

Cabinet – 22 June 2022

Housing Retro-fit 2022/23 schemes- Appointment of Contractors

Portfolio: Councillor Ali, Portfolio Holder for Customer

Service: Money Home Job, Childrens Services

Wards: Borough Wide

Key decision: Yes

Forward plan: Yes

1. Aim

To ensure that the council can use time-limited Local Authority Delivery Scheme (LADS) and Home Upgrade Grant (HUGs) funding to improve the energy efficiency of dwellings in the borough and help tackle fuel poverty, excess winter deaths and domestic carbon emissions.

2. Summary

2.1 Cabinet has previously been advised of the council's success in securing £2.06m of government funding from LADS round 1B (LADS 1B). Further successful bids were made for LADS 2 and LADS 2+ to the Midland Energy Hub (MEH) and are being delivered through our scheme partner E.on Energy Services Limited (E.on). This work is being delivered via a complaint framework (the "Framework") developed by Fusion 21 which has 3 relevant Lots (external wall insulation, loft insulation & solar PV) that enable direct awards. The LADS 2 and LADS 2+ that has been approved totals £2.43m.

2.2 Further grant bids have been approved under an over-arching title of Sustainable Warmth Competition by government and MEH for funds under LADS3 and a newly titled Home Upgrade Grant (HUGs) scheme. These are summarised below:

LADS 3	£5.33m
LADS 3 (via MEH)	£1.30m
HUGs 1	£1.25m
HUGs 1 (via MEH)	£0.32m

2.3 The council in bidding for funds has continued to be supported by E.on and also by High Aims Limited who have provided detailed ongoing specialist advice and support on property identification and scheme design as well as support for complementary projects funded under the Warm Homes Fund (providing first time gas central heating to vulnerable households). High Aims have also provided detailed support and advice on specialist contractor selection and product choice (i.e. type of insulation and heating systems including specialist advice on air source heat pumps) to be incorporated.

- 2.4 The total funding for LADs 3 and HUGs 1 is £8.2m and is expected to support between 760 and 800 principally owner occupied dwellings. High Aims are directly supporting the council team in scheme identification and verification on technical matters in line with the government's revised detailed criteria (known as PAS2035) which seeks to ensure high quality retro-fit works that do not result in future 'cold bridging' and cold homes (which can lead to damp and condensation).
- 2.5 In addition to continued use of E.on for a range of properties it is also proposed, due to the significant volume dwellings to be assisted, that an additional Fusion 21 contractor, identified by High Aims, is used for an element of the scheme. This provides the council with greater flexibility on delivery and greater certainty of meeting the strict funding timescales. The contractor identified by High Aims is YES Energy Solutions ("Yes"), a community interest company, who won two 2021 National Energy Efficiency Awards (Project Management of the Year and Insulation Project of the Year).
- 2.6 The work is in line with the council's adopted Home Energy Conservation Act (HECA) Action Plan, which seeks to lower fuel poverty in the borough (currently rate of 19.4% of all households, 11th highest nationally).
- 2.7 This is a key decision because of its significant value and due to the fact that it will have a significant effect on two or more wards.

3. Recommendations

- 3.1 That Cabinet award contracts for energy efficiency works to homes in Walsall under the Local Authority Delivery Scheme (LADS 3) and Home upgrade Grant (HUGs 1) as call offs from the Fusion 21 Framework to:
- a) E.on Energy Services Limited with an anticipated value of up to £5.20m;
 - b) YES Energy Solutions (CiC) with an anticipated value of up to £3.00m.
- 3.2 That Cabinet delegate authority to the Executive Director of Children's Services to enter into the relevant agreements with E.on Energy Services Limited and YES Energy Solutions on behalf of the council and to subsequently authorise signing of any associated contracts, deeds or other related documents.

4.1 Report detail - know

Context

LADS 3 and HUGs 1

- 4.1.1 Walsall has current fuel poverty levels of 19.4% compared to the West Midlands rate of 17.8% and England rate of 13.2%. Walsall is now 10th nationally for levels of fuel poverty. Officers and partners have continued to tackle fuel poverty and domestic carbon emissions through a range of activities including securing grant funding for residents (directly and indirectly) and supporting collective fuel switches.

- 4.1.2 Since the July 2021 approval the council has secured £8.20m of additional grant funding for external wall insulation, loft and cavity insulation, solar PV works and air-source heat pumps (ASHP).
- 4.1.3 The current grant awards under LADS 3 and HUGs 1 form part of the work to tackle fuel poverty and carbon emissions and have specific targets of improving the individual dwelling Energy Performance Certificate (EPC) level. The targets are for example D rated to C rated and F and G rated to D rated.
- 4.1.4 As with the previous work (LADS 1 and 2) the council's funding bids for LADS 3 and HUGS 1 were directly supported by E.on and this time by High Aims Limited. It is considered that these have again been instrumental in securing funding approval. Their support has included an ability to directly allocate Energy Company Obligation (ECO) funds to expand the nature of works (and investment) to eligible households and therefore increase the programme size and value.
- 4.1.5 E.on and High Aims have shown significant commitment to Walsall households and the council in helping develop the funding bids and generate 'leads' for the schemes. This work has been especially valuable and carefully thought out due to the range of Covid-related lockdowns that have been in place.

Other grant successes and forthcoming schemes

- 4.1.6 Council staff in line with cabinet approval in September 2021 submitted on behalf of Watmos Housing Association a bid for funding under the Social Housing Decarbonisation Fund (SHDF) Wave 1 scheme. This has been approved by government and a grant offered directly to Watmos by the council to undertake the works in 2022/23. Under the terms of the £7.92m award Watmos are directly procuring contractors to undertake works to their dwellings.
- 4.1.7 The council expect future SHDF Waves to be announced during 2022 as well as possible additional LADS 4 and HUGs 2 schemes.
- 4.1.8 One of the largest possible sources of funding for residents to help with insulation, heating and micro-generation is expected to be Energy Company Obligation (ECO and ECO Flex) Round 4. This is due to launch in July 2022 and officers are in ongoing discussions with E.on and High Aims about attracting as much of this national funding for Walsall residents as possible.

Accessing a compliant Framework

- 4.1.9 Having access to the Framework delivers many benefits; the primary one being a route to market that ensures compliance with all public sector procurement regulations – this means that purchasing energy efficiency goods and services can be carried out efficiently and without the need to undertake time consuming and costly tenders.

4.1.10 In addition to a compliant and efficient route to market, having a framework agreement in place with a limited number of suppliers provides opportunity to:

- Maximise the potential to deliver the LADS 3 and HUGs 1 within the tight funding timescales;
- Demonstrate proven success in LADS 3 and HUGs 1, which is expected to significantly help the council's prospects of securing funds under the future Sustainable Warmth Competitions;
- Continue to build a partnership with E.on with direct access to ECO 4 and ECO Flex 4 and with High Aims and YES who have links to other ECO 4 and ECO Flex 4 sources;
- Engage E.on and High Aims to support future funding bids to support local communities;
- Use E.on and YES's buying power with manufacturers and sub-contractors;
- Access supplier benefits at a reduced cost or free of charge, ranging from consultancy and project design and access to specialist retro-fit co-ordinators.

4.1.11 Making a direct award to E.on and separately to YES is allowed by the Framework and provides continuity of both programme and grant delivery for residents and the council. E.on is also an 'obligated' energy company and therefore will be able to allocate funds to qualifying households for additional eligible works under the ECO scheme. YES whilst not an obligated company has access to funding from alternative ECO obligated suppliers and will be seeking to direct this at additional measures during the delivery of HUGs 1 and LADS 3.

4.1.12 If the council does not have a contract in place for the delivery of these works all LADS LADS3 and HUGS 1 funding received to date will need to be returned to Central Government and/or MEH. Any offers of additional funding from them will be unlikely, because the council has no alternative delivery mechanism available given the scale of the programmes and strict funding timescales. Contracts are to be based on maximum per dwelling and measure costs and to end on 31 March 2023, unless funding providers agree time extensions.

4.2 Council Corporate Plan priorities

4.2.1 The proposal is in accordance with the:

- a) Housing Strategy (2020-2025), which highlights that the council is committed to improving the condition of homes in the borough; and
- b) council's HECA Action Plan June 2021, which seeks to reduce fuel poverty and tackle domestic carbon emissions.

4.2.2 Securing external capital funding to tackle fuel poverty and domestic carbon emissions is in line with the 'Our Council Plan 2022-25' in particular:

Communities: Empower our communities so that they feel they are connected and belong in Walsall, creating safe and healthy places whilst building a strong sense of community.

4.3 Risk management

- 4.3.1 The risks associated with entering into these contract are for the following reasons considered to be minimal.
- 4.3.2 Use of this Framework and the direct award approach provides a compliant route to delivery of the LADS and HUGS funding and the opportunity to secure ECO funding for additional works.
- 4.3.3 In line with the LADS criteria, the council will only pay funds to E.on and YES once clear evidence has been provided to the council by them of:
- works being completed to individual properties including, but not limited to, pre and post EPCs; and
 - that the programme average allocation does not exceed £10,000 per property for LADS 3 and no higher than £15,000 for HUGS 1.
- 4.3.4 E.on and YES will each have a separate legal agreement with their own sub-contractors / installers and with each resident household.

4.4 *Financial implications*

- 4.4.1 The grants awarded by government and MEH for LADS 3 and HUGs 1 are summarised in 2.2 and total £8.20m.
- 4.4.2 As indicated in 4.3.3 funding will only be released by the council to E.on and YES upon evidence of the completion of relevant works to qualifying dwellings.

4.5 *Legal implications*

The council's Framework call-off contracts with E.on and YES will be JCT Intermediate Building Contracts with Contractors Design, as required by Fusion 21. The Housing Standards and Improvement service have officers experienced in negotiating and completing this form of construction contract.

4.6 *Procurement Implications/Social Value*

- 4.6.1 The Framework has been tendered in compliance with the Public Contracts Regulations 2015 and is authorised for use by the council.
- 4.6.2 Advice and guidance has been given by the Procurement Team throughout this process. The council's sourcing exercise has been undertaken in accordance with the requirements of the Public Contracts Regulations 2015 and complies with the council's Contract Rules.

4.7 *Property implications*

There are no direct property implications for the council because no council housing stock is eligible for assistance under LADS 3 or HUGs 1.

4.8 *Health and wellbeing implications*

- 4.8.1 The LADS and HUGs will directly benefit fuel poor households in Walsall and help take them out of fuel poverty. Fuel poverty affects health by increasing illnesses and making

some illnesses worse. Ill health can cause stress and impact on other parts of resident's life such as jobs, education and social life, for example:

- Cold related illnesses;
- Respiratory illnesses;
- Allergies;
- Increased risk of heart attacks and strokes.

4.8.2 Previous council research undertaken has highlighted that undertaking home insulation and/or heating upgrades has a statistically significant positive impact on mental well-being.

4.8.3 Work to date has been undertaken by council and E.on, High aims and YES staff with residents in a Covid-safe manner and this will continue with all subcontractors and specialist installers.

4.9 Staffing implications

Staff within Housing Standards and Improvement will directly manage the delivery of LADS with E.on and YES supported by High Aims and will submit relevant monitoring returns to Central Government and MEH.

4.10 Reducing Inequalities

4.10.1 The implications for reducing inequalities have been taken into account and assessed. The proposal is in accordance with the council's approved Renewal Assistance Policy (for which an EQIA already exists).

4.10.1 The key LADS and HUGs grant criteria is property specific i.e. the dwelling must have a low rated EPC and this effectively 'leads' the prospective direction of grant funding. Occupiers of target dwellings will need to be in fuel poverty to meet the remaining LADS / HUGs criteria and the scheme will directly help them move out of fuel poverty and reduce the risk of excess winter deaths caused by cold and damp homes.

4.10.2 ECO4 and ECO Flex 4 funding for dwellings is strictly based on property and resident criteria set by government and OFGEM including as key Notional Annual Building Savings (NABS).

4.11 Climate Change

Domestic related carbon emissions have reduced in Walsall from 609 Kt CO in 2009 to 377 Kt CO in 2019 (latest figures) a drop of 38% which mirrors the regional and English reductions. The proposal will help continue to reduce domestic related carbon emissions in the borough through improving the energy efficiency of dwellings and enabling a range of residents to produce their own green energy (solar PV).

4.12 Consultation

4.12.1 The council, High Aims, Eon and YES have undertaken a range of consultation activities with residents of prospective target LADS dwellings. Promotion of the scheme has also taken place with local ward councillors and community representatives to maximise expressions of interest from residents in the target areas.

4.12.2 Discussions are ongoing with E.on and YES to secure their continued commitment to generate 'leads' for additional target dwellings for LADS 3 and HUGs 1 and this is helping the council develop prospective bids under expected future government and MEH Sustainable Warmth Competitions.

5. Decide

5.1 An alternative to the recommendation in this report is not to appoint contractors to undertake the LADS and HUGs works, but this would:

- a) require the council to return the approved grant funding to Central Government and MEH respectively; and
- b) lead to a serious negative impact on the outcome of any future bids for similar funds, such as any forthcoming Sustainable Warmth Competitions or SHDF.

5.2 Cabinet is requested to approve the recommendations made in section 3 of this report.

6. Respond

6.1 In the event that Cabinet approves the award of this contract, Housing Standards and Improvements will work closely with E.on, YES and Fusion 21 to ensure that all contractual arrangements are agreed and completed prior to physical commencement of any capital works. This will be done as soon as practicable to enable the LADS 3 and HUG 1 funds to be utilised.

6.2 Housing Standards and Improvements will then continue to monitor E.on's and YES's service delivery.

7. Review

7.1 The Housing Standards and Improvement service continues to review progress on tackling fuel poverty and reviews, at least annually, statistics relevant to this field and updates the corporate HECA Action Plan.

7.2 In line with LADS funding criteria, regular monitoring reports will be submitted to government and / or MEH as required.

Background papers

None

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