

Report sponsor: Simon Riley, Strategic Director
of Corporate Resources
Report author: Toni Nash, Head of Finance

Compliance with Contract and Financial Procedure Rules

Purpose

- 1.1
- D2N2 Growth and Innovation Programme 3 (GIP3) - approval of the Council's capital match funding contribution
 - D2N2 Growth and Innovation Programme 3 (GIP3) – approve delegated authority to the Strategic Director for Communities and Place following consultation with Strategic Director of Corporate Resources and Leader of the Council, to accept and enter into a variation to the Deed of Grant between East Midlands Business Limited and Derby City Council and approval of the subsequent addition of GIP3 to the capital programme
 - Local Authority Delivery phase 3 (LAD 3) - Bid for and acceptance of the new funding announced by the Government in June 2021
 - Public Health – approve delegated authority to award contracts for Local Enhanced Services and associated software
 - Public Health – approve delegated authority to award a contract for point of care testing (within the drug treatment system)
 - Public Health – approve delegated authority to award grants from Section 31 funding awarded to Public Health and COVID Contain Outbreak Management Fund during the financial year 2021/2022

Recommendation(s)

- 2.1 To approve the Council's capital match funding contribution of £0.265m from the Derby Enterprise Growth Fund (DEGF) capital reserve to the D2N2 Growth and Innovation Programme 3 (GIP3) as outlined in section 4.1.
- 2.2 To delegate authority to the Strategic Director for Communities and Place following consultation with Strategic Director of Corporate Resources and Leader of the Council, to accept and enter into a variation to the Deed of Grant between East Midlands Business Limited and Derby City Council in regard to the D2N2 Growth and Innovation Programme for GIP3 as outlined in section 4.1.
- 2.2 To approve the addition of £0.402m to the capital programme for GIP3 on award of grant and deed of variation as outlined in section 4.1.

- 2.3 To approve submission of the bid for LAD 3 funding to the East Midlands Energy Hub (MEH) and/or the Business, Energy and Industrial Strategy for capital funding of up to £2.5m for the 2022/23 financial year as outlined in section 4.10.
- 2.4 If the bid is successful, to delegate approval to the Strategic Director of Communities and Place and the Strategic Director of Corporate Resources in consultation with the Cabinet Member for Adults, Health & Housing to accept any resultant LAD grant award and for it to be added to the capital programme and to enter into any Grant Agreement/Grant Determination Notice/MOU with MEH and or The Department of Business, Energy and Industrial Strategy (BEIS) for LAD Funding, to enter into any collaboration agreement or other similar agreement with Derby Homes for the funding and to enter into any third party agreement necessary to carry out the proposed project as outlined in section 4.10.
- 2.5 To delegate authority to the Director of Public Health to award contracts up to seven years during the financial year 2021/2022 (annual break clauses are to be included within all contracts) as outlined in section 4.21.
- 2.6 To delegate authority to the Director of Public Health to award grants from Section 31 funding awarded to Public Health and COVID Contain Outbreak Management Fund during the financial year 2021/2022 as outlined in section 4.21.

Reason(s)

- 3.1 To meet the Council's Financial and Contract Procedure Rules.
- 3.2 The LAD3 bid will enable the tenants and homeowners of a total of approximately 250 properties in private sector ownership to benefit from significant energy cost savings through the installation of external solid wall insulation and solar photovoltaic panels to improve heat retention and reduce electricity costs.
- 3.3 The insulation measures as a result of the LAD3 bid will reduce lifetime tonnes of carbon emissions by an average of 30 tonnes per property treated.

Supporting information

- 4.1 **D2N2 Growth and Innovation Programme 3 (GIP3)**
The Derby Enterprise Growth Fund Team delivered the previous 2 phases of Derby and Derbyshire (D2) Enterprise Growth Fund (D2EGF) project with match funding provided from the Derby Enterprise Growth Fund (DEGF) capital reserve supported by a grant contribution from Derbyshire County Council.
- 4.2 GIP1 has closed and GIP2 is currently ongoing. Drawdown of awarded grants in phase 2 has been slower than hoped but that is almost entirely attributable to businesses delaying their projects for a while due to COVID-19 and it is still expected that the majority of awards will be drawdown. Key information for these phases is summarised below.

	GIP Phase 1	GIP Phase 2
Start date	January 2016	June 2019
End date	December 2018	December 2021
Total Grants Awarded	£2,225,621	£1,160,510
Total Grants Drawn Down (to-date)	£2,225,621	£379,309
No. Grants Awarded	30	16
Total New Jobs Target	250	112
Total New Jobs Delivered (to-date)	217	93

- 4.3 The Council have worked collaboratively with East Midlands Business and the University of Derby to submit an ERDF bid which was approved by Strategic Director of Communities and Place following consultation with the Strategic Director of Corporate Resources, Cabinet Member for Regeneration and Public Protection and Cabinet Member for Finance and Procurement as per the sub delegated authority confirmed at November 2018 Cabinet. D2EGF will be managed by the DEGF team within the Economic Growth Service. East Midlands Business Ltd are the Accountable Body for the overall programme – entitled D2N2 Growth and Innovation Programme 3 (GIP3). As such East Midlands Business will need to sign the Funding Agreement with the Ministry of Housing, Communities Local Government (MHCLG).
- 4.4 The GIP3 programme will help to stimulate economic growth, employment and innovation in the D2N2 area by providing grants to small and medium enterprises that want to grow, innovate and create sustainable new employment. The programme brings together three grant schemes that between them cover the whole D2N2 area. The grant schemes are:
- University of Derby – Invest to Grow Programme
 - East Midlands Business Limited – Small Grants Scheme
 - Derby City Council – D2EGF
- 4.5 Phase 3 will be in Derby City and the Travel to work area and the programme is expected to achieve the following:
- Unlock a total of £0.319m of ERDF funding
 - Create a £0.402m grant fund
 - Support 5 grants to business
 - A target of 32 new jobs
 - Secure an additional year of delivery from March 2022 to March 2023.
- 4.6 The £0.319m ERDF support will comprise of £0.137m capital and £0.182m revenue, with a £0.265m capital match funding requirement. The revenue element will part fund existing Council DEGF staff posts that are not core revenue budget funded, who will manage GIP3 alongside support they provide to other economic growth initiatives. The project will be delivered over an 18-month period to June 2023.

- 4.7 The £0.265m of capital match funding required towards this project is available within the Council's DEGF capital account unallocated balance of £0.759m at 31 March 2021. These balances are from recycled capital receipts generated from DEGF loan repayments from businesses previously supported. It is recommended to approve a match funding contribution of £0.265m from the DEGF capital reserve to the D2N2 Growth and Innovation Programme 3 (GIP3, subject to full application being approved by MHCLG).
- 4.8 It is recommended to approve delegated authority to the Strategic Director for Communities and Place following consultation with the Strategic Director of Corporate Resources and Leader of the Council, to accept and enter into a variation to the Deed of Grant between East Midlands Business Limited and Derby City Council in regard to the D2N2 Growth and Innovation Programme for GIP3, and amend the capital programme to include GIP3, subject to full application being approved by MHCLG.
- 4.9 It is recommended to approve the addition of £0.402m for GIP3 to the capital programme, subject to award of grant and the deed of variation having been entered into. This will be profiled as £0.150m in 2021/22 and £0.252m in 2022/23.
- 4.10 **Bid for and acceptance of the new LAD 3 funding**
In June 2021, The Department of Business, Energy and Industrial Strategy (BEIS) announced the Sustainable Warmth competition to bring together two fuel poverty schemes (Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1) into a single funding opportunity for Local Authorities. The funding has been made available to Local Authorities to tackle fuel poverty, helping the most vulnerable by increasing the energy efficiency of homes, reducing the cost of bills, contributing to Net Zero targets and supporting low-income households in the transition to low-carbon heating.
- 4.11 Funding is available to upgrade homes both on and off-gas grid through Local Authority Delivery (LAD) Phase 3 which is the third phase of LAD with £200m available. LAD3 has a refined scope to support low-income households heated by mains gas compared to LAD 1 and LAD 2. The funding award process includes part allocation through the East Midlands Energy Hub (MEH) and the option for additional bidding direct to BEIS. The allocation amount, at this time, is unknown until guidance is released on 20th July 2021. Therefore, authority is required to bid up to the £2.5m to MEH and potentially BEIS for delivery of the identified programme of 250 homes.
- 4.12 The LAD programme for 2022/23 continues to be targeted towards improvement of the energy efficiency of low-income households with Energy Performance Rating of D, E, F and G and income of less than £0.030m per household. Bids opened on the 16 June 2021 and close on 4 August 2021. Projects carried out under Phase 3 should be completed by 31 March 2023.
- 4.13 A bid has been developed to target 250 Wimpey No Fines (WNF) and other non-traditionally constructed properties within the private sector but retain flexibility to include traditionally constructed solid-wall homes. The non-traditionally constructed properties are predominantly of concrete or cast-iron panel construction which have very poor heat retention characteristics and will be improved with the installation of external solid wall insulation and/or solar photovoltaic panels.

- 4.14 A maximum grant of £0.010m is available per household for these works. However, costs are averaged over the total number of properties included in the programme so that costs can exceed £0.010m per property providing that this is offset against a unit lower cost elsewhere in the programme.
- 4.15 The bid will be made for a total of up to £2.5m of capital grant for improvement of eligible private rented and owned households.
- 4.16 The bid process also identifies the need to support economic resilience, green recovery and clean growth in response the economic impacts of Covid-19 by the creation and retention of jobs.
- 4.17 Non-traditionally constructed properties such as WNF and Thorncliffe have very poor heat retention characteristics and will generally fall into the lower EPC bands of E, F and G. There are several hundred of these types of properties in the private sector, the majority following Right to Buy sales, most of which can be assumed to be untreated in terms of external or internal wall insulation.
- 4.18 11.6% of households in Derby are living in Fuel Poverty against a national average of 10.6%.
- 4.19 It is recommended to approve submission of the bid for LAD 3 funding to the East Midlands Energy Hub (MEH) and/or the Business, Energy and Industrial Strategy for capital funding of up to £2.5m for the 2022/23 financial year.
- 4.20 If the bid is successful to delegate approval to the Strategic Director of Communities and Place and the Director of Financial Services (in consultation with the Cabinet Member for Adults, Health & Housing):
- To accept any resultant LAD grant award and for it to be added to the capital programme
 - To enter into any Grant Agreement/Grant Determination Notice/MOU with MEH and or BEIS for LAD Funding, to enter into any collaboration agreement or other similar agreement with Derby Homes for the funding and to enter into any third party agreement necessary to carry out the proposed project.
- 4.21 **Public Health delegated authority**
Public Health's capacity to carry out extensive tendering and manage external grant awards is limited. This is as a result of the ongoing pandemic, management and distribution of COVID outbreak management funding and bidding for additional external Public Health Funding for specific projects. In addition, some Public Health staff are redeployed (contract tracing/COVID response).
- 4.22 The council's contract procurement rules permit contract awards of a maximum initial term of three years with an option to extend for a further two twelve-month periods. Seeking additional approvals from Cabinet take additional resources away from supporting delivery. These measures will promote much needed stability within the marketplace as we enter a period of recovery from COVID.

- 4.23 Public Health seek delegated authority to award the following:
- Contracts for Local Enhanced Services and associated software with an initial term of five years commencing April 2022 (end date 31st March 2027) with the option to extend plus one year (31st March 2028) plus one year (31st March 2029).
 - A contract for point of care testing (within the drug treatment system) with an initial term of five years commencing April 2022 (end date 31st March 2027) with the option to extend plus one year (31st March 2028) plus one year (31st March 2029).
 - Grants from Section 31 funding awarded to Public Health and COVID Contain Outbreak Management Fund during the financial year 2021/2022.
- 4.24 It is recommended to approve delegated authority to the Director of Public Health to award contracts up to seven years during the financial year 2021/2022 (annual break clauses are to be included within all contracts).
- 4.25 It is recommended to approve delegate authority to the Director of Public Health to award grants from Section 31 funding awarded to Public Health and COVID Contain Outbreak Management Fund during the financial year 2021/2022.

Public/stakeholder engagement

- 5.1 **Bid for and acceptance of the new LAD 3 funding** - Due to the very short timescale available to prepare and submit a bid for the LAD3 funding, there has not been an opportunity for public or stakeholder engagement.

Other options

- 6.1 **D2N2 Growth and Innovation Programme 3 (GIP3)** - without the DEGF match funding towards the GIP3 project, the £0.319m ERDF support cannot be secured.
- 6.2 **Bid for and acceptance of the new LAD 3 funding** - the Council could choose not to submit a bid under the LAD programme in 2022/23. This would impact low income tenants and homeowners who would benefit from lower energy costs.

Financial and value for money issues

- 7.1 As outlined in the report.

Legal implications

- 8.1 **Bid for and acceptance of the new LAD 3 funding** - The Council will be required to sign and return a Memorandum of Understanding (MoU), which will include a privacy Notice, Data Sharing Agreement and a Grant Determination Notice, so that BEIS/MEH can issue grant payments under Section 31 of the Local Government Act 2003.

Climate implications

- 9.1 As described in paragraphs 3.2 and 3.3 above, the bid, if successful will enable the Council to significantly improve the energy efficiency of up to 250 privately owned homes.
- 9.2 The insulation measures will reduce lifetime tonnes of carbon emissions by an average of 30 tonnes per property treated.
- 9.3 **D2N2 Growth and Innovation Programme 3 (GIP3)** - Where Growth and Innovation programme applications include for the provision of new equipment, this is usually made to be more energy efficient and friendlier to the environment. Likewise improvements to premises and extensions to buildings tend to use the latest technology for fuel and energy efficiencies. In addition, the DEGF team work closely with the De Carbonise Team often referring applicants to take advantage of the energy audits that are provided.

Other significant implications:

Equalities

- 10.1 Equality Impact Assessments will be completed as required.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	15/07/21
Finance	Peter Shillcock – Group Accountant	15/07/21
Service Director(s)	Alison Parkin – Director of Financial Services	15/07/21
Report sponsor	Simon Riley – Strategic Director Corporate Resources	
Other(s)	Ann Webster – Equalities	15/07/21
	Liz Moore – HR	15/07/21

Background papers:

List of appendices: