

Report to Cabinet

8 March 2021

Subject:	Signing of the Public Sector Decarbonisation Scheme Grant Offer Letter
Cabinet Member:	Councillor Millard Cabinet Member for Inclusive Economic Growth
Director:	Interim Director of Regeneration and Growth Tammy Stokes
Key Decision:	Yes however the matter could not be published in the 28 day notice due to the timescales attached to the process and to delay the decision could result in the Council not receiving funding to install more carbon intensive gas fired boilers.
Contact Officer:	Strategic Lead Design Manager, Mark Drake Senior Energy Officer, Phil Kingston

1 Recommendations

- 1.1 That approval be given to authorising the Head of Finance and Acting Section 151 Officer to sign the Section 31 Grant Offer Letter for the Public Sector Decarbonisation Scheme (PSDS).

2 Reasons for Recommendations



- 2.1 On the 26 February 2021, SMBC was successful in being offered a PSDS grant of £2,573,404 towards low carbon heating solutions at 5 sites.

Salix have said the Council must accept this offer by the 9th March or “...it becomes a risk that BEIS will not be able to process all documents in time and therefore will not accept the submitted documents, essentially pulling the funding”.





- 2.2 Heating is typically a costly area to reduce carbon emissions and external funding is often required if traditional, carbon intensive gas or oil fired boilers are avoided. Use of the PSDS grant is needed if the Council is to install low carbon heating (heat pumps) at a number of sites without these high costs.
- 2.3 Installing the low carbon heating solutions will promote the Council's reputation as being serious about climate change, reduce our emissions by equivalent to 340 tonnes of carbon dioxide per year and support commitments in the Climate Change Strategy to be carbon neutral by 2030.
- 2.4 In addition to subsidising heat pumps, the grant offer includes the installation of Solar PV panels on Sandwell Council House and other sites, reducing the solar PV installation costs by up to 70%
- 2.5 Without use of the PSDS it would cost an estimated £3.51m to install the low carbon heating. The PSDS grant reduces installation costs to £0.19m above costs needed in the short term to repair/replace the heating systems with more carbon intensive gas fired systems.
- 2.6 Use of the grant further highlights the Council's ability to act quickly in order to take advantage of Government funding.

3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people: installing the heat pumps at schools will replace existing aged plant, reducing risk of closure through failed heating systems. The use of new technologies can also highlight changes taking place as we move to a low carbon society.</p>
	<p>People live well and age well: the move to heat pumps for heating is essential if SMBC and the UK Government are to meet their net zero carbon targets and limit the impacts of climate change. The impacts of climate change on health and wellbeing disproportionately effect the most vulnerable.</p>



	<p>Strong resilient communities: reducing carbon supports our commitments to clean and green environments for our residents. The heat pumps will be part of our robust response to climate change, helping improve quality of living.</p>
	<p>A strong and inclusive economy; heat pumps reduce reliance on traditional gas fired boilers in line with central governments' push to low carbon heating systems and the creation of 'green jobs'. New heating systems require new skills and use of heat pumps in our estate and schools will support their rollout to the wider community and help prepare the workforce for coming change</p>

4 Context and Key Issues

4.1 Previous Consultation

4.1 The application deadline and timescale for delivery of the PSDS were extremely short and to facilitate the Council's chances of a successful application and subsequent delivery of the scheme the following was agreed as per **Cabinet Minute No. 112/20 (9 December 2020)**:

(1) that the Director of Regeneration and Growth be authorised, in consultation with the Cabinet Member for Inclusive Economic Growth, to submit an application to the Public Sector Decarbonisation Scheme (PSDS) by 11 January 2021 subject to (i) a satisfactory Strategic Investment Unit (SIU) assessment being achieved, and (ii) the Interim Director - Regeneration and Growth and Director of Law and Governance and Monitoring Officer and Section 151 Officer being satisfied with regards to the proposed governance arrangements (including terms and conditions) governing the scheme prior to formal submission of the application;

(2) that subject to Resolution (1) above, and in the event the application is successful, the Interim Director of Regeneration and Growth, Section 151 Officer and Director of Law and Governance and Monitoring Officer, be authorised to enter into a financial agreement with the Public Sector Decarbonisation Scheme, in accordance with the Council's contract and procurement rules and financial rules/regulations;



(3)that, subject to Resolution (1) and (2) above, to authorise the Director of Law and Governance and Monitoring Officer to enter into or execute under seal any documentation in relation to the award of the contract and/or development/partnership agreement with the properly procured contactor from the CWM Repair and Maintenance framework, for the delivery of any works associated with and in accordance with the Public Sector Decarbonisation Scheme funding agreement, on terms to be agreed with the Interim Director - Regeneration and Growth.

In addition to the above:

1. The Deputy Leader of the Council, acting in accordance with her delegated authority Agreed:-
2. Further to Cabinet Minute No. 112/20 (9 December 2020), that approval is given to submit an application to the Public Sector Decarbonisation Scheme (PSDS) in advance of 11 January 2021 without a Strategic Investment Unit (SIU) assessment on the basis that the authority will not accept any grant or enter into any funding agreement until after the appraisal is undertaken and a sufficient score has been obtained

Project developments

- 4.2 The PSDS is funded by the Department for Business, Energy and Industrial Strategy and changes to their requirements mean the grant is now being offered under Section 31 and must be allocated in the 2020/21 financial year. This has reduced available timescales for accepting the funding and confirming project costs.
- 4.3 With continued development of the schemes, the estimated cost has increased to £3,513,544 and the grant has increased to £2,573,404. Should the council not use the PSDS the sites will require an estimated £750,000 to repair or replace the existing heating systems in the near future but with carbon intensive gas fired boilers. The PSDS grant would mean the Council potentially contributing a further £190,149 to implement low carbon schemes. If required, this £190,149 would be provided by the additional 21/22 PMA budget.



This is summarised as below:

Funding source	
Grant	£2.573m
Existing PMA planned works	£0.55m
Existing SRA planned works	£0.2m
Additional PMA funding required	£0.19m (as part of the additional PMA budget in 21/22)
TOTAL	£3.513m

- 4.4 It is recognised that the proposals were developed using delegated authority, but now need revisiting in line with this potential requirement for match funding.
- 4.5 The change in budget costs are due to a range of factors, including increased costs for upgrading electrical supplies and the addition of solar photovoltaic panels to generate electricity on site. The £3,513,544 includes a 10% contingency and is based on prices developed in January for the application. As designs have progressed some costs are known to have reduced although final figures cannot be confirmed at this stage.
- 4.6 The grant value has increased since December's Cabinet Report to reflect additional requirements for electrical upgrades, the addition of solar PV and increased carbon reduction as outline designs have developed. The use of solar PV will reduce electricity costs by £23,000/yr. This will offset potential increases in running costs from switching to electric heating and contribute towards paying back additional installation costs, in addition to providing net zero carbon electricity.
- 4.7 Salix are aware that due to the timescales involved authorities are still developing projects and may need to tender for final costs or submit for planning and this could affect deliverability. Salix have confirmed that should projects not take place, the carbon savings would be recalculated and excess grant funding returned to BEIS and that a mechanism for this will be established.
- 4.8 From an initial review of the project, SIU expect scoring of the PSDS grant to be satisfactory.



4.9 Budget holders and finance officers for the PMA and SRA have confirmed that match funding is available for the schemes but the decision to proceed will depend on final project costs.

5 Alternative Options

5.1 The council could not make use of the PSDS grant and install more carbon intensive gas fired boilers.

5.2 Projects may need to be cancelled due to e/g planning rejection or an increase in project costs making projects unviable. The grant value would then be recalculated, excess funds returned to BEIS and gas fired heating systems would most likely be used instead.

6 Implications

Resources:	<p>Short timescales mean officers will need to provide related information and to work up detailed designs as a priority if deadlines are to be met.</p> <p>Match funding requirements will need to be met from PMA and SRA accounts.</p>
Legal and Governance:	<p>The Project would be delivered under the CWM framework. The tendering process for the CWM Framework has been fully supported by colleagues within Procurement.</p> <p>Following approval, all contracts will be awarded in accordance with the council's Procurement and Contract Procedure Rules and the Public Contracts Regulations 2015.</p>
Risk:	<p>A risk register has been compiled prior to SIU assessment and will be reviewed and updated on a regular basis should grant funding be accepted. UDBS are experienced at delivering this type of projects and arrangements are in place to effectively manage and mitigate the risks identified. Major risks are identified below:</p> <ul style="list-style-type: none"> • Inability to collect required information and obtain internal approval for all sites.



	<ul style="list-style-type: none"> • Unable to deliver all projects by the long stop date of 31st September 2021. • Procurement - Inability to engage suitable external contractors in time if CWM framework is not used. • Project costs may vary from the cost estimates provided for the purposes of the bid as the designs are further developed.
Equality:	An Equality Impact Assessment was not undertaken as this is a renewal of an existing contractual
Health and Wellbeing:	Use of the grant would reduce carbon emissions with associated benefits through reducing the impacts of climate change
Social Value	<p>Upskilling of the local workforce from the installation and maintenance of the heating systems.</p> <p>In support of the council's social value charter the tender sets out the following question which forms part of the overall scoring process.</p> <p>The full range of outputs will be monitored throughout the delivery of the contract in accordance with the commitments made when the Council procured the suite of framework contracts to ensure that the commitments made are honoured and further development is encouraged in line with community wealth building principles.</p>

7. Appendices

None

8. Background Papers

Public Sector Decarbonisation Scheme Guidance notes
Public Sector Decarbonisation Scheme T&Cs

