

---

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	3 July 2015
<b>Subject:</b>	Accountable Body Status for an European Regional Development Fund Application	<b>Wards Affected:</b>	(All Wards);
<b>Report of:</b>	Director of Built Environment		
<b>Is this a Key Decision?</b>	Yes	<b>Is it included in the Forward Plan?</b>	Yes
<b>Exempt/Confidential</b>	No		

---

### Purpose/Summary

To seek authority to progress an European Regional Development Fund (ERDF) application for a Liverpool City Region Low Carbon Retrofit Programme, and to act in the role of accountable body for the programme should it be approved.

### Recommendation(s)

- (1) The Cabinet approves the progression of a full ERDF application for a Liverpool City Region Low Carbon Retrofit Programme
- (2) That Cabinet accepts in principle the business case for Sefton Council to assume accountable body status for a city region Low Carbon programme, and requests from officers a risk assessment and mitigation plan to be reported back to Cabinet Member.
- (3) That Cabinet approves in principle the use of approved expenditure within the Council's capital and revenue budgets to match funding made available through the European Programme, with detailed decision-making on availability, eligibility, monitoring, audit and other safeguards delegated to Head of Investment & Employment and Head of Finance in order to advise the appropriate portfolio holder.

### How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	x		
2	Jobs and Prosperity	x		
3	Environmental Sustainability	x		
4	Health and Well-Being	x		

5	Children and Young People		x	
6	Creating Safe Communities		x	
7	Creating Inclusive Communities	<b>x</b>		
8	Improving the Quality of Council Services and Strengthening Local Democracy		x	

**Reasons for the Recommendation:**

Not to apply for European funding and act in an accountable body function would be to forego the opportunities arising from the European Structural Investment Fund (ESIF) programme available to the city region.

**Alternative Options Considered and Rejected:**

The VIRIDIS (home energy saving) partnership has explored the opportunity of being accountable body; however VIRIDIS is not an economic entity and therefore is unable to apply for ERDF funding directly or act as an accountable body. VIRIDIS is the collective name for a group of social landlords and local authorities in the Liverpool City Region. All six local authorities are members along with major social landlords with properties throughout the city region, including One Vision, Liverpool Mutual Homes, Liverpool Housing Trust, Helena Partnerships, Magenta Living, Your Housing, Regenda, Plus Dane, South Liverpool Housing, Villages Housing and Halton Housing Trust.

The activity and the majority of the members of the partnership fall outside of the remit of the Combined Authority and therefore it is not appropriate for the Combined Authority to act as Accountable Body for this type of initiative.

**What will it cost and how will it be financed?**

**(A) Revenue Costs £1,043,430**

ERDF will provide 50% (£521,715) and the remaining 50% (£521,715) will be sourced from delivery partners. Of this figure Sefton will be contributing £12,500 from Environmental Protection, and £25,867 from Economy & Tourism.

**(B) Capital Costs (£7,309,628)**

ERDF will provide 50% (£3,654,814)) and the remaining 50% (£3,654,814) will be sourced from delivery partners of which Sefton's contribution will be £127,865.

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

**Financial**

Taking on the accountable body status will impose financial responsibilities on the authority. As with REECH, legal agreements and SLAs would have to be agreed with all partners, and the delivery of activities relating to the project would have to be pro-actively

managed, and co-ordinated.	
<b>Legal</b> Taking on the accountable body status will impose legal responsibilities on the authority. As with REECH, legal agreements and SLAs would have to be agreed with all partners, and the delivery of activities relating to the project would have to be pro-actively managed, and co-ordinated. Failure to adhere to the conditions of being accountable body and associated conditions of the funding can result in financial consequences for the Council.	
<b>Human Resources</b> The accountable body functions would need to be resourced. Sefton Council has the necessary personnel and skills in place.	
<b>Equality</b>	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact of the Proposals on Service Delivery:**

Activity will take place across the Liverpool City Region and will complement service delivery.

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance and ICT (FD3637/15) has been consulted and any comments have been incorporated into the report.

Head of Corporate Legal Services (LD 2929/15) have been consulted and any comments have been incorporated into the report.

**Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

**Contact Officer:** Paula Lowrey  
**Tel:** 0151 934 2734  
**Email:** paula.lowrey@sefton.gov.uk

**Background Papers:**

There are no background papers available for inspection

## **1. Introduction/Background**

- 1.1 Sefton Council is currently the accountable body for the award winning REECH project, a £13.9 million ERDF city region low carbon retrofit project, focusing on improving energy efficiency in some of the most deprived communities in the city region.
- 1.2 Preparations for the 2014-20 EU Programme have been described in a series of reports to Cabinet Member – Regeneration (22 July 2012, 20 November 2013, 27 February 2014, and 20<sup>th</sup> November 2014).
- 1.3 Despite the ESIF programme not being officially launched, DCLG issued an early Call for Proposals in a limited number of key areas, before General Election purdah was announced on 27<sup>th</sup> March. One of the areas was Low Carbon (Priority Axis 4) specifically for projects requiring continuity of activity, the work of the REECH project falls within this category.

## **2. Low Carbon Call for proposals**

- 2.1 The primary aim of Priority Axis 4 of the new (national) programme is to support the action to move England's economy towards a low carbon model by reducing levels of greenhouse gas emissions, increasing the share of renewable energy, and enhancing the energy efficiency of homes, businesses and transport.
- 2.2 Liverpool City Region's low carbon priorities are to secure investment in resilient energy infrastructure, increase energy efficiency in buildings and enterprises and to ensure that a greater proportion of energy consumed in the City Region is from renewable and low carbon sources. In addition, its position as a low carbon logistics hub needs to be exploited; and focus on key sector strengths in low carbon environmental goods and services, logistics, marine energy, hydrogen and maritime sectors.
- 2.3 The first call for proposals was specifically aimed at those activity areas that require an early investment decision, either because there are critical match funding time constraints, or there is a risk to the continuity of existing delivery activity. Sefton Council is currently the accountable body (on behalf of the city region) for the highly successful and award winning REECH project. Delivery partners are keen for the activity devised under this project to be continued and further developed. In other words, without this funding and the Council acting as accountable body, the continuity of existing delivery in the REECH project would be terminated.
- 2.4 The March call is confined to the following Investment Priorities:
  - Investment Priority 4b: Promoting energy efficiency and renewable energy use in enterprises;
  - Investment Priority 4c: Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;
  - Investment Priority 4e: Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of

sustainable multimodal urban mobility and mitigation-relevant adaptation measures; and

- Investment Priority 4f: Promoting research and innovation in, and adoption of, low-carbon technologies.

2.5 Furthering the work of the current REECH project would fall within Investment Priority 4c Supporting *energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector*. Specific objective: *Increase energy efficiency in homes and public buildings, including through the implementation of low carbon technologies*.

2.6 Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include:

- Provision of advice and support to increase the use and take up of low carbon technologies, energy efficiency measures, renewable energy technologies and smart energy systems in housing stock and public buildings;
- Supporting low carbon innovation in relation to the integrated 'whole place' energy management approach including energy waste and re-use;
- Investing in building retrofit, energy efficiency measures, renewable and smart energy systems deployment, especially whole building or place solutions
- exemplifying next phase technologies which are near to market;
- Investing in domestic energy efficiency, renewable energy and smart construction techniques; and
- Investment in the development and wider use of Energy Performance Contracting in the public buildings and housing sectors

### **3. VIRIDIS Proposal**

3.1 VIRIDIS have identified a number of schemes that would be eligible for funding for the above-mentioned call and have drawn up an ESIF proposal. The LCR has strengths in delivering collaborative retrofit, including REECH and VIRIDIS. This proposal brings these two specialists together to create a stronger project.

3.2 Building on the success of REECH. This new initiative will bring together an innovative multi agency approach to increase the energy efficiency of homes, SME's premises and public infrastructure throughout the LCR, through the implementation of innovative low carbon technologies. This will be complemented by a programme of detailed performance monitoring, awareness raising and behavioural change activity.

In addition to the required deliverables:

- No. Households with improved energy consumption
- Green House Gas reductions
- No. of enterprises receiving support

Lessons will be learnt, good practice captured and disseminated, ensuring that the implementation and management of future retrofit schemes is fit for the future.

3.3 The project will run from October 2015 to December 2018. The value of this proposal is £8,353,058 of which £4,176,529 will be funded via ERDF. Proposed activity includes:

**District Heating** - piloting a district heating network linking a combined heat and power plant (CHP) to local energy efficient homes.

**Eco Archetype** - piloting the comprehensive retrofitting of conservation properties. Finding the right technologies to meet planning and heritage requirements. Lessons learnt will provide a module for learning across the LCR.

**Neighbourhoods** - Registered providers and local authorities and others working together to deliver designed solutions in a holistic community-wide way. Innovative approaches will be used including alternative funding mechanisms e.g. revolving loan funds & grants.

**SMEs** - A grant pot enabling SME's to retrofit their premises with behavioural change advice & signposting.

These proposed activities will be supported by a variety of LCR wide initiatives including local supply chain and skills initiatives, awareness raising, behavioural change advice and guidance.

Target Beneficiaries include Registered Providers (social landlords), tenants, owner occupiers, Landlords, SME's and the local supply chain

#### 4. Accountable Body Status

4.1 There are three options for performing the accountable body role for the VIRIDIS application:

- (a) VIRIDIS. However, as VIRIDIS is not a legal entity it cannot act as an accountable body for ERDF purposes
- (b) LCR Combined Authority. Other ERDF applications involving the city region local authorities have used the Combined Authority as applicant, it does not appear relevant here because the great majority of the activity and associated match funding for the proposal is provided by the social landlords and not by the Councils. Given the success of the REECH project it seems logical to continue with the same partnership arrangements. The "in principle" use of Sefton as accountable body doesn't rule out others performing that function including the Combined Authority at a later stage. The Combined Authority may wish to revisit this option in the longer term. However, without an "in principle" acceptance there is no alternative and the application falls.
- (c) Sefton Council. DCLG are looking for a proven track record in ERDF project management and administration. Many of the VIRIDIS members are current REECH Delivery Partners. The Council has the skills and experience to deliver this function because of its experience in managing the REECH and similar large-scale programmes.

4.2. The ERDF monies can be used to support the administration and delivery of the wider aspects of the proposal and the VIRIDIS Consortia are agreed this is a

practical way forward. It is estimated this is likely to be in the region of £709,000 over three years. Half of the costs will be met by ERDF, the remainder by consortia partners.

- 4.3 Activity within Sefton forms the cornerstone of the VIRIDIS proposal. Ranging from an innovative scheme to link waste heat generated by Bootle Leisure Centre and supplied to One Vision residents in nearby North Park Flats, to neighbourhood based retrofit, it is logical that Sefton Council continues to act as accountable body for ERDF funded retrofit activity.
- 4.4 Taking on the accountable body status will, however impose a level of risk including financial, legal, delivery, reputational and technological risks. These risks exist during the delivery of the scheme and the financial risk will remain for a number of years after the scheme has completed – post project audit. Sefton Council has experienced staff who can put in place steps to mitigate these risks. Examples of how risks will be mitigated include:
- Legal: As with REECH, legal agreements and SLAs would have to be agreed with all partners, passing risk and liability on to the delivery partner for any activity they undertake as part of the project. The delivery of activities relating to the project would have to be pro-actively managed, and co-ordinated by the accountable body.
  - Financial: The vast majority of the expenditure will be incurred by delivery partners not Sefton. The comprehensive claims submitted by partners will be checked for eligibility and submitted to DCLG for payment. Once the 'claim' from Sefton has been approved by DCLG and payment has been received, delivery partners will be reimbursed.
  - Delivery & Reputation: Once operational if the project does not deliver its contracted activity and outcomes, funding may be 'clawed back' and opportunities for delivering additional activity will be lost. This would also impact on the reputation of the applicant, as past performance is used as a criterion for assessing future applications for funding.
  - Technological: If the project does not proceed as planned opportunities for improving energy efficiency and testing new products and practices, will be lost to the city region.

Good practice and the lessons learnt from delivery of the REECH project will be used to inform the management and administration of this proposal.

- 4.5 Notwithstanding the above, the benefits of Sefton Council being the accountable body would allow the authority to further develop expertise and experience in areas, which are likely to offer significant economic and social benefits as well as address the climate change, and low carbon economy agenda.

## **5 Match Funding**

- 5.1 Of the £4.176 million match funding required by the proposal, £3.891 million is capital expenditure generated by the Delivery Partners. Of this, £127,865 is accounted for by Sefton Council. The match is located within existing approved capital budget for Environmental Protection.

5.2 There is also revenue match funding of £285,128 generated by the Delivery Partners. Of this, Sefton contributes £38,367 from within approved revenue budget for Environmental Protection (£12,500) and Economy & Tourism (£25,867).

## **6. Next Steps**

6.1 Should the outline application be supported by the LCR Local Enterprise Partnership and CLG (Managing Agent for the European Programme), then a comprehensive second stage application will be prepared. This application will need to be submitted on behalf of VIRIDIS by the nominated accountable body (lead applicant). Members are asked to accept in principle that Sefton Council performs this role, and that officers report back with a risk assessment and mitigation plan before a final decision is taken.

6.2 As regards match funding, detailed decision-making on availability, eligibility, monitoring, audit and other safeguards will be undertaken by Head of Investment & Employment and Head of Finance working with the appropriate portfolio holder.