Cabinet

Greater Manchester Energy Smart Homes (GMESH)

Joint report of Carolyn Wilkins, Assistant Chief Executive and Steven Mair, Borough Treasurer

Portfolio Responsibility: Cllr Lynne Thompson, Performance and Value for Public Money

8th September 2010

Officer Contact: David Catherall
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Purpose of Report
To request Oldham Council act as Accountable Body for the Greater Manchester Energy Smart Homes programme

Executive Summary
This report is to request that Oldham Council act as Accountable Body on a recently submitted ERDF bid on behalf of Greater Manchester. Any decision would be subject to approval of the bid by North West Regional Development Agency.

The Chief Executive of Oldham is currently lead Chief Executive of the AGMA Environment Commission and as such it has been suggested that Oldham lead on the management of the GMESH activity. As the lead authority it has been proposed that Oldham act as Accountable Body on behalf of the Environment Commission for the GMESH (retro fit ERDF programme).

Recommendations
• That Oldham Council act as Accountable Body for the GMESH programme subject to the NWDA approving the ERDF application and agrees to the terms and conditions of the grant including accepting the risk of grant clawback should a liability arise.
• That robust management arrangements are established in anticipation of the approval of ERDF support from NWDA.
Greater Manchester Energy Smart Homes (GMESH)

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Portfolio Responsibility: Cllr Thompson

1 Purpose of Report

1.1 To request Oldham Council act as Accountable Body for the GMESH programme

2 Executive Summary

2.1 This report is to request that Oldham Council act as Accountable Body on a recently submitted ERDF bid on behalf of Greater Manchester. Any decision would be subject to approval of the bid by North West Regional Development Agency. A decision is anticipated at the Programme Management Committee of the 7th September and fully endorsed by the Management Group on the 27th September.

2.2 The Chief Executive of Oldham is currently lead Chief Executive of the AGMA Environment Commission and as such it has been suggested that Oldham lead on the management of the GMESH activity. As the lead authority it has been proposed that Oldham act as Accountable Body on behalf of the Environment Commission for the GMESH (retro fit ERDF programme).

3 Recommendations

3.1 That Oldham Council act as Accountable Body for the GMESH programme subject to the NWDA approving the ERDF application and agrees to the terms and conditions of the grant including accepting the risk of grant clawback should a liability arise.

3.2 That robust management arrangements are established in anticipation of the approval of ERDF support from NWDA

4 Background

4.1 In July 2009 the government launched the Low Carbon Transition Plan, its response to maximising the economic opportunities which climate change presents. This included the proposed establishment of a series of Low Carbon Economic Areas (LCEA) building on particular local strengths; the first of these to be established was the south west focussing on marine energy.
4.2 On December 9th the Chancellor announced the designation of Greater Manchester as the fourth LCEA with a focus on the Built Environment. This announcement within the Pre Budget Report was a result of work undertaken by officers working for the Environment Commission and New Economy with support from the North West Development Agency (NWDA). In undertaking one of the largest building retrofit programmes ever seen our proposals suggest that over a five year period the LCEA will:

- save 6 million tonnes of carbon
- support 34,800 jobs; and
- contribute £1.4 billion to the economy

5 Current Position

5.1 Greater Manchester’s success of achieving designation as a Low Carbon Economic Area for the Built Environment provides the mandate and foundation for the delivery of an ambitious and innovative programme to secure significant CO2 savings whilst simultaneously expanding and developing the sub region’s low carbon economy. Wholesale housing retrofit is one of the cornerstones of this activity, ERDF funding is being sought to catalyse early activity in the LCEA activity plan. This proposal has been developed through a unique partnership arrangement incorporating Greater Manchester housing providers, local authorities, procurement organisations, the Energy Saving Trust, National Housing Federation and Envirolink NW.

5.2 GM’s social housing retrofit proposal consists of a package of practical delivery projects designed to meet the shared objectives of GM’s LCEA, the NWDA and the UK Govt. The programme links the physical and behavioural aspects of Energy Smart Homes through implementing a range of innovative low-carbon energy solutions in hard to treat social housing coupled with a programme to develop energy awareness and encourage behavioural change in tenants. In so doing the programme will be the immediate focus of activity with local businesses in relation to expanding / diversifying into the low carbon market, and substantial work will go on in parallel with this programme to support local businesses to be competitive for the contracts let through this ERDF.

5.3 It is anticipated that the total cost of the project will be approximately £10 million that will be split across 6 individual projects. ERDF will provide 50% of the total costs the match funding will come from each individual project organisation. The exact allocation of ERDF will not be determined until the North West Regional Development Agency has completed negotiations with all the applicants; however the ERDF contribution will be approximately £5 million. This will be split into the individual projects each with a value between £1.5 million and £2 million.

5.4 The Chief Executive of Oldham is currently lead Chief Executive of the AGMA Environment Commission and as such it has been suggested that Oldham lead on the management of the GMESH activity. As the lead authority it has been proposed that Oldham act as Accountable Body on behalf of the Environment Commission for the GMESH (retro fit ERDF programme).
5.5 This means that all of the approved finances are processed through the council’s financial management systems. The monitoring and management of the programme will sit within the Oldham Partnership Support Unit, who have extensive experience of managing similar programmes, alongside the financial services team of Oldham Council.

5.6 As accountable body Oldham Council will take the lead in monitoring and managing this project on behalf of the LCEA Work Package 1 Programme Board. The board will receive quarterly progress reports (finance and output) in order to be able to track progress of each of the projects that sit within the individual organisations.

5.7 Oldham Council has substantial previous experience of managing both ERDF and other public capital and revenue funding.

5.8 The individual housing providers, e.g. Northwards Housing, Eastlands Homes etc will have a clear role in overseeing the delivery of the retrofit to their properties, and will be contractually required by Oldham Council to ensure that not only is the work delivered but that all appropriate ERDF financial and administrative requirements are complied with.

5.9 It is anticipated that there will be some staffing requirements required in Oldham to manage the programme but these will be discussed once approval is secured from NWDA. There is an allowance built into the proposal that would support Oldham staff costs, although only at the grant rate of 50%.

5.10 The role of the 'Accountable Body' will involve:

- To remain independent of delivery of activity to ensure accountability and governance arrangements are robust.
- Overseeing the GMESH programme to ensure compliance with financial regulations in accordance with CIPFA’s statement of recommended practice.
- To issue appropriate grant agreements to individual projects with the necessary grant conditions covering claw back terms and conditions if projects contravene their approval contract.
- Be responsible for the submission of relevant financial returns to funding bodies and government agencies where required.
- Involvement in every stage of the development, implementation, monitoring and scrutiny of governance arrangements and provide critical challenge to decisions and decision-making processes.
- Ensures resources are used effectively, focusing on value for money and efficiency and are used only to cover eligible costs.
- To provide intervention and support to address cases of poor performance at programme and project level and to be responsible for claw back of funding should expenditure be deemed ineligible.
- Ensure compliance with ERDF contract agreements and identify and manage programme risks. To maintain a risk register to support this.
• Support the maintenance of clear, transparent and sound systems of financial and process controls. Ensure that they are reliable, accessible and up to date within a clear and auditable framework.

• Represent the Council on relevant groups with regards to AGMA Environment Commissioned ensure best practice is incorporated into our programme management framework.

• Provide support, advice and guidance for audits both internally and externally and to support the ERDF process

6 Options/Alternatives

6.1 None

7 Preferred Option

7.1 As recommendations

8 Consultation

8.1 Finance, Procurement, Corporate Governance, and Legal submissions

9 Financial Implications

9.1 The recommended proposal for Oldham Council to act as Accountable Body for the GMESH activity will represent revenue expenditure to the authority.

9.2 Accepting the ERDF grant funding and agreeing to act as the Accountable Body will require the Council to accept all the terms and conditions of the grant funding including accepting the risk of grant clawback should a liability arise. The Council has extensive experience of acting as the Accountable Body in such situations and therefore established working practices should minimise any risk.

9.3 Due to the uncertainty of the allocation that may be made available to the authority, it is difficult to quantify the likely impact both in relation to financials and staff-time involved in delivering the responsibilities of undertaking the Accountable Body role. These will be quantified and reported in detail once a formal allocation has been made. However, it should be noted that the revenue budget of the Council will require amendment for the level of grant funding received and expenditure incurred.

9.4 Currently, the cost of the work undertaken to get the GMESH application to this stage has been met from within existing revenue budgets. (J.Kara)

10 Legal Services Comments

10.1 There are no direct legal implications which arise from the recommendations.

10.2 Although the report is not explicit, the Council can seek to rely on its powers under section 2 of the Local Government Act 2000. Under s2, every local
authority has the power to do anything which they consider is likely to achieve one or more of the following objectives: the promotion or improvement of (a) the economic well-being of their area, (b) the social well-being of their area; and (c) the environmental well-being of their area. Before exercising the power the local authority must have regard to guidance issued by the Secretary of State and to its own community strategy in relation to the 3 objectives. The Community Strategies vision supports improvements to housing and also improving the health and well being of people in the area.

10.3 Under Rule 2.40 of the Financial Procedure Rules, the head of service should in advance of accepting the funding, seek an appraisal of that proposal which would involve the approval of the Borough Solicitor and the Borough Treasurer. It is understood that the Council (if successful) will receive a standard EDRF grant form. This form has been used many times and the implications understood. The Council will need to ensure that all relevant obligations, responsibilities and liabilities are passed on to the grant recipients to help mitigate the financial risk to the Council.

10.4 Under Rule 2.41 of the Financial Procedure Rules, where the amount of the proposed grant exceeds the sum of £250,000 approval to accept the funding must be by way of a formal EDRS report. The acceptance of the funding following approval (as described in paragraph 2.1) can only be made following formal award so a further EDRS report will be necessary. (Daniel Howard)

11 Human Resources Comments

11.1 No new staff will be employed. All project management will be undertaken by the Oldham Partnership Support Team that has extensive experience of managing similar programmes. They will utilise existing programme management systems that have been previously tested and approved by EU funding management authorities.

12 Risk Assessments

12.1 Ineligible Activity requiring repayment to the Programme Managing Authority: Oldham Council has extensive experience of delivering EU programmes and projects. All management systems have been tested and have satisfied EU audit requirements.

12.2 Cost overrun: - The Accountable Body will work closely with all the project delivery teams from an early stage in developing detailed procurement systems that will provide accurate costings. The management systems that have been established will help flag up any issues through the quarterly reporting requirements.

12.3 Delays and Slippage:- Early establishment of project team and consultation with residents. The management systems that have been established will help flag up any issues through the quarterly reporting requirements.
12.4 Match funding not available:- Priority lists established where match funding already guaranteed

12.5 Independent scheme becomes unviable:- Retain reserve list of projects with alternative RSL’s

13 IT Implications

13.1 NA

14 Property Implications

14.1 NA

15 Procurement Implications

15.1 OMBC Corporate Procurement will work with the accountable body to ensure that the correct procurement procedures are followed and delivered using the help of NWIEP procurement office to provide consistency across the programme

16 Environmental and Health & Safety Implications

16.1 No health and safety implications

17 Community Cohesion Implications [including Crime & Disorder Implications in accordance with Section 17 of the Act] and Equalities Implications

17.1 This project will realise significant benefits in addressing deprivation and reducing health inequalities. Specifically, real improvements will be made in mitigating against Fuel Poverty and the well documented associated health impacts that arise from being unable to afford to heat a home to a comfortable level. By improving the thermal efficiency of the target homes, residents will be able to heat their homes more affordably and reduce the risk of suffering from respiratory and circulatory illnesses associated with cold and damp homes.

17.2 The solid wall insulation schemes will also provide a benefit in terms of rejuvenating the appearance of an area, through the enveloping of aesthetically tired buildings with new long-lasting external finishes giving an uplift to the area.

18 Forward Plan Reference

18.1 ACE-08-10

19 Key Decision

19.1 Yes, September, ACE-08-10
20 **Background Papers**

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act.

File Ref: NA  
Name of File: **Greater Manchester Energy Smart Homes (GMESH)**  
Records held in Assistant Chief Executive Directorate  
Officer Name: Dave Catherall  
Contact No: 770 5165

21 **Appendices**

21.1 n/a