

Report to: EXECUTIVE CABINET

Date: 23 March 2022

Executive Member: Allison Gwynne, Executive Member for Neighbourhoods, Community Safety and Environment

Reporting Officer: Ian Saxon, Director of Place

Subject: PUBLIC SECTOR DECARBONISATION SCHEME FUNDING ROUND THREE

Report Summary: Public Sector Decarbonisation Scheme round three (PSDS3) is open for funding to support Tameside – taking a GMCA consortium approach once again – to further decarbonise public buildings in the borough. This round is different to previous rounds in that there is a requirement for the council to match fund for certain components. This report condenses the facts of the current PSDS3 bid application and underlines the need to pursue this work.

Six sites have been identified where heating plant and associated equipment is at the end of its viable life. With escalating fuel costs as well as our commitment to respond to the climate emergency – refitting these sites with low-carbon alternatives is both morally and financially prudent. After adjustment from GMCA in late February 2022, the cost of the works is now projected at £2,971,808. The grant total that the Council can apply for is £1,918,258 (65% of the total programme cost) requiring a match funding sum of £1,053,550 (35%) via the Council.

Revenue savings are calculated at £912,560 over the twenty year lifecycle of the programme (this being a conservative estimate as energy prices have become so volatile – savings could be significantly more).

The amount of carbon proposed to be eliminated is calculated to be 6,802tonnes CO₂e – again over the twenty year projected lifecycle.

Regarding both revenue costs and carbon emissions – it is likely the proposed investment will, in reality, continue to deliver savings beyond that twenty-year threshold.

Recommendations:

That Executive Cabinet be recommended to agree:

- (i) That in principal, the Council enters into a contract with the Greater Manchester Combined Authority subject to the necessary due diligence for the purposes of disbursement of funding in relation to the PSDS award, based on submission of invoices for completed individual measures. The governance required to enter into this contract will be subject to an Executive Decision (ED) at a later date.
- (ii) That the Council agrees that the delivery of design works and installation of measures will be undertaken via the Council's arrangement with the LEP (via Robertson) and the associated supply chain utilising the Tameside Additional Services Contract (TAS).
- (iii) To approve the inclusion of the phase 3 Decarbonisation

programme (estimated total cost of (£2,971,808) within the Council's approved capital programme as set out in **Appendix 1**. Any subsequent variance to the estimated cost and funding of the programme will be subject to separate governance at a later date.

- (iv) To approve the allocation of £599,000 to support the match funding required to finance the phase 3 Decarbonisation programme. The sum to be allocated via the Planned Preventative Maintenance capital budget allocation of £1,896,000 that was approved at the Executive Cabinet on 29 September 2021 — agenda item 7, Capital Programme and Financing Update report refers.
- (v) That the Council notes that works will be expected to be completed by 31 March 2023.

Corporate Plan:

This programme delivers specifically on the asset based approach to delivering modern infrastructure and a sustainable environment that works for all generations and future generations.

Policy Implications:

In line with the mandate to actively decarbonise TMBC buildings and services as per the Climate Change & Environment Strategy and associated action plans – specifically the Homes, Buildings & Workplaces action plan.

**Financial Implications:
(Authorised by the statutory
Section 151 Officer & Chief
Finance Officer)**

The report provides details of six decarbonisation schemes that can be supported by grant funding allocated by the Greater Manchester Combined Authority (GMCA) of £1,918,258. The schemes also require match funding investment via the Council of £1,053,550 (**Appendix 1** refers).

The summary of match funding available to support this investment request is as follows :

Funding Allocation	Estimate £'000
2022/23 DfE School Condition Grant (subject to confirmation) – St John's and Stalyhill Juniors schemes	225
Existing Approved Council Capital Programme – Place Directorate – Retrofit scheme	230
Planned Preventative Maintenance Capital Budget Allocation of £1,896,000 - approved at the Executive Cabinet on 29 September 2021 — Agenda item 7 Capital Programme and Financing Update report refers	599
Total Match Funding	1,054

It should be noted that the total cost of the work programme (£ 2,971,808 – **Appendix 1** refers) is estimated at this stage and will be subject to procurement via the Tameside Additional Services contract (recommendation 2 refers). Further governance will be required to approve any subsequent cost (and match funding) increase that may arise following procurement of the related works.

The annual energy savings that are expected to be realised via this programme of works is estimated at £45,628 (**Appendix 1** refers). It is essential that the estimated annual savings are stringently monitored to ensure the proposed investment delivers the

expected efficiencies.

At this stage the terms of the proposed grant award of £1,918,258 via the Greater Manchester Combined Authority are not available. The acceptance of the grant will therefore be subject to separate due diligence and governance approval at a later date as set out in recommendation 1.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

The scheme requires match funding from the council as set out in the financial implications of £1054K with an annual saving of £45.6K giving a 23 year pay back period without taking into account cost of rising energy so we need assurance that this delivers vfm.

The Council will also be required to enter into an agreement with the Greater Manchester Combined Authority to secure the funding. Due diligence should be undertaken to ensure that the terms are acceptable to the Council and that the project officers understand and operate within the conditions of the funding so as not to trigger any clawback clauses.

Risk Management:

The borough declared a climate emergency in early 2020, in line with authorities across the globe. The declaration was a formal acknowledgement of the urgency and reality with which the issue of climate change must be addressed. The risks associated with this proposed programme of decarbonisation projects is threefold.

1. Risk of exacerbating the problems associated with increased levels of CO₂ in the atmosphere.

2. Risk of a damage to reputation. Having declared the boroughs support for urgent action – there is a risk of inaction generating subsequent reputational harm, which would very likely create a relationship breakdown (trust, credibility and confidence) between the authority and citizens.

3. Risk of not completing the programme within the allotted time laid out by SALIX – which would have further financial implications. This risk must be stated – but the performance through PSDS1 and the timeframe given – does give a high confidence factor that officers have sufficient time to deliver.

Background Information:

The background papers relating to this report can be inspected by contacting Graham Hall



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1. INTRODUCTION

- 1.1 The Council has committed to be carbon neutral by 2038. To contribute to achieving this target, the Council must undertake decarbonisation works to its own buildings.
- 1.2 We have begun the process of decarbonisation works already. In 2021 (and subsequently revised in March 2022) the Council were awarded £2,344,386 of Public Sector Decarbonisation Scheme (PSDS) in Round 1, this initially funded works across 11 buildings. This scheme did not require match funding from the Council. This project is on course for successful completion and an update report will be brought forward at the appropriate time. Three additional sites have since drawn down extra funding as officers “mop-up” surplus funds available in the GMCA allocation (within the award sum of £2,344,386).
- 1.3 The PSDS fund again aims to halve carbon emissions from the Public Estate by 2032, through the deployment of energy efficiency and low carbon heating measures. Eligible bodies must either own the building that the funding is being used to upgrade or have a long-term lease arrangement where the tenancy agreement places the responsibility for operation and maintenance of the building services on the eligible body. Social housing is excluded from this scheme and will be addressed under a different funding allocation (Social Housing Decarbonisation Scheme).

2. PUBLIC SECTOR DECARBONISATION SCHEME ROUND 3

The Government have announced this tranche of funding as part of the fiscal stimulus programme that began in autumn 2020, part of this is an additional round of PSDS funding, this will be round 3 (PSDS3). The major change from PSDS1, which were 100% grants, is that PSDS3 is being released with requirement for match capital funding.

The grant again looks to provide funding to either remove completely or significantly reduce dependency on gas fired (fossil fuel) heating systems in our buildings. The grant also provides additional matched capital funding for the installation of other measures including solar PV, insulation, led lighting, double/triple glazing and smart heating controls.

- 2.1 The match funding requirement is based on two criteria.
 - That costs which can be attributed to work which is beyond a given threshold of £325/tonne of CO₂ – are covered by the Local Authority.
 - Additionally any like-for-like replacement costs for plant nearing the end of its useful life must also be met by the Local Authority.
- 2.2 Working as part of a wider GMCA consortium the Council submitted a bid on the 13th October 2021. The rationale for which buildings we submitted for inclusion in our bid started with a baseline assessments of our portfolio, taking into account the work that was already under way in relation to the strategic asset review and those buildings that were very likely to remain as a part of the portfolio in the medium term. Once this long list had been assessed a shorter list was taken forward for further review and more technical assessment to judge value in relation to submission as part of our bid and the required carbon reduction compliance criteria for the fund. The detailed surveys focussed on the types of measures that could be potentially installed at each building and the feasibility of installing the measures.
- 2.3 The assessment of which buildings to put forward for more detailed technical surveys relied on accurate building condition surveys – these indicated where existing equipment in the buildings such as boilers and also fabric condition such as glazing would require replacement in the short to medium term. We considered location and size of buildings as well as the scale/scope of our bid in relation to being able to manage successful completion in the timescales required.

- 2.4 The detailed technical findings of the survey were input into a carbon calculator tool provided by SALIX who are administering the scheme on the Governments behalf. The calculator then provided a 'compliant' /'not compliant' result. Those buildings deemed to be compliant were included in the final submission on the 13 October 2021. The SALIX tool also calculated the split between what would be fundable through the grant and what costs would need to be covered by Tameside.
- 2.5 The 6 sites identified are :
- Active Tameside – Medlock
 - Active Tameside – Hyde
 - 31 Clarence Arcade
 - Stalybridge Civic and Market Hall
 - Stalyhill Juniors School
 - St. Johns Primary School
- 2.6 The delivery of designs and subsequent installation of measures will be undertaken via the Councils arrangement with the LEP, Robertson and the associated supply chain utilising the Tameside Additional Services Contract (TAS). This arrangement has predefined contractual obligations concerning provision of value for money and the deployment of local supply contractors. This existing arrangement is also compliant in regards to necessary procurement and spend obligations and other contractual issues such as insurances /indemnities and warranties for work carried out. Each distinct project within the PSDS3 programme will have a defined project plan. As with PSDS1, a stakeholder project steering group will oversee the entire scheme of works.
- 2.7 The funding is proposed to be utilised to install measures in the buildings across our asset portfolio as shown in the table below:

Table 1

Site	Measure						
Active Tameside Medlock	Wall Insulation	Pipework Insulation	Building management systems	LED	Solar PV	Upgrade Pumps	Air source heat pump (air to water)
Active Tameside Hyde	Insulation - pipework	Building management systems	LED	Solar PV	Air source heat pump (air to water)		
31 Clarence Arcade	Double Glazing	Pipework Insulation	VSD & CO ₂ Sensor	LED	Loft Insulation	Air source heat pump (air to water)	
Stalybridge Civic Hall & Market	Double Glazing	Pipework Insulation	Upgrade Pumps	LED	Air source heat pump (air to water)		
Stalyhill Junior School	Loft Insulation	Pipework Insulation	Solar PV	Air source heat pump (air to water)			

St Johns Primary School	LED	Solar PV	Air source heat pump (air to water)				
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- 2.8 The tight timeline to bid for PSDS 3 required a grant application to be submitted to GMCA prior to being able to seek the governance required to accept any grants offered. This report acts as retrospect governance to enter into the process.
- 2.9 PSDS3 offers an opportunity to bid for funding that would produce a step change in the way we heat our buildings and demonstrate our commitment to the Greater Manchester carbon reduction targets. It also provides an opportunity to improve our buildings and will provide planned replacements of plant that would have required total funding via scarce Council resources. At current unit rates, installed measures will also reduce the overall utility costs by a projected £45,628 every year split across schools, Council and Active Tameside.

3. MATCH FUNDING

- 3.1 The match funding requirement is a change to the terms of the PSDS scheme set-up. It is unknown if future schemes will continue to require higher percentages of contributions from authorities. The current contribution calculated for the Tameside proposal is £1,053,550, which would match a Government Grant (via GMCA) of £1,918,258.
- 3.2 Council buildings also require repair and replacement works to maintain them in a safe an operational condition. Best practice is to carry out a programme of Planned Preventative Maintenance (PPM) and the most cost effective way to decarbonise the estate is to do so in conjunction with PPM works.
- 3.3 The capital budget allocations that are available to support the match funding requirement of £ 1,053,550 for the programme are provided in table 2.

Table 2

Funding Allocation	Estimate £'000
2022/23 DfE School Condition Grant (subject to confirmation) – St John’s and Stalyhill Juniors schemes	225
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- 3.4 **Appendix 1** provides detailed information on the individual projects.
- 3.5 **Appendix 2** provides the grant proposal from GMCA.

4. AWARD & GRANT CONDITIONS

- 4.1 Notification of success in regards drawing down SALIX funds is expected in the first quarter of the 2022 calendar year. As part of the GMCA consortium of bidders, Tameside officers applied to receive £1,685,138. However, the Council will receive the higher grant sum of £1,918,258 (**Appendix 2** refers) to deliver decarbonisation at two corporate sites, two Active Tameside sites and two of the borough's schools. Receipt of the grant is conditional on the Council contributing funds for both marginal costs and like-for-like plant replacements.
- 4.2 The GMCA consortium would enter into a contract with BEIS/SALIX and on receipt of confirmation of funding, replicate a contract to Tameside mirroring conditions in the umbrella agreement
- 4.3 The final version of the contract will be defined between GMCA and local recipients and this will form the basis and methodology for the process to allow us draw down funds from GMCA. The contract will need scrutiny by legal colleagues due to the modification of the PSDS3 scheme to incorporate authority contributions to the programmed works.
- 4.4 Conditions in relation to timeframes are yet to be determined. It is expected that all works will be need to be completed by the end of March 2023. Projects will be monitored to determine the efficacy of the carbon reduction technologies – feeding back valuable data to inform future schemes.
- 4.5 GMCA plan to be responsible for coordinating monthly PSDS3 project meetings which will bring together representative officers from all recipient organisations. These project meetings will focus on progressing the work required and also the creation of a suite of processes and documentation in regard to the requirements of the grant conditions e.g. CO₂ monitoring, compliance of installation, financial templates.
- 4.6 GMCA will manage the overarching programme plan for the GMCA bid. Resource has been put in place to undertake this work and each participating organisation has been asked to contribute 3.5% of low carbon heating cost sums, to fund the delivery team.

5. RECOMMENDATIONS

- 5.1 As stated on the report cover