

REPORT TO: Cabinet Member - Regeneration
Cabinet
Cabinet Member – Technical
Cabinet Member – Environmental

DATE: 9th June 2010
10th June 2010
16th June 2010
30th June 2010

SUBJECT: REECH (Renewable Energy and Energy Efficiency in Housing) Programme

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

REPORT OF: Alan Moore, Strategic Director - Communities
Andy Wallis – Planning and Economic Development Director
Alan Lunt – Neighbourhood & Investment Programmes Director

CONTACT OFFICER: Mo Kundi X3447

**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To update Members on the REECH Programme bid submitted to the North West Development Agency, and to seek Members approval to the setting up of structures and procedures for the delivery of the REECH Programme.

REASON WHY DECISION REQUIRED:

Cabinet approval is required in order to :-

- Establish the REECH Steering Group
- Appoint Cabinet Member for Regeneration as the Chair of the REECH Steering Group
- Include the REECH Programme within the Council's Capital Programme for 2010/11

RECOMMENDATION(S):

That Cabinet note the submission of the REECH Programme bid, and:-

1. Approve the establishment of a REECH Steering Group as outlined in paragraph 3.0 of this report,
2. Agree 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, a further report be submitted with a view to accepting that offer, such report to include any financial and operational implications, and
4. Subject to 3 above agree to the inclusion of the REECH Programme in the Capital Programme for 2010/11

That Cabinet Members for Technical, Environmental and Regeneration:-

1. Note the report

KEY DECISION: Yes

FORWARD PLAN: Yes – Published on 12th May 2010

IMPLEMENTATION DATE: After the call in period

ALTERNATIVE OPTIONS:

Statutory duties are being imposed on local authorities to take action to address the adverse impact of climate change. A successful bid will provide a unique opportunity to progress both the climate change, and the low carbon economy agenda, particularly during this financially constrained period.

IMPLICATIONS:

Budget/Policy Framework:

Financial: Whilst there are no cash calls on Council's resources in terms of Capital and Revenue monies, a significant amount of 'in-kind' contributions in the form of officer time will be required in order to deliver the programme. This is outlined in paragraph 4.0 of this report.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

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.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

Environmental and Technical Services Director

Interim Head of Legal Services

Finance – FD 419 The Head of Corporate Finance & Information Services has been consulted and has no comments on 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 17th December 2009 entitled 'Potential Funding Opportunity 1- Energy Efficiency & Renewable Energies in Social & Low Income Housing'

1.0 Background

- 1.1 The Cabinet at its meeting on 17th December 2009 considered a report entitled 'Potential Funding Opportunity 1- Energy Efficiency & Renewable Energies in Social & Low Income Housing'. The report highlighted that as part of the European Economic Recovery Plan, the European Commission had agreed to allow up to 4% (£29 million) of ERDF Programme resources to be devoted to domestic energy efficiency and renewable actions.
- 1.2 In response to the above, the Regional Development Agency, issued a call for the submission of a sub-regional bid that seeks to directly stimulate the market for low carbon and environmental technologies and renewable energies via their application within existing social and low income housing.
- 1.3 Members at their meeting noted the Expression of Interest submitted to the North West Regional Development Agency, and agreed to support the principle of Sefton Council being the accountable body for this sub-regional bid, subject to sufficient external funding being made available for the management of the project, and Cabinet approval.

2.0 Current Position

- 2.1 Members may be aware that the Expression of Interest submitted was successful, but during the Concept Stage, the Regional Development Agency indicated in April 2010 that the original allocation of £11m ERDF grant for the Merseyside sub-region had been reduced to £8.23m. However the ask for Halton, which is coming from the allocation made to the remainder of the north west was not affected.
- 2.2 In light of the above, the first draft bid submitted on 21st May 2010 is now requesting £8.23m ERDF grant from the ring fenced Merseyside allocation and £500,000 for Halton from the rest of the North West ERDF allocation.
- 2.3 The aim of the bid is to provide impetus to a new emergent local market for green energy technologies by developing interconnected demonstration projects. This is to be achieved by driving up demand for environmental technologies, build capacity in local supply chains and target those areas most affected by the market failure, namely Lower Super Output Areas, which are suffering the highest levels of deprivation in Merseyside and Halton.
- 2.4 The bid timetable is as follows:-
- | | |
|--------------------------------------|---|
| ▪ First draft to NWDA | 21 st May 2010 |
| ▪ RDA Project Advisory Group meeting | 4 th June 2010 |
| ▪ Submission goes to ERDF Appraiser | 18 th June 2010 |
| ▪ NWDA evaluate and feedback | (5 weeks) |
| ▪ Final revised bid to NWDA | 23 rd July 2010 |
| ▪ Programme Monitoring Sub Committee | 2 nd August 2010 |
| ▪ Project Review Group | 16 th August 2010 |
| ▪ NWDA Board | 22 nd or 23 rd September 2010 |
| ▪ Offer Letter/Contract issued | October 2010 |

3.0 REECH Programme Delivery Structure

- 3.1 Whilst it is recognised that there is no guarantee that the submitted bid will be successful, but given that there is only one submission from the sub-region, and that the region has its dedicated ring fenced ERDF allocation it is highly unlikely that the bid in its entirety would be rejected. In addition, a successful bid needs to be delivered by March 2013, with all expenditure committed by December 2013.
- 3.2 **It is therefore imperative that necessary delivery structures and procedures are established as soon as possible, which would enable the REECH Programme to be delivered effectively and efficiently by the strict deadlines that will be imposed by the Regional Development Agency.**

REECH Steering Group

- 3.3 An informal REECH Steering Group comprising officers from other local authorities, and representatives from RSLs, and the TMP was set up early this year in order to progress the bid. It is now proposed that this Steering Group is now formally established with defined remit and membership. It is also proposed that the Cabinet Member for Regeneration be the chair of the Steering Group. The proposed membership of the Steering Group is as follows:-

Chair – Cabinet Member for Regeneration – Sefton Council
6 LAs Officers representing Sefton, Liverpool, Knowsley, St. Helens, Wirral, and Halton
1 representative from Fusion 21
1 representative from other RSLs
1 representative from TMP (Current Chair of informal REECH Steering Group)
1 representative from the RDA (Possibly Sarah Carling – CCT)
1 representative from the sub-region Community organisation (Possibly Andy Churchill)
1 representative from Energy Saving Trust or Enviro-link

- 3.4 It is anticipated that the Steering Group would consist of some 14 to 15 members. A draft remit of the Steering Group, together with a flow chart showing the decision making process is attached as Annex A to this report. It should be noted that this would need to be refreshed in light of any conditions attached to the offer letter.

Programme Delivery Team

- 3.5 The REECH Programme Delivery Team will be based in The Sefton Investment Centre, and whilst the structure of the team will be determined in more detail once the outcome of the bid is known. It is anticipated that the majority of the team will comprised of officers from the Planning and Economic Development Department, and from the Energy Division of Neighbourhood and Investment Programmes Department, with input from Legal and Finance Departments.
- 3.6 A draft remit of the Programme Delivery Team is also included in Annex A of this report. Again as indicated in 3.4 above this is subject to change.

Note** = Please note that there is an element of over programming in the capital works. In addition this is still an indicative exercise, undertaken with the involvement of RSLs. The final shape of capital works can only be fully developed once the RDA has decided on the ERDF capital allocation and the subsequent tendering exercise that will be need to be undertake. It should also be noted that whilst the capital element of the Programme will appear in Council's Capital programme in 2010/11 there will not be any call on Sefton Council or local authorities capital resources. The ERDF capital match will be from organisations bidding for capital works such as RSLs.

Note*** = Whilst all eligible works need to be completed, and ERDF expenditure committed by December 2013, as with all capital works, a minimum of 10% retention has to be kept, and this will fall into year 2014.

5.0 Risk Assessment

5.1 An exercise has been carried out to identify potential risks involved in undertaking this Programme; the likelihood of something going wrong; the impact that could have both financially and operationally, and critically the processes and procedures that need to be introduced and implemented to minimise these risks. It should be noted that whilst Annex B shows risks identified to date, this is an on going exercise, which needs to be undertaken regularly as the Programme is being developed and delivered.

6.0 Establishing a New Partnership

6.1 In accordance with recently adopted Corporate policy, a further report will be submitted to Cabinet via the Council's Senior Leadership Team, in order to seek the formalisation of the partnership arrangements between participating Local Authorities and other partners.

7.0 Comments

7.1 This is the first time that Sefton Council would be acting the accountable body for a sub-regional project. It is also the first time that the European Commission has allowed the use of ERDF grant for housing related activities that were excluded in previous Objective 1 Programmes. Therefore, there is clearly a steep learning curve for officers involved with this REECH Programme, and the paramount need to minimise any inherent financial and operational risks involved.

7.2 Whilst recognising that there is no guarantee that the submitted bid would be successful, should the bid be approved in October, it is important that necessary structures and procedures are put in place before the decision on the bid is announced so that the transition to operational delivery is quick, effective and efficient.

REECH PROGRAMME
Draft Delivery Structure

European Commission – Funding Organisation

North West Development Agency – Responsible for the delivery of the North West Operational Programme, of which REECH is one project.

Sefton Council – Accountable Body for the REECH Programme

REECH Steering Group – Responsible for the overall management and delivery of the REECH Programme. The Steering Group will comprise of:-

- Chair – Cabinet Member for Regeneration – Sefton Council
- 6 LAs Officers representing Sefton, Liverpool, Knowsley, St. Helens, Wirral, and Halton
- 1 representative from Fusion 21
- 1 representative from other RSLs
- 1 representative from TMP (Current Chair of informal REECH Steering Group)
- 1 representative from the RDA (Possibly Sarah Carling – CCT)
- 1 representative from the sub-region Community organisation (Possibly Andy Churchill)
- 1 representative from Energy Saving Trust or Enviro-link

Remit of the Group would include:-

- Overall Management and Delivery of the Programme
- Ensuring that the decision making process is open, transparent, and beyond approach
- Ensure that appropriate measures are in place to manage any conflicts of interest so as to mitigate the risk of their influencing decision making.
- Conditions attached to the Offer Letter are complied with it
- Outputs and Outcomes are achieved
- Approves the criteria and methodology for project selection
- Ensures a full appraisal has been undertaken and the recommendations have been considered at the appropriate level and by the normal process
- To establish and maintain an inventory of assets.
- To work with other Partnership bodies to ensure the monitoring, evaluation and audit of projects and the wider programme procedures and protocols

Programme Delivery Team – Responsible for the day to day delivery of the REECH Programme, and for servicing the Steering Group. The core delivery

will comprise of officers of officers from the Planning and Economic Development Department, and from the Energy Team (Neighbourhood and Investment Programmes Department), with input from Legal and Finance Departments. The overall lead officer for the REECH Programme will be Mo. Kundi

Duties would include:-

- Responsible for ERDF Contract Management;
- Day-to-day project management and co-ordination;
- Servicing Steering Group;
- Liaison with Local Authority Representatives;
- Project commissioning;
- Project appraisal;
- Co-ordination with peripheral activity (Business, HE, Private Landlords, Employment & Skills etc.) Legacy etc.
- Compilation and submission of ERDF claims;
- Financial eligibility testing/ compliance;
- Performance Monitoring;
- Project grant payments.

Remit of the Delivery Group would include:-

1. Manage the overall Programme, including staffing and budget management functions. (Lead Officer)
2. Ensure effective and adequate appraisal, approval; project monitoring and financial systems are in place that meets RDA's requirements for devolved funding and the financial and legal requirements of the Accountable Body.
3. Ensure that appraisal of projects seeking support from RDA's funding are undertaken by suitably trained and where necessary by independent appraisers.
4. Make recommendations on project approval (following completed appraisal reports) to the Steering Group (and Sefton Council).
5. Lead on the work of producing any monitoring reports and additional information.
6. Ensure there is full partnership involvement in each of those areas of work outlined above.
7. Ensure the smooth running of the any Project Teams and Task Groups.
8. Provide strategic guidance to the development of projects and to provide support to projects being developed in accordance with priorities.

9. Work with partners towards full engagement of key agencies within the Steering Group and to ensure tangible commitment is shown by the agencies to the priorities within the Programme.
10. To oversee the evaluation of the use of funding to meet Programme objectives.
11. To manage and review the communications strategy for the Steering Group
12. Recruit any specialist co-ordinators as proposed through individual projects and/or manage consultants as required.

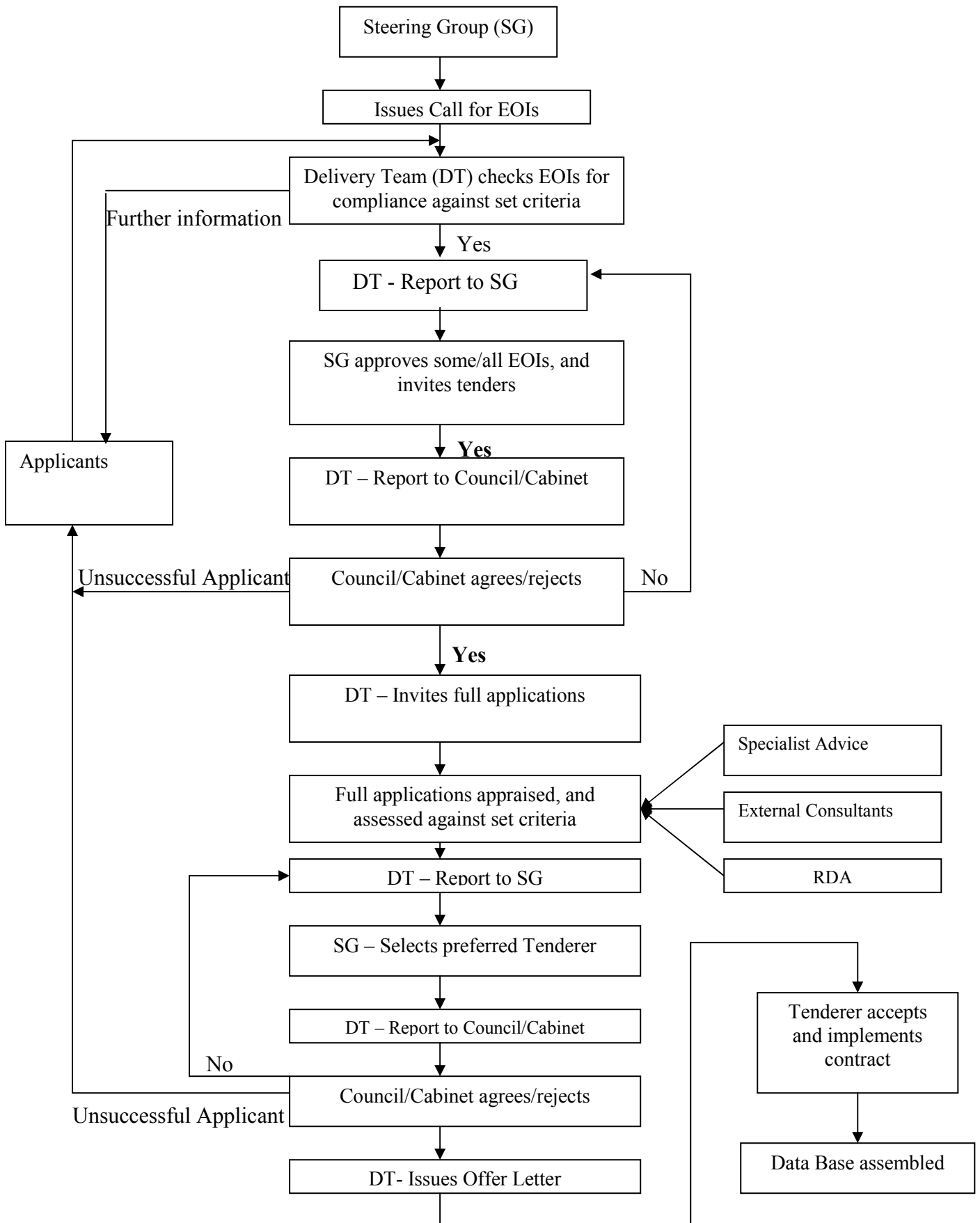
Role of Local Authority Representatives would to include:-

- Responsible for providing local authority support, commitment and liaison;
- Providing technical appraisal advice, (if required);
- Liaising with projects on the ground in their local authority area.
- Pro-actively participating in Steering Group and it's decision making role and responsibilities
- Avoiding conflict of interest
- Ensuring that the sponsoring authority is kept up to date, and provides continues pro-active support for the Programme

Role of RSL Representatives would to include:-

- Responsible for providing wider RSL support, commitment and liaison;
- Providing technical appraisal advice, (if required);
- Providing collective feed back from projects being undertaken by RSLs on the ground.
- Pro-actively participating in Steering Group and it's decision making role and responsibilities
- Avoiding conflict of interest
- Acting as a liaison between the Steering Group, and individual RSLs

REECH PROGRAMME
DRAFT APPRISAL PROCESS
 14th May 2010



ANNEX B**RISK ASSESMENT**

Risk Description	(a) Probability (Score 1-5)	(b)Impact (Score 1-5)	(c) Overall Risk (a x b)	Review Date	Risk Owner	Mitigation: What can be done to reduce risk or what contingency plans will be in place?
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.
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.
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.
Contractor goes into Administration	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.

RSL goes into Administration	1	5	5	On going	Sefton Council	Sefton Council will undertake financial credit rating of RSLs during the tendering exercise.
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
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.
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
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.
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
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

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.

