

Report to CABINET

Oldham Green New Deal Delivery Partnership - Grant acceptance

Portfolio Holder:

Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

Officer Contact: Emma Barton, Deputy Chief Executive (Place)

Report Author: Andrew Hunt, Green Energy & Sustainability Manager

Ext. 6587

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Reason for Decision

To accept £8.7m grant funding for implementation of the Oldham Low Carbon Heat Network, as part of the Oldham Green New Deal Delivery Partnership programme.

Recommendations

Cabinet is asked to approve:-

1. Acceptance of £8.7m grant funding (£1m revenue and £7.7m capital) from the UK government Green Heat Network Fund, for implementation of the Oldham Low Carbon Heat Network
2. Delegated authority to accept up to £1.5m grant funding from the DESNZ Local Net Zero Accelerator programme via GMCA (subject to Business Case being agreed between GMCA and DESNZ), to the Deputy Chief Executive (Place) in consultation with the Leader of the Council and Cabinet Member for Finance and Corporate Resources, and Directors of Finance, Legal Services and Economy
3. Delegated authority to appoint consultants and contractors for the grant funded works and services to the Deputy Chief Executive (Place) in consultation with the

Leader of the Council and Cabinet Member for Finance and Corporate Resources,
and Directors of Finance, Legal Services and Economy

4. Delegate authority to the Director of Legal Services or their nominated representative to sign and/or affix the Common Seal of the Council to all contractual documentation and associated or ancillary documentation referred to above and/or required to give effect to the authorisations, delegations and recommendations in this report.

Oldham Green New Deal Delivery Partnership - Grant acceptance**1 Background**

- 1.1 In March 2020, the Council adopted the Oldham Green New Deal Strategy (OGNDS), Oldham's climate change mitigation strategy which has a specific focus on securing the co-benefits of investment in low carbon infrastructure, in particular jobs and training opportunities for Oldham residents in the growing Green Technology and Services (GTS) sector.
- 1.2 The OGNDS set two challenging carbon neutrality targets – for Council Buildings and Street Lighting (by 2025) and for Oldham Borough (by 2030). These targets are set within the context of the 2038 carbon neutrality target for Greater Manchester city region set out in the GM 5-year Environment Plan.
- 1.3 The OGNDS sets out the approach for achieving the 2030 borough-wide carbon neutrality target as follows:-
- 1) Leading a strategic partnership of major energy users across all sectors in Oldham to achieve carbon neutrality within the partnership and demonstrate community leadership.
 - 2) Developing a Local Energy Market to incentivise renewable energy development in the borough and cut energy bills for local residents and businesses.
 - 3) Investing in, and supporting the development and roll-out of, large-scale low carbon anchor energy infrastructure such as low carbon heat networks.
 - 4) Supporting the development of the GTS sector across the borough and support and incentivise the wider business community to decarbonise.
 - 5) Maximising the local benefits from Greater Manchester and national level schemes which aid decarbonisation, including in the areas of Air Quality, Transport, Waste and other key priority sectors, securing inward investment for 'clean growth' from public and private sectors.
- 1.4 In 2021, the Council carried out its first market engagement exercise to test interest in the commercial low carbon infrastructure sector for an Oldham Green New Deal Delivery Partnership – a strategic investment and delivery partnership between the Council and the private sector to deliver the £5.6bn of low carbon infrastructure set out in Oldham's Local Area Energy Plan, which the borough requires to reach Net Zero, taking the OGNDS approach outlined above. The market engagement exercise demonstrated significant interest from major energy infrastructure companies in working in Oldham, who also understood the Council's objective of maximising the opportunities for Oldham's local GTS supply chain companies to participate in delivery of infrastructure.
- 1.5 In 2022, a second market engagement exercise was carried out, again testing interest in the low carbon infrastructure marketplace but also testing interest with specialist consultancy companies in supporting the implementation of an OGND Delivery Partnership. Again, the market engagement exercise demonstrated significant interest from both energy infrastructure companies and specialist consultancies.
- 1.6 In early 2023, the Council commenced Detailed Project Development feasibility stage on a proposed new low carbon district heat network for Oldham Town Centre, which could make use of a range of low carbon heat sources including air source, wastewater source, minewater source and biomass heat. The £220K DPD feasibility work was 70% funded by the Department for Energy Security and Net Zero's Heat Network Delivery Unit, 15% by the

Council and 15% by First Choice Homes Oldham who own the existing heat network at St Mary's, which serves around 1,500 social homes.

- 1.7 As part of the heat network DPD feasibility work, a third market engagement exercise was carried out to test interest in the low carbon infrastructure marketplace for the heat network project specifically, in the context of an OGND Delivery Partnership. Again, the exercise demonstrated significant market interest in the opportunity. The heat network project has now been completed to Outline Business Case stage and shows a £27m opportunity for a heat network developer. The recommended delivery model is for a third party investor / developer partnership with the Council under a Special Purpose Vehicle, as a subsidiary / subcontract of an over-arching OGND Delivery Partnership Joint Venture.
- 1.8 The proposed heat network will likely form the core of a much larger expansion of heat networks in Oldham in the future, supported by new national legislation around Heat Network Zoning (HNZ). Under HNZ, new developments and large heat users will be mandated to connect to district heat networks. It is anticipated that the £27m heat network for Oldham Town Centre will form the core of a much larger heat network or set of heat networks, which Oldham's Local Area Energy Plan anticipates could constitute an investment opportunity of around £340m in total across the borough over time.
- 1.9 In early 2023, the Council was successful in securing £75K of revenue grant funding from Phase 1 of the Innovate UK (IUK) Net Zero Living Pathfinder Places programme, to develop a feasibility study looking at the potential for an OGND Delivery Partnership which would combine a commercial partnership arrangement with a large private sector infrastructure provider with an innovative approach to Community Led Energy Planning, already piloted in Sholver and Westwood wards as part of the Oldham Energy Futures project, delivered by Carbon Co-op. The feasibility study was completed and provides a blueprint for implementation of an OGND Delivery Partnership.
- 1.10 The GM Combined Authority and Manchester City Council were also successful in securing grant funding for feasibility studies from Phase 1 of the IUK programme for feasibility studies, and once the feasibility studies were complete, GMCA led a consortium application to Phase 2 of the IUK programme, for a combined £5.5m in revenue grant funding, of which Oldham's share was £1.5m. The overall GMCA application was for a demonstrator programme testing different delivery models at city regional (GMCA), local authority area (Oldham) and neighbourhood (Manchester) levels to accelerate the deployment of low carbon infrastructure across a number of 'asset classes' including district heat networks, renewable energy generation and storage, electric vehicle charging and housing retrofit.
- 1.11 In September 2023, Oldham Council submitted an application to the Green Heat Network fund for £1m in revenue grant funding and £7.7m in capital grant funding, to develop the heat network to RIBA Stage 3 design stage, carry out invasive feasibility at the Rhodes Bank site (which has been identified as the preferred site for the new low carbon Energy Centre - as well as being the site on which the new Green Shoots Business Centre (a Levelling Up Fund project) will be developed - for minewater source heat and to enable the heat network project to achieve a commercial rate of return (10% IRR).

[Link to Corporate Plan and Priorities](#)

- 1.12 The Oldham Green New Deal Delivery Partnership will support "working with a resident focus" through the Community Led Energy Planning approach, which will put residents at the heart of the development of low carbon energy infrastructure in their neighbourhoods.
- 1.13 Corporate Plan priorities: Healthy, safe and well supported residents / quality homes for everyone – the Oldham Green New Deal Delivery Partnership could support efforts to help residents cut their energy bills through the energy efficient retrofit of their homes.

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- 1.14 Corporate Plan priority: A clean and green future – the Oldham Green New Deal Delivery Partnership aims to bring in up to £5.6bn of investment in low carbon infrastructure in Oldham, supporting the aim set out in the Oldham Green New Deal Strategy to achieve carbon neutrality for the borough by 2030. It will also contribute to the improvement of green infrastructure in the borough such as parks and local green spaces.
- 1.15 Corporate Plan priorities: A great start and skills for life / better jobs and dynamic businesses - the Oldham Green New Deal Delivery Partnership will support the creation of jobs and training opportunities for Oldham’s residents and young people in the growing Green Technology and Services sector, as it secures inward investment in low carbon infrastructure schemes and involves Oldham’s local supply chain in delivery. It will also help businesses to become more competitive by cutting their energy costs, through investments in energy efficiency and decarbonisation. The new low carbon heat network will provide cost certainty for heat supply for Town Centre businesses and residents, as well as an environmentally friendly source of heating.

2 **Current Position**

- 2.1 On 30th November 2023, GMCA was notified that the consortium application had not been successful in securing Innovate UK funding. However, GMCA was notified that a direct award would instead be made from the Department for Energy Security and Net Zero (DESNZ) for up to £7m instead of the £5.5m applied to Innovate UK for, via a new programme called the Local Net Zero Accelerator programme, for implementation of the GMCA / Oldham / Manchester three-tier delivery model demonstrator originally submitted to Innovate UK, with a condition that GMCA also include additional work.
- 2.2 Oldham’s part of the project, to implement an Oldham Green New Deal Delivery Partnership, remains part of the programme and so the Council expects to receive up to £1.5m from this fund via GMCA. However, GMCA must first submit a Business Case to the Greater South East Net Zero Hub who are the administrator for the DESNZ funding in order to receive the grant. The grant funded period ends on 31 March 2026. The Council will be expected to sign a grant agreement with the GM Combined Authority for disbursement of the DESNZ grant. This report requests delegated authority to accept this grant once it has been confirmed by GMCA – this delegated authority will enable the Council to mobilise quickly once the grant is confirmed in order to meet the delivery timescale ending March 2026.
- 2.3 The Council has been successful in securing £1m of revenue funding and £7.7m of capital funding from the Green Heat Network Fund, from its application for grant funding to support delivery of the Oldham Low Carbon Heat Network.
- 2.4 The £1m of revenue funding will cover the cost of taking the heat network scheme from RIBA Stage 2 to RIBA Stage 3 design (“Commercialisation”) and also the drilling of test boreholes for the minewater heating resource at the Rhodes Bank site.
- 2.5 The £7.7m of capital funding will contribute towards the overall estimated £27m capital cost of the heat network scheme and will be transferred from the Council to the Oldham Green New Deal Delivery Partner via a procurement process which is expected to commence in July 2024 for a period of around 12 months.
- 2.6 The Council will shortly carry out a procurement exercise for consultants to deliver the Commercialisation work for the district heat network project. A further procurement process will follow to select and appoint consultants and contractors to carry out invasive minewater borehole feasibility at Rhodes Bank. Additional appointments such as an Independent Assurance Provider will arise from the DESNZ grant funding once confirmed and received.

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- 2.7 The OGND Delivery Partnership will aim to be fully operational from April 2026 onwards, and the low carbon heat network will be delivered in phases between April 2026 and March 2028. Once operational, the heat network is expected to save around 3,700 tonnes of CO2 annually, which is more than the Council's entire current carbon footprint arising as a result of burning gas for the heating of Council buildings. The heat network will also deliver heat price stability for the Council, town centre businesses and residents. More detailed information will be available once Commercialisation stage feasibility (RIBA Stage 3 design) has been completed.
- 2.8 Additionally, the DPD feasibility study shows potential to expand the town centre heat network in future up to £90m of investment, with further heat network opportunities in Oldham borough of up to around £340m capital cost.
- 2.9 A Green New Deal Delivery Group has been established as a sub-group of the Oldham Partnership Economic Board. The GND Delivery Group will form a key element of the governance of the OGND Delivery Partnership.

3 Options/Alternatives

- 3.1 Option 1: Do not accept the grant funding. Under this option, the Council will not proceed with implementation of an Oldham Green New Deal Delivery Partnership and will not progress further the Oldham Low Carbon Heat Network.
- 3.2 Option 2: Accept the grant funding. Under this option, the Council will proceed with implementation of an Oldham Green New Deal Delivery Partnership including the delivery of the Oldham Low Carbon Heat Network.

4 Preferred Option

- 4.1 Option 2: Accept the grant funding. Under this option, the Council will proceed with implementation of an Oldham Green New Deal Delivery Partnership including the delivery of the Oldham Low Carbon Heat Network.

5 Consultation

- 5.1 Consultation has taken place with the Cabinet Member for Finance and Corporate Resources.

6 Financial Implications

- 6.1 The DESNZ grant funding will enable the Council to set up a delivery partnership to introduce energy saving infrastructure within the borough and provide a strong basis to apply for grant funding to meet viability shortfalls in respect of potential new projects. At this point the understanding is that there is no requirement for match funding from the Council - assumption being that the grant allocation will meet all the procurement and associated costs in setting up the partnership.
- 6.2 The Green Heat Network Fund is the result of a separate grant application and provides £1m to undertake further feasibility work to determine the viability of the Minewater Source heating project. There is a requirement for the Council to fund certain external costs in respect of the project and this will be provided by way of the DESNZ funding above. Once completed, the Council anticipates that it will then be in a position to make a decision as to

whether to enter into a contract with a delivery partner in order for it to deliver the project (estimated £27m capital value) and call on the £7.7m of grant funding to facilitate this. Accepting the grant at this stage does not obligate the Council to enter into any contract to deliver the full project.

- 6.3 As a consequence, there is no direct call on the resources allocated to the Council's Capital Programme as a result of accepting both these grants.

Chris Kelsall – Assistant Director of Finance

7 **Legal Implications**

- 7.1 The Council must be satisfied it can meet the objectives and terms and conditions and milestones of the funding imposed by the funding authority including any obligation to provide match funding and to monitor, keep any necessary records and file any necessary returns. Officers must also check the terms do not conflict with other funding conditions for the scheme/s or project/property already in place and ensure compliance with the Public Sector Equality Duty and obtain any necessary Environmental Assessments.
- 7.2 All works, services and goods procured by or on behalf of the Council must be procured in compliance with the Council's Contract Procedure Rules and all other relevant regulations including, where applicable, the Financial Procedure Rules and Land and Property Protocol. Officers must work with Legal colleagues to approve and formalise the terms of any grant Agreement in conjunction with Finance and Audit colleagues.
- 7.3 The Senior responsible Officer and Project Manager must ensure that Subsidy Control is considered in consultation with Legal Services and that all relevant assessments are made and recorded and all relevant regulations and legislation is complied with to the satisfaction of the Section 151 Officer and in compliance with the Financial Procedure Rules of the Council. External advice may be needed to support these activities which will be a cost to the Project.
- 7.4 The Transparency obligations of the Council must be complied with together with any Frameworks used and any obligations referred to in the Procurement and Finance Comments.
- 7.5 Any procurement of goods works or services by or on behalf of the Council (as the Council's agent) must be carried out in compliance with the Council's Contract Procedure Rules ("CPRs") which incorporate all relevant procurement regulations/legislation.

Rebecca Boyle (Corporate Group Solicitor)

8. **Co-operative Implications**

- 8.1 The provision of the grant funding outlined will support the local supply chain, provide opportunities for training and employment for Oldham residents and provide cost and energy security for town centre households and businesses. This aligns with the Council's co-operative aims.

Amanda Richardson, Policy Manager

9 **Human Resource Implications**

9.1 No HR implications

Catherine Reed, Strategic Workforce Partner

10 Risk Assessment

10.1 The acceptance of the £8.7m Green Heat Network Fund grant and the £1.5m of DESNZ Local Net Zero Accelerator grant for the Oldham Low Carbon Heat Network from the grant funders provides an opportunity for Oldham Council to make progress against its challenging carbon neutrality targets.

10.2 The service should ensure all grant conditions are complied with and that there is sufficient monitoring of the project to ensure it fits in the timelines for completion within 24 months for the Green Heat Network Fund. All projects should have their own risk registers in place and these need to be kept up to date and under review. Appointment of consultants and contractors should be procured in line with the Councils contract procedure rules, with relevant insurances in place.

Vicki Gallacher (Head of Insurance and Information Governance)

11 IT Implications

11.1 None

12 Property Implications

12.1 A number of Council buildings are scheduled to be connected to the proposed town centre heat network, and work will need to be undertaken to ensure that these buildings are ready for connection, along with due diligence around the proposed price for heat to be paid by the Council to the ultimate heat network operator.

12.2 The Property and Estates teams will need to be closely involved in the preparation and execution of the tender exercise for the OGND Delivery Partner to ensure that the Council's best interests are secured.

Katy Webster, Assistant Director – Property and Projects

13 Procurement Implications

13.1 Continued engagement with the Commercial Procurement Unit is key to ensuring resource availability/allocation in line with the project requirements, and for the requirements to be procured in line with any applicable funding conditions, public procurement law and the Council's Contract Procedural Rules.

13.2 Delivery of the Oldham Green New Deal Delivery Partnership (OGNDDP) procurement process will require input and support from various Council teams, e.g., Risk and Insurance, Finance and Legal Services etc., Market engagement has been conducted to establish the market's interest in the OGNDDP opportunity, to inform/support viability, options, and enable an informed high level procurement strategy to be developed to ensure the Council proceeds with the most advantageous option through the most appropriate route to market.

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- 13.3 The above threshold services procurement process (DN631261) to appoint the OGNDDP Independent Assurance Provider (IAP) has been conducted. The winning bidder will be appointed via delegated authority once the DESNZ grant has been confirmed.

Emma Tweedie, Senior Category Manager, Commercial Procurement Unit

14 **Environmental and Health & Safety Implications**

- 14.1 Environment: Oldham's Local Area Energy Plan sets out that investment of around £5.6bn is needed in low carbon energy infrastructure in order for the Council to achieve its target of carbon neutrality for the borough (including Business As Usual investments to upgrade the energy grid) by 2030, as set out in the Oldham Green New Deal Strategy. The recommended option will deliver a route to achieving this by securing the required inward investment from the commercial energy infrastructure sector and will ensure that the infrastructure is delivered according to the needs and priorities of Oldham residents and businesses via the Community Led Energy Planning approach. The procurement of a strategic partner can also support the Council to upgrade our own infrastructure in support of the 2025 carbon neutrality target for Council Buildings and Street Lighting.

Andrew Hunt, Green Energy and Sustainability Manager

- 14.2 Health and Safety: Health and Safety critical documentation such as previous convictions or enforcement notices, risk assessments, safe systems of work etc. have not been assessed by the health and safety service as these checks must be undertaken by the relevant project manager as should relevant supervisory checks of any contractors/works. The Health and Safety team can be contacted for advice.

Samantha Cox, Environmental Health Manager

15 **Community cohesion, including crime and disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998**

- 15.1 None

16 **Equality Impact Assessment including implications for Children and Young People)**

- 16.1 Yes – see Appendix A

17 **Key Decision**

- 17.1 Yes

18 **Key Decision Reference**

- 18.1 FCR-02-23

19 **Background Papers**

- 19.1 None

20 **Appendices**

20.1 Appendix A – Oldham Impact Assessment for the Oldham Green New Deal Delivery Partnership.