

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Strategic Director of the Economy

Date: 30/03/2022

Subject: Award Report for Green Homes Grant: Local Authority Delivery Scheme Phase 2

Report of: Cabinet Member title and name unless the Cabinet Member is the decision maker

Report author: David McNulty, Assistant Director Operations

SUMMARY

Hammersmith & Fulham (H&F) has jointly won £10.788m funding as part of a consortium of twelve London boroughs, to carry out energy efficiency and low-carbon retrofits for low-income households in the private sector. This funding was awarded by the Department for Business, Energy and Industrial Strategy (BEIS) as part of the Local Authority Delivery (LAD) scheme within the wider Green Homes programme. This funding is part of the 2nd phase of LAD with similar arrangements to phase 1, which H&F are already participating in. The funding helps H&F to deliver its commitment to a net zero carbon borough by 2030, and tackles fuel poverty by improving properties lived in by low-income households. £0.624m of grant funding will be allocated to H&F, of this, £500,000 will be used for 100 council properties with council match funding of £500,000. The remainder will be spent on approximately 12-25 private properties.

The London consortium (via lead authority London Borough of Ealing) has procured a managing agent, Warm Works, to manage and deliver the works and services required following the grant allocation from government. To continue participating in the consortium (and to access Government grants) LBHF must enter into a contract with Warm Works to cover the payment mechanism and other rights and responsibilities. This will allow works to commence on council properties.

RECOMMENDATIONS

The Strategic Director of the Economy

1. Authorises the award of a contract for 'Green Homes Grant: Local Authority Delivery Scheme Phase 2' to Warm Works up to a value of £500,000 to complete works on Council properties.
-

Wards Affected: All

Our Values	Summary of how this report aligns to
-------------------	---

	the H&F Values
Building shared prosperity	The award will benefit the local green economy, in line with H&F's climate strategy as Warm Works will be contracting local suppliers to assist with the delivery of the scheme. The grant funding also specifically targets fuel poor households.
Creating a compassionate council	The funding is reserved for households with under £30,000 income (and up to £20,000 in housing benefits/Universal Credit) and targets the coldest homes with energy performance ratings of D-G, to ensure maximum benefit to the most fuel-poor households.
Doing things with local residents, not to them	This project supports private homeowners and also private and social tenants to improve their properties. The Council is working with local community groups to promote the scheme to those who might be eligible and interested. These residents will receive an assessment for possible improvements and will design an improvement plan alongside the assessors.
Being ruthlessly financially efficient	This award achieves around £624,000 external investment in the borough. The works target the most energy-inefficient homes with the highest energy savings return on investment. £500,000 of this funding will be used to upgrade 100 eligible council properties, which will be match funded with the amount of £500,000 by the Council. The remaining grant funding (£124,000) will be used to upgrade approximately 12-25 private properties. The contract to manage the programme was made through direct award and drawn down from the Cambridgeshire and Peterborough Combined Authority (CPCA) framework on behalf of H&F by the lead authority (Ealing Council).
Taking pride in H&F	This funding will improve up to 100 council properties and up to 25 private properties, potentially including exterior works that will bring visual improvement

	and make them fit for the future.
Rising to the challenge of the climate and ecological emergency	This funding is part of the government's Green Homes Grant scheme, and its aims are decarbonising housing (which represents 37% of H&F's emissions), tackling fuel poverty, and economic recovery. Fitting wall insulation alone to a target 50-100 homes could save between 31 and 110 tons of carbon per year.

Financial Impact

The Director of Finance accepted a total of £624,000 of the Green Homes Grant through the report to the Cabinet Member for Housing and the Director of Finance dated 11 November 2021. Through the same report, the Cabinet Member for Housing approved a match-funding budget of £165,000 for works to initially identified 33 council properties. Accordingly, a total of £330,000 of budget (£165,000 of grant element plus £165,000 match-funding element) has been shown in the HRA capital programme Q3 monitoring report.

Subsequent to the above approvals, additional 67 council properties have been identified for works under this program, which can use another £335,000 of the Green Homes Grant accepted by the Council, with a Council match-funding requirement of £335,000. This full spend of £670,000 related to these 67 additional units can be met from the Climate Emergency works budget of £2,000,000 for 2022/23 that is being presented for approval of the Full Council on 24 February 2022.

The £1,000,000 total funding is for the 100 properties which includes the £330,000 for the initially identified 33 units and £770,000 for the subsequently identified 67 units.

The Council contribution element of £500,000, which is the focus of the contract award in this report, will be funded from the HRA borrowing unless they can be funded from other sources like Major Repairs Reserve or capital receipts. This will depend on the total amount of spend in 2022/23 and the amount of those other funding sources which will be known at the end of 2022/23.

A credit report was produced on the proposed contractor Warmworks Scotland LLP via CreditSafe on 16 February 2022. It shows they have a low risk credit score of 60. The average of their most recent two financial years' turnover is £23.9m, which is well above the Council's minimum requirement of double the contract value.

Sudhir Kafle, Housing Investment Accountant (The Economy), 17 February 2022

Verified by Emily Hill, Director of Finance, 2 March 2022.

Legal Implications

This report seeks approval for Warm Works to be appointed as the lead contractor to deliver works to council properties on H&F's behalf.

This contract is below EU thresholds and so the Public Contracts Regulations 2015 ('PCR') do not apply. A contract of this value is a High Value contract under the CSOs and so is required to be tendered as set out in CSO 19.1. Warm Works is being appointed from the Cambridgeshire and Peterborough Combined Authority framework and so is in compliance with this CSO.

As the contract is a capital contract, the relevant decision maker for the award is the SLT Member in consultation with the Cabinet Member. All contracts with a value of £100,000 or more must be executed as deeds and sealed by the Council.

As the award report concerns the award of a contract in excess of £300,000 in value it is a Key Decision (see Article 12 of the Constitution) and must be submitted to Committee Services for publication on the Council's website.

The waiver at appendix 1 attached to this report relates to the proposed appointment of the London Borough of Ealing (LBE) as the Council's delivery provider in relation to the retrofit works that will be required to be done on private sector homes in LBHF's area.

Joginder Bola
Senior Solicitor (Contracts and Procurement)
Email: joginder.bola@lbhf.gov.uk
14 February 2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. In July 2020 the government announced £2 billion of support through the Green Homes Grant to cut carbon, tackle fuel poverty, and create green jobs. This includes up to £1.5 billion of support through energy efficiency vouchers and up to £500m of support allocated to local authorities through the LAD scheme.
2. Hammersmith & Fulham (H&F) has jointly won £10.788m grant funding from the LAD scheme as part of a consortium bid of twelve London boroughs, led by Ealing, to carry out energy efficiency and low-carbon retrofits for low-income households in the private sector. H&F has won £624,000 of funding. The funding is expected to cover improvements to between 62 – 124 private and

social homes in H&F.

3. The funding helps H&F to deliver its commitment to a net zero carbon borough by 2030. The funding is to be spent on energy efficiency measures such as insulation and low-carbon heating for the borough's most energy-inefficient homes: those with an energy performance certificate (EPC) rating of D, E, F or G. This will reduce the borough's carbon footprint in one of its greatest sources of emissions, with housing representing 37% of borough emissions. Implementing a measure such as solid wall insulation alone on 50–100 homes potentially saves between 31 and 110 tons of carbon per year.
4. The funding tackles fuel poverty by improving properties lived in by low-income households. It is targeted at households earning under £30,000 per year living in private owned or rented homes, also allows up to £20,000 in housing benefits.
5. The funding will also be used to retrofit 100 council owned domestic properties with energy efficient measures. The council will be expected to match fund as stated in the criteria of the grant. The provision for £500,000 is being made within the HRA account.
6. The remainder of the funding, approximately £124,000, will be used on 12-25 private domestic properties.
7. BEIS have announced the continuation of the Green Homes Grant: Local Authority Delivery (Phase 3) within the Sustainable Warmth scheme. H&F will be continuing to participate with the consortium and place an application for future funding to support fuel poor residents.
8. The funding also supports a green, local recovery from Covid-19.
9. As a consortium bid the London Borough of Ealing (LBE) is acting as lead authority in managing the grant. LBHF has already signed an Inter Authority Co-Operation Agreement with LBE, as lead authority for the bid, to act as delivery agent for the funding on H&F's behalf. H&F will have final validation and approval of all spending on council properties within the borough to ensure the expected outcomes from the grant are met. It will also have an important role in identifying suitable households.
10. LBE will in turn sub-contract the works and services for which it is appointed by the Council. The managing agent, Warm Works, was appointed through the Cambridgeshire and Peterborough Combined Authority framework. Warm Works will be responsible for completing EPC surveys on properties and have works completed at the eligible homes. Where the managing agent uses a supply chain, they will be encouraged to use local small and medium sized enterprises (SME) in the borough who hold TrustMark/MCS certification.
11. The Registered Social Landlord (RSL) contract between Warm Works and social housing providers is a mechanism allowing Warm Works to collect the mandatory 1/3 contribution for any works which access the GHG LAD grant funding, ensuring that the RSL/Borough understand their rights and responsibilities under the scheme, understand the pricing schedules, and the

cost of using Warmworks to carry out surveys and to create workplans, as LBHF would be responsible for paying those costs should the Council choose not to use grant funding to pay for the measures. This is to avoid abortive costs to the wider consortium. It is condition of participation in the consortium and receipt of the Government grant that LBHF signed the RSL contract with Warmworks.

12. LBHF are able to access £500k of GHG LAD grant funding by making a 1/3 contribution of £250k. In addition, £250k is being set aside to enable LBHF to commission Warmworks to carry out supplementary works that are not covered by the GHG LAD grant, such as double glazing, air source heat pumps, and solar panels. The RSL contract (section 9) allows LBHF to commission these supplementary works. Therefore, the maximum spend under the RSL contract with Warm Works would be £500k, supplementing the £500k of GHG LAD grant funding to enable £1m of total investment in the borough.
13. The government has imposed tight timelines on delivery of these works, with all works to be completed by 30th June 2022 or agreed amended timescales. Initial delivery is expected to commence in March, so spending will be required thereafter.

Social Value

14. This contract is exempt from the Council's policy on Social Value because it is procured from a framework (Cambridgeshire and Peterborough Combined Authority framework) and the requirements of the Council's Social Value policy are not permitted by the framework's rules. CSO 4.8 states that:

"...The Social Value Policy applies to new contract awards (inclusive of direct awards), contract variations, framework agreements and contracts proposed to be called off a Framework (where permitted by the framework rules)."

This has been confirmed through communication with London Borough of Ealing, the lead authority for the London consortium (GHG LAD Scheme) and commissioner of Warm Works from the framework. It has been established that we are not permitted to alter the framework contract to include a 10% Social Value requirement, and if we were to insist on this we would not be allowed to continue participating in the consortium and would forfeit the £500k of Government grant.

15. There will be scope to work with Warm Works to connect them to local employment schemes and supply chain in order to maximise the Social Value from the work they carry out in the borough. Warm Works are certainly having an impact on West London. LBE report that are six installers (Warm Works sub-contractors) currently authorised to work on behalf of the West London scheme, and these are largely local companies hiring local people. Efforts will be made to measure the Social Value impact of Warm Works using the TOMs Matrix. There will just be no arbitrary 10% target applied.

Reasons for Decision

16. A London Wide consortium (via lead authority London Borough of Ealing) has procured a managing agent, Warm Works, to manage and deliver the works and services required following the grant allocation from government. To continue participating in the consortium (and to access Government grants) LBHF must enter into a contract with Warm Works to cover the payment mechanism and other rights and responsibilities. This will allow works to commence on council properties.

Equality Implications

17. This grant funding is particularly important due to the ongoing energy crisis and aims to support low-income households in the borough that are at risk of experiencing fuel poverty. Thus, a positive impact is anticipated for this specific group.
18. Eligible council properties were chosen based upon EPC data as the grant funding can only be used on properties with EPC D or below. Only whole house properties are being progressed as flats have limited energy efficiency measures that can be installed. Thus, 100 council properties with the worst EPC ratings (E, F & G) were put forward to ensure council tenants are not living in sub-standard properties.
19. The project may have some disruption to people's homes, particularly for residents with the protected characteristics of old age, disability, and pregnancy. This impact will be mitigated by progressing measures that do not require residents to be re-located. Non-intrusive measures such as cavity and loft insulation will be chosen where possible. Letters are being sent to affected residents and they will be presented with the option of not to continue. This is part of the council's value of 'doing things with residents, not to them'.
20. Therefore, there are no negative implications for groups with protected characteristics under the Equality Act 2010, associated with the contract award outlined in this report.

Implications completed by Jessica Chai, Climate and Energy Officer,
01/03/2022

Risk Management Implications

21. The report recommends awarding a contract, via a competitively procured framework, to carry out works to residents' homes which will help to tackle fuel poverty by improving properties lived in by low-income households and to retrofit 100 council owned domestic properties with energy efficient measures. This is in line with the council objective of rising to the challenge of the climate and ecological crisis as well as being ruthlessly financially efficient in maximising the use of grant funding for the works.

22. Officers will need to ensure that appropriate contractual legal arrangements with Warm Works/LBE are put in place for the works being undertaken. The details of the arrangement should be shared with the Council's Insurance Service.

Implications written by David Hughes, Director of Audit, Fraud, Risk and Insurance, 12 February 2022

Climate and Ecological Emergency Implications

23. This project has significant potential to deliver against the Council's Climate Change goals, as it will lead to energy efficiency improvements to be made to an estimated 100 private sector properties in Hammersmith and Fulham. 40% of the borough's carbon emissions are the result of energy required to heat homes, so energy efficiency and whole-house retrofit must be amongst the top priorities for the Council's response to the Climate Emergency. This London-wide initiative will provide the Council with valuable learning about delivering such schemes at scale, and help build a track record of delivery that might unlock future Government funding.

Implications approved by Hinesh Mehta, Strategic Lead – Climate Emergency, 07960 470125, 01/03/2022

Procurement implications

24. Procurement implications have been covered by Legal comments and the waiver obtained (see appendix 1) approving a direct award.

Implications completed by William Shanks, Head of Contract Governance (Economy), 0781 858 1911, 01/03/2022

Local Economy and Social Value

24. Social Value contributions have not been asked for in this procurement for reasons given in paragraph 13 above.
25. The Economic Development team will work with the Warm Works sub-contractors should there be scope and an opportunity to do so as noted in paragraph 14 above.

Implications completed by: Paul Clarke, Economic Development Officer 21 February 2022

LIST OF APPENDICES

Appendix 1 – Waiver for Contract Award (Approved)