



OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE

Governance and Resources Committee – 21 March 2024

PUBLIC SECTOR DECARBONISATION SCHEME 3C – ENERGY EFFICIENCY IMPROVEMENTS AT NORTHWOOD DEPOT

Joint Report of the Director of Resources and the Director of Regulatory Services

Report Author and Contact Details

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Wards Affected

Darley Dale

Report Summary

This report seeks the Committee's approval for one new bid for a capital project to be referred to Council for inclusion in the District Council's Capital Programme 2024/25.

Recommendations

1. That the Committee approves the new bid.
2. That Council be requested to include £153,137 in the capital programme for 2024/25 for Public Sector Decarbonisation Scheme 3c energy efficiency improvements to Northwood Depot, with £51,380 being financed by grant and £101,757 of match funding being financed from Capital Receipts.

List of Appendices

None

Background Papers

None

Consideration of report by Council or other committee

Council – 4 April 2024

Council Approval Required

Yes

Exempt from Press or Public

No

Capital Bid for Inclusion into the Capital Programme 2024/25 for Public Sector Decarbonisation Scheme 3c energy efficiency improvements to Northwood Depot,

1. Background

- 1.1 The Council's Financial Regulations specify that new bids for inclusion in the capital programme should be presented to the relevant policy committee for approval, prior to being recommended for approval to Council. This report would normally have been presented to the Community & Environment Committee but is presented to this Committee due to the timescales for acceptance of the grant and to avoid a delay in the commencement of the project.
- 1.2 The Council has received a grant offer from the Public Sector Decarbonisation Scheme (PSDS) phase 3c of £51,380 with a requirement to provide match funding of £101,757 for energy efficiency improvements to Northwood Depot.
- 1.3 The PSDS provides grants for public sector bodies to fund heat decarbonisation and energy efficiency measures, putting the public sector at the forefront of decarbonising buildings in the UK and in a leadership role to create exemplar projects in our communities that pave the way to help the UK meet its Carbon Budgets and Net Zero commitments. It is aimed at taking a 'whole building' approach to heat decarbonisation, combining heat decarbonisation with energy efficiency measures. Most of the buildings in the public sector still rely on fossil fuel-based heating and, as these heating systems approach the end of their working lives, it is an ideal opportunity to transition those systems to low carbon heating.
- 1.4 The Council's approved Climate Change Strategy and Action Plan set out a pathway to reducing emissions from Council operations to achieve net zero by 2030. This included energy efficiency projects at key sites, electrification of heating and installation of roof mounted solar PV panels to reduce electricity consumption.
- 1.5 The PSDS grants are available through a competitive process administered by Salix on behalf of DESNZ (Department of Energy Security and Net Zero). The Council has previously been successful in being awarded Phase 1 funding (£734k – Ashbourne Leisure Centre), Phase 3a funding (£562k – Town Hall and ABC) and Phase 3b funding (£1.9m - Arc and Wirksworth Leisure Centres). The Phase 1 project is complete, the phase 3a projects in the final stages and the Phase 3b project is just about to start delivery, due to complete by March 2025.
- 1.6 Following submission of a bid in November 2023, technical and delivery interviews in January 2024 and a process of review the Council received a grant offer letter in late February 2024.

2. Key Issues

2.1 The proposed works at Northwood Depot comprise the following:

- heat decarbonisation; replacement of existing gas boiler with air source heat pump and hot water cylinder. Eliminate gas demand, replace life expired boiler at risk of failure (the boiler was installed in 2005), improve heating control and reduce carbon emissions.
- fabric improvement; install insulation at ceiling level through all staff back-office areas. Currently the ceilings are uninsulated with uninsulated mezzanine floor structure above, with intermittently heated storage and workshop facilities above. The insulation will reduce heat loss from the staff areas, provide quicker heating response times, improve overall thermal comfort, and reduce heating demand.
- low energy lighting: the highest use workshop lighting, and office lighting have previously been replaced, the remaining lighting to the mezzanine areas and covered workshop areas is the original fluorescent tube lighting. Replacing with LED lighting and PIR controls will complete all replacement of all the lighting in the building with low energy lighting and reduce electrical demand.
- solar PV; as the building moves away from gas to electric heat sources, the electricity consumption and therefore bills will increase. Utilising a PV installation will offset the increased costs and ensure a green source of electricity.

2.2 The installation of the above measures is predicted to save 9 tonnes of carbon a year.

2.3 The net revenue benefit is predicted to be £16k/year with a payback period of 9 years on the total investment.

2.4 The funding formula used in the assessment of PSDS projects in phase 3 prioritises costs associated with saving direct carbon i.e., by removing and replacing gas heating. It caps the value of building fabric improvements and energy efficiency measures e.g., insulation and solar PV. As such applicants are not only required to contribute the “like-for-like” costs of the project (all the costs incurred should the existing heating system be replaced with a typical fossil fuel heating system of the same type and size) but also any additional costs associated with the fabric improvements and energy efficiency measures that exceed the cap.

2.5 A contribution of £101,757 is therefore required to access the grant funding with a total project value of £153,137.

- 2.6 It should be noted at this stage that the total project value is pre procurement, based on budgetary figures developed at application stage in conjunction with Atkins Realis as a technical consultant partner. Costs were reviewed by a Quantity Surveyor utilising experience of recent comparable projects and for significant items such as the heat pump and solar PV manufacturer quotes were obtained. Contingency has been built into the project at 10%. While every effort will be made to ensure the project value does not increase, the terms of the grant are such that covering any increase is the responsibility of the Council. No additional funding will be provided from Salix.

3. Options Considered and Recommended Proposal

- 3.1 Option One - not to proceed with this project, this would mean rejecting the grant offer and turning down our allocation. This option is not recommended as:
- there may be some reputational risk associated with rejecting the offer
 - significant work has been undertaken to get to the stage of the grant offer
 - the improvements at Northwood Depot are key to the Council becoming net zero by 2030.
- 3.2 Option Two – approve the recommendation to seek Council approval to include the project in the capital programme for 2024/25 with a total estimated cost of £153,137, with £51,380 financed by grant and £101,757 of match funding provided from capital receipts.

4. Consultation

- 4.1 None

5 Timetable for Implementation

- 5.1 Bids that are approved by this Committee will be referred to the meeting of Council on 4 April 2024 for approval to include them in the Capital Programme for 2024/25.
- 5.2 If approved by Council, officers will have the authority to incur expenditure within project budgets.
- 5.3 While a detailed project delivery programme has yet to be developed the project will deliver by March 2025 in accordance with the terms of the grant offer letter.

6 Policy Implications

- 6.1 Capital investment in the Council's assets is necessary to continue to provide effective services.
- 6.2 The recommendation aligns with the approved Climate Change Strategy and Action Plan.

7 Financial and Resource Implications

- 7.1 The estimated cost of this capital project is £153,137. It is proposed that it is financed by a capital grant of £51,380 and £101,757 of match funding provided from capital receipts, subject to the approval of this Committee and Council. Sufficient resources are available to finance this proposed new bid for inclusion in the capital programme. However, Council will need to assess the overall affordability of the capital programme, considering potential future liabilities and sources of funding.
- 7.2 The net revenue benefit is predicted to be £16k/year with a payback period of 9 years on the total investment.
- 7.3 The financial risk of this bid is assessed as medium.
- 7.4 The project would be managed by the Climate Change Project Officer working alongside the Estates & Facilities Manager.
- 7.5 Atkins Realis supported in the development of the successful bid and would continue to act as professional advisor to ensure that the project is steered safely through the whole project lifecycle. Including –
- ensuring the employers requirements are suitably developed
 - engaging contractors
 - contract management
- 7.6 Atkins Realis are already engaged by the Council under their existing DDDC Minor Projects Pagabo NEC4 Professional Services Contract.

8 Legal Advice and Implications

- 8.1 As stated above, this report seeks the Committee's approval for one new bid for a capital project to be referred to Council for inclusion in the District Council's Capital Programme 2024/25.
- 8.2 The legal risk associated with taking the recommended decision has been assessed as low.

9 Equalities Implications

- 9.1 There are not considered to be any equality implications arising from the recommendations of this report.

10 Climate Change Implications

- 10.1 As per paragraph 2.2 delivery of the project would reduce carbon emissions from one of the Council's key sites and is aligned with the aims of the Corporate Plan - reducing emissions from Council operations to achieve net zero by 2030.

11. Risk Management

- 11.1 Financial and legal risks have been assessed above.

11.2 A draft risk assessment was developed at grant application stage. The key risks are summarised below –

Description of Risk	Level of Risk	Type of Risk	How will the Risk be Managed and Mitigated?
Reliance on existing/as built information; accuracy cannot be guaranteed	Moderate	Achieving savings	Building detailed model during design process to further calculate heat loss.
Material costs escalating	Moderate	Cost	Monitor material and product prices during this on-going period of volatility. Produce robust cost plan with regular market tested reviews
Incoming electrical supply	Low	Project Delivery	Supply checks undertaken and capacity available.

11.3 A more detailed risk register will be developed as part of the project.

Report Authorisation

Approvals obtained from Statutory Officers:-

	Named Officer	Date
Chief Executive	Paul Wilson	11/03/2024
Director of Resources/ S.151 Officer	Karen Henriksen	06/03/2024
Monitoring Officer	Helen Mitchell	12/03/2024