

Birmingham City Council

Report to Cabinet

17th October 2023



Subject: Public Sector Decarbonisation Scheme External Funding Application for Highbury

Report of: Paul Kitson, Strategic Director, Place, Prosperity and Sustainability

Relevant Cabinet Member: Councillor Majid Mahmood, Environment

Relevant O &S Chair(s): Councillor Lee Marsham, Sustainability and Transport

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Moseley		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011439/2023		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 To seek retrospective approval to bid for £1.152m Public Sector Decarbonisation Scheme (PSDS) grant via Salix Finance Ltd.
- 1.2 The funding would pay for capital works at Highbury, which is owned by the Council through the Highbury Trust, of which the Council is the sole member. The capital works would include the replacement of old gas boilers with renewable heating

technology (ground source heat pumps) and some energy efficiency measures. The works will decarbonise the heating system and support the Council's Route to Net Zero ambitions.

2 Recommendations

That Cabinet:

- 2.1 Retrospectively authorises submission of the bid for £1.152m to the Public Sector Decarbonisation Scheme Phase 3.
- 2.2 Authorises resubmission of the bid for £1.152m to the Public Sector Decarbonisation Scheme during Phase 3 if the October submission is unsuccessful, and on the basis that the criteria, scope and value remains unchanged.
- 2.3 Notes that acceptance of funding, approval to spend funding and procure partners to deliver the works will be subject to a separate report.

3 Background

- 3.1 The Government has provided 3 phases of PSDS funding through Salix Finance Ltd. Phase 3 of the Public Sector Decarbonisation Scheme will provide over £1.425 billion of grant funding over the financial years 2022-2023 to 2025-2026, through multiple application windows. The Application Portal for Phase 3c of PSDS will open on 10th October 2023 and will close after 10 working days, or until a sufficient value of applications has been received for the budget available. The Council received firm confirmation on only 5th October 2023 that the bid portal would open on Tuesday 10th October at 2pm. In anticipation of the funding opening for applications in autumn 2023, the report was added to the Forward Plan in July 2023 in order to meet governance approval timescales. Previous autumn funding rounds (2022 and 2021) have launched in November.
- 3.2 The funding is allocated on a first come first served basis and therefore based on previous funding rounds, whilst the portal is open for up to 10 days, the extremely high demand has resulted in the portal closing as early as 2.30pm on the opening day. In light of the very late confirmation of the portal opening and the timescales remaining to seek formal approval to bid, support for retrospective approval was led by the Cabinet Member for Environment. The leaders of the Conservative, Liberal Democrat and Green groups have confirmed their support of this.
- 3.3 Phase 3c has up to £230 million available for allocation in 2024-2025. A further Phase 3 budget for allocation 2025-2026 will be announced later this year and is expected to be of a similar value. Further Phase 3 application rounds are anticipated in Spring and or Autumn 2024. The application can be reviewed and resubmitted subject to Cabinet approval if it is not successful in the October 2023 round and on the basis that the criteria, scope and value of application remains unchanged.
- 3.4 The aim of the programme is to decarbonise Council owned buildings using a whole building approach to increase energy efficiency, decarbonise heat and increase the

use of renewable energy technologies. The PSDS supports the aim of reducing emissions from public sector buildings by 75% by 2037, compared to a 2017 baseline, as set out in the 2021 Net Zero and Heat and Buildings strategies.

- 3.5 The PSDS is aimed at Council owned buildings with end-of-life fossil fuel heating systems, and the funding pays for alternative energy systems and measures to reduce energy used as part of a whole building approach.
- 3.6 Salix say that successful bids will be notified within 6 months of application, i.e., for Round 3c this would be before the end of March 2024 and work must be completed by 31st March 2026.
- 3.7 The Corporate Landlord programme is identifying and prioritising buildings for decarbonisation and a plan will be developed for future PSDS applications.
- 3.8 The Chamberlain Highbury Trust secured funding from the Council at the Cabinet Meeting 25th April 2023 of £3.35m and has applied for National Lottery Heritage Funding to undertake refurbishment works on the Highbury Hall building, (known as Highbury). There is insufficient funding available within the existing approved budget envelope to replace the boilers with ground source heat pumps (the capital works proposals having been based on a like for like gas boiler replacement) and so additional grant funding is required to switch to a renewable heating.
- 3.9 Should the applications to the National Lottery Heritage Fund and the PSDS be successful, a further report will be prepared to seek approval to accept the funding, confirm the proposed package(s) of works, seek approval to spend out of the approved £3.35m the required match funding amount, and seek approval to procure contractors to deliver the works.
- 3.10 The City Council's Trusts & Charities Committee (T & CC) manages trust properties including Highbury. The building has been operated as a wedding/conference centre by the Council's Civic Catering section.
- 3.11 The criteria for Round 3c of PSDS funding are that the Council must pay the replacement value of the boilers, at a minimum of 12% of the overall project cost, that a maximum of 58% of the costs can be spent on energy efficiency measures and that projects can be spilt over two years.
- 3.12 The total anticipated cost of PSDS eligible capital works cost is £1.309m. This is inclusive of the PSDS grant application value of £1.152m and match funding value of £0.157m (£157,000).
- 3.13 The expected capital cost of the proposed renewable heating (including plant equipment and installation) is based on a direct quote from an experienced equipment manufacturer and installer based on 2023 pricing. The renewable heating works represent all the overall cost of PSDS eligible works. A cost contingency plus allowance for inflation of 30% has been added to the quoted values. The energy efficiency measures will be included in the project but funded by the other funding.

- 3.14 The PSDS eligible works approval to procure will be sought in a further Cabinet report.
- 3.15 The Cabinet report for approval to procure will also recommend how grant monies will be managed in accordance with grant funding conditions. The PSDS grant is transferred to the grant funding recipient in arrears once evidence of eligible spend is submitted and approved by Salix Finance Ltd. Responsibility for grant management and cashflow management will remain with Birmingham City Council.
- 3.16 A cost benefit appraisal will be undertaken as part of seeking approval to procure to provide assurance the operational and maintenance cost will be acceptable and affordable. Any cost savings will accrue to the leasee. The operation and maintenance cost of all building plant and equipment will remain the responsibility of the Chamberlain Highbury Trust.
- 3.17 The package of works will lead to an overall carbon dioxide emission saving of 106,887kg each year, compared with re-installing gas boilers. This is largely due to the switch from gas to electricity and the lower carbon intensity of electricity from the grid vs gas.

4 Options considered and Recommended Proposal

- 4.1 Option 1 - The preferred option is to bid for PSDS funding. This will fund much needed low carbon heating for Highbury which is due for gas boiler replacement. This will support the Council's Route to Net Zero ambitions by reducing greenhouse gas emissions and improve cost resilience, by eliminating the purchase of gas and improving heating efficiency.
- 4.2 Option 2 - To not bid. The Council would fail to take advantage of the funding being offered by Salix Finance Ltd and the opportunity to support its corporate net zero priorities and reduce carbon emissions.

5 Consultation

- 5.1 Councillors for Moseley have been consulted and there has been a positive response from a ward member. See Appendix C.

6 Risk Management

- 6.1 The risk of bidding for the grant is one of reputational damage if the parallel application to the National Lottery Heritage Fund is unsuccessful. This is because the works will not progress and the grant award from Salix will need to be returned.

7 Compliance Issues:

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?
- 7.1.1 A Bold, Green Birmingham – This project will reduce carbon emissions by replacing fossil fuel boilers with low carbon heating. This supports the

Council's ambition for the city to be net zero by 2030 or as soon thereafter, given a just transition.

7.2 Legal Implications

7.2.1 Under Section 111 of the Local Government Act 1972, the Council may do anything calculated to facilitate or is conducive or incidental to the discharge of their functions.

7.2.2 The works are made under the general powers of competence as set out under Section 1 of the Localism Act 2011, by which the Council has the power to enter into the arrangements set out in this report.

7.3 Financial Implications

7.3.1 The grant funding is provided to Local Authorities to fund energy efficiency measures and low carbon heating systems in Council owned buildings.

7.3.2 The required match funding of 12% will be allocated from funds already approved for Highbury, subject to S151 approval, or from the National Lottery Heritage Fund.

7.3.3 Should the National Lottery Heritage Fund bid be unsuccessful, the acceptance of PSDS funding would be reviewed.

7.3.4 The project management costs are included within the budget for the project.

7.3.5 An appropriate allowance has been included for inflation and contingency and should costs be higher at procurement then the project would be reviewed to bring it within the cost envelope.

7.3.6 This report has been through the S151 Spend Control Board.

7.4 Procurement Implications (if required)

7.4.1 There are no procurement implications with the recommendations of this report. The procurement implications for the works to Highbury, for which this grant will fund part, will be subject to subsequent Cabinet reports.

7.5 Human Resources Implications (if required)

7.5.1 Project management is included within the budget. The Corporate Landlord will have oversight of the project.

7.6 Public Sector Equality Duty

7.6.1 An initial Equality Assessment (Ref: EQUA1198) was produced for the project. There were no adverse impacts or people with protected characteristics.

8 Appendices

- Appendix A Equality Assessment EQUA1198
- Appendix B Risk Assessment
- Appendix C Member Consultation Highbury 2

- Appendix D Environment and Sustainability Assessment

9 Background Documents

None