

Cabinet – 14 December 2022

Home Upgrade Grant (HUG) Round 2 Procurement and Update

Portfolio: Councillor Ali, Portfolio Holder for Customer

Service: Customer Engagement, Childrens Services

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

To enable the council to deliver any funds secured under the Home Upgrade Grant Round 2 (HUGS 2) up to project close on 31 March 2025 in line with corporate procurement rules. The funding is to improve the energy efficiency of off gas dwellings in the borough and help tackle fuel poverty, excess winter deaths and domestic carbon emissions.

2. Summary

2.1 October 2022 Cabinet authorised officers bidding to the Department of Business, Energy and Industrial Strategy (BEIS) for over £500,000 for HUGS 2. A detailed bid was submitted prior to the first application deadline of 18 November 2022.

2.2 As with Round 1 of HUGs the Midland Energy Hub (MEH), managed by Nottingham City Council, have also agreed to submit a consortium bid for West and East Midlands councils including Walsall direct to BEIS.

2.3 The HUGS 2 bids (the outcome of which is not known at the time of the report writing) are summarised in Table 1 below.

Name of bidder	Capital	Admin and ancillary costs	Total grant bid
Walsall Council	£2,700,000	£405,000	£3,105,000
MEH	£1,655,000	£165,000	£1,820,500
Total	£4,355,000	£570,000	£4,925,500

2.4 This report seeks authority to continue using a compliant framework (the “Framework”) developed by Fusion 21 that enables direct awards and has an end date of 2026.

2.5 This is a key decision because if the grant bids are approved by BEIS it will have a 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 delegate authority to the Executive Director of Children's and Customer to enter into the relevant agreements with contractors (listed in Table 2) from the Fusion 21 Framework (the "Framework") if Home Upgrade Grant (HUG) Round 2 funding is approved by the Department of Business, Energy and Industrial Strategy (BEIS).

4.1 Report detail - know

Context

- 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. The significant increase in fuel costs will have a negative impact on fuel poverty and increases the emphasis on the urgency and importance of works to reduce energy bills.
- 4.1.2 The council successfully secured £1.57m of HUGs 1 funds which are currently being delivered with a deadline of end of March 2023. The proposed HUGS 2 bids will complement this work and if successful, funds will assist low income households (household income of less than £31,000) who live in an off gas grid network home. The retro-fit works will be individually determined via government standard PAS2035 Retro-fit Assessments and will be directed at dwellings where the Energy Performance Certificate (EPC) is rated between D and G.
- 4.1.3 In addition to HUGs funding secured the Housing Standards and Improvement team have secured Local Authority Delivery Scheme (LADS) Round 1B, 2 and 3 totalling £11.11m, Social Housing Decarbonisation Funding of £7.92m and Warm Homes Funding of £1.15m.

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 Home Energy Conservation Act (HECA) Action Plan July 2022, 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 procuring contractors for HUGS2 work via the Fusion Framework is considered to be minimal as a result of:

- The framework having a total of 20 identified contractors (Table 2 overleaf) for domestic retro-fit works.
- The BEIS approach to award of grant funding where once a council has been approved 'for funding' they will then submit 'batches' of eligible properties for specific consideration. In this way only projects that are ready to commence will be funded and these tranches are expected to be up to circa 20 dwellings rather than the 100+ at a time under previous grant rounds.
- It is proposed to select appropriate Framework contractors and use a system of rotation for tranches to ensure that no individual contractor is 'over-stretched'.

4.3.2 In line with BEIS and HUGs criteria, the council will only pay funds to contractors 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 the HUGS 2 limits.

4.3.3 Framework contractors will have a separate legal agreement with their own sub-contractors / installers and with each resident household. The Framework contractors are shown below.

Table 2 Legal Bidder Name (in alphabetical order)
Build Therm Services Limited
City Energy Network Limited
Dyson Energy Services Ltd
E.ON Energy Solutions Ltd
ENGIE Regeneration Limited (now known as Equans)
Everwarm Ltd
Kier Services Limited
Liberty Group Investments Limited
Lovell Partnerships Limited
Low Carbon Exchange Limited
Melius Homes Limited
Novus Property Solutions Ltd
Osborne Energy Limited
P. Casey & Co., Ltd
Sustainable Building Services (UK) Ltd
Union Technical Services Ltd
United Living (South) Limited
VINCI Construction UK Limited
Wates Property Services Limited
Yorkshire Energy Services CIC

4.4 Financial implications

4.4.1 Bids to BEIS for HUGS 2 have been submitted totalling £4.93m (as detailed in Table 1) and the decisions on the same, at time of report writing, is still awaited.

4.4.2 As indicated at 4.3.1 BEIS have developed a new approach to provision of any approved funds where 'draw-down' from them will occur in batches rather than a single large grant award.

4.4.3 As indicated in 4.3.2 funding will only be released by the council to contractors upon evidence of the completion of relevant works to qualifying dwellings.

4.5 *Legal implications*

4.5.1 The council is a relevant member of Fusion 21 and able to access their Frameworks such as the Decarbonisation one being recommended for use for HUGS 2. The Framework was subject to an 'Open' procurement procedure in accordance with the Public Contracts Regulations 2015.

4.5.2 Legal agreements with contractors will only be entered into on a tranche by tranche basis following specific approval from BEIS of funding for the same. The legal agreements to be used are set by the Framework conditions and are expected to be JCT Measured Term contracts.

4.6 *Procurement Implications/Social Value*

4.6.1 If HUGS 2 is approved by BEIS the Framework is expected to be accessed and this has been tendered in compliance with the Public Contracts Regulations 2015 and is authorised for use by the council. As highlighted at 4.3.1 it is proposed to select appropriate Framework contractors and use a system of rotation for tranches to ensure that no individual contractor is 'over-stretched'. These contractors will be chosen by officers from the list contained in Table 2.

4.6.2 The Housing Energy Team has linked with Walsall College and High Aims Limited to seek to maximise training opportunities for individuals and SME contractors in retrofit and related works and will seek to maximise the opportunity for site based examples for students through any HUGS 2 schemes.

4.7 *Property implications*

4.7.1 There are no direct property implications for the council because no council housing stock is eligible for assistance under HUGS 2.

4.8 *Health and wellbeing implications*

4.8.1 The HUGS 2 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 Retro-fit and assessment work will continue to be undertaken with residents in a Covid-safe manner and this will continue with all subcontractors and specialist installers.

4.9 Staffing implications

4.9.1 The HUGS 2 criteria permits the funding of relevant revenue costs in the development and delivery of eligible property batches and in monitoring of the programme. This funding will be used to secure services such as relevant retro-fit assessments, up to date EPCs, planning permission and building regulations approval (where required) It will also fund staff within Housing Standards and Improvement who will directly manage the delivery of HUGS 2 and will submit relevant monitoring returns to BEIS.

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).

4.10.2 The key HUGS 2 grant criteria is property specific i.e. the dwelling must have a low rated EPC and must be off the gas network, this effectively 'leads' the prospective direction of grant funding. Occupiers of target dwellings will need to be in fuel poverty to meet the remaining HUGS 2 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 Climate Change

4.11.1 Domestic related carbon emissions have reduced in Walsall from 609 Kt CO in 2009 to 352 Kt CO in 2019 (latest figures) a drop of 42% 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 circa 240 off-gas dwellings. Some dwellings will potentially receive solar PV panels and or air source heat pumps and as benefit from micro-energy and heating generation.

4.12 Consultation

4.12.1 The Housing Standards and Improvement Service has undertaken a range of consultation activities with residents of prospective target HUGS 2 dwellings. If funds are awarded, promotion of the scheme will continue to take place with local ward councillors and community representatives to maximise expressions of interest from owner occupiers in the target areas who have eligible homes (ie off-gas, EPC rating of lower than C).

5. Decide

5.1 An alternative to the recommendation in this report is not to use the Fusion 21 Framework, but this would then require considerable staff time in securing contractors through an alternative procurement approach and is likely to result in:

- a) increased administration and ancillary costs;
- b) delays to the project and;

c) potential loss of funding for some households.

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 report officers will continue to review the Framework contractors to identify some to take forward for individual tranches of future retro-fit works should BEIS approve the bids for HUGS 2.

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 HUGS 2 funding criteria, regular monitoring reports will be submitted to BEIS as required.

7.3 To maximise delivery opportunities and value for money and social value officers will continue to review the capacity and quality of the selected tranche contractors and may continue to award works to new contractors listed within Table 2.

Background papers

None

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25th November 2022

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01.12.2022