

Cabinet – 21 July 2021

Local Authority Delivery Scheme (LADS) Housing Retro-fit - Appointment of contractor

Portfolio: Councillor Andrew, Portfolio Holder for Regeneration

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) 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 The council secured government funding (£2.06m) from LADS round 1B (LADS 1B) in February 2021 to help a range of property owners and tenants in the borough improve the insulation of their homes and or help with micro-energy generation. This 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).
- 2.2 E.on Energy Services Limited (E.on) directly supported and assisted the council in bidding for the LADS funds. E.on staff and council officers have undertaken a range of (Covid-safe) localised events and direct marketing to further identify and 'sign-up' resident households for external wall insulation (EWI), loft insulation and or solar photo-voltaic (PV) panels. E.on have expanded their LADS 'contact centre' to include Walsall and this has directly increased the level of 'sign-ups' in Walsall.
- 2.3 Further, Midlands Energy Hub (MEH) are administering the LADS round 2 (LADS 2) for the East and West Midlands and have approved a Walsall bid for a further £1.34m for work, similar to LADS 1B. E.on again directly supported this bid. Council officers are additionally working with social housing providers to expand the LADS 2 scheme to improve some of their key stock. Officers have also highlighted to MEH that there is the possible demand for

approximately a further £2.06m of additional work that could benefit from LADS 2.

- 2.4 Officers have identified an OJEU compliant procurement route to appoint E.on as the Council's supplier, being the use of the Fusion 21 Framework (the 'Framework'), to deliver the schemes for owner occupied and private rented dwellings under LADS 1B and LADS 2. Both schemes have very short delivery timescales, being the end of September 2021 and end of March 2022 respectively.
- 2.5 The Framework has 3 relevant Lots (EWI, loft insulation, solar PV) that enable direct awards. It is proposed to offer the work directly to E.on, who is an approved provider for each of these Lots. This will enable the timely delivery of the grant outcomes
- 2.6 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 a contract to E.on Energy Services Limited for energy efficiency works to homes in Walsall as provider for the Local Authority Delivery Scheme (LADS) 1B and 2 schemes, as call offs from the Fusion 21 Framework, for a period from 2 August 2021 up to end of March 2022, with an option to extend if required and with an anticipated value of up to £4,530,000.
- 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 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 1 and LADS 2

- 4.1.1 Walsall has current fuel poverty levels of 19.4% compared to the West Midlands rate of 17.5% and England rate of 13.4%. Walsall is now 11th nationally for levels of fuel poverty. Officers and partners have continued to tackle fuel poverty and domestic carbon emissions through a range of activities from:
 - education of residents including on topics as broad as collective energy switching, smart meters and saving energy;

- enforcement of minimum energy efficiency standards (MEES) in private rented sector including securing £0.10m of revenue in 2020/21 to directly support this work;
- securing external funding to help residents including:
 - Publishing an ECO-flex statement of Intent and assessing the scheme cases that have led to an estimated £2.30m of private energy company investment;
 - Securing National Grid Warm Homes Funding (£0.86m) to help those with no gas supply;
 - Supporting a Local Energy Advice Partnership (LEAP) which is estimated at securing over £0.63m of investment.

4.1.2 The current grant awards under LADS 1 and LADS 2 form part of this work to tackle fuel poverty and carbon emissions.

4.1.3 The council's funding bids for LADS 1 and LADS 2 were directly supported by E.on including use of their:

- 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;
- specialist technical knowledge, information based on:
 - their success in securing funds for other councils under LADS 1;
 - alternative products for installation to ensure an appropriate funding bid and required increase in Energy Performance Certificate (EPC) level;
- satellite survey software to identify target streets and specific dwellings for assistance linking EPC data with fuel poverty data.

4.1.4 E.on 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 to date.

4.1.5 As indicated at 2.3 above, MEH has asked the council to indicate whether it has the capacity to deliver additional grant funded schemes and officers have advised that current estimates indicate a mixed tenure scheme of circa £2.06m.

Recently announced schemes

4.1.6 In June 2021, Central Government announced a bidding round for LADS 3 and a new scheme called Home Upgrade Grant (HUG1) under a combined title of *Sustainable Warmth Competition*. The work of council officers, E.on and other partners has put the council in a very good position to bid for funds from this source and practical delivery on LADS 1B and LADS 2 will directly help with this. Failure to deliver LADS 1B and LADS 2 is expected to adversely affect any bid for this new funding.

Accessing a compliant Framework

4.1.7 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.

4.1.8 In addition to a compliant and efficient route to market, having a framework agreement in place with a single supplier provides opportunity to:

- Maximise the potential to deliver the LADS 1B and LADS 2 within the tight funding timescales;
- Demonstrate proven success in LADS 1B and LADS 2, which is expected to significantly help the council's prospects of securing funds under the future Sustainable Warmth Competition;
- Continue to build a partnership with E.on as the supplier;
- Engage E.on to support future funding bids to support local communities;

- Use E.on'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 coordinators.

4.1.9 Making a direct award to E.on 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.

4.1.10 If the council does not have a contract in place for the delivery of these works all LADS 1B and LADS 2 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 programme and strict funding timescales.

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;
- b) council's Home Energy Conservation Act (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 Corporate Plan 2018-21 in particular:

Communities: Housing provision matches local need and reduces homelessness.

4.3 Risk management

4.3.1 The risks associated with entering into this contract are considered to be minimal.

4.3.2 Use of this Framework and the direct award approach provides a compliant route to delivery of a large element of the LADS funding and the opportunity to secure ECO funding for additional works. It also gives a viable route to deliver additional LADS 2 funds should they be allocated to the council.

4.3.3 In line with the LADS criteria, the council will only pay funds to E.on once clear evidence has been provided to the council by E.on 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.

- 4.3.4 E.on will have a separate legal agreement with their own sub-contractors / installers and with each resident household.

4.4 Financial implications

- 4.4.1 The table overleaf shows the funding related to LADS.

| Source | Scheme | Value | Funding position |
|--------------------|---------------|---------------|---|
| Central Government | LADS 1B | £2.06m | Received |
| MEH | LADS 2 | £0.14m | Received |
| MEH | LADS 2 | £1.20m | To be claimed monthly in arrears from MEH |
| MEH | LADS 2+ | £2.06m | Bid made to MEH – no funding approved as yet. |
| | Total | £5.46m | |

- 4.4.2 As indicated in 4.3.3 funding will only be released by the council to E.on upon evidence of the completion of relevant works to qualifying dwellings and that the average allocation per dwelling does not exceed £10,000 across the entire scheme.

4.5 Legal implications

The council's Framework call-off contract with E.on will be a JCT Intermediate Building Contract with Contractors Design, as required by Fusion 21.

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 complied 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 these LADS rounds.

4.8 *Health and wellbeing implications*

- 4.8.1 The LADS 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 staff with residents in a Covid-safe manner and this will continue with E.on's subcontractors and specialist installers.

4.9 *Staffing implications*

- 4.9.1 Staff within Housing Standards and Improvement will directly manage the delivery of LADS with E.on 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 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 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.

4.11 *Consultation*

- 4.11.1 The council and Eon 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.
- 4.11.2 Discussions are ongoing with E.on to secure their continued commitment to generate 'leads' for additional target dwellings for LADS1B and LADS2 and this is helping the council develop a prospective bid under the forthcoming LADS2+ and Sustainable Warmth Competition.

5. Decide

- 5.1 An alternative to the recommendation in this report is not to appoint a contractor to undertake the LADS works, but this would:
- a) require the council to return the approved LADS 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 LADS 2+ and the forthcoming Sustainable Warmth Competition.
- 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 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 1B and LADS 2 funds to be utilised.
- 6.2 Housing Standards and Improvements will then continue to monitor E.on'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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