
Scrutiny Co-ordination Committee
Cabinet
Council

11th March 2024
12th March 2024
19th March 2024

Name of Cabinet Member:

Cabinet Member for Jobs, Regeneration and Climate Change – Councillor J O’Boyle

Director approving submission of the report:

Director of Property Services and Development

Ward(s) affected:

Foleshill, Henley and Sherborne

Title:

Public Sector Decarbonisation Scheme - CCC Public Buildings Phase 2

Is this a key decision?

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

Executive summary:

The UK has committed to reduce the carbon emissions associated with its public buildings compared to 2017 levels by 50% by 2032 and 75% by 2037. To support this, the Department for Energy Security and Net Zero (DESNZ) has continued offering the Public Sector Decarbonisation Scheme (PSDS), but now requires a local match contribution. The PSDS grant scheme provides grants of up to £325 per tonne of carbon emissions saved by capital energy efficiency and heat decarbonisation projects that directly reduce fossil fuel use.

Coventry City Council has previously been successful in Phase 1 of the grant scheme which has helped the Council reduce emissions from its buildings and schools by over 1000 tonnes of carbon per year.

Coventry City Council submitted a bid to the Phase 3c grant scheme to support the delivery of a second phase of building decarbonisation projects. Due to the change in criteria for the PSDS grant, a smaller pipeline of buildings than in Phase 1 has been identified as suitable candidates for Phase 2. The proposed scope of works has a combined project value of up to £1.85m with a maximum grant contribution of £786k available via the PSDS grant scheme. It is proposed that match funding for the project is provided by the Council on an “invest to save” basis. Any investment would look to be recovered through revenue savings

achieved from reductions in the buildings' energy bills. Overall, the project is targeting carbon savings of up to 174 tonnes of carbon per year and estimated net savings of £40k per year after repayment of financing costs.

Recommendations:

Scrutiny Co-ordination Committee is requested to:

- 1) Consider the report and submit any comments and/or recommendations to Cabinet for consideration at their meeting on 12th March 2024.

Cabinet is requested to:

- 1) Approve the acceptance of a PSDS grant of up to the sum of £786k from the Public Sector Decarbonisation Scheme, if successful, to be utilised on the delivery of the Project as set out in the report.
- 2) Delegate authority to the Director of Finance and Resources, following consultation with the Director of Property Services and Development, the Director of Law and Governance, Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources, to undertake all necessary due diligence and actions required to enter into a grant funding agreement with Department for Energy Security and Net Zero (or nominee).

Cabinet is requested to recommend that Council:

- 3) Approve the proposal to allocate up to £1m of corporate capital funding, funded from prudential borrowing towards Public Building Decarbonisation Phase 2 works with a total capital value of up to £1.85m as set out in the report ("the Project"), subject to successful award of the PSDS grant.
- 4) Delegate authority to the Director of Finance and Resources, following consultation with the Director of Property Services and Development, the Director of Law and Governance, Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources, to approve the final scope and finances allocated to the Project, including in the event that grant funding is not successful.
- 5) Delegate authority to the Director of Finance and Resources, following consultation with the Director of Property Services and Development, the Director of Law and Governance, Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources, to commence any necessary procurement activities and finalise the terms and conditions of the required contracts to facilitate delivery of the Project.
- 6) Approve the addition of up to £1.85m to the Capital Programme to reflect the delivery of the works recommended as part of this report.

Council is requested to:

- 1) Approve the proposal to allocate up to £1m of corporate capital funding, funded from prudential borrowing towards Public Building Decarbonisation Phase 2 works with a total capital value of up to £1.85m as set out in the report ("the Project"), subject to successful award of the PSDS grant.
- 2) Delegate authority to the Director of Finance and Resources, following consultation with the Director of Property Services and Development, the Director of Law and Governance, Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources, to approve the final scope and finances allocated to the Project, including in the event that grant funding is not successful.
- 3) Delegate authority to the Director of Finance and Resources, Director of Property Services and Development, Director of Law and Governance, Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources, to commence any necessary procurement activities and finalise the terms and conditions of the required contracts to facilitate delivery of the Project.
- 4) Approve the addition of up to £1.85m to the Capital Programme to reflect the delivery of the works recommended as part of this report.

List of Appendices included:

None

Background papers:

None

Other useful documents

Coventry City Council Climate Change Strategy 2023-2030 (Draft)
HM Government Net Zero Strategy

Has it or will it be considered by Scrutiny?

Yes – Scrutiny Co-ordination Committee 11th March 2024

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

No

Will this report go to Council?

Yes – 19th March 2024

Report title: Public Sector Decarbonisation Scheme - CCC Public Buildings Phase 2

1. Context (or background)

- 1.1. The UK has committed to reduce the carbon emissions associated with its public buildings compared to 2017 levels by 50% by 2032 and 75% by 2037. To support this, the Department for Energy Security and Net Zero (DESNZ) has continued offering the Public Sector Decarbonisation Scheme (PSDS). The PSDS grant scheme provides grants of up to £325 per tonne of carbon emissions saved by capital energy efficiency and heat decarbonisation projects that directly reduce fossil fuel use. Coventry City Council has previously been successful in Phase 1 of the grant scheme which has helped the Council reduce emissions from its buildings and schools by over 1000 tonnes of carbon per year. Previous PSDS grant required no local match contribution.
- 1.2. Following the significant works delivered in the Phase 1 decarbonisation project and other associated improvements, Coventry City Council has to date achieved a 44% reduction in building-related emissions compared to 2017. To achieve the remaining 6% reduction by 2032 the Council will need to begin to tackle the harder to remove emissions associated with buildings that utilise fossil fuels for heating.
- 1.3. To form the scope of works for Phase 2, Council buildings with fossil fuel heating systems were ranked in order of current energy efficiency. Due to the relative high cost of low carbon heating systems, only buildings that were eligible for PSDS grant support were considered. The main requirement being that the buildings have end-of-life fossil fuel heating systems. Initial feasibility and impact assessments were used to identify a scope of works that maximised carbon savings, PSDS grant contribution and lifetime benefit to the Council. A final business case evaluation will be carried out once project costs are finalised to ensure the project remains financially viable.

2. Options considered and recommended proposal

- 2.1. Do Nothing would result in undertaking Like-For-Like Replacements Only (**Not Recommended**)

This option involves replacing the end-of-life gas heating systems with like-for-like heating systems only. This is the current approach allowed for in the Council's budgets.

As modern gas boiler systems have a typical 15-year life, choosing this option would result in the buildings still using gas for heating in 2039. Therefore, the buildings would not be contributing towards the Council's requirement to reduce public sector building emissions by 75% by 2037. The Council would also have the risk of having to fund the full cost of replacing the gas system at this future date.

The Council would also lose the opportunity to deliver financial savings associated with energy efficiency improvements and the ability to leverage grant funding towards other efficiency measures as PSDS grants require the removal of gas boilers to be taking place. Therefore, this option is not recommended as it conflicts with the Council's key priority of tackling the causes of climate change and makes no financial savings.

2.2. Deliver Carbon Saving and Cost Saving Measures and Accept Grant
(Recommended)

During the building selection process, the following energy improvement opportunities were identified. By delivering all of these measures together, the Council will be achieving both reduced carbon emissions associated with these buildings and will deliver financial savings estimated at £40k per year, net of financing costs. The buildings proposed for improvement and the measures proposed are:

To secure the grant we have included lighting and solar on the buildings proposed to have new heating systems installed as this helps us to demonstrate a whole building approach.

Even when fully funded from borrowing, lighting and solar projects deliver a good financial return, boost the overall business case and help to make the proposed borrowing viable. Additional LED lighting and solar PV measures to additional buildings are therefore also included as shown on the table below:

Building	Energy Saving Measure
Moat House Leisure Centre	LED Lighting
	Solar PV
	Low Carbon Heating
Families For All Family Hub	LED Lighting
	Solar PV
Wilfred Spencer Centre	LED Lighting
Foleshill Library	LED Lighting
	Solar PV
	Building Fabric Measures
	Low Carbon Heating
Coundon Family Centre	Solar PV
	LED Lighting

The combined measures set out above are estimated to cost £1.85m and deliver up to 118 tonnes of direct carbon savings and 56 tonnes of indirect carbon savings per year. Despite the higher cost of electric based heating, the project is anticipated to deliver gross energy bill savings of up to £117k per year.

Funding is allocated based on the direct carbon savings achieved, however it no longer fully funds projects and does not fund measures that reduce electricity usage such as LED lighting and Solar PV. Accepting the grant, if offered, would enable 68% of the cost for the low carbon heating and building fabric measures within the project to be funded by the PSDS grant contribution. This would reduce the Council's contribution to deliver the project by up to £786k.

The cost to the Council of providing the remaining match funding would reduce the Council's net costs by c£40k per year after interest payments, as well as making 2 buildings compatible with Net Zero targets. Final investment decision will be subject to final business case approval once the required procurement exercise has been completed.

This option is recommended as it aligns with the key Council priorities of tackling the causes of climate change and the inequalities in our communities as well as the enabling priorities of supporting financial sustainability of the Council and demonstrating the Council's role as a leader in these key priority areas.

3. Results of consultation undertaken

- 3.1 Consultation with the Head of Facilities Management 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.
- 3.2 The building occupants have also been consulted in the initial preparation of the project as key stakeholders and have indicated their ability to facilitate the delivery of these projects. Further engagement will be undertaken in the final stages of project development to ensure any impacts on service provision are mitigated during the delivery of the project.

4. Timetable for implementing this decision

- 4.1. On grant award, obtain revised prices and confirm that the business case for the preferred option remains viable. Should viability be confirmed the Council will accept the grant.
- 4.2. Following approval to proceed with the project, officers will need to complete the remaining procurement activities and enter into delivery contracts for the project. For the projects receiving PSDS grant support, eligible spend can commence from the earlier of the date of grant acceptance or 1st April 2024.
- 4.3. The current proposed timeline for the delivery of the project is from April 2024 to March 2025 however contingency has been allowed to enable completion of the project up to March 2026. The exact program of works will be dependent on any statutory approvals and additional grant conditions imposed.

5. Comments from Director of Finance and Resources and Director of Law and Governance

5.1. Financial Implications

The recommendations of this report would result in the Council incurring capital spend of up to £1.85m, funded partly by up to £0.786m of PSDS grant funding. The grant funding will only partially fund the works required and commits the Council to provide the match funding to fund the remainder of the works. The amount of grant is based on the carbon savings achieved by switching from gas to electricity. This means that,

should the scope of the works reduce, the amount of grant funding will also reduce. It is proposed that the local match contribution would be funded from prudential borrowing over a 20-year period to reflect the expected lifetime of the assets.

The capital cost of the project is based on current market expectations. The project team will continue to evaluate opportunities to further reduce the capital cost of the project in order to optimise the financial business case. A maximum of £1.013m of additional funding would be required with the project delivering c£40k of net annual benefit by reducing property running costs.

While the recommended option remains to accept the full grant and install solar, lighting and heat pumps into the recommended buildings (Full scope), this report seeks approval to do so only on the basis of achieving project costs that deliver a final business case that meets the target return on investment.

5.2. Legal Implications

Under Section 12 of the Local Government Act 2003 the Council has a specific power to invest. The power states "a local authority may invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". This provides the Council with a power to invest, and match fund the Works, for any purpose relevant to its functions (this function would have to be identified) or if the Council can show it is for the prudent management of its financial affairs. Under section 1 of the Localism Act 2011, the Council also has a power "to do anything that individuals generally may do" (the "General Power of Competence"). "Individual" means an individual with full capacity. The General Power of Competence gives the Council:

- i. power to do a thing anywhere in the United Kingdom or elsewhere,
- ii. power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- iii. power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

The primary purpose of the match funding is to deliver towards the One Coventry Plan, this helps to discharge the Council's existing Climate Change Strategy commitments. This will reduce the Council's impact on Climate Change as a result of its activities and support one of the key priorities of tackling the causes and consequences of climate change.

The Council will need to comply with the Public Contract Regulations 2015 and/or Contract Procedure Rules (as applicable) when awarding any contacts to deliver the Project.

6. Other implications

6.1. How will this contribute to the One Coventry Plan? (<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

The project directly contributes to two of the Council's priorities. The project will directly reduce the operating costs and contribution to climate change associated with the

operation of the buildings in scope. Further to this, by targeting community focused assets in Foleshill and Henley wards it will support the Council's priority of tackling inequalities with our communities.

6.2. How is risk being managed?

Building stakeholders have been engaged early in the process and will continue to be throughout the project lifecycle to ensure risk of impact to service operation is minimised. The project is being delivered by the Facilities Management service who have significant experience of delivering complex building service upgrades in active buildings. A live risk register will be managed by the project manager appointed to lead the project.

The Energy Management Service within Facilities Management is overseeing the grant management and the monitoring and verification of the project to ensure the grant conditions are met and the energy savings are realised. They have significant experience in doing this on previous energy efficiency projects.

Legal services have been engaged to support in the contract design for externally contracted elements of the project to ensure project risk is minimised. Capped value contracts are being proposed to protect the Council against cost overruns.

6.3. What is the impact on the organisation?

The project has been designed to minimise the disruption to the building users during its delivery. Due to the major nature of these works it may not be possible to mitigate all disruption entirely. The project team will work closely with all stakeholders to find appropriate solutions to any potential disruption.

This will be a relatively resource intensive project however the vast majority of resource will be fulfilled from the project supply chain. The Council's current resourcing is therefore sufficient to deliver this project.

The outcomes of the project will deliver both immediate carbon emission and energy bill savings as well as reduce future liabilities relating to the UK's 2050 Net Zero commitment.

6.4. Equalities / EIA?

The project does not present any significant impacts requiring a formal EIA to be undertaken, however, the project team is aware of the potential diverse nature of stakeholders that relate to the buildings within the scope of the project. This includes staff that operate out of the building and members of the public that come to use the buildings. Appropriate safeguarding and temporary mitigations will be developed during the final project design in collaboration with key stakeholders to ensure the project mitigates against potential conflicts.

Building user representatives have been engaged during the initial design of the schemes to ensure the delivered projects meet the requirements of the occupying

services. A comprehensive construction phase plan will be developed to ensure access and working environment is considered during the delivery of the project.

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

The recommended project is anticipated to reduce the Council's annual carbon emissions by up to 174 tCO₂. The project will result in the removal of fossil fuel heating in 2 public buildings and replacement with low carbon alternatives that make the buildings "Net Zero Ready". The inclusion of additional Solar PV will also ensure the Council continues to expand its use of renewable energy sources.

6.6. Implications for partner organisations?

The recommended project includes delivery of measures at buildings that host 3rd party partner organisations such as CV Life. These organisations will be engaged during the project initiation phase and throughout delivery to ensure impact on their service operation is considered alongside the Council's own operations.

The output of the project will be an improved building environment for all stakeholders that use the building.

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