



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Officer Delegated Decision

15th May 2024

Richard Wyles, Deputy Chief Executive
and S151 Officer



Acceptance of Phase 3c Public Sector Decarbonisation Scheme grant funding

This report is seeking approval, via delegated authority, to accept an offer of grant funding from Salix for Phase 3c of the Public Sector Decarbonisation Scheme.

Contact

Serena Brown, Sustainability and Climate Change Manager



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Decision made by:	Deputy Chief Executive and s151 Officer
Decision:	Delegated Authority
Public or Exempt:	Public
Reasons for exemption:	n/a
Conflicts of interest:	No
Policy compliant:	Yes
Details of delegation:	Council meeting on 25 January 2024 and approved a delegation to the Deputy Chief Executive in consultation with the Cabinet Member for Finance and Economic Development in the event of a successful bid into phase 3c of the Public Sector Decarbonisation Scheme.

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

- 1.1 The Council's co-funding contribution towards the project of £492,500 was approved conditional upon a successful grant application and is now available for the current financial year. The grant funding offer from phase 3c of the Public Sector Decarbonisation Scheme of £3,587,500 brings the project total to £4,080,000.

Completed by: Paul Sutton, Interim Head of Finance

Legal and Governance

- 1.2 Cabinet were made aware of the plans surrounding the Council' Public Sector Decarbonisation Scheme application, and recommended the budget amendment to full Council to ensure the additional contribution of £492,500 was in place to support the bid. Alongside this, they agreed to delegate authority to the Deputy Chief Executive, in consultation with the Deputy Leader of the Council, to accept the Phase 3c Public Sector Decarbonisation Scheme funding if the grant application was successful.
- 1.3 The terms of the funding as set out by Salix must be adhered to as part of effective delivery and governance of the project.

Completed by: Mandy Braithwaite, Legal Executive

Climate Change

- 1.4 The allocation of funding to the decarbonisation scheme for Grantham Meres Leisure Centre would allow the Council to significantly reduce the energy consumption and carbon emissions from the site.

Completed by: Serena Brown, Sustainability and Climate Change Manager

2. The Purpose of the Report

- 2.1 South Kesteven District Council conducted an analysis of the Council's carbon emissions in 2020, including the operation of the leisure centres within the

district. The carbon emissions arising from the centres were found to account for 41% of the Council's operational carbon emissions, representing the single largest area. This is principally a result of energy used for heating and hot water, as well as electricity to power the centres.

- 2.2 Grantham Meres leisure centre, as the largest centre in the district, has a number of facilities including a 25m pool, learner pool and two leisure pools, alongside a gym facility, exercise studios, sports hall and outdoor facilities including 3G football pitch and outdoor running track.
- 2.3 The centre also has significant utility costs as a result of energy used on site. Under current tariff rates for gas and electricity, an annual cost of over £500k is expected for the main centre for the 2023/24 financial year.
- 2.4 A detailed energy review of the Council's leisure facilities was undertaken by LeisureSK in July 2024, providing an analysis of on-site energy consumption for each of the three centres operating and recommendations for various energy conservation measures and decarbonisation of heating systems.
- 2.5 To achieve a significant reduction in a centre's carbon emissions, all gas consumption for heating systems will need to be replaced. The predominant technology to facilitate this is heat pumps. Due to the high efficiencies of electric heat pumps, there is a net reduction in energy consumption and carbon emissions. Nevertheless, as the technology is electrically powered and electricity remains around four times more expensive than gas, efforts need to be made to design a new system optimally to reduce running costs.
- 2.6 Phase 3 of the Public Sector Decarbonisation Scheme (PSDS), worth £1.425bn, was launched by Salix on behalf of the Department for Energy Security and Net Zero in 2021. Phase 3c has up to £230m available for 2024/25. The focus of the scheme is on making public buildings more comfortable and cheaper to heat, alongside helping to decarbonise the public sector estate.
- 2.7 Eligible properties include those owned by a public sector authority. The focus of the scheme is on clean heat, and all applications must remove the vast majority of fossil fuel heating. Successful grant applicants are expected to provide a minimum funding contribution.
- 2.8 Leisure Energy were commissioned to support the Council in developing a detailed application into PSDS, targeting the Grantham Meres leisure centre as the site with highest energy consumption. The focus of the bid is on complete removal of the existing series of gas boilers and Combined Heat and Power (CHP) units, and installation of a new Air Source Heat Pump (ASHP) system with supporting design, infrastructure and project management.
- 2.9 An application to phase 3C of PSDS was made in November 2023 for a total project value of £4,080,000. Applicants were advised to expect an announcement of the outcomes of bids in late January or February 2024, following technical review of all applications submitted.

- 2.10 Applicants are expected to provide a minimum co-funding contribution of at least 12% or equivalent to the cost of installing a new fossil fuel based heating system. The application developed includes only the measure of the new air source heat pump system and no other energy efficiency upgrades for the site.

Total grant funding request	£3,587,500
Applicant funding contribution	£492,500
TOTAL project value	£4,080,000

- 2.11 An existing provision to support a decarbonisation scheme has been made for the 2023/24 budget. In order to support a successful application to phase 3C of PSDS, an additional contribution was required as set out below. This increase was approved as part of the budget proposals for 2024/25 at [Council on 29th February](#).

2023/24 decarbonisation scheme budget	£261,000
Total PSDS applicant contribution for successful bid	£492,500
Increase to existing decarbonisation scheme required	£231,500

- 2.12 An application to phase 3C of PSDS was made in November 2024 for a total project value of £4,080,000. Applicants were advised to expect an announcement of the outcomes of bids in early 2024, following technical review of all applications submitted. Regrettably, South Kesteven District Council were initially informed in early March 2024 that the grant funding application had not been successful. Following discussion on some discrepancies around assessment of applications, officers asked for a review of that decision by Salix. Officers met with Salix to discuss some specific areas of the application and to provide further technical information that had not been raised in late 2023 at the technical assessment stage. Salix then notified South Kesteven District Council on the 10th May of their decision to allocate funding to the Council's original proposal for Grantham Meres leisure centre.
- 2.13 Cabinet were made aware of the plans surrounding the Council's PSDS application, and recommended the budget amendment to full Council to ensure the additional contribution of £492,500 was in place to support the bid. Alongside this, they agreed to delegate authority to the Deputy Chief Executive, in consultation with the Deputy Leader of the Council, to accept the Phase 3c Public Sector Decarbonisation Scheme funding if the grant application was successful.

3. Available Options Considered

- 3.1 The funding allocation for agreed upgrades at Grantham Meres leisure centre could not be accepted. The Council would however still need to upgrade the centre's heating systems in the near term from its own budgets to ensure ongoing

operation of the centre. This option is not preferential given the funding offer available to install a low-carbon system.

4. Preferred Option

- 4.1 To accept the accept the Phase 3c Public Sector Decarbonisation Scheme funding alongside associated terms and reporting conditions to Salix.

5. Reasons for the Decision(s)

- 5.1 An upgraded heating system will help to ensure the site's ongoing sustainability and mitigate against high utility costs.
- 5.2 Once in place the upgraded heading system is expected to carbon emissions from the site by over 550 tonnes of carbon per year which equates to 8% of the Council's total carbon emissions and a quarter of the of the Council's carbon reduction target of at least 30% by 2030.

Signed by: **Richard Wyles**

Dated: **15 May 2024**