSDS grant funding, if successful, as the Accountable Body to support delivery of the Project.
- 2) Delegate authority to the Director of Finance and the Director of Education & Skills following consultation with Director of Law and Governance to finalise the terms and conditions of the PSDS grant and any other legal agreements required to facilitate delivery of the Project and incorporate the awarded grant within the approved Capital Programme as necessary.

List of Appendices included:

None

Background papers:

None

Other useful documents

Public Sector Decarbonisation Scheme Guidance Notes

https://www.salixfinance.co.uk/sites/default/files/Public%20Sector%20Decarbonisation%20Scheme%20Guidance%20Note%20-%20September%202020%20V1.0_8.pdf

Coventry City Council Annual GHG Report 2019/20

https://www.coventry.gov.uk/downloads/file/30528/coventry_city_councils_annual_ghg_report_201819

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 16th March 2021

Report title: Maintained Schools Energy Efficiency Retrofit Grants

1. Context (or background)

- 1.1. The UK Government has committed to provide financial support to help stimulate the economy following the economic downturn caused by the Coronavirus pandemic. They have established a number of funding schemes aimed at supporting the wider agenda of “Building Back Better” through supporting green job growth.
- 1.2. The Department for Business, Energy and Industrial Strategy (BEIS) has launched the Public Sector Decarbonisation Scheme. The Grant Scheme will be delivered by Salix Finance and will allocate £1bn of grant funding which strongly aligns with BEIS’ 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.
- 1.3. The Grant Scheme is available for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings including central government departments and arm’s length bodies in England.
- 1.4. Eligible projects fall into 4 categories:
 - Category 1 – Low Carbon Heating
 - Category 2 – Energy Efficiency Projects
 - Category 3 – Enabling Technologies
 - Category 4 – Oil & Coal Replacement Projects
- 1.5. The first round of PSDS funding was open for applications from 1st October to 11th January with projects required to be delivered no later than 30th September 2021. The scheme was significantly over-subscribed with over £2.3bn of applications made for the £1bn of funding available. As a result, not all applications have been successful including Coventry City Council’s bid for supporting school projects.
- 1.6. The UK has a 2050 net zero target and the public sector will be required to make a major contribution to enabling the UK to reach this target. Coventry City Council is part of the wider West Midlands Combined Authority (WMCA) area who have recently pledged for the region to achieve a more ambitious target of reaching net zero by 2041. To do this will require significant investment in retrofitting existing buildings to improve energy efficiency and support the transition away for fossil-fuel use.
- 1.7. Significant reductions in the annual emissions arising from direct Council operations in recent years has resulted in the indirect emissions from the education estate to become a significant proportion of our reported emissions. In 2019/20, available data indicated that the emissions from Coventry City Council’s maintained schools now exceeded those of the Corporate Estate.
- 1.8. Due to significant improvements in the carbon intensity of the UK’s grid electricity, the emissions from the use of gas heating is now the largest contributor towards the emissions from the school estate. Tackling these hard to transition emissions will be a priority over the next decade.

2. Options considered in relation to the retrofit of low carbon measures to maintained school buildings.

2.1. Option 1 – Do Nothing and rely on UK grid improvement (Not Recommended)

2.1.1. This option would not enable Coventry City Council to meet the national or regional ambitions in relation to Climate Change action.

2.1.2. Whilst the UK electrical grid has seen significant improvement in its carbon intensity over the past 5 years and is expected to continue to fall into the future, the impact of “green” gas into the national supply has shown very little impact to date.

2.1.3. Currently there are pilots being undertaken in relation to the blending of hydrogen into the gas supply however this approach is limited in terms of the maximum decarbonisation it can offer before existing natural gas appliances would have to be changed.

2.2. Option 2 – Undertake combined Low Carbon Heating and Fabric /Efficiency Measures (Recommended Option)

2.2.1. Salix Finance Ltd provided funding to enable Coventry City Council to evaluate the maintained school estate and assist with prioritising those which could benefit from funded interventions at this time.

2.2.2. The PSDS appraisal process favours the use of “Whole Building Approaches”. This will prioritise projects that look to not only improve the efficiency of the building but also incorporate the transition away from fossil fuel heating systems. This means Coventry City Council would look to include the following types of intervention in any project proposals that are submitted:

2.2.3. The inclusion of Category 1 projects in the application would therefore strengthen the grant bid. These can include: Air Source Heat Pump, Ground Source Heat Pumps, District Heating Connections and Other Electrical Based Heating. The inclusion of Category 1 projects are however not appropriate for all schools at this time. This must be taken into account when appraising which projects to put forward for inclusion in funding applications.

Project Type
Low Carbon Heating
Double Glazing
Heating Controls
Lighting Replacement
Loft Insulation
Pipework Improvement
Pipework Insulation
Roof Insulation
Solar PV
Wall Insulation
Battery Storage
Supply Upgrade
Thermal Comfort Monitoring

2.3. Option 3 – Undertake Fabric/Efficiency Only Measures (Not Recommended)

2.3.1. The PSDS scheme allows for Category 2 & 3 measures to be funded independently as long as they meet the required grant eligibility criteria and a written commitment to undertake further actions, in the form of a Decarbonisation Plan, is submitted for the buildings receiving the measures.

2.3.2. These are all solutions that would deliver energy efficiency improvements and result in both cost and carbon emissions reductions.

2.3.3. Whilst this type of project would be eligible for the PSDS grant, the exclusion of any category 1 projects would mean that our application scores less well in evaluation and reduces the chances of successful funding award. This would also result in a missed opportunity for funding some of the high cost measures needed for the future.

3. Options considered in relation to the submission and acceptance of the 100% grant for deployment of the Retrofit Measures.

3.1. Option 1 - Do Not Accept A Grant Offer (Not Recommended)

3.1.1. This option would mean not getting access to a grant offer along with the associated terms and conditions of PSDS grants from Salix Finance Ltd in order to deliver the Project.

3.1.2. This would represent a failed opportunity to secure a financial contribution to the cost of our climate change actions. The projects identified in the proposed pipeline for the grant will all need to be done at some point to achieve Net Zero and additional funding sources would need to be found.

3.1.3. Many of the projects proposed fall outside of the eligibility requirements for the existing public sector financing routes (eg. Salix Loans) therefore they would likely need to be financed directly by the Council at a future date.

3.2. Option 2 –Accept A Successful Grant Offer (Recommended)

3.2.1. The acceptance of a grant offer following a successful bid would provide the financial investment required for the project without match funding being required. It would also show that Coventry City Council is clear in its ambitions to decarbonise its school estate as well as its corporate estate and would support other funding bids to deliver similar package of measures to other stakeholders in the City.

3.2.2. The risks associated with the PSDS grant is lower compared to many other grant schemes with a much shorter and lighter touch monitoring of grant expenditure than previous EU funding for example.

3.2.3. This option is fully in line with the council's core aim of leveraging additional funding through grants and bids.

4. Results of consultation undertaken

4.1. Consultation with the Head of Education Entitlement and the Education Capital Strategy manager was undertaken in relation to potential changes to the property estate. This was to ensure the risk of property disposal or redevelopment was understood and included during the evaluation of which schemes could be brought forward.

5. Timetable for implementing this decision

- 5.1. Coventry City Council were initially not successful in securing funding for schools in the first round of funding that closed in January 2021 but subsequently were awarded some funding as we were on the reserve list. Whilst a second round of PSDS funding is expected to be announced no timetable has yet been set by BEIS. By approving the proposals at this time it will enable Coventry City Council to act quickly in future funding rounds and improve the potential for securing additional funding for projects. Experience from the Round 1 of PSDS funding has shown that there is likely to be insufficient time for the formal approval process to be undertaken following the confirmation of a successful bid for the funding and therefore pre-approval is being requested. The existing scheme has allowed as little as 5 days for grants to be accepted in some cases.

6. Comments from the Director of Finance and the Director of Law and Governance

6.1. Financial implications

- 6.1.1. The recommendations request the approval of grant funding from BEIS for a Public Sector Decarbonisation scheme (PSDS) if bids are successful. The PSDS grant scheme does not require any capital match funding to be provided locally by the City Council, but all investments must be achieved by pre-determined dates.
- 6.1.2. Based on the initial technical assessment of possible projects, many of the measures summarised in section 2.2.3 contribute to decarbonisation, but due to their high cost and/or long pay back, would not otherwise be considered for investment.
- 6.1.3. Once the full technical review of each measure has taken place, the measures to be delivered for each school will be assessed (including both up front and lifecycle capital costs) prior to any commitment, such that only those investments with expected net lifetime financial benefits would proceed to implementation.
- 6.1.4. It is proposed that the decision on each individual measure to proceed to implementation, is delegated to the Director of Finance and Director of Education & Skills (or appointed proxy's) after feasibility works have been carried out.
- 6.1.5. Due to the long pay back nature of many of the schemes, it is expected that only marginal net annual financial savings will be achieved. Savings will however be monitored and captured for the benefit of the Medium-Term Financial Strategy.

6.2. Legal implications

- 6.2.1 Should the grant application be successful, the approval of the Council acting as the Accountable Body as outlined in this report will be achieved through a contractual relationship and signature of a grant funding agreement.
- 6.2.2 Legal colleagues are available to advise on and support the completion and signature of the grant funding agreement and to also ensure that risk to the Council is fully understood and mitigated through appropriate governance. Furthermore, support will be made available in ensuring the delivery of the project as and when required by the anticipated project team.
- 6.2.3 Any procurement exercise will be conducted in compliance with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 and Subsidy Control Rules and supported by relevant officers.

6.2.4 The delegations sought are consistent with a proposal of this nature.

7. Other implications

7.1. How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

This project directly meets two of the objectives of the Council Plan. It will directly reduce the operating cost and carbon emissions of Council associated activities and it will also lever external finance to deliver the schemes.

7.2. How is risk being managed?

The main risk is in relation to the delivering the project within the allocated timeframes. The proposal is to use existing contracts where possible to minimise the need for additional procurement. This is in line with the grant scheme terms. Additional procurement will be undertaken via further competitions from existing frameworks to minimise the risk of procurement delays.

There is a risk that projects will be determined to not be suitable during the detailed technical and financial appraisal process. There is opportunity to adjust the scope and size of grant requested at the point of final grant acceptance. Final confirmation of the project pipeline will be made once full financial impact of each measure has been confirmed. The funding also operates on a defrayal model meaning that if any projects have to be removed from scope for unforeseen reasons after formal grant award we can do so as it is possible for the council to return any unspent funding to Salix as a last resort.

7.3. What is the impact on the organisation?

The proposed project includes providing funding to support the increase in staffing to support the delivery of the project. This will improve the in-house capability of the council in relation to projects of this type. The proposed project will improve our corporate property and deliver financial and environmental benefits

7.4. Equality Impact Assessment

This project does not have any impact on the Council's equality responsibilities as there is not expected to be any impact on broader service delivery.

7.5. Implications for (or impact on) climate change and the environment

The project proposed is in line with the Council's existing Climate Change Strategy and will help to demonstrate leadership to wider city stakeholders as the Council embarks on developing the next Climate Change Strategy for the City.

The proposal will make a significant, measurable and demonstrable contribution towards improving Coventry City Council's transition to a low carbon future. The project will reduce the direct emissions relating to the education estate by reducing their dependence on natural gas and improving building efficiency.

7.6. Implications for partner organisations?

None

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