

North Yorkshire Council

Executive Member for Managing our Environment

31st October 2024

Funding application to the Public Sector Heat Decarbonisation Scheme Phase 4

Report of the Corporate Director – Resources

1.0 Purpose of Report

- 1.1 To request approval from the Corporate Director – Resources following consultation with the Executive Member for Finance and the Executive Member for Managing our Environment to authorise the submission of an application for external grant funding of circa £515k from the Public Sector Heat Decarbonisation Scheme Phase 4; which would be used to support the delivery of carbon reduction measures at Nidderdale Leisure Centre.

2.0 Background

- 2.1 The Public Sector Heat Decarbonisation Scheme Phase 4 (PSHDS4) was announced by the Government in February 2024, with the formal launch of the scheme and issue of guidance notes on the 23rd September 2024 to provide public sector bodies with access to funding to support heat decarbonisation schemes in their properties. In previous years there has been successful securing of funding for decarbonisation projects via earlier rounds of this scheme, for example, Phase 1 – Window Replacement across schools and corporate sites, Phase 3A – Air Source Heat Pumps (ASHP) across 3 corporate sites and Phase 3B – ASHP across 4 Highways Depots.

3.0 Issues

- 3.1 Details in respect of the PSHDS4 scheme are as follows: -
- The objective of PSHDS4 is to support the transition to low carbon heating in public sector buildings, in addition to improving energy efficiency. It aims to achieve this by providing funding to replace end-of-life fossil fuel systems (such as gas or oil boilers) with low carbon heat sources.
 - The assessment of applications for this phase of the PSHDS is different from previous rounds as it will no longer be allocated on a first come first basis. The applications that are the most carbon cost effective will now be more likely to get funding (carbon cost effectiveness, or 'carbon cost' for the grant funding assessment takes into account the level of grant requested in proportion to the tonnes of carbon saved over the lifetime of the installation £/TCO2e). For applications to be eligible the carbon costs must not exceed £510/TCO2e (previous PSHDS round was £325/TCO2e).
 - The application portal is open from 9th October 2024 to the 25th November 2024 and submitted applications will be assessed based on the below approach, following the close of the application portal;
 - All applications submitted are put into three tiers based on the £/TCO2e: Tier 1 is the top 30% most carbon cost effective, Tier 2 is the middle 40% and Tier 3. Is the bottom 30%.

- Within these tiers the applications are put in a random order in the three sectors of education, health, other (LAs are in other) and each sector has a soft cap of funding of between 30% and 35%.
- Funding is then allocated based on the three tiers starting with tier 1 and working through Tiers until all the funding is allocated or the soft cap in each sector is reached.
- Applicants are expected to contribute to the costs of the project a sum that would have been spent on a like for like replacement of a gas/oil boiler (at a minimum of 12% of total project cost).
- A decision on if the application has been successful is not expected until the end of May 2025.
- All schemes / works that receive grant funding are required to be completed by the 31st March 2028.

3.2 Details on the Council's proposed application are as follows:

- The grant funding submission will be based around a proposal to deliver a whole building carbon reduction approach at Nidderdale Leisure Centre. This will involve the installation of air source heat pumps, fabric improvements as well as consideration of PV installation.
- The anticipated total cost of the project is £585k.
- The estimated cost of replacement boilers at the Leisure Centre is £67k, which is below the 12% minimum contribution required in the grant funding criteria. It is proposed that the Council's contribution to the project be included at £70k (i.e. 12% of project cost). This sum will be funded from existing property maintenance budgets, with the remaining £515k being requested as grant funding.
- The current carbon emissions at the Leisure Centre are 220 t/CO₂ per annum.
- The proposals covered in the grant funding submission will reduce these emissions by 139.6 T/CO₂e per annum, and 3,910 T/CO₂e over the lifetime of the installations.
- The proposal delivers a 'carbon cost' of £133.39/TCO₂e for grant assessment purposes. This is well below the PSHDS 4 threshold of £510/TCO₂e and the previous PSHDS phase threshold of £325/TCO₂e.
- The NYC contribution to the scheme could be increased above the minimum 12% to reduce the carbon cost calculation further, however given that the current value is already well below the threshold this is already considered to be a strong application, therefore it is hoped that the application will fall within the Tier 1 category to give a higher chance of success.

3.2 In developing the proposed bid for funding the Council has considered a range of factors, including: -

- Identifying those properties which are carbon intensive and have existing heating infrastructure which is beyond its expected life span.
- The deliverability of schemes including both heat decarbonisation and energy efficiency projects.
- The availability of resources to develop, manage and deliver a programme of work including internally, within Align Property Services and the contracting supply chain.

4.0 Financial Implications

4.1 A total funding bid of approx. £515k is proposed to fund the measures proposed at Nidderdale Leisure Centre.

4.2 The Council contribution to the total project cost is estimated at £70k as the element of expenditure that would have been spent on like for like gas boiler replacements as required by the funding criteria. This contribution will be funded from existing property maintenance budgets / reserves.

4.3 The corporate property has been identified on the basis of its current level of energy utilisation and carbon emissions and the ease of installations of proposed technologies within the timescales required by the funding.

4.4 Following the installation of the ASHPs the primary heating fuel will be electricity. This has a p/kWh of approximately four times greater than gas. However, this increase will not be reflected in the revenue costs as the new installation is much more efficient, using fewer k/Whs for the same heat output. Installations undertaken using funding from previous rounds of the PSHDS have now had over 12 months of monitoring are showing negligible impact on revenue costs.

5.0 Legal Implications

5.1 This is a key decision for the application to the PSHDS4 and the proposal to apply for funding was entered on the Forward Plan in June 2024.

5.2 The Grant Application & Acceptance process has been followed for the application and has been reviewed by Legal Services and Finance.

5.3 The Terms & Conditions of the grant have been reviewed by Legal Services, any additional conditions on the offer letter if the funding application is successful will be reviewed by Legal Service before the acceptance of the offer is approved.

6.0 Equalities Implications

6.1 The replacement of primary heating fuel in the corporate properties will not have a direct impact on staff or customers in relation to Equalities.

7.0 Climate Change Implications

7.1 The proposed project will contribute to the reduction in the Council's carbon emissions by removing the gas / oil fired boilers that are end of life within the Leisure Centre. Estimated direct carbon savings from this project is estimated to be 3,910 T/CO₂e over the lifetime of the installations. The exact carbon savings per year will be available following installation.

8.0 Reasons for Recommendations

8.1 The grant submission will help towards the Council reducing its carbon emissions within the Leisure Centre.

9.0 Recommendation(s)

9.1 The Corporate Director - Resources is recommended to approve the funding application for submission.

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Corporate Director – Resources
County Hall, Northallerton

23rd October 2024

Report Author – Kristina Peat
Background Documents: None