

## **CABINET**

<b>DATE</b>	13 <sup>th</sup> March 2024
<b>REPORT OF</b>	Councillor Philip Jackson, Leader of the Council and Portfolio Holder for Economy, Net Zero, Skills and Housing
<b>RESPONSIBLE OFFICER</b>	Carolina Borgstrom, Director Environment, Economy and Infrastructure
<b>SUBJECT</b>	Public Sector Decarbonisation Scheme grant funding for heat decarbonisation to Local Authority Assets
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	03/24/09

### **CONTRIBUTION TO OUR AIMS**

The recommendations in this report will contribute to the Council's work in the Carbon Roadmap by reducing the Council's carbon emissions, working towards the Council's accelerated strategic priority of achieving net zero by 2030. As well as making a positive and tangible contribution to tackling climate change, supporting green jobs, and a green recovery. The recommendations also contribute to the Council's key outcome area of helping our people benefit from a green economy and high-quality environment.

### **EXECUTIVE SUMMARY**

This report seeks Cabinet approval to accept funding, if successful, from the Department for Energy Security and Net Zero, through the Public Sector Decarbonisation Scheme (PSDS) Phase 3c, delivered by Salix. The Council will have a 10 day window in which to accept the funding if successful.

This report also seeks Cabinet approval to contribute £657,529 of the total project value.

In 2021 NELC adopted our Net Zero Carbon Roadmap, which set out workstreams, delivery plans and milestones to achieve our carbon neutral ambitions. Low carbon estate is one of these milestones and this grant funding will support our work to decarbonise council buildings and improve our impact on the environment.

The grant funding includes design, engineering, construction, and project management costs and will be used to decarbonise the heating systems, improve energy efficiency, and reduce running costs in nine Council owned buildings, through focusing on heat decarbonisation whilst taking a 'whole building' approach. The works will involve replacing aging fossil fuel reliant systems with low carbon alternative technologies as well as building fabric improvements and energy efficiency measures where appropriate for the building. The project supports the Council's accelerated strategic priority of achieving net zero by 2030.

## **RECOMMENDATIONS**

It is recommended that Cabinet:

1. Authorises the Director Environment, Economy and Infrastructure in consultation with The Leader of the Council to accept £4,821,879 grant funding in principle on behalf of the Council, if the application is successful.
2. Authorise the Director Environment, Economy and Infrastructure in consultation with the Leader of the Council to commit to match fund £657,529, if the application is successful.
3. Delegates to the Director Environment, Economy and Infrastructure in consultation with The Leader of the Council, the authority to accept the final grant offer and deal with all matters arising from and ancillary to the above including negotiation with the funder, implementation and award of resultant contracts and works.
4. Delegates to the Assistant Director Law and Governance (Monitoring Officer) the authority to execute all documentation arising.

## **REASONS FOR DECISION**

Accepting the funding from the Department for Energy Security and Net Zero through PSDS Phase 3c, as administered through Salix will help deliver carbon emission reduction through heat decarbonisation and energy efficiency improvements to nine Council buildings, to reduce future environmental impact and running costs of the buildings. Reducing the Council's carbon emissions will support aims and milestones set out in our Net Zero Carbon Roadmap and work towards the Council's accelerated strategic priority of achieving net zero by 2030.

### **1. BACKGROUND AND ISSUES**

- 1.1 On the 1<sup>st</sup> December 2021, Cabinet approved and adopted the North East Lincolnshire Council Net Zero Carbon Roadmap and action plan. This included formal adoption of the target for the Council to become carbon net zero by 2040 and for the borough to become carbon net zero by 2050.
- 1.2 In December 2022 a Motion was approved by Full Council for a further commitment to reinforce and accelerate the borough's contribution to tackling the effects of climate change by committing to faster progress with a view to achieving carbon net zero by the Council and our assets by 2030.
- 1.3 The Council also reaffirmed its commitment to engage with partners, businesses, and communities in order to achieve net zero carbon, across the borough as soon as practically possible to the Council's own accelerated 2030 aspiration.

- 1.4 To further facilitate our net zero ambition, it was resolved at Full Council in December 2022 the commitment to embark on an ambitious property rationalisation programme which will deliver efficiency savings, reduce the carbon footprint, support new ways of working, drive footfall and generate capital receipts which can be applied to support the wider transformation programme.
- 1.5 In July 2023 the Department for Energy Security and Net Zero launched Phase 3c of PSDS, administered through Salix, with £230 million available in 2024/25. PSDS 3c will offer grant funding to a 1 or 2 year projects which align with their focus on heat decarbonisation within the public sector, whilst taking a 'whole building' approach.
- 1.6 The Grant is first-come-first-served and has specified the following grant criteria when deciding if an application is successful:
- The fossil fuel heating system must be coming to end of its useful life (10 years or older).
  - Cost per tonne of direct carbon saved must be less than £325/tCO<sub>2e</sub>.
  - Minimum 12% contribution which would equal the like-for-like replacement costs if the fossil fuel reliant system was replaced with another fossil fuel reliant system.
  - Expected to take a 'whole building' approach where factors that contribute to a building's energy consumption are also considered to determine the most cost-effective way to achieve the objective.
- 1.7 A survey of Council Assets, informed by an assessment of energy consumption data, highlighted buildings for prioritisation based on where the highest tCO<sub>2e</sub> would be saved. Buildings that did not meet the application criteria or those identified for alternative projects were excluded, with the final selection presented and approved at both Environment Board and Estates Programme Board prior to the submission of the application.
- 1.8 In November 2023, the Council submitted an application to Salix for heat decarbonisation and building fabric and energy efficiency improvements to nine Council buildings at a project value of £5,479,408. The buildings included are:
- Immingham Swimming Pool
  - Humber Seafood Institute
  - Grimsby Leisure Centre
  - Grimsby Crematorium
  - Grimsby Education and Development Centre
  - Cromwell House
  - Poplar Road Business Units
  - Poplar Road Offices
  - Doughty Road Depot Offices

- 1.9 The funding will be used to remove the existing fossil fuel reliant heating system, replace with a low carbon alternative heating system, and implement additional building fabric and energy efficiency improvements as well as Building Management Systems for monitoring. Approval has been sought from Equans Operations Board to support on the delivery of the project, if successful. Full detail of the proposed measures in the PSDS Phase 3c application for each site are supplied in the appendix.
- 1.10 The grant funding requires the Council to contribute £657,529 of the total project value, to equal the like-for-like replacement costs of the fossil fuel reliant heating system.
- 1.11 If the application is successful, the Council will be awarded £4,821,879 in grant funding for the project.
- 1.12 The Council has not had confirmation of the outcome of the grant application. It is expected that if successful, confirmation and grant offer letters will be issued by the end of March 2024.
- 1.13 If all measures are installed on all nine sites, the predicted combined annual cost savings for the Council is expected to be £207,732 for energy bills, 4,178,341 kWh for annual energy savings and 932.88 for direct annual carbon savings.

## **2. RISKS AND OPPORTUNITIES**

- 2.1 Accepting the funding if successful will provide the Council with a wider range of options to reduce CO<sub>2</sub> emissions within the Borough and reduce energy cost to the Authority.
- 2.2 A condition to the funding is that any project shortfalls which emerge are met by the Local Authority and funding may have to be repaid if projects do not complete on time. This risk is important because of current unpredictability in costs of building materials. To mitigate this risk the Council will put in place robust project management controls both to ensure that costs are only incurred once there is clarity that projects can be delivered on budget and on time.
- 2.3 Unpredictable and fluctuating gas and electricity prices may result in lower annual energy cost savings than expected. Additionally, if there is extreme weather and the efficiency of the low carbon alternative system is reduced, it may cost more to run the low carbon alternative system than the gas boiler previously used. This risk is important because of the reduction in the potential energy cost savings for the Council. To mitigate this risk the most suitable low carbon alternative system was chosen for each building and building fabric measures considered around the new system to allow the system to run at its highest efficiency.

### **3. OTHER OPTIONS CONSIDERED**

- 3.1 **Do Nothing** – To do nothing would mean that the Council would not complete these heat decarbonisation works and would not make carbon emissions savings on these nine buildings, which would negatively impact the progress being made to reach the accelerated strategic priority of achieving net zero by 2030.
- 3.2 **Use North East Lincolnshire Council Funding** – the Council could use capital funding to carry out these works, to decarbonise the heating systems of the nine buildings and carry out energy efficiency and building fabric improvements. This would affect the availability of capital funding for other projects.
- 3.3 **Reject the Funding This Year and Reapply in The Coming Years** – the Council could decline the funding this year and use the same application to apply for PSDS funding for the next phase. There is a risk that the criteria would change for the next phase and our projects would no longer be suitable for the grant. There is also the risk that we would not be successful with the next phase iteration of the grant. PSDS grants are highly competitive and work on a first-come-first-serve basis, without confirmation of the amount of funding available in the coming years it is likely that the next PSDS phases will be even more competitive.
- 3.4 **Accept the Funding** – This is the preferred option, delivering the scheme outlined in the report. This is the preferred option as this would deliver substantial decarbonisation improvements and future energy savings for the Local Authority, without the requirement of using local funding.

### **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

- 4.1 Accepting the grant funding will generate positive reputational and communications benefits for the Council, as it will reduce our CO<sub>2</sub> emissions and show progress towards our accelerated strategic priority to reach net zero by 2030.
- 4.2 Public consultation on the strategic aims in the Net Zero Carbon Roadmap and delivery focus returned an overwhelming support for local climate and environmental action.

### **5. FINANCIAL CONSIDERATIONS**

- 5.1 To achieve the proposed heat decarbonisation and building fabric and energy efficiency improvements to nine Council buildings, if successful, by securing £4,821,879 grant funding for the project.
- 5.2 The Council to match funding £657,529 for the like-for-like replacement of fossil fuel reliant heating systems.

- 5.3 There are expected annual energy cost savings of £207,732 through the transition to the low carbon alternative heating system, as well as the building fabric and energy efficiency improvements made in the buildings.

## **6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS**

Our environmental strategies aim to improve the environment for the benefit of current and future generations. Children and young people are especially concerned about our environment, and it is essential to engage with them on environmental matters.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

- 7.1 Through building fabric improvements and energy efficiency improvements NELC will be consuming resources more efficiently and investing in the green economy and infrastructure, contributing to the Council's environmental priorities.
- 7.2 Replacing end-of-life and aging boilers with low carbon alternative systems instead of like-for-like fossil fuel reliant systems is contributing to the Council's environmental priority of working towards a low carbon North East Lincolnshire that is prepared for, and resilient to, the impacts of climate change.

## **8. CONSULTATION WITH SCRUTINY**

The report will not be presented to Scrutiny Panel at this time.

## **9. FINANCIAL IMPLICATIONS**

As outlined in the report, if the bid is successful, acceptance of the funding would require the Council to contribute match funding of £657,529. This is not currently included within the Council's approved Capital Investment Programme and would incur additional borrowing costs.

## **10. LEGAL IMPLICATIONS**

- 10.1 If the application is accepted and an award made, then subject to the stated contribution, immediate legal implications arising will be around the terms and conditions of external grant funding and the completion of funding agreements and ancillary documentation. Legal Services will support this process, ensuring the interests of the Council are reasonably protected.
- 10.2 As individual projects arise throughout the delivery phase Legal Services will continue to support colleagues.
- 10.3 The delegations sought are appropriate to an exercise of this nature.

## **11. HUMAN RESOURCES IMPLICATIONS**

There are no direct HR implications contained within this report.

## **12. WARD IMPLICATIONS**

The nine buildings affected are located in multiple wards across the Borough.

## **13. BACKGROUND PAPERS**

[NELC Net Zero Carbon Roadmap](#)

[Environment Vision Summary \(nelincs.gov.uk\)](http://nelincs.gov.uk)

## **14. CONTACT OFFICER**

**Carolina Borgstrom, Director Environment, Economy and Infrastructure**  
North East Lincolnshire Council, Tel: 01472 326207

**Kath Jickells, Assistant Director Environment**  
North East Lincolnshire Council, Tel: 01472 323629

**Dee Hitter, Head of Environmental Sustainability**  
North East Lincolnshire Council, Tel: 01472 323403

**Councillor Philip Jackson, Leader of the Council and Portfolio Holder for  
Economy, Net Zero, Skills and Housing**





## APPENDIX – PSDS 3c Buildings and Technology Appendix

Building	Proposed Low Carbon Heating Technology	Building Fabric Improvements and Energy Efficiency Measures
Immingham Swimming Pool	Cascading CO <sub>2</sub> air source heat pump	<ul style="list-style-type: none"> <li>• Controls and Building Management Systems</li> <li>• Air handling unit motor</li> <li>• Ventilation</li> </ul>
Humber Seafood Institute	Air source heat pump	<ul style="list-style-type: none"> <li>• Solar PV</li> <li>• Improved controls and Building Management Systems</li> </ul>
Grimsby Leisure Centre	Cascading CO <sub>2</sub> air source heat pump	<ul style="list-style-type: none"> <li>• Air handling unit motor</li> <li>• Controls and Building Management Systems</li> <li>• Ventilation</li> </ul>
Grimsby Crematorium	Electric cremator waste heat recovery system	<ul style="list-style-type: none"> <li>• Solar PV</li> <li>• Improved controls and Building Management Systems</li> <li>• Ventilation</li> </ul>
Grimsby Education and Development Centre	Air source heat pump	<ul style="list-style-type: none"> <li>• Controls and Building Management Systems</li> </ul>
Cromwell House	Air source heat pump	<ul style="list-style-type: none"> <li>• Loft and wall insulation</li> <li>• Controls and Building Management Systems</li> </ul>
Poplar Road Business Units	Electric warm air heaters	<ul style="list-style-type: none"> <li>• Controls and Building Management Systems</li> <li>• Solar PV</li> </ul>
Poplar Road Offices	Air source heat pump	<ul style="list-style-type: none"> <li>• Controls and Building Management Systems</li> <li>• Loft insulation</li> </ul>
Doughty Road Depot Offices	Air source heat pump	<ul style="list-style-type: none"> <li>• Controls and Building Management Systems</li> <li>• Loft and wall insulation</li> <li>• Solar PV</li> </ul>