

CABINET

LDLSP Performance Reward Grant Allocation 15 February 2011

Report of the Head of Community Engagement

PURPOSE OF REPORT To advise members of the LDLSP Management Group's proposals for the allocation of the one-off Performance Reward Grant.				
Key Decision	X	Non-Key Decision	Referral from Cabinet Member	
Date Included in Forward Plan	28 January 2011			
This report is public				

RECOMMENDATIONS OF THE HEAD OF COMMUNITY ENGAGEMENT

- 1) That Cabinet note the extra PRG of £169,062 allocated to each district
- 2) That the decision to take part in the cross-district feasibility study on hydroelectricity sites be approved and the revenue budget be updated to include £30,000, with £15,000 being released as soon as possible, and further development of hydroelectricity schemes being subject to further detailed appraisal and:
 - o Confirmation of sites to be included in the feasibility study
 - o Confirmation that proposed schemes represent value for money
 - o Confirmation that all related match funding to progress proposed schemes are in place
 - o Access to reports produced as a result of the feasibility study in relation to the sites in the Lancaster District
- 3) That the LDLSP Management Group's proposals to use PRG funds for warm homes, social enterprises and co-operative fund finder initiatives are noted but that the LDLSP is asked to review their spending priorities in the light of the current economic climate and pressure on public sector budgets

1.0 Introduction

- 1.1 The LDLSP has been allocated a share of the Performance Reward Grant (PRG) received from central government for the successful delivery of the first Local Area Agreement (LAA) for Lancashire. Although halved by government from the previously agreed figure the LDLSP has still received **£647,446** (£478,384 in the original

allocation from 2010 and provisionally an extra £169,062 notified in January 2011), half of which should be used for revenue expenditure and half for capital.

- 1.2 The LDLSP Management Group has agreed to pursue four initiatives with PRG, most recently ratified at its January 2011 meeting. These have been developed by the LDLSP Team based on the district's 'Big Ticket' issues (that aim to deliver the Sustainable Community Strategy), the ideas and priorities coming from an LSP away day in May 2010, plus the criteria set out by other stakeholders including the City and County Councils. These initiatives are set out in Sections 2-5 below, with the current estimate of cost being **£355,000**. This is split between £100,000 capital and £255,000 revenue expenditure.
- 1.3 Lancashire County Council has delegated all financial and oversight responsibility for the PRG to Lancaster City Council which is the 'accountable body' for the LSP. Therefore Cabinet must ratify the allocation of the PRG, and certain costs will be incurred by the Council on the LSP's behalf. These will be met from the PRG allocation, an initial estimate being **£25,000**, which will count towards the total revenue expenditure. This leaves around **£267,446** (£43,723 revenue and £223,723 capital) for future initiatives, which the LSP are currently researching and which will be presented to a future Cabinet meeting for an 'in principle' decision.
- 1.4 There is no deadline by which the PRG must be allocated, but the LDLSP Management Group has appointed a sub-group to oversee the commissioning of the initiatives once 'in principle' approval has been given by Cabinet. This group will involve procurement professionals, including representation from the City Council, who will ensure that appropriate processes are followed. The sub-group will aim to report back to the LDLSP Management Group and Cabinet as soon as possible in 2011 for a final sign-off of the proposals.

2.0 Hydroelectricity Initiative

- 2.1 Lancaster District has a number of watercourses that could potentially be utilised to generate renewable electricity. Small-scale hydroelectricity schemes have the potential to provide cheap energy for local communities, reduce greenhouse gas emissions, and help build community cohesion.
- 2.2 The LDLSP has agreed to join-in with an existing cross-district project with Ribble Valley and Pendle LSP's to investigate the potential for hydroelectricity across the Forest of Bowland Area of Natural Beauty (AONB). Around 35 potential hydro sites will benefit from a technical 'Stage One' study of what opportunities exist, as well as the likely costs and issues. Eight of these sites will be in Lancaster District around Roeburndale, Abbeystead, Gresgarth Estate, Caton, Wray and Quernmore as well as at the weir in Skerton. Three further sites in the district are currently being considered for inclusion. The top five sites from across the AONB, including at least one in Lancaster District, will have a further 'Stage Two' appraisal undertaken that involves all detailed evidence required for local communities to attract further inward investment, again from a mixture of government grant, community bond and private investment, to complete their own schemes.
- 2.3 Due to the timescales involved the LDLSP needs to commit funds to this study by March 2011 and so a final decision to endorse this project is asked of Cabinet, rather than an 'in principle' decision. The commissioning and project management for this study has been managed by the Forest of Bowland Area Of Natural Beauty (AONB) Team, who are County Council employees. The council's Corporate Programmes Team has undertaken a robust appraisal of the proposed feasibility study and have made recommendations, reflected in the report, regarding further appraisals and assurances of any hydroelectricity schemes being developed as a result.

- 2.4 The LDLSP has also agreed in principle to make a pot of funding available to further finance hydroelectricity projects in the district – this will build on the work done in the Forest of Bowland Study and could potentially allow further projects to undertake a ‘Stage 2’ appraisal or assist those that have had a full feasibility study to begin the process of construction.
- 2.5 As well as benefiting from green electricity, local communities that take hydroelectricity projects forward will have the potential to generate income from the government feed-in tariffs (FIT). In terms of the vehicle for installing the equipment, there is the opportunity for the creation of one or more social enterprises (see initiative in Section 4 below).
- 2.6 **Expected Outcomes:** An increase in the percentage of renewable electricity generated in the district, and the ability of local communities to attract investment.
- 2.7 **‘Big Ticket’ priorities met:** Climate Change, Community Cohesion
- 2.8 **Investment Sum:** £30,000 (£15,000 revenue for AONB study, £15,000 revenue for further Stage 2 studies)

3.0 Warm Homes Initiative

- 3.1 It has been identified through several channels that thousands of homes in the district can be efficiently and effectively insulated, reducing both excess winter deaths and CO₂ emissions. This affordable and sustainable warmth agenda is of concern to many LDLSP partners, including the City Council, and the LDLSP Management Group has agreed to use some of the PRG to attract matched CERT (Carbon Emissions Reduction Trading) funding from utility companies. This will give the district a fund to provide grants for insulation (e.g. cavity wall, loft and hot water tank, amongst others). It is expected that for £100,000 investment, several hundreds of thousands of pounds will be obtained from a utility company.
- 3.2 The LDLSP proposes to appoint a not-for-profit Managing Agent to acquire the CERT matched funding, administer the fund, employ contractors and promote the scheme. In particular, those at risk of fuel poverty (defined as spending more than 10% of their income on fuel for heating). These grants would complement ‘Warm Front’ and other related grants, and act as a precursor to the government’s planned ‘Green New Deal’ which will come into effect in 2013. CERT funding would allow these ‘at risk’ households to receive free insulation, and the LDLSP could potentially offer partial grants to those households who are better off. It is expected that over 2000 homes could be insulated through this pot over the next couple of years, reducing winter deaths and reducing carbon emissions.
- 3.3 The work of the Managing Agent will be overseen by a steering group of ‘affordable warmth’ stakeholders from the LSP, such as the councils, Primary Care Trust, and the Home Energy Service. This steering group will set targets, reporting arrangements, plans for oversight and promotion, and forming appropriate links to other projects e.g. the county fuel poverty referral scheme. The LDLSP Management Group also proposes to make a partial contribution of £5,000 to the marketing costs of the scheme, the remainder of which will be borne by the Energy Savings Trust (EST)
- 3.4 There are talks underway between the County Council and the EST to develop such a scheme across the county before the CERT funding is withdrawn by Government at the end of 2012. If swiftly agreed the scheme in Lancaster will act as a trial for the county, potentially enabling other local areas to more successfully bid for the remaining CERT funding during 2011 and 2012.
- 3.5 **Expected Outcomes:** Fuel poverty and excess winter deaths (98 in the district in 07/08) are reduced. Local people have more sustainable homes with lower fuel bills

and lower CO2 emissions. Local contractors receive extra work, allowing them to employ and train paid staff. Other local areas can learn from the trial.

3.6 **'Big Ticket' priorities met:** Affordable Housing, Health Inequalities, Climate Change, Economy and Worklessness (if training and employment opportunities are provided by those installing the improvements).

3.7 **Investment Sum:** The LDLSP Management group have agreed to allocate £105,000 of PRG funds to this project (£100,000 capital for installation, £5,000 revenue for a contribution to marketing).

4.0 Social Enterprise Initiative

4.1 Many voluntary and community sector organisations across the district are facing a reduction in their grant funding that will threaten their staff, their projects and their very existence. These losses will then create gaps in services for local people. To offset this, the LDLSP has agreed to support these organisations in developing their services into social enterprises.

4.2 There isn't a universal understanding of what a 'social enterprise' is, but the LSP proposes to use the definition provided by the North Lancashire Social Enterprise Network (NLSEN):

"Social enterprise is an activity rather than organisational structure. Social enterprise operates according to clearly stated aims or values and re-invests any financial profit or surplus to further those aims or values. Social enterprise avoids forms of private ownership such as forming limited or profit distributing companies. Social enterprise avoids activities that damage other people or the environment. Social enterprise should take action to evidence social benefit. Social enterprise activity refrains from excessive personal or private profit."

4.3 This social enterprise activity will support the delivery of the Sustainable Community Strategy, provide services required by local people and allow local people and communities to take a lead in helping themselves. In this sense the initiative ties in with the 'Big Society' approach to devolving power and responsibility that the government are endorsing.

4.4 Organisations are of their own accord seeking alternative sources of income to support their activities, and are receiving advice from a number of places to help them do so. As well as the district-based NLSEN, a social enterprise network also exists across the region (Social Enterprise North West - <http://www.senw.org.uk/>) and the county (Selnet – <http://www.selnet-uk.com>) and there are organisations dedicated in whole or in part to supporting the development of social enterprise (e.g. Help Direct). The LDLSP is keen to ensure that the initiative enhances these existing structures rather than duplicating them, and has worked with key stakeholders to develop an appropriate commissioning process.

4.5 **Expected Outcomes:** An increased number of organisations in the district that are delivering their services sustainably as social enterprises. This will mean that more people in the local community receive the services and support they need, a lesser impact on the environment from delivering those services, and less grant funding required from public sector organisations.

4.6 **'Big Ticket' Criteria met:** Economy and Worklessness (as employment and/or voluntary training opportunities are created), Community Cohesion (if the enterprise helps bring local people and communities into closer contact and gives them a shared purpose), and Climate Change.

4.7 **Investment Sum:** £120,000 (£100,000 for social enterprises themselves, expected to be mostly revenue) plus £20,000 revenue for support and administration of the initiative by one or more providers.

5.0 **A Cooperative Fund Finder Initiative**

5.1 The final initiative is a 'Cooperative Fund Finder' approach to bring in funds to the district, especially to support the work of community and voluntary organisations. The LSP proposes to use £100,000 revenue from the PRG to appoint a provider who for at least two years will support efforts of local organisations to secure investment from government, business, charitable trusts and any other appropriate source.

5.2 The LDLSP is not proposing to specify the exact nature of that support, preferring instead to seek expressions of interest from potential providers as to how they would ensure that sufficient skills, expertise and capacity would be made available to support funding bids. These bids could be to local, regional, national or even international pots, and would be for both revenue and capital funding, or even other resources that may be available, such as support in kind. The successful provider will also need to ensure that local organisations don't make a bid when resource is already available elsewhere, don't duplicate bids to the same source, and wherever possible work together on joint applications.

5.3 The economic climate is tough and more organisations than ever are seeking what funding is available. However, comprehensively developed bids, supported by the successful providers and by the LSP, would give confidence to potential funders and show that Lancaster District is a 'safe pair of hands' for funding. Previous experience from LDLSP partners suggests that with such a coordinated and professional approach then a figure of up to £10 for every £1 invested is a stretching but realistic possibility. Therefore, an investment of £100,000 will be expected to net a figure of at least £1 million, which would be a high profile and inspirational goal.

5.4 Fund-finding is a complex process and above and beyond any PRG investment it will involve many LDLSP partners and cause a 'ripple effect' on their resources and expertise. Therefore the successful provider will need to show what additional resources they can bring to bear to enhance their capacity to deliver the appropriate support. They will also need to work with the LDLSP to develop a clear understanding at the outset the criteria for success of the project, how the work will affect LDLSP partners and exactly what kind of funds should be sought in order to help to deliver the Big Ticket issues. The provider's work will be overseen and supported by a steering group of stakeholders appointed by the LDLSP

5.5 The LSP is also keen to ensure the initiative is sustainable and that fund finding and resource-sharing capacity is available in the district after the initial investment has been spent. Helping organisations to access funding will require them to invest their time and effort, but they will also benefit through a greater understanding of the funds available, the process by which they are accessed and the local knowledge of need and priorities that will be required for them to be successful in their bids. This extra capacity within their organisations will be another sustainable benefit of the project.

5.6 **Expected Outcomes:** £1 million is received by partner organisations and partnerships within the district to invest in projects that help deliver the Big Ticket Issues and the SCS. The capacity of partner organisations, especially those in the voluntary and community sectors, is permanently increased.

5.7 **'Big Ticket' Criteria met: Community Cohesion** (as groups work together and with local communities to source and allocate funds), and potentially all of the others, dependent on what the funds brought into the district were used for.

5.8 **Investment Sum:** £100,000 revenue

6.0 Conclusion

- 6.1 These initiatives are about more than funding projects that deliver benefits– they are about investing in new approaches to delivering services in the long-term.
- The focus on hydroelectricity will facilitate the development of long-term renewable energy initiatives that will leverage initial investment AND provide a long-term benefit for local communities.
 - The ‘warm homes’ matched funding is designed to maximise LSP investment to create a substantial grant pot that will last for several years, and as a trial the work would support increased inward investment across the county
 - The social enterprise initiative aims to create self-sustaining service delivery and enhance the potential of local organisations in supporting their local communities.
 - The fund finder initiative would not only aim to bring in the original PRG funding figure of £1 million to the district, but may improve the ability of organisations to successfully bid for their own funds in future.
- 6.2 PRG is a one-off opportunity and these initiatives are designed to ensure that it would meet partner expectations and deliver a lasting legacy in the district. Potential initiatives that would benefit from the unallocated PRG monies are currently being considered by the LSP and authorisation for any proposed use of this will be sought in a subsequent report to Cabinet
- 6.3 Members may wish to consider the LDLSP proposals in the context of the current economic climate, which is placing considerable pressure on public sector budgets and on many services provided or financed by the public sector. As an example, the provision of Police Community Support Officers (PCSO’s) in the district is currently under threat as a result of financial pressures. It may therefore be appropriate to request that the LDLSP reviews its proposals for the use of PRG funds in the light of the current economic situation to ensure that funding is allocated against the most current district priorities and can achieve maximum impact.
- 6.4 The costs associated with being the accountable body are currently being worked up. This may lead to revision of the current £25,000 estimate, which would also need to be agreed on by both the LDLSP Management Group and Cabinet.

RELATIONSHIP TO POLICY FRAMEWORK

The Sustainable Community Strategy forms part of the Council’s Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising (though individual initiatives allocated funding as a result of this process will contribute towards positive impacts in these areas).

FINANCIAL IMPLICATIONS

The total amount of PRG allocated to the LDLSP is £647,446, of which £169,062 is still subject to Government approval. The LDLSP has so far agreed initiatives to the value of £355,000, which is split into around £100,000 capital and £255,000 revenue. A further £25,000 revenue has been set aside provisionally for expected costs to the City Council

resulting from administration, legal audit and other related costs.

In terms of this report, a final decision on allocating £30,000 revenue is sought; this leaves around £617,000 (£293,500 revenue and £323,500 capital), yet to be determined by Cabinet, although it is anticipated that £25,000 of revenue will be recommended to cover administration costs etc. in due course, as highlighted above.

The LDLSP Manager has a coordinating role for the financial management arrangements, with support from Financial Services and the Corporate Programmes and Performance Team. Endorsement by the council is also subject to the normal requirements of the accountable body, including ongoing performance appraisal and risk assessment.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer's general advice to Members is to consider savings and spending proposals in light of competing demands and priorities, as well as the Council's financial prospects. The associated Big Ticket issues and the protocol for allocating PRG were adopted early last year, prior to any major reductions in public spending and Government funding being announced.

As well as reducing funding levels, one of the measures taken forward by Government has been to 'mainstream' many grant funding arrangements that were previously ring-fenced or linked to particular initiatives. This has the advantage of giving better flexibility for authorities in deciding how best to allocate resources to reflect local priorities, particularly when financial pressures are high. It also tends to be more efficient.

The principle of mainstreaming is one that authorities may wish to reconsider in due course; for managing their own funding streams.

For now, however, in light of the above points and as reflected in the report's Conclusion, Cabinet is advised to consider whether it would be appropriate to request the LDLSP to review its PRG spending proposals accordingly.

LEGAL IMPLICATIONS

There are no legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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