

Meeting Executive
Portfolio Area Housing and Housing Development
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SOCIAL HOUSING DECARBONISATION FUNDING

KEY DECISION

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1 PURPOSE

- 1.1 To provide details of the procurement for a new contract to carry out works in conjunction with funding awarded from a bid made by Stevenage Borough Council to the Government for the Social Housing Decarbonisation funding Wave 1.
- 1.2 The report details the proposed procurement route and recommendation that the contract is awarded to Wates Living and allowing an extension option to carry out further works if SBC are successful in their bid for SHDF Wave 2 funding.
- 1.3 Climate change has never been so important. Alongside the energy supply crisis; radical change is required to ensure that important targets to reduce carbon emissions and improve energy efficiency can be achieved. Stevenage Borough Council declared a Climate Emergency on 12 June 2019 and as part of the Climate Change Strategy, Stevenage Borough Council has set a goal to achieve net zero by 2030. In order to help achieve this goal SBC has pledged to achieve a minimum EPC band C for all council homes by 2030. A direct award with an established contractor and supply chain will have advantages as detailed below in section 4.

2 RECOMMENDATIONS

- 2.1 That Executive agrees that the Council can call off via direct award from the South East Consortium framework and that the Council appoint Wates Living from that framework to carry out works to improve the energy performance of around 399 Stevenage Borough Council social rented homes.
- 2.2 That Executive agrees a contract value for the works with an anticipated value of around £3 million using JCT measured term contract, for the period from the appointment date of the successful contractor to 30 June 2025.
- 2.3 That the Executive agrees the option to include further works, within the contract value, should SBC be successful in its bid for funding through Wave 2.1 of the Social Housing Decarbonisation Fund and that this option will be built into the agreed contract call off.

3 BACKGROUND

- 3.1 From March 2021 until May 2022 following a successful bid for grant funding through the Local Authority Delivery Scheme 1B (LAD1B) a programme of energy works was delivered to some of SBC's housing stock. This funding was used to target properties in an EPC band D or below as per Government criteria's for the funding. 150 properties were included in this programme involving the installation of solar panels at 123 properties, loft insulation at 9 properties and cavity wall insulation at 45 properties. The delivery of these measures increased the EPC score of all these properties to an EPC C or above. It is also estimated to have made a CO2 saving of approximately 142,643KG a year in total.
- 3.2 Stevenage Borough Council's, Asset Management Team has now secured additional funding from the Government as part of the Social Housing Decarbonisation Funding Wave 1 (SHDF Wave1) of a further £1.8m plus SBC match funding of £918,273.12 for the project to improve the energy efficiency of a further 399 homes. The team have now also commenced the process to bid for further funding in SHDF Wave 2.1 which if successful would provide funding for further energy improvement works through to 2025.
- 3.3 This funding was provided through the Governments Social Housing Decarbonisation Fund (SHDF), which is administered by the Department for Business and Industrial Strategy (BEIS). Around 20,000 social homes across England will be made warmer and benefit from cheaper energy bills thanks to the £179m of Government funding that has been announced. It will also support around 9,000 jobs in the green energy sector and deliver carbon emission savings equivalent to taking up to 6,000 cars off the road in any given year.
- 3.4 The SHDF is a £3.8bn Government commitment over a 10 year period to improve the energy performance of socially rented homes.

The aim is to get social homes to an Energy Performance Certificate (EPC) rating of C. At present Stevenage have approximately 40% of their housing stock with EPC's of D or lower meaning the funding as well as being of great benefit to the Stevenage residents providing energy savings with fuel costs soaring and warmer properties and helping to try to reduce fuel poverty, it will

also reduce carbon emissions and help towards Stevenage achieving net-zero by 2050.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 A bespoke procurement exercise for this works would take up to four months to complete, with additional lead in time for mobilisation. Given the current market the risk of increased costs over such a period is significant. This would also delay the time that a meaningful impact could be made to eligible households over this winter, during a significant cost of living crisis.
- 4.2 It is therefore proposed to offer a direct award via an approved procurement framework. Use of an approved framework to procure services is an established and compliant procurement method. The operator of the procurement framework have completed a procurement exercise, selecting suppliers for particular 'lots' of work that can be used by Councils (or eligible bodies) to then agree a contract with a specified supplier. The South East Consortium Internal & Externals Framework (Major Refurbishments Lot 1b) has been identified as a suitable framework for the work required with the proposed option of a direct award. The process of calling off from the framework required Stevenage Borough Council to provide the framework with an initial enquiry. The information in this document ensures the requirements fall within the scope of the framework. Following this process has enabled the identification of the most appropriate contractor to meet these requirements. Wates Living has been ranked as number one on the framework to fulfil these requirements.
- 4.3 A direct award to Wates Living through this route is seen as the most efficient and timely route to ensure delivery of works to meet the requirements stipulated by BEIS, and delays could potentially lead to grant money having to be returned.
- 4.4 Upon further advice from BEIS and in consultation with experts and advice from other councils who have already commenced their retrofits the option of using an established procurement framework is seen as the more efficient and effective method of procurement within the limits delivery timescales for the funded works.
- 4.5 The Contractor: Wates Living is an established partner of Stevenage Borough Council (SBC) having worked on, and still successfully working on the Major Repairs Contract. This will enable the works to move ahead at pace and have the benefit of the contractor having extensive knowledge of the Council's properties and SBC policies and procedures.
- 4.6 Construction nationwide is currently suffering from a shortage of skilled workers and materials. With large amounts of SHDF funding being awarded to many Local Authorities and social housing providers across England has led to there being inflated costs and lack of choices for sub-contractors. Having an established relationship with Wates and sub-contractors who have already helped SBC deliver the LAD1B programme brings continuity to carry

on with the SHDF Wave 1 programme smoothly and is financially more cost effective.

- 4.7 Wates provide a full SHDF solution service, which involves providing full support to Stevenage Borough Council with preparing, submitting and delivering the bid for SHDF Wave 2.1 and going forward on any other future bids.
- 4.8 The recommended contractor is an existing contract partner with social value commitments through these contracts. As the initial contract being awarded is for a short duration (12 months) the Council will expand on the current social value commitments in these existing contracts. Should the extension option be taken forward additional social value commitments which will be agreed with the Council and support the wider community wealth building objectives.

5 RESIDENT ENGAGEMENT AND SHDF CRITERIAS

- 5.1 Stevenage Borough Council has a tenant engagement plan that sets out how it will support the planned retrofit project. It highlights the resident engagement journey from buy in and design to installation, handover and post works.
- 5.2 Wates understands that tenant engagement is critical to the success of this project. They have experience delivering maintenance services to over 500,000 occupied social houses a year. Wates tenant engagement processes are accredited by the TPAS (Tenant Participation Advisory Services) which ensures tenants are central to decisions made.
- 5.3 Not all properties surveyed for the funding will be eligible; the PAS2035 assessments and retrofit designs carried out are bespoke to each property, meaning that two neighbouring properties may differ. SBC will work to manage resident's expectations on this with information at the commencement of the surveys.
- 5.4 The Department for Business and Industrial Strategy (BEIS) set out full details of criteria in the SHDF Wave 1 Memorandum of Understanding that SBC properties need to meet to be included in the current Wave 1 funding.

Key Principles

- A. Properties must have an EPC band D (energy performance certificate) or lower to be included.
- B. Fabric first criteria, this is a 'fabric first' approach (of insulation and heat loss prevention measures) which ensures heat loss prevention measures are installed before other energy efficiency measures to maximise comfort and bill savings.
- C. Worse first: facilitating the treatment of the worse performing homes through a scaled cost cap that allows for greater spend on those homes with a lower starting EPC band.
- D. Full compliance with PAS2030 and PAS2035. PAS 2030 is a certification which businesses will need to have to demonstrate the

compliance of their installations. Unlike PAS 2030, PAS 2035 is not a certification; it is a standard that sets out the specifications which compliant retrofitting must meet.

6 IMPLICATIONS

Financial Implications

- 6.1 The contract value can be delivered within existing approved budget HRA capital budget KH319; this includes £1.8m of funding awarded through SHDF Wave 1.
- 6.2 The work delivered through the SHDF scheme supports on key theme of the draught Housing Asset Management Strategy and Business Plan to decarbonise the housing stock and reduce its impact on climate change.
- 6.3 Budget for future years will be subject to the review of the HRA business plan and the level of funding secured through future bidding for funding through SHDF. The current HRA business plan is being refreshed and will include assumptions around the level of investment required into the housing stock to meet our decarbonisation objectives. At present these assumptions are based on the latest information the Council has on what works will be required, the likely costs and current known funding levels. The assumptions will need to be refreshed regularly through the business plan as more detailed understanding is gained by carrying out specialist surveys and there is greater certainty around future levels of Government funding. The Government funding for SHDF wave 2.1 requires the HRA to match fund at a ratio of 50:50 and is focused on a fabric first approach. These are mainly insulation measures aimed at achieving an EPC C, as such this does not support the mass replacement of fossil fuel heating systems or installation of Photovoltaics(solar panels), both of which are likely to be required to decarbonise Stevenage's council homes. This means the current levels of funding are well short of the investment needed to deliver against the objectives for decarbonisation.

Legal Implications

- 6.4 The procurement of the new contracts via an established framework as detailed in the report is in accordance with procurement regulations and Stevenage Borough Council's procurement policies. The Council will comply with the direct award criteria under the framework and enter into contracts as set out under the framework to be approved by the Borough Solicitor. Any additional works or extension of contract and contract length will be subject to review by the Borough Solicitor to ensure continued compliance with procurement rules.

Procurement Implications

- 6.5 SBC's Corporate Procurement Team have been consulted and have not raised any concerns regarding using an established framework.

Risk Implications

- 6.6 The most significant risk is due to the limitation of available experienced contractors and therefore there may be no or minimal experienced companies to available for this type of work.

If the recommendation to use an established framework is not agreed, SBC would be met with delays, that could affect spending all of the funding secured and result in SBC carrying out less works and having to return any under spend to the Government. The award of the SHDF funding is subject to the works being delivered by March 2023.

Policy Implications

- 6.7 There are no direct policy implications but these works form part of the Council's HRA asset management strategy and climate change strategy.

Leaseholder Implications

- 6.8 There are no implications for leaseholders with the current contract and funding award.

Climate Change Implications

- 6.9 The work delivered through this contract are part of the Council's commitment to reduce carbon emissions and through this and subsequent contracts to continue to help deliver warm, energy-efficient homes, reduce carbon emissions, tackle fuel poverty, support green jobs, develop the retro sector and improve the comfort, health and well-being of social housing tenants.

BACKGROUND DOCUMENTS

- BD1 Social Housing Decarbonisation Fund Wave 1 Memorandum of Understanding 19/02/2021
- BD2 Social Housing Decarbonisation Fund Wave 1 application form

APPENDICES

None.