

DERBYSHIRE COUNTY COUNCIL

CABINET

11 MARCH 2021

**Report of the Managing Executive Director Commissioning, Communities
and Policy**

**PUBLIC SECTOR DECARBONISATION SCHEME AND THE INSTALLATION
OF LOW CARBON HEAT TECHNOLOGIES**

(Corporate Services)

1. Purpose of the Report

To seek the Cabinet approval to:-

1.1. accept £1,891,220 of Section 31 grant funding to install low carbon heat technologies.

1.2 utilise £36,623 of capital funding that was allocated in 2012 for carbon reduction projects to match fund the Section 31 grant.

1.3 use the Crown Commercial Services' Heat Networks and Electricity Generation Assets Framework Dynamic Purchasing System under protocol 2A of the County Council's financial regulations for the supply and installation of low carbon heat technologies.

2. Information and Analysis

In November 2019, the Council approved two key documents; the Derbyshire Environment and Climate Change Framework, which sets out how the Council will work with partners to achieve a county wide net zero greenhouse gas emissions target by 2050; and the Carbon Reduction Plan, which set an ambitious target to have net zero greenhouse gas emissions from its estate and operations by 2032.

In the 2020 Summer Statement, the Government announced £3bn of green investment for energy efficiency improvements to domestic and public sector buildings. On 30 September, the Department for Business, Energy and Industrial Strategy (BEIS) launched

two grant funding schemes for public sector bodies, both of which are being administered by Salix Finance Ltd, as follows;

- **Public Sector Decarbonisation Scheme (PSDS)**

This is a £1bn capital programme, providing up to 100% of all capital costs of an eligible project, to help stimulate the economic recovery and prioritise the decarbonisation of heat in public buildings. The grant scheme was open to applications until 11 January 2021 and projects with a completion date of 31 March 2021 were prioritised for funding and where they couldn't complete by then, projects should have a project completion of 30 September 2021.

- **Low Carbon Skills Fund (LCSF)**

This is a £32M revenue programme, providing up to 100% revenue grants to help public sector bodies to engage specialist and expert advice to identify and develop low carbon heat upgrades and energy efficiency projects for public sector buildings and then prepare robust and effective applications to the PSDS. The LCSF was open to applications until 4 December 2020, with a commitment that successful applicants must then submit a bid to the PSDS by 11 January 2021.

This presented an opportunity to explore and finance low carbon heat projects within the Council's estate to help contribute to the Council's net zero ambitions. As such, an application was submitted to the LCSF on 24 November 2020 for £446k to undertake feasibility and design work to switch 31 existing oil heated sites a to low carbon heat source; and switch 2 existing gas heating systems to low carbon heat sources.

On 3 December 2020, the Council was notified that applications to the PSDS had exceeded the £1bn budget. As such, the Council were asked to stipulate whether they wanted to withdraw their application to the LCSF or keep it in the system in the hope that more funding would become available in future, the latter option was chosen. Following further dialogue with Salix during December, the initial application to undertake feasibility at 33 sites was reduced to 3 sites and the Council was awarded £11k to undertake feasibility work looking at the switch to low carbon heat sources at Buxton Junior School, Ambergate Transport Workshop and Whitehall Centre. Although the PSDS had been oversubscribed, the condition of the LCSF grant was that the feasibility work still had to be completed and an application submitted to the PSDS by 11 January 2021, with a view that it will be held in a queue should any future funding be made available.

A bid to the PSDS was made for £1,927,843 for the replacement of oil boilers at Ambergate Transport Workshop to air source heat and at Whitehall Centre to ground

source heat; and the replacement of a gas boiler at Buxton Junior School with air source heat and solar PV.

On 29 January 2021, Salix informed the Council that as the PSDS grant fund was oversubscribed, they were eligible to receive the grant through Section 31 of the Local Government Act. The criteria of the Section 31 grant is the same as the PSDS grant in that the investment must achieve a ratio of £500 for each tonne of CO₂ saved throughout the lifetime of the project and that projects must be completed by September 2021. Due to the delays in allocating the funding, Salix has since suggested seeking extensions until the end of March 2022.

Following the technical assessment of the Council's application, the cost of investment was higher than the £500/tCO₂ criteria and as such, Salix has confirmed that grant funding of £1,891,220 will be allocated and the Council will need to match this by £36,623. It is proposed that this is met from the Council's 2012 capital allocation for carbon reduction projects, of which there is £218k remaining.

From the initial feasibility work that was undertaken through the LCSF, the anticipated cost and carbon savings for each project are detailed below;

	Project cost	Annual cost saving	Annual CO ₂ e saving
Ambergate Transport Workshop	£825,518	£12,130	95 tonnes
Whitehall Centre	£801,561	£8,750	109 tonnes
Buxton Junior School	£300,764	£80	26 tonnes

The sites selected to benefit from low carbon heat installations have been selected in accordance with on-going asset management processes that are used to determine the Council's future portfolio. As a school, there are no plans to dispose of Buxton Junior School. Discussions have taken place with Children's Services and there are no current plans for disposal of Whitehall Centre. The installation of low carbon technology aligns closely with the ethos of the facility and its outdoor and environmental education programme. There is currently a review of the Council's depots of which Ambergate Transport Workshop has formed part of and a decision will be made by the governance group as whether to pursue the scheme at Ambergate prior to any commissioning of works.

Due to the project delivery timescales, it has been determined that accessing an existing framework will be the most efficient route to market for the supply and installation of low

carbon heat technologies. Crown Commercial Services (CCS) have procured an OJEU compliant dynamic purchasing system (DPS), "Heat Networks and Electricity Generation Assets DPS", for energy management and generation services, which runs until November 2022. It is proposed that the Council accesses Lot 2 of this DPS, which is for the delivery and installation of services. Call-off from the CCS DPS will be by way of mini-competition.

In accordance with Protocol 2A of the County Council's Financial Regulations a business case for the use of the Crown Commercial Services Dynamic Purchasing System, Heat Networks and Electricity General Assets for energy management generation services has been approved by the Director of Finance and ICT and Director of Legal Services.

In accordance with Protocol 2B of the County Council's Financial Regulations Call-off from the Crown Commercial Services DPS is delegated to the Managing Executive Director.

The design and project management of the low carbon heat projects will be delivered through the Joint Venture with Concertus Derbyshire Ltd.

3. Financial Considerations

The Public Sector Low Carbon Skills Fund via Section 31 grant will provide up to 100% grant funding. Due to the eligibility criteria of an investment of £500 for each tonne of CO₂ saved, the Council will receive 98% of project costs from Section 31 grant and will meet 2% of the costs via the Council's 2012 capital allocation for carbon reduction projects of which there is £218k remaining. From the savings estimated through the feasibility, the Council's allocation will have a simple payback period of 1.75 years.

The installation of low carbon heat will result in higher annual maintenance costs as the cost of maintaining low carbon heat technologies is higher than maintenance of oil and gas boilers. Where ground source and air source systems are already installed in Council buildings, annual maintenance checks are approximately £200 compared with £45 for gas and oil maintenance checks.

4. Legal Considerations

The Director of Legal Services is satisfied that on the basis of the information set out in the report the proposed use of the Crown Commercial Services DPS is in accordance with the Council's Financial Regulations.

5. Environmental Considerations

The Council has adopted an ambitious target to become net zero emitter of greenhouse gases by 2032. As of 2020, greenhouse gas emissions from the Council's operational estate and schools were 26,958tCO₂e. These projects will reduce annual emissions by 230t. Approximately 1% of current emissions.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered; prevention of crime and disorder, equality and diversity, human resources, environmental, health and transport and social value considerations.

7. Key Decision **YES**

8. Call-in

Is it required that call-in be waived for any decision on this report? **NO**

9. Background Papers

These will be available via the Director of Property.

10. Officer's Recommendation

That Cabinet:

10.1 Agrees to accept the £1,891,220 of Section 31 grant funding for the installation of low carbon heat technologies.

10.2 Approves the use of £36,623 from the Council's 2012 capital allocation for carbon reduction projects.

10.3 Approves the use of the Crown Commercial Services' Heat Networks and Electricity Generation Assets Framework Dynamic Purchasing System under protocol 2A of the County Council's financial regulations for the supply and installation of low carbon heat technologies.

EMMA ALEXANDER
Managing Executive Director
Commissioning, Communities and Policy