

**Report to CABINET**

## **Public Sector Decarbonisation Scheme Phase 3a Grant Acceptance - Spindles**

**Portfolio Holder:**

Councillor Abdul Jabbar, Cabinet Member for Finance and Low Carbon

**Officer Contact:** Director of Economy

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Manager

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**23 January 2023**

**Reason for Decision**

To accept a grant of £2,153,354 from the Public Sector Decarbonisation Scheme Phase 3a for energy works at the Spindles, and to commence the works.

**Recommendations**

That Cabinet accept the grant and the Council commence works. Under this option, the Council will enter into a partnership agreement with GMCA for disbursement of the grant, and the works will be carried out by the Spindles project team already appointed for the wider renovation programme at the site.

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**Public Sector Decarbonisation Scheme Phase 3a Grant Acceptance – Spindles****1 Background**

- 1.1 The Public Sector Decarbonisation Scheme is a UK Government funded programme, administered by Salix.
- 1.2 The Council has previously benefited from PSDS grant funding for two projects – LED lighting at Oldham Leisure Centre (circa £100K) and Air Source Heat Pumps at Alexandra Park Eco-Centre (circa £290K)
- 1.3 In October 2021, the Council applied (via a GMCA consortium) to the PSDS3a funding round, for decarbonisation works at the Spindles, including the installation of roof and wall insulation, glazing, solar PV and heat pumps. The grant funding was not awarded at that time, due to the overall funding envelope being exceeded by the time Salix received Oldham’s application (via GMCA)
- 1.4 However, in September 2022 Salix approached GMCA asking whether Oldham would still be looking for the funding, as the PSDS3a programme was underspent after the first 12 months of operation.
- 1.5 The PSDS3a application form for Spindles has been updated to take into account changes to the proposed project over the past 12 months, and has now been approved by Salix, who have signed a Grant Agreement with GMCA for the grant funding. The actual grant amount received by GMCA from Salix will be £2,291,822. However, the GMCA will ‘top-slice’ this grant amount as a management fee (£138,468 or 6%) and the actual grant amount to be received from GMCA by Oldham will be £2,153,354.
- 1.6 The decarbonisation works at the Spindles will contribute to the carbon neutrality targets set out in the Oldham Green New Deal Strategy and will also support the “A Clean and Green Future” priority set out in the Corporate Plan. They are also forecast to save around £45K annually in energy costs at the complex.

**2 Current Position**

- 2.1 The Spindles project has been offered £2,153,354 in grant funding against a total project value of £3,956,223, requiring a match funding element from the Council of £1,802,869.
- 2.2 The grant funding must be spent by 31<sup>st</sup> March 2025.
- 2.3 Key to successful delivery of the project will be accurate and timely reporting to GMCA on progress and effective draw-down of the grant funding. This will in turn depend on a detailed understanding by the contractors delivering the scheme as to which items are grant eligible, itemised invoices as evidence, how the Council’s match funding for the scheme is accounted for, and robust assurance in terms of meeting the conditions of the grant. The Council will therefore need to ensure that appropriate governance is in place to support successful delivery of the grant-funded scheme.

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### 3 Options/Alternatives

- 3.1 Option 1: do not accept the grant. Under this option, the grant funding will not be accepted and the additional energy works proposed at the Spindles complex will not be implemented.
- 1.7 Option 2: accept the grant and commence works. Under this option, the Council will enter into a partnership agreement with GMCA for disbursement of the grant, and the works will be carried out by the Spindles project team already appointed for the wider renovation programme at the site.

### 4 Preferred Option

- 4.1 Option 2: accept the grant and commence works. Under this option, the Council will enter into a partnership agreement with GMCA for disbursement of the grant, and the works will be carried out by the Spindles project team already appointed for the wider renovation programme at the site.

### 5 Consultation

- 5.1 Consultation has taken place with the Cabinet Member for Finance and Low Carbon.

### 6 Financial Implications

- 6.1 The capital grant funding of £2.153m and associated match funding of £1.803m will support an overall package of works of £3.956m in relation to decarbonisation works at the Spindles as part of the overall Spindles redevelopment. The match funding is contained within the existing capital budget for the Spindles redevelopment. It is currently anticipated that a portion of the grant funding could fund items that are covered by the existing budget and may reduce the amount of Prudential Borrowing needed for the Spindles redevelopment. If Prudential Borrowing could be reduced then the revenue implications of the project would also fall. However, further work is necessary to determine the exact amounts.
- 6.2 As indicated in the Legal Services and Procurement comments, the Green Energy and Sustainability team and the Spindles Redevelopment team will need to ensure that all spend is in line with the requirements of Salix and the associated GMCA grant agreement to ensure that there is no claw-back of any grant funding.

[ James Postle ]

### 7 Legal Services Comments

- 7.1 Legal Services agrees with and echoes the comments provided by the procurement team.

A comprehensive draft Grant Agreement has been provided by GMCA and this has been reviewed by Legal Services who have advised that the Green Energy and Sustainability team should familiarise themselves with the content of the Grant Agreement and in particular the obligations that are placed on them in terms of reporting and spending of the grant monies. Where any clarifications are required by team on any part of the Grant Agreement, they should seek legal advice immediately. The final form of Grant Agreement will be reviewed to ensure it is in line with the draft agreement before it is submitted for execution. Legal Services considers that the grant may result in the

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provision of a subsidy, but all necessary procedures and assessments will be undertaken prior to any expenditure of the grant to ensure compliance with subsidy control rules.

[ Sarah Orrell – Commercial & Procurement Solicitor ]

## 8. **Co-operative Agenda**

- 8.1 The Spindles is one of the Council's key regeneration projects which will house not just retail units but also offices, an events space and an archive. As such it will be a key community asset, and the proposed energy works will support the asset by reducing energy costs and carbon emissions.

[ Andrew Hunt ]

## 9 **Human Resources Comments**

- 9.1 No HR implications

[Catherine Pearson, Strategic HR Lead]

## 10 **Risk Assessments**

- 10.1 The biggest challenge linked into the Council accepting the grant is the slippage on the scheme results in expenditure being incurred after the grant has expired. This is partially offset by an element of the capital cost this grant finances would be incurred on the project without the grant.

[ Mark Stenson ]

## 11 **IT Implications**

- 11.1 None.

## 12 **Property Implications**

- 12.1 Acceptance of this grant funding will enable additional works to be carried out to The Spindles to improve the energy efficiency of the public spaces and shell and so are welcomed.

[ Rosalyn Smith ]

## 13 **Procurement Implications**

- 13.1 The GMCA funding agreement provides fully detailed conditions on the Procurement of Capital Equipment, Goods and Services:

- 13.2 The procurement of all works, equipment, goods and services required to deliver the Project must be carried out in accordance with the Recipient's internal procurement guidelines and financial regulations, and with all applicable laws including the Procurement Regulations. The Secretary of State shall not be liable for the Recipient's failure to comply with its obligations under such guidelines, regulations or laws.

- 13.3 As part of the funding agreement, the Council shall, as part of the procurement process of all main contractors and Tier 2 sub-contractors of all works, equipment, goods and services required to deliver the Project, identify and provide the following information to GMCA as requested by GMCA from time to time:

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- all relevant details required to identify the Suppliers (including the company or organisation name of the Suppliers);
  - the monetary sum of the Grant which will or has been spent on Greater Manchester based businesses;
  - the percentage of Suppliers which pay the Real Living Wage to their direct employees;
  - the percentage of Suppliers who measure their carbon footprint; and
  - the percentage of Suppliers who plan to become carbon neutral by 2050.

13.4 The consultant team appointed to the Spindles project i.e., architect and engineers, have been compliantly procured via a third party public sector framework that complies with the public contract regulations 2015 – any variations that have been implemented to these contracts will need to satisfy framework conditions and council contract procedure rules. All appointed consultants' have signed up to deliver social value commitments.

13.5 The works contractor appointed initially under a pre-construction services agreement to deliver the Spindles scheme, has been procured via a third party public sector framework that complies with the public contract regulations 2015 – all works packages agreed through the pre-construction services agreement, shall be tendered via the contractor on a fully open book basis and that can demonstrate best value, along with social value commitments.

13.6 The funding agreement also outlines a number of Project Specific Conditions that must be satisfied, these are detailed as part of Schedule 4.

[ Dan Cheetham ]

#### 14 **Environmental and Health & Safety Implications**

14.1 Environmental: It is estimated that the proposed energy works at Spindles to be funded by this grant will reduce carbon emissions from the complex by over 300 tonnes annually. This will contribute towards the 2025 and 2030 carbon neutrality targets set out in the Oldham Green New Deal Strategy.

[ Andrew Hunt ]

#### 15 **Equality, community cohesion and crime implications**

15.1 None.

#### 16 **Equality Impact Assessment Completed?**

16.1 No

#### 17 **Key Decision**

17.1 Yes

#### 18 **Key Decision Reference**

18.1 ESR-30-22

#### 19 **Background Papers**

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19.1 None.

20 **Appendices**

20.1 None.