

Greater Manchester Combined Authority

Date: 29 October 2021

Subject: Public Sector Decarbonisation Scheme (Phase 3) 2021

Report of: Councillor Emmott, Portfolio Leader for Green City Region and Pam Smith,
Portfolio Lead Chief Executive for Green City Region

Purpose of Report:

The purpose of this paper is to outline the latest opportunity presented by the Public Sector Decarbonisation Scheme and Greater Manchester's ambition to seek substantial funding from Phase 3 of the scheme. Greater Manchester was successful in obtaining £1m in revenue and £78m of capital under Phase 1 of the same scheme.

Approval is being sought now, subject to a successful bid, to receive and expend circa £20-40m funding from Salix Finance, a Non-Departmental Public Body (NDPB), to undertake low carbon retrofit projects on public buildings across Greater Manchester. Awards will be announced in November 2021 with a delivery timeframe of 12-36 months (85% within 12 months).

Recommendations:

The GMCA is requested to:

1. Note the opportunity to bid for circa £20-40m of Public Sector Decarbonisation Scheme funding from Salix (NDPB).
2. Subject to a successful bid, approve the receipt and agree defrayment of these funds either directly or via GM Local Authorities and delegate authority to the GMCA Treasurer and Solicitor to sign all necessary legal agreements.
3. Agree a top slice from capital grant to underpin the GMCA's cost of coordinating and project managing the scheme. The scale of the top slice will be confirmed on receipt of the grant.
4. Note that equalities impact from this proposal will be managed utilising delivery companies with robust equality policies. The environmental outcome is to substantially reduce the carbon emissions from our public buildings in Greater Manchester.

BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

Contact Officers:

Mark Atherton mark.atherton@greatermanchester-ca.gov.uk

Sean Owen sean.owen@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	G	The Retrofit Plan will set out the regions approach to accelerating retrofit across domestic, commercial and public buildings. The Retrofit Plan will aim to increase delviery of energy efficiency and support the reduction of fuel poverty The plan will seek to increase a variety of delviery methods including community delivery
Health	G	The bid if successful will upgrade and retrofit a suite of public buildings utilised by residents e.g. shciolls and leisure centres By upgrading public facilites e.g. leisure sites, this may encourage residents to utilise these more leading to increased physical activity By upgrading public facilites e.g. community and multifucitonal sites, this may encourage residents to utilise these more leading to increased community activity
Resilience and Adaptation	G	The bid aims to retrofit public buildings which would inlcude mitgating the affects of climate change
Housing		
Economy	G	The bid if approved and successful will lead to increased skills and workforce delivery, local economic impact via supply chain and installers from across the region, leading to increased jobs safeguarded and created. This bid aims to support, safeguard and secure local jobs across the construction industry As above The bid if successful intedns to utilise the regions slow carbon supply chain, accelerate delviery and help local businesses to maximise the opportunity where feasible. The bid is aining to secure externalo funding and maximise the granbt funding opportunity for the region. If successful we will seek to integrate training and skills into the procurement of suppliers
Mobility and Connectivity		
Carbon, Nature and Environment	G	The removal of gas boilers and replaced with other forms of low carbon heating will lad to the reduction of emmisions across the region.
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		The PSDS 3 bid has a direct ouput to reduce carbon emmisions from the regions public buildings, with a focus on removing gas heating and replacing with low carbon heating solutions.
Further Assessment(s):	Equalities Impact Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

Carbon Assessment				
Overall Score				
Buildings	Result	Justification/Mitigation		
New Build residential	N/A			
Residential building(s) renovation/maintenance		The funding will only permit new low carbon heating systems to be deployed		
New Build Commercial/Industrial	N/A	A succesful bid will increase the DEC rating of the buildings which receive future low carbon interventions		
Transport				
Active travel and public transport	N/A			
Roads, Parking and Vehicle Access	N/A			
Access to amenities	N/A			
Vehicle procurement	N/A			
Land Use				
Land use	N/A			
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.	 Partially meets best practice/ awareness, significant room to improve.	 Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management:

The Grant Offer is likely to have conditions on utilization of the funds for their intended purposes and within the delivery timescales set. It will be a challenge to deliver this commission within the timescales set by the funder, which will require proactive management. This has been communicated to all Districts/partners. Where appropriate, any risks will be passed onto the final grant recipient.

Legal Considerations:

If the bid is successful, the Grant Offer Letter will be reviewed with GMCA Legal to ensure that our legal liabilities are met with respect to passing grant through to Local Authorities and other third parties as required. Discussions have been held with Procurement Team on the procurement processes necessary to expedite delivery.

Financial Consequences – Revenue:

There are no financial consequences for GMCA revenue budgets. The bid will include an element of revenue funding for project management, which will be top sliced to support GMCA Programme Management. GMCA will receive and disburse grant both directly, for

our internal costs, and pass-through grant to Districts and other partners under back-to-back agreements.

Financial Consequences – Capital:

Funding for Capital works will subject to a successful application. We are aiming to achieve a programme which is as cr70% grant funded. All partners are aware of the need to provide match funding, and this is factored into the submission.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

N/A

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction/Background

- 1.1. As part of the Summer Fiscal stimulus of 2020, Government announced an initial £1bn funding for the Public Sector Decarbonisation Scheme (PSDS). This funding was released as 100% grants, via Salix Finance (NDPB), between October 2020 and January 2021. The region was successful in obtaining cr£1m in revenue and £78m of capital.
- 1.2. The PSDS fund aims to halve carbon emissions from the Public Estate by 2032 through the deployment of energy efficiency and heating measures, excluding gas powered boilers and Combined Heat and Power (CHP). All buildings, where the end beneficiary is confirmed as being a public body, are eligible for this scheme including Local Authority estate, Leisure sites (if the savings can be recouped by the LA), Schools and Health facilities. Social housing is excluded from this scheme and will be addressed under a separate funding scheme.
- 1.3. Further phases of funding were subsequently released, with GMCA and partners choosing not to bid for Phase 2 due to limited availability of funds for that round. Phase 3 has now been released for applications on the basis that a formal funding allocation will be announced after the Spending Review in November 21.
- 1.4. The Phase 3 funding window will open on October 6th and close again on November 6th 2021. This phase is very 'heat' focused and no longer provides 100% grant funding, requiring match equivalent to the replacement costs of a proposed 'like for like' heating system.

1.5. Applicants have the option to apply for funding to complete projects over either 1 year or 3 year delivery periods. However, 85% of any awarded funding from BEIS to Salix will focus on delivery over the first 12 months of the programme.

1.6. The application process will require completion of a Salix compliance toolkit, in-line with the current Salix Finance application routes, for each building. To complete the toolkit, Districts/Partners will utilise knowledge gained from Phase 1 delivery, alongside whole building assessments for those buildings which do not already have them.

2. Proposed Approach

2.1 It is proposed that two Public Sector Decarbonisation Fund (Phase 3) applications are submitted no later than Wednesday 20th October, on behalf of all the participating GM stakeholders. The majority of the proposed application would be focused on the year 1 delivery, with a smaller sum attributed to the 2nd application spanning over 3 years.

2.2 There are currently 12 partners who have expressed an interest in the GM consortium bid, comprising 10 LA Districts, GM Fire and Northern College of Music, University of Salford and Salford Diocese. The final submission consortia may vary, subject to individual readiness and additional public bodies being encouraged to participate.

2.5 The proposed application would provide details of the city region's approach to decarbonisation across a potential programme spanning 3 years,

- Commencing with delivery in March 2022
- Application 1: Completing in March 2023
- Application 2: Completing March 2025

2.6 Any awarded capex funding is proposed to be supported, in the first instance, by existing stakeholder procured supply chains, with additionality provided via wider

framework provision e.g., NW Construction Hub, Procure Plus Low Carbon Technologies Framework.

3. Opportunities/risks

3.1. The key opportunities include:

- The timescale for delivery of the commission, if the bid is successful, is short however we believe the local supply chain has capacity to deliver based on lessons learnt from PSDS Phase 1
- Utilisation of existing OJEU procured frameworks, NW Construction Hub, STAR, Procure Plus, Fusion 21 and Bloom to support mobilisation and deployment of local supply chains
- Opportunity for Districts to build on the current collaborative approach with consequential efficiencies of scale
- Opportunity to support and integrate local apprenticeships and employment initiatives through deployment at scale
- The use of recent building data compiled with the districts over the last 12 months to identify project portfolios.
- BEIS/Salix are likely to favour programmes that have shown a track record of impact and delivery at scale.

3.2. The key risks include:

- Failure for Phase 3 to secure any significant funding as part of the Spending Review
- Funding allocation is so minimal the Phase 3 application process and competition become heavily oversubscribed
- Having sufficient revenue to manage and support deliverability of the scheme.

4. Financial Implications:

If the capital bid is successful:

- 4.1 There will be a need to fund GMCA/District officers and wider design activity via revenue budgets. A top slice will be applied to ensure GMCA programme management and co-ordination costs are supported. GMCA will receive and disburse the capital grant either directly or via 'pass-through' grant to Districts and other partners.
- 4.2 The PSDS Capital Grant fund is proposed as up to cr70% capital grant scheme, with Districts/Partners being aware of the need to provide the mandatory minimum match equivalent to replacing their existing heating systems for each building 'like for like'.
- 4.3 It is intended that GMCA will contract with Salix and have back-to-back contracts with LAs (asset owners) with the Districts/Partners, procuring their own delivery agents directly.

5. Recommendations:

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