

This report is public	
Acceptance of Public Sector Decarbonization Scheme (PSDS) 4 Grant	
Committee	Executive
Date of Committee	10 June 2025
Portfolio Holder presenting the report	Portfolio Holder for Greener Communities, Councillor Tom Beckett
Date Portfolio Holder agreed report	23 May 2025
Report of	Climate Change Programme Manager, Hitesh Mahawar

Purpose of report

To provide an update to the Executive on the funding attached to the Public Sector Decarbonisation Scheme (PSDS), allocate resources and implement the delivery of the associated building decarbonisation works in line with the Council's Strategic Priorities and carbon emissions reduction to achieve CDC's Carbon Net Zero 2030 target.

1. Recommendations

The Executive resolves:

- 1.1 To proceed with the implementation of grant funding of £ 1,099,862 from the Public Sector Decarbonisation Scheme (PSDS) 4 as awarded by Salix Finance.
- 1.2 To approve an increase in the capital programme of £1,099,862 in line with the level of grant award, profiled in line with the timetable for receipt of the grant.
- 1.3 To reprofile the Net Zero Capital Projects budget to meet the match funding contribution of £350,911.40 and a further £210,000 to support deliver of the PSDS programme to fund:
 - 1.3.1 Property team capacity and budget resource (personnel and funding) to manage procurement, contracts, installation oversight, and maintenance.
 - 1.3.2 Capacity and budget resource (personnel and funding) to address outstanding rectification works from the previous PSDS-funded projects.
- 1.4 To note the financial implications associated with this report, including that the profile of grant receipts is not flexible and so any slippage in the project will result in a risk that the council's contribution to the scheme increases.

2. Executive Summary

- 2.1 Cherwell District Council has been successful in securing capital grant funding from the government's Public Sector Decarbonisation Scheme (PSDS) 4, administered by Salix Finance.
- 2.2 This funding will support the decarbonisation of selected council-owned buildings by replacing fossil-fuel-based heating systems with low-carbon alternatives and implementing energy efficiency upgrades. Namely Stratfield Brake Sports Pavilion, Spiceball Leisure Centre and Woodgreen Leisure Centre as well as the small pavilion at North Oxfordshire Academy School. This will be achieved through installation of air source heat pumps, fabric upgrades, and other energy efficiency works.

Key Benefits Include

- 2.3 The benefits proposed are based on a feasibility study by an external consultant that was included in the PSDS4 application
- Estimated annual carbon savings of **234.19 tCO₂e**.
 - Estimated Annual Energy Bill Savings **£37,621**
 - Reduction in gas consumption and operational costs.
 - Enhanced resilience and modernisation of public assets.

Implications & Impact Assessments

Implications	Commentary
Finance	<p>The grant requires the council to contribute capital match funding of £351k. It is proposed to use the budget the council set aside in the capital programme to finance projects which contribute towards the commitment to achieve a carbon net zero position by 2030. The programme includes £125k per financial year for five years, of which none has yet been committed.</p> <p>To deliver the grant funded project and complete the remedial works from the previous PSDS project would require additional resources with a value of £210k. This represents fees (planning, design etc) of £110k not included in the grant application and temporary external Property team support of £100k. The funding from these resources will also need to come from reprofiling the five year allocation within the approved capital programme.</p> <p>There are potential revenue savings of £37k on utility costs. The MRP and interest impact of the net zero capital project in the programme has been reflected in the Medium-Term Financial Strategy; however, the impact of the additional resource requested has not. This is estimated at £25k per year, resulting in a potential net saving of £12k per year. When compared to the total proposed commitment of council resources of £561k. A simple payback</p>

	<p>period on this basis would be 47 years. An NPV has not been calculated at this stage.</p> <p>The grant agreement is clear that there is a profile for the grant funding and “there is no flexibility to transfer funding from one year to another”.</p> <p>The profile is as follows:</p> <table border="1" data-bbox="491 443 1254 600"> <tr> <td>2025/26</td><td>£721,877</td></tr> <tr> <td>2026/27</td><td>£250,000</td></tr> <tr> <td>2027/28</td><td>£127,985</td></tr> <tr> <td>Total</td><td>£1,099,862</td></tr> </table> <p>There is a significant risk associated with not delivering proposed projects/measures in line with the timetable set out in the grant conditions of grant funding no longer being available to the council. If this happens then either the Council would have to take the decision to continue, and identify how to fund the shortfall in funding through its own resources or it would have to stop the project, which would result in grant spent being returned and the capital costs incurred by the council becoming revenue costs.</p> <p>Based on the profile of spend proposed in the grant agreement £440,000 is expected to be incurred in mid-March 2026 so there is very limited scope for this spend to slip before there is a risk that the council no longer has access to the funding.</p> <p>Therefore, it is essential that this project is well planned and managed to ensure that spend is incurred in line with that set out in the grant agreement.</p> <p>Furthermore, there has not been an assessment carried out yet as to whether there is a sufficient electricity supply to support the Air Source Heat Pumps that are proposed within this scheme. If the electricity supply is insufficient and an upgrade is required then this will result in additional costs which are not currently budgeted for if we are to get the full environmental benefits.</p> <p>Michael Furness, Assistant Director of Finance, 21 May 2025</p>	2025/26	£721,877	2026/27	£250,000	2027/28	£127,985	Total	£1,099,862
2025/26	£721,877								
2026/27	£250,000								
2027/28	£127,985								
Total	£1,099,862								
<p>Legal</p>	<p>The Council is able to receive and deliver the funding to the projects specified. The Council will be required to ensure that the proposed projects are delivered in a legally compliant way in accordance with all relevant legislation in relation to the activities undertaken.</p> <p>The Council must assess and document its compliance with its Constitution, the Procurement Act 2023, Subsidy Control Act 2022 and other relevant requirements. Mechanisms to recover funding must be put in place where appropriate. Of note an assessment with regards to subsidy control is required given the potential indirect subsidy to enterprise(s), by carrying out funded works that may reduce their costs (e.g. energy costs).</p>								

	In terms of Procurement implications given the value of the subsequent projects using PSDS funding, compliance with the Council’s Constitution, the Procurement Act 2023 and other relevant rules will be required where applicable. It should be noted that the Council has entered into the grant funding agreement in relation to this scheme. If the Executive is not resolved to proceed with the implementation of the scheme then we will have to terminate the agreement. Shiraz Sheikh, Assistant Director of Law and Governance and Monitoring Officer, 21 May 2025			
Risk Management	A Risk register will be set up as part of the management of the project using the Council’s risk management methodology to capture, assess and manage risks, as stated in 4.9 Julie Miles, Performance Analyst and Developer, 13 May 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		x		There are no Equalities implications associated with this report Julie Miles, Performance Analyst and Developer 13 May 2025
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				
Climate & Environmental Impact				This PSDS funding provides a great opportunity to help CDC in decarbonising its buildings. Given the increase in the emissions in the past year it becomes critical to implement every possible action which reduces our emissions and support to achieve CDC’s 2030 Net Zero target especially when the funding of this scale has been secured by the officers in a competitive and challenging financial environment.

ICT & Digital Impact				Not applicable
Data Impact				Not applicable
Procurement & subsidy				There may be an impact on the procurement team for procuring the implementation and installation. If stakeholder requires procurement and legal support this will need to be funded by the resources allocated to this project. Shiraz Sheikh, Assistant Director of Law and Governance and Monitoring Officer, 21 May 2025
Council Priorities	Environmental Stewardship is one of our four Strategic Priorities, and Supporting Environmental Sustainability is one of the four key Corporate Objectives and so this PSDS works supports CDC's priorities directly.			
Human Resources	N/A			
Property	<p>Property understand the need to have property assets that can help meet and contribute to the Council's Strategic Priorities and Carbon Net Zero 2030 target.</p> <p>Property comments include:</p> <p>Property can provide technical advice and support to the proposed project. If the skills and experience required are not available in-house that will result in the need to engage 3rd party specialist advice and support, as happens with other projects. Adequate approved budget will need to be provided by the Project lead.</p> <p>Property do not currently have the resources (capacity and budget) to assist with delivery of the works associated with PSDS. Therefore sufficient and approved budget provided by the Project lead is required to enable recruitment (specific arrangements about skills, experience, job requirements, contract terms and grade to be determined).</p> <p>Decisions about installations and associated works need to be aligned with Property Strategy.</p> <p>Further works is needed to check that all sites are suitable for the installations proposed – structural, location, setting. Costs will need to be included in the overall project costs.</p> <p>Ongoing maintenance and integration of new installations into existing systems must be considered – this may have an impact on costs and/or future management and operation of assets. Costs are not known or determined and Property does not have any budget.</p> <p>Future costs of managing, including repair and maintenance, of the proposed installations is not yet known or quantified Property do not have resources or budget to cover any additional costs arising.</p>			

	<p>Occupier engagement/consent is needed for the proposed sites as CDC do not actively manage all. Occupiers will need to agree with that the works can be undertaken. There may be Legal costs associated with this – not yet known or quantified and currently no budget available from Property.</p> <p>The Council may need to take on the utility bill payments for a period after new heat pumps are installed – not yet determined or confirmed. If this is the case there is no certainty at the time of writing that these costs can be recovered. If not an approved budget will be required as it cannot be resourced by Property.</p> <p>Several completed PSDS schemes are not delivering the expected benefits because installed systems were not properly understood, training and maintenance regimes not understood or implemented. It is essential that this does not occur with any new installations and that time is taken to ensure proper decision making, delivery and ongoing management.</p> <p>As a result of the problems with completed PSDS schemes resource (capacity and budget) to address outstanding rectification works from the previous PSDS-funded projects. Property do not currently have the resources needed to fund this.</p> <p>Mona Walsh, AD Property 9 May 2025</p>
Consultation & Engagement	<p>Council officers from Property, Leisure, Finance, and Legal were consulted during the grant application process. The PSDS4 project has also been discussed with the Portfolio Holder, the Corporate Director for Communities, and the Assistant Director for Property and Environmental Services.</p> <p>The contents of this report have been reviewed and discussed with relevant officers from Property, Leisure, and Environmental Services.</p>

Supporting Information

3. Background

- 3.1 The Public Sector Decarbonisation Scheme (PSDS) is a government initiative supporting public sector organisations to decarbonise buildings and improve energy performance. The scheme aligns with the UK's legally binding commitment to reach net zero emissions by 2050.
- 3.2 Cherwell District Council submitted a bid under the most recent round (Phase 4) of the scheme, focusing on decarbonising Spiceball Leisure Centre, Woodgreen Leisure Centre, Stratfield Brake Sports Ground, North Oxfordshire Academy which currently rely on gas heating systems and present significant retrofit potential.

- 3.3 The Council was notified of a successful award of £ 1,099,862 subject to formal acceptance and delivery within the funding parameters.
- 3.4 CDC has to match fund £350,911.40 to execute all the projects proposed.
- 3.5 Any additional funding is to be regarded as a measure of last resort, to be utilised only where essential to meet resourcing requirements that extend beyond the scope of the PSDS grant and CDC's matched contribution. While the existing funding framework is expected to cover the majority of costs, there may be circumstances where supplementary resource funding is necessary to support the effective and timely delivery of key projects.
- 3.6 Additional internal and external resource funding of £210,000 is proposed to effectively support delivery of the PSDS programme.
- 3.7 Professional fees can amount to 15% of the capital cost of the works i.e. £218,000 depending on the requirements for the project, planning applications, building regulations as well as design works. £108,000 is available in the grant funding in the Design, and Project Delivery heads. So additional funding required is £110,000 to bring the total contribution to £218,000.
- 3.8 Internal resources requirement will include legal, procurement, estates to change tenancy agreements and finance to support utility charge changes as well as technical oversight / support during design and installation. Estimate capital salaries of £100,000 (delivery £75,000 and post-delivery £25,000).

4. Details

- 4.1 Cherwell District Council (CDC) plans to decarbonise three buildings (Stratfield Brake Sports Pavilion, Spiceball Leisure Centre and Woodgreen Leisure Centre) as well as the small pavilion at North Oxfordshire Academy School.

Key Benefits Include

- 4.2 The benefits proposed are based on a feasibility study by an external consultant that was included in the PSDS4 application
- Estimated annual carbon savings of **234.19 tCO₂e**.
 - Estimated Annual Energy Bill Savings **£37,621**
 - Reduction in gas consumption and operational costs.
 - Enhanced resilience and modernisation of public assets.

Measures Proposed

- 4.3 CDC aims to install an air source heat pump system at Stratfield Brake Sports Grounds. This building houses changing rooms, showers, a bar, and a meeting room, which are frequently used by various individuals and occasionally host meetings for other councils. The installation of the air source heat pump is intended to provide energy-efficient and sustainable heating and cooling solutions for the building, ensuring comfortable conditions year-round while reducing our carbon footprint.

- 4.4 CDC aims to install an air source heat pump system at Spiceball Leisure Centre for Domestic Hot Water. A previous ASHP has been installed as part of PSDS Phase 1 application, which provides pool heating. Additional fabric improvement measures are also proposed as part of this application (flange and pipework insulation).
- 4.5 CDC aims to install two air source heat pumps at Woodgreen Leisure Centre, with one serving the wet changing room showers and heating within the bowls area, and the other serving Domestic Hot Water to the library, reception and gym. Additional building fabric upgrades are also proposed as part of this application (loft insulation).
- 4.6 CDC aims to install an air source heat pump at North Oxfordshire Academy (Sports pavillion), which is to serve the Domestic Hot Water for the showers and space heating for the social space. Fabric upgrades are also included as part of this application (external wall insulation, loft insulation and upgrades to the existing glazing).

Project Governance

- 4.7 The Corporate Director will oversee project delivery, in consultation with the relevant service leads.
- 4.8 Delivery of this project of works will be coordinated by the Property team enabling the project leveraging best available in-house technical expertise, in close collaboration with Leisure, Procurement, Finance, and Climate Change.
- 4.9 In addition to the existing governance mechanism, this project of works will be governed by the Climate Change Programme Board.

Delivery Mechanism

- 4.10 A project plan and risk register will be developed to manage timelines, dependencies, and contingencies. Salix Finance will monitor compliance with funding conditions and performance reporting.

Delivery Capacity and Resource Requirements

- 4.11 The successful delivery of this PSDS-funded programme requires enhanced internal capacity, particularly within the Property team, to manage the technical design, procurement, contract administration, and installation phases. This includes project management support, technical oversight, and contract performance monitoring.
- 4.12 The PSDS grant provides capital for building fabric and technology upgrades but does not fully cover internal and external staffing required to support delivery at pace. It is therefore proposed that an additional allocation of £210,000 from Council reserves or capital programme be made available to secure temporary Property team support.
- 4.13 In addition, delivery of the new programme provides an opportunity to resolve outstanding rectification issues from the previous PSDS project phase, including defects management, contractor follow-up, and commissioning validation. Adequate

resource to address these issues will ensure full value is realised from both past and current investments.

Justification for Financial Value of the Resource Ask

- 4.14 To ensure timely and high-quality delivery of the PSDS-funded works, additional internal and external capacity is required, particularly within the Property team. Based on lessons from the previous PSDS phase, under-resourcing led to delays, reduced oversight, and difficulties managing contractor performance and post-installation issues.
- 4.15 The proposed resource package will:
- Enable proactive and effective contract and project management across multiple sites.
 - Provide the technical assurance needed to meet Salix and internal compliance requirements.
 - Address unresolved legacy issues from the previous PSDS phase, including snagging, commissioning, and warranty claims.
 - Avoid further inefficiencies or reputational risk due to programme slippage or missed technical outcomes.
- 4.16 The total estimated internal and external resource requirement is £210,000. Investing in this support ensures the Council maximises the impact of current and previous decarbonisation funding and mitigates reputational or operational risks.

Tentative Resource Summary:

Category	Role/Function	Notes
New PSDS Delivery	Property Project Manager (external or seconded)	Manages procurement, contractor liaison, and site delivery
	Technical Advisor / Clerk of Works	Ensures quality control and technical compliance
	Contract/Legal Support	Drafting/negotiating contract variations
Old PSDS Rectification	Snagging & Defects Lead	Resolves legacy issues from previous programme
	Technical Commissioning Review	Verifies proper installation, handover and M&E commissioning
Contingency	Buffer for extensions/specialist input	Covers any unexpected resourcing gaps
Capitalisation of Salaries		
Total	£210,000	To be funded from the Net Zero Capital Projects budget

5. Alternative Options and Reasons for Rejection

- 5.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Do Nothing: Rejected due to continued reliance on high-carbon heating systems, missed opportunity for grant funding, and failure to meet internal climate targets.

Option 2: Delay Decision: Rejected due to time-sensitive nature of funding acceptance and delivery deadlines imposed by Salix Finance.

Option 3: Fund Through Council Capital Only: Rejected due to high capital cost burden and absence of external match-funding opportunity.

6 Conclusion and Reasons for Recommendations

- 6.1 Accepting the PSDS funding offers a cost-effective and timely opportunity to make meaningful progress toward the Council's Strategic Priorities and Carbon Net Zero 2030 target. The projects supported by this funding will make our estate more energy efficient, reduce long-term energy costs, and demonstrate leadership in sustainability across the district.
- 6.2 The Executive is therefore recommended to approve the acceptance of the PSDS grant and support the delivery of the funded projects, enabling timely mobilisation and ongoing oversight.

Decision Information

Key Decision	Yes - Incurring potential capital expenditure or savings above £250,000
Subject to Call in	Yes
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	PSDS4 Grant Offer Letter

Appendix 2	Climate Action Plan Nov'24 – Apr'26
Background Papers	None
Reference Papers	None
Report Author	Hitesh Mahawar, Climate Change Programme Manager
Report Author contact details	Hitesh.mahawar@cherwell-dc.gov.uk
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	Corporate Director for Communities