



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Environment Overview and Scrutiny Committee

Tuesday, 4 June 2024

Report of Councillor Rhys Baker,
Cabinet Member for Environment and
Waste

Update on the Public Sector Decarbonisation Scheme phase 3c

Report Author

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Purpose of Report

To provide the Committee with an update on the Public Sector Decarbonisation Scheme Phase 3c grant funding offer to update the existing heating systems at Grantham Meres Leisure Centre.

Recommendations

That the Committee notes the updates on the Public Sector Decarbonisation Scheme Phase 3c grant funding offer to update the existing heating systems at Grantham Meres Leisure Centre.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Connecting communities Sustainable South Kesteven
Which wards are impacted?	Grantham Earlesfield;

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 and Procurement

- 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. The energy savings that will be achieved from the investment will be identified and reflected in the future funding levels that are provided to the leisure provider.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Procurement

- 1.2 Compliant procurement routes for the upgrade of heating at Grantham Meres leisure centre were confirmed as part of bid preparation in late 2023. Currently the Council is working with Welland Procurement in order to carry out tender. A procurement strategy will be developed for the project to review a route to market and ensure good value for money.

Completed by: Helen Baldwin, (Procurement Lead)

Legal and Governance

- 1.3 Cabinet were made aware of the plans surrounding the Council's Public Sector Decarbonisation Scheme application at their meeting of 18 January 2024, and recommended the budget amendment to Full Council to ensure the additional contribution of £492,500 was in place to support the bid should it be successful.

- 1.4 A delegation was agreed at the Full Council meeting held on 25 January 2024 to enable the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance to accept the grant funding if the application was successful.
- 1.5 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: James Welbourn, Democratic Services Manager and Deputy Monitoring Officer

Climate Change

- 1.6 The allocation of funding to the decarbonisation scheme for Grantham Meres Leisure Centre will allow the Council to significantly reduce the energy consumption and carbon emissions from the site. Once installed, the new low-carbon heating system is projected to reduce the energy consumption of the centre significantly, reducing carbon emissions by over 550 tonnes annually. This is equivalent to a quarter of the total 30% by 2030 reduction the Council has committed to make and will put the leisure centre on the path to being net-zero carbon.

Completed by: Serena Brown, Sustainability and Climate Change Manager

2. Background to the Report

- 2.1 South Kesteven District Council made a formal declaration of a climate emergency on 26 September 2019 with cross party support. Alongside this, the Council confirmed the political ambition to reduce the organisation's carbon footprint by at least 30% by 2030, and to endeavour to become net-zero as soon as viable before 2050.
- 2.2 An analysis of the Council's carbon emissions was conducted 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.
- 2.3 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.
- 2.4 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 £770k was reported for the main centre for the 2023/24 financial year.

- 2.5 A detailed energy review of the Council's leisure facilities was undertaken by LeisureSK Limited 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.
- 2.6 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 as well as maximising carbon savings.
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 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
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- 2.12 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 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 further discussion and provision on request from Salix of further technical information and clarification of information provided, 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 The key timescales for the delivery of the project are:
- May 2024 – confirm acceptance of grant funding
 - April 2025 – complete detailed technical designs for installation of new low-carbon heating system
 - April 2026 – install and commission new low-carbon heating system
- 2.14 There are a series of conditions which also must be met throughout the project to ensure it is compliant and enable drawdown of grant funding. This includes provision of monthly monitoring reports to Salix on progress, spend and other deliverables.
- 2.15 In addition to the offer of funding via PSDS phase 3c, an existing allocation for Grantham Meres Leisure Centre via the Swimming Pool Support Fund (Phase Two) administered by Sport England was awarded for £445,725 to fund installation of pool covers to both pools in the centre as well as installation of additional solar PV panels on available roofspace on the building. Pool covers for Bourne Leisure Centre and Stamford Leisure Centre were also installed, via just under £70k of funding from the Council's climate change reserve fund, discussed by Environment Overview and Scrutiny Committee on [19th March 2024](#).
- 2.16 In total, the combination of the funding awards from PSDS phase 3c and the Swimming Pool Support Fund (Phase Two), as well as the Council's co-funding contribution to the project will represent an investment of over £4.5 million in Grantham Meres Leisure Centre once completed. The key benefits of the upgrades are set to include:
- Energy reductions and utility cost savings
 - Measures will reduce energy use, generate electricity and cease gas consumption for the main building, helping to mitigate against the sustained high cost of utilities
 - Improved comfort for building users
 - Heating infrastructure for the building is end of life and the heat demand for the centre struggles to be met at times of peak demand. The upgrades will help to stabilise the internal

temperature of the building and improve the user experience of the facility.

- Significant carbon reductions
 - Reductions of over 550 tonnes of carbon are expected annually once upgrades to the heating system are completed – equivalent to a quarter of the needed 30% carbon reduction the council has committed to make by 2030. The facility will be on track to become a net-zero building.
- Help to ensure ongoing sustainability of the centre
 - Energy costs have increased significantly since 2021, with an annual cost of over £770k reported for the main centre for the 2023/24 financial year. A well-designed and upgraded system will provide the building with required heat the next two decades and stabilise utility costs for the centre.

3. Key Considerations

- 3.1 The report is provided to update Members on projects being considered and funded via the climate change reserve.

4. Other Options Considered

- 4.1 No further options are set out within this report which is provided to update Members on projects being considered and funded via the climate change reserve.

5. Reasons for the Recommendations

- 5.1 This report is provided as an update on the Public Sector Decarbonisation Scheme phase 3c funding award and project.

6. Background Papers

- 6.1 Environment Overview and Scrutiny Committee – 19th March 2024 – [Update on climate change reserve fund.pdf \(southkesteven.gov.uk\)](https://www.southkesteven.gov.uk/media/10000/Update-on-climate-change-reserve-fund.pdf)