

HIGH PEAK BOROUGH COUNCIL

Individual Executive Decision for comment by 5 October 2022 (please send any comments to democratic.services@highpeak.gov.uk)

6 October 2022

TITLE:	Sustainable Warmth Competition
EXECUTIVE COUNCILLOR:	Councillor Jean Todd - Executive Councillor for Climate Change, Environment and Community Safety Councillor Fiona Sloman – Executive Councillor for Housing and Licencing
CONTACT OFFICER:	Gillian Wright - Climate Change & Biodiversity Officer
WARDS INVOLVED:	All

Appendices Attached – APPENDIX 1 Fusion 21 Decarbonisation Framework Call Off Report

1. Reason for the Report

- 1.1 To ensure the Council secures available funding through the Sustainable Warmth Competition (LAD3 and HUG1) to upgrade the energy performance of around 60 owner occupied houses.

2. Recommendation

- 2.1 That the Executive Member:
- Approves the acceptance of the Award Letter from Midlands Net Zero Hub (previously Midlands Energy Hub) to secure the funding
 - Approves the approach to procure with a direct award through Fusion 21 Decarbonisation Framework to appoint E. ON Energy Solutions as delivery partner for this contract
 - Approves the Council issuing a Letter of Intent to the proposed delivery partner E.ON Energy Solutions along with a payment of around 20% of the award total

3 Executive Summary

- 3.1 The Sustainable Warmth Competition (SWC) is BEIS funding to support low income, owner occupiers or private landlords to improve the energy performance of their houses. Landlords in private rented accommodation need

to contribute to the costs. The available funding for High Peak is £439,334.05 for houses on the gas network (LAD3) and £169,272.02 for those not on the gas network (HUG1). Total funds £608,606.07. No capital is required from the Council.

- 3.2 The SWC is split into two parts depending on whether a home can access the mains gas network. The fund targets households with Energy Performance Certificates with ratings below D and aims to bring them up to a C. The funding aims to improve around 60 houses. The proposed measures follow the fabric first principles with insulation, windows, doors being considered first with photovoltaic panels and air source heat pumps secondary.
- 3.3 The programme is similar to LAD 2 where the Council focussed on the Council's own housing stock. In this round we are targeting privately owned and occupied homes.
- 3.4 Midlands Net Zero Hub have contracted Marches Energy Agency (Warmer Homes Derbyshire) to manage the customer liaison. Thus minimising Council resource to engage householders and programme manage. The households must be identified, surveyed and had the measures fitted by the end of March 2023. Any underspend will be lost. Early engagement with householders will minimise the risk to delivery
- 3.5 The procurement exercise will use the Fusion 21 Decarbonisation Framework, utilising a permitted direct award route for the contract appointment to E.ON Energy Solutions. This is a compliant specialist Framework to support Local Authorities and Housing Associations in the delivery of Decarbonisation projects. Further details are included in Appendix 1 and section 8 of this report.
- 3.6 Whilst the contractual exchanges are being progressed and completed, the Council have the option to provide a Letter of Intent to engage on preparation and initial mobilisation of the project. This has a negotiable 20% upfront payment which will be deductible from the final contract value, having a maximum value of £121,722.
- 3.7 A Letter of Intent would enable E.ON and Marches Energy Agency to start to recruit and survey potential properties to identify suitable projects and keep the project on track, thus reducing the risk of under delivery within the tight timescales.

4. How this report links to Corporate Priorities

- 4.1 Aim 1 - Supporting our communities to create a healthier, safer, cleaner High Peak. Privately owned homes will have improved conditions and thermal comfort.
- 4.2 Aim 4 - Protect and improve the environment including responding to the climate emergency. Improving the energy efficiency of homes should reduce energy demand and CO₂ emissions.

5. **Alternative Options**

- 5.1 The Council could decline the funding from BEIS via the Midlands Net Zero Hub (previously Midlands Energy Hub). Not recommended.
- 5.2 Whilst the Council could seek to appoint an alternative delivery partner, this would not be achievable within the tight delivery timescales. Not recommended.
- 5.3 The Council could choose not to issue a Letter of Intent and delay identification of suitable properties until all contractual arrangements are finalised. This would create difficulties in achieving the outputs required by the scheme within the programme timescales. Not recommended.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)

N/a

6.2 Workforce

Contract management and report submission to Midlands Net Zero Hub monthly will be managed by the Communities and Climate Change team.

Procurement and legal support will be require to set up the project.

Finance will draw down the funds and make payments to E.ON.

Housing and benefits are supporting the targeting methodology for areas to focus on.

Customer Support is contracted through Midlands Net Zero Hub to Marches Energy Agency who already manage the Warmer Derbyshire programme.

6.3 Equality and Diversity/Equality Impact Assessment

To maximise expenditure of the funding in the limited time available, this round of funding will be targeted at homeowners who are not required to provide match funding. The homeowners must have a household income of less than £30,000 per year to be eligible. This will be checked by the contracted delivery body. In later rounds consideration can be given to allowing landlords to apply for funding subject to match funding being secured.

This funding will focus on a small number of households. However any eligible household who expresses an interest can be held on record for future rounds of this funding and other funding streams.

6.4 Financial Considerations

The funds are to be drawn down by the Council upon signing the Award Letter.

A Letter of Intent with E.ON to enable the works to begin quickly comes with an approximate 20% upfront payment of the full contract value. This is up to £121,722 and will be deducted against the contract value.

Otherwise all the capital funding is drawn down from the Council to E.ON after completion of the works. The 15% administrative fund will be invoiced to E.ON separately.

Funding will be assigned to the Council from Midlands Net Zero Hub.

Fees associated with accessing the Procurement Framework will be payable by the Contractor not the client.

6.5 Legal

We will enter into a contract with Midlands Net Zero Hub and E.ON. This will include accepting the award funding, information sharing agreements and a delivery contract with E.ON.

Direct Award by call off is permissible under the terms of the Decarbonisation Framework. The Contract is fully compliant to Public Contract Regulations 2015 and is an approved process for appointment under the Council's own Procurement Procedure Rules.

The form of agreement will be a JCT (Joint Contracts Tribunal) Measured Term Contract.

6.6 Climate Change

Improving the fabric of buildings, installing clean heat sources and renewable energy generation will support households reduce their carbon emissions.

This will contribute to our overall carbon reduction targets for the borough and provide case studies to encourage the able to pay to learn from the measures installed.

This will also improve our database and targeting potential to react to future funding opportunities.

6.7 Consultation

Not required.

6.8 Risk Assessment

Earlier engagement with householders will mitigate the risk to not delivering

the project by the deadline.

Future rounds of funding are being developed and designed at BEIS which should manage risk associated with households not included in the first tranche.

All necessary checks have been satisfied on the preferred contractor, Insurances and Financial assessments are confirmed. Further Health and Safety assessment will be completed by the Council's Corporate Health and Safety Officer to ensure safe practices of work are carried out.

Neil Rodgers
Executive Director (Place)

Web Links and Background Papers

A pending paper will be released on the Energy and Cost of Living Crisis.

Contact details

Gillian Wright
Climate Change & Biodiversity Officer
gillian.wright@highpeak.gov.uk

7. Detail

Energy Background

- 7.1 Rising energy prices will affect most households across the country; however, they are more likely to disproportionately affect those on the lowest incomes. In the financial year ending in 2020:
- the poorest 10% of households spent more than half (54%) of their average weekly expenditure (£298.90) on essentials such as housing (including electricity and gas), food and transport
 - those in the richest 10%, in comparison, spend 42% of their average weekly spend of £1,073.20 on the same essentials.
- 7.2 Spending on gas and electricity is also higher as a proportion of disposable income for those in the poorest 10% of households (7%) compared to those in the richest 10% of households (2%). As a result, an increase in energy prices disproportionately impacts low-income households.
- 7.3 Households in the UK paid on average £582 for gas and £705 for electricity in 2020, a combined energy bill of £1,287¹. From April 2022 those households on

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956490/QEP_Q3_2020_Revision.pdf

default tariffs paying by direct debit saw an increase of £693 from £1,277 to £1,971 per year (difference due to rounding), whilst prepayment customers saw an increase of £708 from £1,309 to £2,017.² Both represent an approximate doubling of energy bills.

7.4 The planned October 2022 energy cap revision would have seen prices increasing further, however, a temporary hold has been put in place to mitigate immediate pressures on householders.

7.5 Improving the energy efficiency and installing renewable technologies in homes will reduce energy costs and help to mitigate against future increases

7.6 **Household Energy Performance in High Peak**

Figures from High Peak show that:

- 14% of households were considered in Fuel Poverty in 2020. The national average was 13.2%.
- 25,025 properties had Energy Performance Certificates lodged between October 2008 and March 2022³⁴. This accounts for 58% of all houses in the area. Of these, 15,321 are below a band C and 2,587 cannot achieve a C. 1,010 are EPC band F or G. Of these, 132 cannot be improved above an F.
- 1062 new EPCs were lodged between October 21 and March 22 of these 915 had tenure information. Around 597 were owner occupied. 326 were below band C.

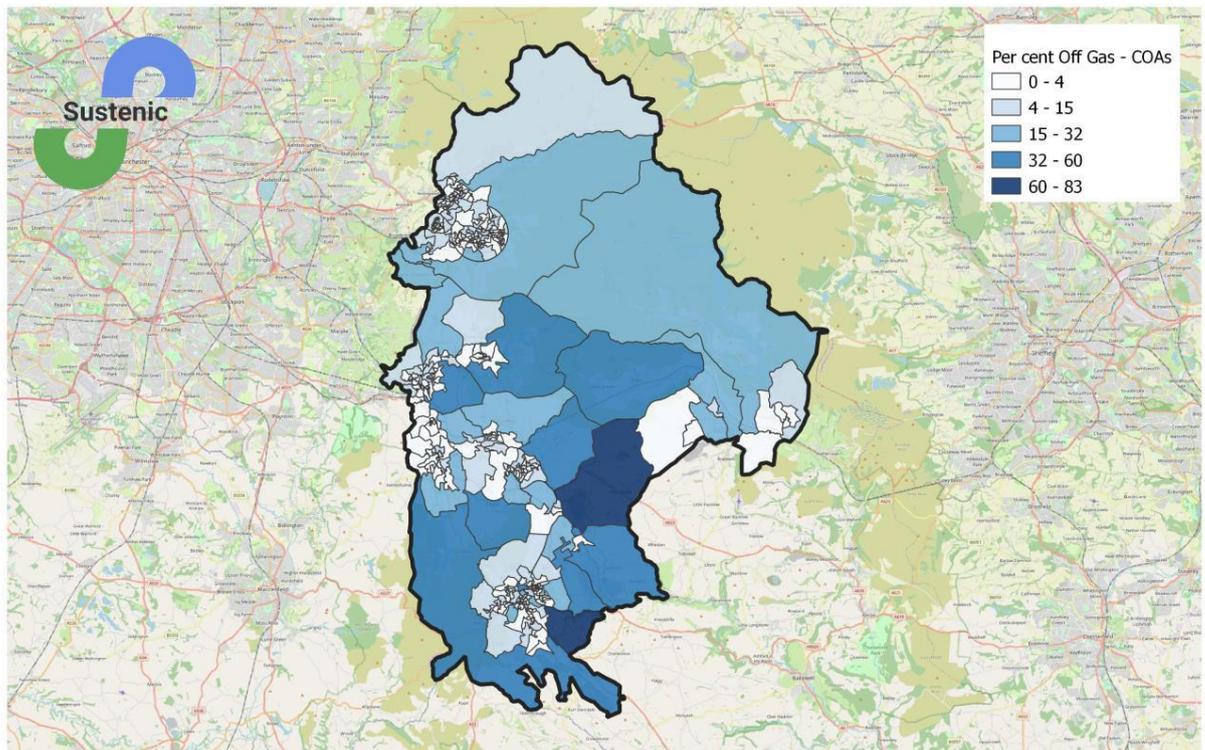
7.7 Part of the available SWC funding is aimed solely at properties that are off the gas grid. The map below shows the percentages off gas within each postcode area⁵.

² <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

³ <https://sustenic.co.uk/lgs/>

⁴ <https://epc.opendatacommunities.org/>

⁵ <https://sustenic.co.uk/lgs/>

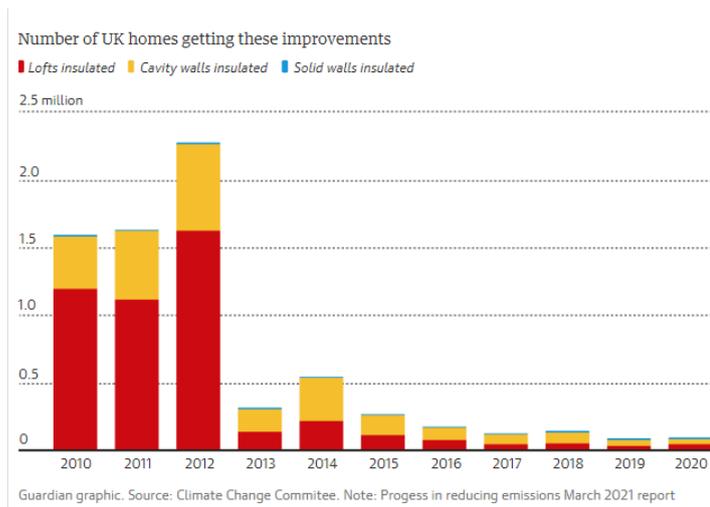


Source: Xoserve 2017
 Contains Ordnance Survey data © Crown copyright and database right 2017
 Contains Royal Mail data © Royal Mail copyright and database rights 2017
 Contains National Statistics data © Crown copyright and database right 2017
 © OpenStreetMap contributors

8. Climate Change

- 8.1 The Council's ambitious borough-wide Net Zero Target for carbon emissions by 2030 needs to include programmes to insulate and decarbonise houses. The ability to respond to future funding rounds will contribute to the targets.
- 8.2 Improving energy efficiency can half heating emissions whilst renewable energy can reduce this further along with decarbonising power. ⁶
- 8.3 Incentives to drive insulation installation have reduced in the last decade and as the easy to do measures are done, it leaves the "hard to treat" and "hard to reach" households.

⁶ Data: [Energy Saving Trust](#), all figures yearly for a medium house using 12,000kWh gas per year, April 2022 price cap prices, and [English Housing Survey 2020](#).



8.4 “Hard to treat” includes those properties where it would be technically difficult, expensive or unacceptably invasive to carry out the required improvements.

9. The Sustainable Warmth Competition

- 9.1 The Sustainable Warmth Competition (SWC) is BEIS funding to support low income, owner occupiers or private landlords to improve the energy performance of their houses. Landlords of private rented accommodation would need to contribute to the capital costs. It is split into two parts depending on whether a home can access the mains gas network.
- 9.2 The fund targets households with Energy Performance Certificates with ratings below D and aims to bring them up to a C. The funding is available now and must be spent by March 2023
- 9.3 It is a similar programme to LAD 2 where the Council focussed on the Council’s own housing stock. In this round we are targeting privately owned and occupied homes.
- 9.4 Midlands Net Zero Hub have contracted Marches Energy Agency (Warmer Homes Derbyshire) to manage the customer liaison, thus minimising Council resource to engage householders and programme manage.
- 9.5 The available funding is £439,334.05 for houses on the gas network (LAD3) and £169,272.02 for those not on the gas network (HUG1). Total funds £608,606.07. No capital is required from the Council.

Sustainable Warmth Competition Delivery

- 9.6 The Council has been working with Marches Energy Agency to help identify key geographic areas to target, overlaying data of housing type and energy performance and demographics of the home owners. This includes analysing information provided by the Council’s Revenues and Benefits Team to enable areas with low incomes, owner occupiers and low energy performance to be targeted. This mapping exercise will also help identify potential participants for

future funding which will be available imminently.

- 9.7 The process identifies suitable households and assesses the appropriate energy saving or low carbon measures for the property. This is done using the PAS 2035 standard surveying and methodology for retrofit. The contractors to carry out the work must be certified to PAS2030 for quality assurance.
- 9.8 The Council does not have the technical skills and capacity to deliver the programme in-house and, following a similar approach to the LAD 2 process, we need to identify a deliver partner to enable us to access the funding and deliver the programme in High Peak.
- 9.9 Marches Energy Agency are the Customer Support Journey appointed by Midlands Net Zero Energy Hub. This is a natural fit as they have managed and delivered Warmer Homes Derby and Derbyshire advice service for many years. They have also hosted the Everybody's Talking About Climate Change initiative for over a decade on behalf of the Notts/ Derbys Local Authority Energy Partnership which High Peak have long been active members.
- 9.10 Given the tight timescales, the Council approached E.ON for assistance in writing our project plan to access the available funding. E.ON were selected because:
- E.ON can deliver in the short time available using their quality assured subcontractors where necessary.
 - We are able to direct award to E.ON through the Fusion 21 Decarbonisation Framework.
 - E.ON are familiar with the scheme, including installation requirements and monitoring returns
 - E.ON are also delivering in other parts of Derbyshire, and have a track record of working with MEA.
 - Staffs Moorlands District Council have a positive experience of working with E.ON on similar schemes
- 9.11 A Letter of Intent can be used to enable E.ON and Marches Energy Agency to start work while the procurement exercise is being. This minimised the risk to the project delivery and for the Council to fully utilise its funding allocation.

10. **Procurement of Delivery Partner**

- 10.1 The procurement of delivery partner for this value of contract will be completed in accordance with the regulations as set out for public sector contracting and the Council's own Procurement Procedure Rules.
- 10.2 With support from the Council's Procurement Team, a suitable pre-procured framework has been identified to source a competent and suitable contractor to deliver the funding programme within the tight timescales and compliance requirements as conditions of the funding.
- 10.3 EON Energy Solutions are an approved PAS2030/35 accredited delivery partner currently contracted widely in Public Sector and Housing associations

to deliver Sustainable Warmth schemes. They demonstrate best value in delivery of these projects to time, quality and outputs met. There is confidence in their ability to deliver the same for this funding stream.

- 10.4 Fusion 21 Decarbonisation Framework is primarily set up for Public Sector Authorities and Housing Associations to support accessing and assessing accredited contractors for a more expedient route for appointment. The Contract in place is fully compliant to Public Contract Regulations 2015 and is an approved route to source under the Council's own procedure rules.
- 10.5 High Peak Borough Council are already members of Fusion 21 third party buying organisation and have used them generally on HRA construction contracts. They offer contracts and services which are ready for either direct awards or further competitions, contract or procurement support. Percentage fees apply for accessing contractors through the framework; however this is not paid directly by the client but through the contractors appointed.
- 10.6 Further information from Fusion 21 on their approval to make a direct award under their Framework agreement schedule 13 is detailed in Appendix 1 of this report. Necessary due diligence is completed for all delivery partners on the framework. EON meet all the required criteria and a further review on Health and Safety will be undertaken by the Council.
- 10.7 The total contract value in accordance with the funding release will be £608,606 payable over the term of appointment ending March 2023 (in line with the funding criteria), and will be subject to an agreed schedule of works, rates and associated fees as confirmed on the framework.
- 10.8 Upon approval of award of contract, the Council will enter into the interim contractual agreement by means of a Letter of Intent, whilst the JCT (Joint Contracts Tribunal) Measured term contract is completed and returned. The Council will be required to publish details of the award on National Government Contracts Finder, which will be completed at point of contractual exchange.