

Waverley Borough Council

Report to: Executive

Date: 6th February 2024

Ward(s) affected: All

Report of Director: Community Wellbeing

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Report Status: Open

Key Decision: Yes

To appoint a contractor to undertake the energy efficiency work in the Council's homes.

1. Executive Summary

In January 2024, the Council made a bid for a grant from the Social Housing Decarbonisation Fund: Wave 2.2 competition (SHDF). In the bid E.ON were named as the partner to deliver the energy efficiency works.

This report is seeking delegation of authority to the Executive Head of Housing Services, in consultation with the Borough Solicitor, to directly award a works contract to E.ON for the value of £560K if the Council is successful in its bid to the SHDF.

2. Recommendation to Executive

That, subject to there being a successful application by the Council in obtaining grant from the Social Housing Decarbonisation Fund, the Executive:

1. approves, in consultation with the Borough Solicitor, delegation of authority to the Executive Head of Housing Services to:
 - (a) directly award a contract to E.ON to deliver energy efficiency works to council homes through a public sector framework (Fusion 21) for the value of £560K.
 - (b) enter into a Grant Funding Agreement (GFA), Grant Offer Letter (GOL), Data Sharing Agreement (DSA) and associated documents with the Department of Energy, Security and Net Zero (DESNZ).
2. approves expenditure of £280,000 as allocated by the Council as part of the match funding.

3. Reason(s) for Recommendation:

- 3.1 The Council has made a bid to secure 50/50 match funding from the Government under the Social Housing Decarbonisation Fund – Wave 2.2 to deliver fabric first decarbonisation measures to improve the energy performance of at least 100 of the Council’s poorest energy efficiency performing homes.
- 3.2 In November 2022 an unsuccessful application was made in collaboration with Surrey County Council to secure SHDF Wave 2.1 grant.
- 3.3 In November 2023 the Department for Energy Security and Net Zero (DESNZ) announced the availability of a further £80m grant funding as a top up to SHDF Wave 2.1 for eligible providers to deliver home energy efficiency measures.

- 3.4 The announcement of the fund was made on 24th November 2023 with a 19th January 2024 closing date, now extended to 31st January 2024. The allocation decision is due to be made in March 2024.
- 3.5 The works must be delivered by March 2025 to receive the 50/50 match funding and the improved homes must reach Energy Performance Certificate (EPC) Band C.
- 3.6 The Council has allocated £280K for this project / bid as 50% of the costs are to be covered by the applicant.
- 3.7 Applicants are expected to have a good understanding of PAS 2030 (Publicly Available Specification for the installation of energy efficiency measures) requirements prior to submitting a bid.
- 3.8 Bidders must also be able to evidence they have identified a delivery partner to undertake the work. The contractor needs to be TrustMark Registered PAS 2030:2023.
- 3.9 All projects must be compliant with PAS 2030.
- 3.10 Grant recipients must have a system in place across their delivery teams to ensure they can fulfil the monitoring and reporting requirements as outlined in the GFA with DESNZ.
- 3.11 The administration and ancillary costs should be no more than 15% of total grant funding.
- 3.12 Officers collaborated with the energy provider E.ON to collate the data required for the application.
- 3.13 If successful in the bid, officers are recommending a direct award of work to E.ON. Via Lot 1 Decarbonisation Framework, Fusion 21 based on the following reasons:
 - (a) Lack of time to carry out a competitive tender – projects need to be mobilised immediately after the award is announced to ensure completion in line with timescales and standards.

(b) Shortage of PAS 2030 accredited supply partners and available resources - reduces the number of supply partners who may express interest and submit further competition tenders for decarbonisation projects.

(c) Lack of internal resource, accreditation, expertise and skill required to adhere to the bid criteria. The Council require an integrated solution e.g. support with bid funding, surveys, customer care prior to mobilisation and project delivery.

4. Exemption from publication

Not exempt.

5. Purpose of Report

5.1 To seek authority for the Executive Head of Housing, in consultation with the Borough Solicitor, to:

(a) make a direct award to EON to deliver energy efficiency works to council homes through a public sector framework (Fusion 21) for the value of £560K.

(b) enter into a Grant Funding Agreement (GFA), Grant Offer Letter (GOL), Data Sharing Agreement (DSA) and associated documents with the Department of Energy, Security and Net Zero (DESNZ) if the Council is successful in obtaining grant from the Social Housing Decarbonisation Fund.

6. Strategic Priorities

6.1 In response to the Climate Emergency, the Council has committed to achieve Net Zero by 2030.

7. Background

- 7.1 The Social Housing Decarbonisation Fund aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty and support green jobs.
- 7.2 E.ON - To make the most of the opportunity of the SHDF officers have worked with the energy provider E.ON to develop the bid. E.ON are committed to driving the transition to a cleaner, greener, and smarter energy system to help achieve the UK's target of net zero carbon emissions by 2050. E.ON will deliver the programme through a supply network of approved contractors.
- 7.3 Fusion21 and the Framework - Fusion21 is a consultancy who procure and manage frameworks of consultancy and work contracts for the public sector. Fusion have procured a Decarbonisation Framework on which E.ON are included.

8. Consultations

- 8.1 Tenants whose homes will be improved will be individually consulted through a structured engagement plan. Cold calling and postal correspondence are not sufficient under the funding agreement.

9. Key Risks

- 9.1 The recommendations ensure the Council has expert and accredited partner support. The unsuccessful Wave 2.1 bid confirmed that the Council needed an experienced and knowledgeable partner such as E.ON.
- 9.2 The recommendation will ease financial pressure on the Housing Revenue Account funds to deliver energy efficiency improvements.
- 9.3 The recommendation will support the Council's ability to deliver the project to required timescales and remain eligible to receive the match funding.

9.4 Key funding conditions associated with risk are:

- The delivery window is two years however, the grant funding is only able to be spent in the first year i.e. by March 2025. Grant recipients will be expected to spend 25% of the co-funding by 31st March 2025 as a minimum, with any remainder of the co-funding able to be spent by March 2026.
- Payments are made after expenditure. Payments will be made regularly, at least every 4 months and at most monthly, following receipt of a drawdown request from the Applicant. The grant recipient should retain evidence of spend to provide for reconciliation and evidence checks, which will take place three times per year.
- If the grant funding and at least 25% of the co-funding is not spent by March 2025, the grant recipient (The Council) will not be able to draw down on the grant funding (equivalent to the 50% match funding). The Council would possibly have to find alternative resources to bridge any funding gap, should this happen.

10. Legal Implications

10.1 Subject to there being a successful application by the Council in obtaining grant from Social Housing Decarbonisation Fund, the report is seeking delegation of the authority to Executive Head of Housing Services, in consultation with the Borough Solicitor, for the purposes of:

(a) award of contract to E.ON Energy Solutions Ltd via Fusion21 Decarbonisation Framework.

(b) entry into various contracts with the Department for Energy Security and Net Zero (DESNZ).

(c) expenditure of the allocated sum of £280,000 for the purposes of delivery of the project.

10.2 The decision being sought in this report is a key decision for the Executive.

- 10.3 The Council has power to undertake activities being sought in this report. More generally, the Council has power under section 1 Localism Act 2011 to do anything that individuals generally may do.
- 10.4 Whereas the value of the proposed contract falls below the current threshold for works in scope of Part 2 Public Contracts Regulations 2015, there is an obligation on the Council to comply with the requirements of Chapter 8 PCR 2015 (below threshold procurements). The obligation can be met by use of Fusion21 Framework (F21). F21 framework agreement has been properly procured as confirmed by contract award notice 2022/S 000-002510. F21 can, lawfully be used by the Council as long as, the Council is a member of the consortium. Therefore, officers must be satisfied that in awarding contract to E.ON Energy Solutions:
- (i) the Council is a member of the consortium
 - (ii) the framework call off procedures have been complied with.
- 10.5 In concluding the contracts, the officers must consult with legal for the purposes of engrossment, subsidy control compliance and sealing of the contracts.
- 10.6 Finally, the Council must ensure full compliance with conditions of grant funding and Subsidy Control Act 2022.

11. Financial Implications

- 11.1 There is a budget allocated for the SHDF bid in 2023/24 of £280k. If this bid is unsuccessful the £280k will be reported as savings. Due to the timings of this bid there will be a requirement for this to be carried forward to 2024/25. This will be submitted for approval by S151 at year as per the financial regulations.

12. Human Resource Implications

- 12.1 There are no human resource implications.

13. Equality and Diversity Implications

- 13.1 E.ON will deliver the programme in accordance with their Equality and Inclusion Policy.

14. Climate Change/Sustainability Implications

- 14.1 The installation of the energy performance measures will help:
- deliver warm, energy efficient homes
 - improve the comfort, health and wellbeing of the Council's tenants
 - tackle fuel poverty
- 14.2 The homes in the programme of works will meet an Energy Performance Certificate (EPC) C standard and their carbon emissions will be reduced. The project will also aim for space heating demand of 90 kwh/m2/year where reasonable and cost effective.

15. Overview & Scrutiny comments

N/A

16. Suggested issues for overview and scrutiny

N/A

17. Summary of Options

- 17.1 The only option apart from withdrawing the bid is to make a direct award to E.ON if the Council's bid is successful.

18. Conclusion

- 18.1 To approve the recommendations.

19. Background Papers

19.1 N/A

20. Appendices

20.1 N/A

Please ensure the following service areas have signed off your report. Please complete this box, and do not delete.

Service	Sign off date
Finance / S.151 Officer	11/01/2024
Legal / Governance	4/1/24
HR	n/a
Equalities	n/a
Lead Councillor	10/1/24
CMB	16/1/24
Executive Briefing/Liaison	23/1/24
Committee Services	19/1/24