

North Tyneside Council

Report to Elected Mayor

Date: 8th December 2021

**Title: Sustainable Warmth Competition: Local Authority Delivery (LAD3)
Funding Bid – grant acceptance and appointment of delivery partner**

Portfolio(s): Housing

Cabinet Member(s): Councillor. Steve Cox

Report from Service

Area: Regeneration and Housing

Responsible Officer: John Sparkes, Director of Regeneration and Economic Development **Tel:** (0191) 643 1441

Wards affected: All

PART 1

1.1 Executive Summary:

On the 14th July 2021 Investment Programme Board requested that the Directors of Regeneration and Economic Development and Environment, Housing and Leisure submit a bid for £4.1 million to The Department of Business, Energy and Industrial Strategy (BEIS) to support the installation of qualifying measures to improve the energy efficiency of homes in North Tyneside, reduce carbon emissions and support the Authority's Climate Emergency response.

On 1st November 2021 the Authority was notified that this bid had been successful under the Local Authority Delivery Scheme 3 (LAD3) and an award of £3.7 million will be made. Conditions relating to the grant award were subsequently received on 2nd November 2021. The award of grant was conditional on the Authority meeting a deadline of the 19th November 2021 for entering into a Memorandum of Understanding (MOU) with BEIS. An extension to this extremely challenging deadline has been negotiated with BEIS to allow time for the Authority's approval process to be completed and the MOU now has to be entered into by 10 December 2021.

It will also be necessary for the Authority to procure and appoint a delivery partner to deliver the qualifying energy efficiency measures. It is proposed that an existing Official Journal of the European Union (OJEU) compliant procurement framework be utilised to appoint an appropriate delivery partner.

Following approval by Investment Programme Board on the 17th November 2021 this report requests that delegated authority be provided to the Director of Regeneration and Economic Development in consultation with the Cabinet Member for Housing, the Director of Resources and the Director of Law and Governance to sign the MOU on behalf of the Authority, to accept the grant award of £3.7m and for approval to proceed with the appointment of a contractor utilising the provisions of an appropriate OJEU compliant framework.

1.2 Recommendation(s):

It is recommended that the Elected Mayor:

- 1) authorises the Director of Regeneration and Economic Development in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Housing, the Director of Resources and the Director of Law and Governance to enter into a Memorandum of Understanding with the Department for Business, Energy and Industrial Strategy to accept the grant award of £3.7 million.
- 2) authorises the Director of Regeneration and Economic Development in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Housing, the Director of Resources and the Director of Law and Governance to proceed with the appointment of a contractor utilising the provisions of an appropriate Official Journal of the European Union compliant framework.

1.3 Forward Plan:

This item was included on the Forward Plan on 26 November 2021. It has not been possible to give twenty-eight days' notice of this item on the Forward Plan because the timescales provided by central government for a decision to be taken on the acceptance of the grant award have not made that possible.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2020-2024 Our North Tyneside Plan:

- Our people will be ready for work and life
- Our places will be great places to live
- Our places will offer a good choice of quality housing
- Recognise the climate emergency
- Our economy will grow by supporting new businesses

1.5 Information:

Below provides detailed information around the funding opportunities and the Authority's bid.

1.5.1 Background

In June 2021 the government outlined a continued programme of funding to facilitate works to support improving the energy efficiency in low income and energy inefficient homes which had begun with Green Homes Grant - Local Authority Delivery phases 1 and 2.

This further round was known as the Sustainable Warmth Competition (SWC). This opportunity combined two schemes into one competition for Local Authorities, consisting

of a £200 million third phase of the Local Authority Delivery scheme (LAD3) and a £150 million initial phase of the Homes Upgrade Grant (HUG1) scheme. Together this provided £350 million of funding in 2022/23 to upgrade energy inefficient homes for low-income households across England.

Following approval by Investment Programme Board, the Authority submitted a bid on the 4th August for £4.1 million to install 470 measures in private homes.

On 1st November 2021, the Authority was informed that they have been successful in gaining £3.7 million to install 395 measures in private homes. This was awarded in relation to Sustainable Warmth Competition (SWC), Local Authority Delivery Funding 3 (LAD3).

The bid of £475,111 under the Home Upgrade Grant Phase 1 (HUG1) to install 75 measures in “off gas” homes was unsuccessful. This decision appears to be in line with other urban authorities where the number of homes “off gas” is relatively low with HUG awards focusing on more rural authorities.

This award is effectively an extension of the Green Homes Grant LAD1b and LAD2 schemes in which the Authority has been successful in securing a total of £4.3 million over the 2 previous phases.

1.5.2 Sustainable Warmth Competition: Local Authority Delivery (LAD) 3 Criteria

The bid criteria is outlined below and includes:

- Homes with an EPC rating of D and below (D will be capped at 30% of the overall homes in the scheme)
- Minimum bid of £250,000
- The installation of a range of energy efficiency measures (see bid outline)
- Household income under £30,000 (or an alternate methodology may include total household incomes above the £30,000 threshold, for example in certain areas where higher housing costs mean the resultant household income after housing costs is likely to be below £20,000, or where the household composition means that incomes are stretched among many dependent children.)

1.5.3. -The Authority’s Bid Outline

Funding will be drawn down to support the installation of qualifying measures to improve the energy efficiency of homes in North Tyneside, reduce carbon emissions and provide a catalyst for improving residential energy efficiency in the borough. The £3.7 million award will assist in providing energy efficiency measures in a minimum of 395 energy efficiency measures in homes. The measures will include:

- External wall insulation
- Cavity wall insulation
- Loft insulation
- Hybrid Air Source Heat Pumps
- Solar PV
- Underfloor insulation

The scheme will start delivery in March 2022 and all measures must be delivered before the 31st March 2023.

1.5.4 Procurement Considerations

As with the requirements of the LAD1b and 2 programmes the Authority will require a partner that is capable of delivering a “turn-key” solution i.e. a partner that can provide, technical input, front end customer relations support, delivery of measures across the sector and support in ensuring compliance when reporting to BEIS.

The Authority has appointed Eon Energy solutions to deliver phases LAD1b and LAD 2. Despite this ongoing relationship with Eon the appointment of a delivery partner for delivery of this phase (LAD3) will be required to be in accordance with Public Contract Regulations 2015.

It is therefore proposed that an existing OJEU compliant procurement framework be utilised to appoint an appropriate delivery partner. Examination of existing frameworks by the Authority’s procurement team has highlighted 2 appropriate frameworks, Fusion 21 and Crown Commercial Services, HELGA frameworks. Both frameworks include several organisations capable of fulfilling the requirements of delivery partner. The Authority’s procurement teams are currently examining the tender and award process and fee structure to determine which framework is best suited to the Authority’s needs in this instance. A cost allowance is made within the grant award for the utilisation of a framework if necessary.

A specification will be submitted to the chosen framework which allows the Authority to appoint a contractor utilising the existing procurement process established by the framework.

1.5.5. Outline Programme Delivery

The delivery plan for the programme will commence after the signing of the MOU with BEIS in December 2021. Following this, procurement will commence to ensure that a delivery partner is in place for March 2022. During the early part of 2022 the delivery of phases LAD 1 & 2 will be ongoing, and the new scheme will be integrated into the ongoing marketing and engagement with a campaign to promote and communicate the project to relevant households, including those additional measure that can be funded via LAD3, such as underfloor insulation. This marketing activity will continue with targeted campaigns throughout the duration of the project with the dedicated delivery call centre taking enquiries starting in March as well as the “on boarding” of any qualifying applications not assisted in LAD phases 1 & 2.

The process for households will be in line with phases 1&2 of LAD, with the delivery partner pre-qualifying properties, verifying household eligibility and arranging for technical surveys. These technical surveys are planned to commence towards the end of March with the installation of measures scheduled to start from April 2022 onwards. Monthly reports will be required to submit to BEIS, and these will be produced as part of monthly contractor reviews with the appointed partner. The project is due to have all installations complete by 31 March 2023, and a completion report is to be submitted to BEIS.

1.6 Decision options:

The following decision options are available for consideration by the Elected Mayor:

Option 1

The Elected Mayor may approve the recommendations set out in paragraph 1.2 to enable the Authority to enter a MOU to accept the grant award of £3.7 million and approve the necessary delegations to enable the appointment of a delivery partner for this programme procured in line with Public Contract Regulations 2015 and the Authority's Contract Standing Orders.

Option 2

The Elected Mayor may not approve the recommendations in paragraph 1.2.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

By accepting the grant and appointing an appropriate delivery partner, the Authority can progress towards its declared Climate Emergency and carbon reduction targets. In addition, at least 395 low income and vulnerable households will be assisted in improving the energy efficiency of their homes.

1.8 Appendices:

'Appendix 1: BEIS and North Tyneside Draft Memorandum of Understanding 02.11.21

Appendix 2: Gateway 2 Approved 17.11.21

1.9 Contact officers:

Robert Peach, Private Sector Housing Coordinator, tel. (0191) 643 6211

1.10 Background information:

Details about the Investment Programme Board and the outcome of the Board's considerations and decisions in 1.1 of the bid and/or in 1.5.1 above were used in the preparation of this report.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The delivery of this project is fully funded utilising the grant funding provided by BEIS.

2.2 Legal

The MOU is a standard form document, which has been reviewed by Legal Services. The terms and conditions do allow the primary funder to claw back the grant in specified circumstances, but these circumstances are reasonable for such purposes and the provisions must be accepted prior to the grant payment.

Legal Services has also considered the scheme in the context of subsidy control and/or state aid at each level, with the conclusions that: -

- a) no subsidy or state aid arises as between the funder and the Authority.
- b) no subsidy or state aid arises as between the Authority and any delivery partner as the contracting arrangements to be put in place for the provision of the services included in this report will ensure the Authority complies with the Public Contract Regulations 2015 and the Authority's Contract Standing Orders;
- c) it is possible that the payment of a Green Homes Grant could be considered a subsidy where the applicant is a landlord. However, the amount of the grant should be considerably lower than the special drawing rights exception of £325,000.00 in respect of such individuals or companies. Therefore, a standard declaration that the individual or company has not received funding in excess of this amount will be required prior to payment. In circumstances where the special drawing rights have been exceeded, a Green Homes Grant will not be provided.

2.3 Consultation/community engagement

Consultation has been carried out with the Cabinet Member for Housing. Market engagement events will be undertaken following appointment of a delivery partner to ensure local small and medium sized enterprises can form part of the delivery supply chain. A full communication strategy will be added to the LAD1 b and LAD2 programmes to ensure appropriate targeting of qualifying households, this will include assistance to, for example, those for whom English is not a first language, those with sensory impairment and learning disabilities.

2.4 Human rights

There are no human rights issues directly arising from this report

2.5 Equalities and diversity

A full communication strategy will be added to the LAD1 b and LAD2 programmes to ensure appropriate targeting of qualifying households, this will include assistance to, for example, those for whom English is not a first language, those with sensory impairment and learning disabilities. This will be subject to equality impact assessment.

2.6 Risk management

Any risk management issues will be included within the Authority's risk register and will be managed by this process.

2.7 Crime and disorder

There are no crime and disorder issues directly arising from this report.

2.8 Environment and sustainability

The delivery of this programme of measures will positively impact the carbon footprint of the borough. The delivery of energy efficiency and energy generation measures as set out in section 1.5.3 of this report will reduce carbon emissions in the domestic sector and therefore reduce the overall carbon footprint of North Tyneside. As the programme is delivered the carbon emission reductions will be quantified and reported within the Authority's Climate Emergency Board performance framework.

PART 3 - SIGN OFF

- Chief Executive X
- Director(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X