

REPORT TO: Cabinet Member – Regeneration
Cabinet Member – Technical Services
Cabinet
Council
Cabinet Member – Environment

DATE: 19th January 2011
26th January 2011
27th January 2011
27th January 2011
9th February 2011

SUBJECT: REECH (Renewable Energy and Energy Efficiency in Community Housing) Project

WARDS AFFECTED: Linacre, Derby, Litherland, Netherton & Orrell, Church,

REPORT OF: Andy Wallis – Planning and Economic Development Director
Alan Lunt – Neighbourhood & Investment Programmes Director

CONTACT OFFICER: Mo Kundi Tele: 0151 934 3447

EXEMPT/ CONFIDENTIAL: No

PURPOSE/SUMMARY:

To inform Members that the REECH Project has now been approved by the North West Development Agency. Subject to the agreement of arrangements for the delivery of Economic Development activity presented elsewhere on the agenda, to seek Members' approval to accept the Offer letter and also to agree the Revenue and Capital financial implications of the project.

REASON WHY DECISION REQUIRED:

Cabinet approval is required for Sefton Council to accept the REECH Project Offer letter.

RECOMMENDATION(S):

1. Members note that the REECH Project was approved by the North West Development Agency on 16th December 2010.
2. Cabinet Members for Regeneration, Technical Services, and Environment note the content of the report and request further progress reports.
3. That subject to the agreement of arrangements for future delivery of Economic Development, referred to in the report on "Transformation Programme and Further Options" included on the agenda for this meeting,
Cabinet: -
 - (a) accept the Offer Letter from the North West Development Agency in relation to the REECH Project, and approve a start date of 1st January 2011.

- (b) request the Council to give approval to the inclusion of the REECH Project in the Capital Programme as set out in Annex A in the sum of £7,170,624 to be fully funded from ERDF grant, and
- (c) agree the Revenue budget for the project as set out in Annex A which requires that the Council provides revenue match funding amounting to £413,862 over 3 calendar years.
4. **Council** be requested to give approval to the inclusion of the REECH Project in the Capital Programme as set out in Annex A in the sum of £7,170,624 to be fully funded from ERDF grant

KEY DECISION: Yes

FORWARD PLAN: Yes – Published on 12th May 2010

IMPLEMENTATION DATE: After the call in period

ALTERNATIVE OPTIONS:

Not to accept the Offer letter from the Regional Development Agency would mean that both Sefton and the rest of the sub-region would lose the opportunity to progress both the climate change, and the low carbon economy agenda, particularly during this financially constrained period.

IMPLICATIONS:

Budget/Policy Framework:

Financial:

The Council is required to provide revenue match funding of £413,862 over 3 calendar years as set out in Annex A.

As regards the Capital element of the project there are no financial implications for the Council. Sefton's role will be to release ERDF grant on receipt of detailed evidence of spend by the Delivery Partners. The Council's Capital Programme will therefore reflect the 50% ERDF element of the project amounting to £7,170,624 as detailed in the following table. The Capital match funding will be provided in total by each of the Delivery Partners as set out in Annex B.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure		3,515,888	3,570,480	84,256
Funded by:				
Sefton Capital Resources				
Specific Capital Resources(ERDF)		3,515,888	3,570,480	84,256

<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue	55,231	198,136	195,110	165,385
Expenditure				
Funded by:				
Sefton funded Resources				
External Resources (ERDF)	55,231	198,136	195,110	165,385
Does the External Funding have an expiry date? Yes	31/12/13			
How will the service be funded post expiry?	Project ceases on 31/12/13			

Legal: N/A

Risk Assessment: Council has already accepted that in taking on responsibility as the Accountable Body for this scheme, the Council would potentially be liable if specific conditions are not met in the spending of this grant. See attached risk analysis at Annex C.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

LD 00018/10 – The Acting Head of Corporate Legal Services has been consulted and his comments have been incorporated into this report
 FD603 – The Interim Head of Corporate Finance & IS has been consulted and his comments have been incorporated into this report.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	/		
2	Creating Safe Communities	/		
3	Jobs and Prosperity	/		
4	Improving Health and Well-Being	/		
5	Environmental Sustainability	/		
6	Creating Inclusive Communities	/		
7	Improving the Quality of Council Services and Strengthening local Democracy	/		
8	Children and Young People	/		

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Report to Cabinet dated 10th June 2010 entitled 'REECH (Renewable Energy and Energy Efficiency in Community Housing) Programme'

1.0 Background

1.1 The Cabinet at its meeting on 10th June 2010 considered a report entitled 'REECH (Renewable Energy and Energy Efficiency in Community Housing) Programme' which provided detailed information on the bid submitted to the Regional Development Agency for £7,170,624 ERDF funding. The aim of this sub-regional (including Halton) Programme is to directly stimulate the market for low carbon and environmental technologies and renewable energies via their application within existing social and low income housing.

1.2 The report of 10th June 2010 also provided information on the setting up of the REECH Steering Group, the proposed Programme delivery team, and on financial implications. The Cabinet noted the submission of the REECH Programme bid, and:-

1. Approved the establishment of a REECH Steering Group as outlined in paragraph 3.0 of that report,
2. Agreed that Cabinet Member for Regeneration be appointed Chair of the REECH Steering Group, and that
3. Subject to the REECH Programme bid being successful and a final offer having been made by the Regional Development Agency, requested that a further report be submitted with a view to accepting that offer, and the report to include any financial and operational implications, and
4. Subject to 3 above, agreed to the inclusion of the REECH Programme in the Capital Programme for 2010/11

1.3 Members at their earlier meeting on 17th December 2009 had already agreed to Sefton Council being the accountable body for this sub-regional bid.

2.0 Current Position

2.1 After prolonged discussions and consultations with the Regional Development Agency, the REECH Programme bid was finally submitted to the Agency on 2nd September 2010. As Members may be aware with the proposed demise of the Agency, there has been a significant turn around of staff dealing with ERDF funded projects. During this period a new officer within the Agency indicated that the REECH bid as submitted can not be progressed any further unless the Action Plan approach suggested in the bid was changed. The Agency insisted that the existing bid must be revised and should be based on identification of individual eligible projects (across the sub-region, and over the life of the bid), including their aims, objectives and costing. This was a major change of direction by the Agency, particularly as the Agency had approved the Action Plan based approach clearly articulated within the REECH bid during the earlier Expression of Interest stage, and the Concept stage.

2.2 The Agency also indicated that the end date of December 2013 (by which time all ERDF expenditure must be defrayed) can not be changed. This means, given the size and scale, the project needs to officially start no later than on 1st January 2011. The Agency's revised timetable is as follows:-

- | | |
|---|--------------------------------|
| ▪ Final revised bid to NWDA | 2 nd November 2010 |
| ▪ Responding to issues raised by the Agency | 5 th November 2010 |
| ▪ Project Review Group | 22 nd November 2010 |
| ▪ Programme Monitoring Sub Committee | 30 th November 2010 |
| ▪ NWDA Board | 16 th December 2010 |
| ▪ Offer Letter/Contract issued | 21 st December 2010 |

2.3 Delivery of the REECH programme is dependent upon Cabinet agreeing to the revised arrangements for the delivery of Economic Development activity presented elsewhere on this agenda.

3.0 Individual Projects

3.1 In line with the Agency's request, Officers have worked with Registered Social Landlord (RSL) delivery partners to identify all those projects that would be eligible for ERDF grant, can be delivered within the bid timetable and critically, will lead to outputs required as part of the funding condition. Not surprisingly the request for ERDF support by delivery partners far exceeds the amount the Agency has allocated to the Merseyside sub-region. The allocation for Halton is coming from the budget earmarked for the rest of the North West region, and therefore cannot be spent within the sub-region. The reverse also applies.

3.2 The attached Annex B shows the following elements:-

- RSL delivery partners
- RSLs' proposed geographical delivery areas
- Start and end date of individual RSL projects
- Number of properties involved, their borough wide locations, and the nature of work proposed
- Original ERDF request and revised ERDF allocation

3.3 The total original request for ERDF resources from RSLs came to some £18,775,893, compared to £7,170,624 that is available from the Regional Development Agency. The request therefore, has been scaled back based on the ability to deliver within the bid time scale, the type and number of energy measures proposed and the outputs produced and match provided. As set out in Annex B, the ERDF allocation in terms of geographical spread is now as follows; Liverpool (£526,157), Wirral (£688,237), Knowsley (£2,002,144), Sefton (£1,958,606), St Helens (£1,692,900). In the case of Halton (£302,580) the allocation has gone up as the amount available is ring fenced.

4.0 Financial Implications

As a result of the revised approach suggested by the Agency, and the fact that the project start date has changed from October 2010 to 1st January 2011, there have been changes to the financial tables provided in the previous Cabinet report. The tables in Annex A have been revised to reflect these changes.

4.1 Revenue

The total revenue cost of managing the project over the 3 calendar years is estimated to be £1,227,724. ERDF grant amounting to £613,862 will be received based on a 50% intervention rate.

This will leave the same amount to be found as match funding. Sefton Council will provide the largest share of the match funding in the sum of £413,862 over the 3 calendar years. This is based on the fact that Sefton needs to have maximum control of the REECH Project, which in turn allows Sefton to benefit directly from receiving 50% of the ERDF (£613,862) revenue match, and more critically allows Sefton to develop expertise in this particular field, which is likely to offer significant future opportunities. Each of the 5 other Local Authorities will contribute £40,000 in staff time over the 3 calendar years.

The Council would need to employ seven full time staff to manage the project. It has been agreed with the Regional Development Agency, given the current budget situation, that these posts will be restricted in the first instance, to those staff currently at risk within the Council, and will be dealt with in accordance with current policies and procedures. By agreeing to this method of recruitment, Sefton would save circa £337,000 over 3 calendar years.

4.2 Capital

As regards the Capital element of the project, there are no financial implications for the Council. Sefton's role will be to release ERDF grant on receipt of detailed evidence of spend by the Delivery Partners. As set out in Annex A, the Council's Capital Programme will therefore reflect the 50% ERDF element of the project amounting to £7,170,624. The Capital match funding will be provided in total by each of the Delivery Partners.

5.0 Comments

- 5.1 This is the first time that the European Commission has allowed the use of ERDF grant for housing related activities that were excluded from previous Objective 1 Programmes. Because of different rules and regulations pertaining to the housing sector, it has been a major learning curve for both the Regional Development Agency and Sefton Officers. However, I am please to report that after this lengthy application process the REECH Project was finally approved by the NWDA's Board at it's meeting on 16th December 2010.

6.0 Recommendations

6.1 It is recommended that:-

- Members note that the REECH Project was approved by the North West Development Agency on 16th December 2010.
- Cabinet Members for Regeneration, Technical Services, and Environment note the content of the report and request further progress reports.
- That subject to the agreement of arrangements for future delivery of Economic Development, referred to in the report on “Transformation Programme and Further Options” included on the agenda for this meeting, **Cabinet:** -
 - (a) accept the Offer Letter from the North West Development Agency in relation to the REECH Project, and approve a start date of 1st January 2011.
 - (b) request the Council to give approval to the inclusion of the REECH Project in the Capital Programme as set out in Annex A in the sum of £7,170,624 to be fully funded from ERDF grant, and
 - (c) agree the Revenue budget for the project as set out in Annex A which requires that the Council provides revenue match funding amounting to £413,862 over 3 calendar years.
- **Council** be requested to give approval to the inclusion of the REECH Project in the Capital Programme as set out in Annex A in the sum of £7,170,624 to be fully funded from ERDF grant

ANNEX A**FUNDING OF REVENUE COSTS**

Revenue Budget Head	Estimated Cost	Funding						
		ERDF	Sefton	Liverpool	Knowsley	St Helens	Wirral	Halton
	£	£	£	£	£	£	£	£
Staff costs	959,450	479,725	279,725	40,000	40,000	40,000	40,000	40,000
Accommodation costs	49,500	24,750	24,750					
Evaluation & Audit fees	85,000	42,500	42,500					
Running costs	30,000	15,000	15,000					
Research & technical support	30,000	15,000	15,000					
Events & Complementary support	73,774	36,887	36,887					
Total	1,227,724	613,862	413,862	40,000	40,000	40,000	40,000	40,000

REVENUE CALENDAR YEARS

Revenue Budget Head	Estimated Cost	2,011	2,012	2,013	2,014
	£	£	£	£	£
Staff costs	959,449	317,312	319,200	322,937	0
Accommodation costs	49,500	16,500	16,500	16,500	0
Evaluation & Audit fees	85,000	30,000	9,000	9,000	37,000
Running costs	30,000	10,000	10,000	10,000	0
Research & technical support	30,000	10,000	10,000	10,000	0
Events & Complementary support	73,775	24,000	24,000	25,775	0
Total	1,227,724	407,812	388,700	394,212	37,000

REVENUE – FINANCIAL YEARS

ANNEX A

Revenue Budget Head	Estimated Cost	2010/11	2011/12	2012/13	2013/14 & later
	£	£	£	£	£
Staff costs	959,449	80,337	316,772	320,720	241,620
Accommodation costs	49,500	4,125	16,500	16,500	12,375
Evaluation & Audit fees	85,000	15,000	19,000	9,000	42,000
Running costs	30,000	2,500	10,000	10,000	7,500
Research & technical support	30,000	2,500	10,000	10,000	7,500
Events & Complementary support	73,775	6,000	24,000	24,000	19,775
Total	1,227,724	110,462	396,272	390,220	330,770

CAPITAL CALENDAR YEARS

Capital	2,011	2,012	2,013	2,014	Total
	£	£	£	£	£
Delivery Partners match Funding	2,220,696	4,745,425	204,504	0	7,170,625
ERDF grant	2,220,696	4,745,424	204,504	0	7,170,624
Total forecast capital spend	4,441,392	9,490,849	409,008	0	14,341,249

CAPITAL FINANCIAL YEARS

Capital	2010/11	2011/12	2012/13	2013/14	Total
	£	£	£	£	£
Delivery Partners match Funding	0	3,515,889	3,570,480	84,256	7,170,625
ERDF grant	0	3,515,888	3,570,480	84,256	7,170,624
Total forecast capital spend	0	7,031,777	7,140,960	168,512	14,341,249

ANNEX B

Mside ERDF Capital Allocation	6868044
Halton ERDF Capital Allocation	£302,580
Total ERDF Capital Allocation	£7,170,624

Technologies								
SWI	SWH	Gas savers	Air source	MHRV	Passive Vent	LED Lighting	Dry Lining	Triple Glazing

Technology Unit Cost	6586	3500	750	5669	450	450	160	3581	4297
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Applicant	Scheme	Sub Region Allocation	ERDF	Total Project Cost	No. Properties	SWI	SWH	Gas savers	Air source	MHRV	Passive Vent	Led	Dry lining	Triple Glazing
Knowsley		£2,002,144												
Villages	Stockbridge		£2,002,144	£4,004,288	608	608								
Liverpool		£526,157		£0										
LHT	Energy Eff a		£171,317	£342,635	85					85			85	
Good Neigh	Neigh Solar		£144,500	£289,000	68		68	68						
LMH	Demo		£51,335	£102,670	5	5	5		5		5	1		5
Plus Dane	Everton Energy		£43,750	£87,500	25		25							
Plus Dane	L8		£115,255	£230,510	35	35								
Sefton		£1,958,606												
Riverside	Peel Rd		£829,836	£1,659,672	252	252								
OVH	Lowton Cubitt		£492,520	£985,040	140	140					140			
OVH	Roof Scheme		£592,500	£1,185,000	300		300				300			
Plus Dane	Bootle Solar		£43,750	£87,500	25		25							
St. Helens		£1,692,900												
Helena	Acre Green		£1,692,900	£3,385,800	300	300	300	300			300			
Wirral		£688,237												
WPH	Woodward		£688,237	£1,376,474	209	209								
Halton		£302,580												
Plus Dane	Castlefields		£302,580	£605,160	60	60	60							
Totals		£7,170,624	£7,170,624	14,341,249	2112	1609	783	368	5	85	745	1	85	5

ANNEX B

		Total Project Cost	ERDF	Match
Knowsley				
Villages	Stockbridge	8,686,802	3,474,721	5,212,081
Liverpool				
Plus Dane	Everton 4 Bed	150,000	75,000	75,000
Plus Dane	Everton Energy	125,000	62,500	62,500
Plus Dane	Kensington	312000	156000	156000
Plus Dane	L8	280000	140000	140000
Good Neighbour	Neighbourhood Solar	477495	238495	239000
Liverpool Hsg Trust	Energy Efficiency	612400	306200	306200
Liverpool Mutual	Demo	95050	47525	47525
Sefton				
Plus Dane	Bootle Solar	125000	62500	62500
Riverside	Peel Road	4072000	2036000	2036000
One Vision	Oxford/Irlam	4950400	2475200	2475200
One Vision	Lowton Cubitt	1366400	683200	683200
One Vision	Roof Scheme	3467800	1733900	1733900
One Vision	LED Programme	5580000	2790000	2790000
St Helens				
Helena	Acre Green	6000000	3000000	3000000
St Helens Council	External Wall Insul	115000	57500	57500
Wirral				
Wirral Partnership	Woodward Estate	2524304	1262152	1262152
Plus Dane	Castlefields	350000	175000	175000
Grand Total		39289651	18775893	20513758

ERDF Capital Requests

	ERDF Requested	ERDF Allocated	%
Knowsley	3,474,721	£2,002,144	28
Liverpool	1,025,720	£526,157	7
Sefton	9,780,800	£1,958,606	27
St Helens	3,057,500	£1,692,900	24
Wirral	1,262,152	£688,237	10
Halton £300k Allocation	175,000	£302,580	4
	£ 18,775,893.00	£7,170,624	

NB Plus Dane submitted a draft ERDF Revenue request (£350k) for Smart Grid this was ineligible for funding.

ANNEX B

Knowsley	3474721
Liverpool	1025720
Sefton	9780800
St Helens	3057500
Wirral	1262152
	<u>£ 18600893</u>
Halton	175000
Grand Total	<u>£ 18775893</u>

Key

Solid Wall Insulation (SWI), Solar Water Heat (SWH), Mechanical Heat Recovery (MHRV)

RISK ASSESMENT

ANNEX C

Risk Description	(a) Probability (Score 1-5)	(b)Impa ct (Score 1-5)	(c) Over all Risk (a x b)	Review Date	Risk Owner	Mitigation: What can be done to reduce risk or what contingency plans will be in place?	Residual Risk	
							Likelihood	IMPACT
Financial and Legal risk	1	5	5	On going	Sefton Council	Sefton would be undertaking the role of Programme management. Tendering exercise will be undertaken in accordance with ERDF regulations and successful tenderer will be legally and financially duty-bound to deliver the agreed out puts and out comes. Also payments will only be made on defrayed eligible expenditure.	0	0
Project not approved by the RDA	2	1	2	On going	Sefton Council	In the event the project is not approved, there are no cost implications to Sefton or to other delivery partners involved in the programme.	0	0
Project approved but ERDF grant reduced	3	2	6	On going	Sefton Council & Delivery Partners	In the event the ERDF allocation is reduced, the works programme will also be reduced accordingly. Depending on the reduction in the allocation, the delivery team may need to be reduced, and the nature and geographical spread of activity may also be curtailed.	0	0

	2	2	4	On going	RSL Delivery Partners/Sefton Council	Successful delivery contracts would be with the RSLs, who will then engage contractors to undertake the work. It will be the RSL who having signed the conditional offer letter legally and contractually obliged to complete agreed works. Failure to do so mean that they will not get paid, and Sefton would be in a position to claw back any money for non achievement of out puts.	0	0
RSL goes into Administration	1	5	5	On going	Sefton Council	Sefton Council will undertake financial credit rating of RSLs during the tendering exercise.	0	0
Individual Project cost overruns	3	2	6	On going	Delivery Partners & Sefton Council	Sefton Council will monitor RSLs, and their contracts very closely, and where necessary will ask RSLs to take corrective actions. Council will have no legal or contractual agreement to pay for any cost overruns incurred by the RSL or their contractors. This risk will lie entirely with the relevant RSL	0	0
Overall Programme cost overruns	1	5	5	On going	Sefton Council	Regular monitoring of contracts with delivery partners, and Management delivery costs will be undertaken, and reported both to the Steering Group and the Cabinet.	0	0
Delays/time constraints	3	2	6	On going	Sefton Council & Delivery Partners	At the start of the project, a reserve list of schemes would be produced and if some projects do not materialise, schemes could be brought forward from the reserve list	0	0

Local Supply Capacity problems	2	2	4	On going	Sefton Council & Delivery Partners	The Sefton Delivery Team is already engaging organisations such as Fusion 21(local supply chain company set up to work with RSLs) and Envirolink NW in order to raise awareness of the opportunities arising from this programme and help to find solutions for capacity development.	0	0
Skilled labour constraints	2	2	4	On going	Sefton Council & Delivery Partners	Working with other partners in the sub region/region in order to anticipate labour constraints and jointly work with them in order to address them	0	0
Funding problems	3	2	6	On going	Sefton Council & Delivery Partners	Increase the contribution from alternative sources of funding or seek extended timescales on the delivery of the project. As part of this development stage Sefton has sourced and collated Expressions Of Interest for more than double the bid amount so we have many potential projects in reserve	0	0
Technical barriers	3	1	3	Approval Stage and start of works	Sefton Council & Delivery Partners	This is will be addressed as part of the tendering exercise, where detailed appraisal and assessment will be undertaken of each tenderer.	0	0
During and post project responsibilities include safeguarding, and archiving of information	5	1	5	On going	Sefton Council & Delivery Partners	Steps will be undertaken at the start of the project to ensure that all relevant information is labelled, safely secured and archived and readily available should it become necessary in the event of audit work.	5	1