

17 July 2024		ITEM: 13 Decision: 110728
Cabinet		
Housing Retrofit Decarbonisation Project		
Wards and communities affected: All	Key Decision: Key	
Report of: Cllr Mark Hooper, Portfolio Holder for Health and Well-being		
Accountable Assistant Director: Ewelina Sorbjan, Chief Officer – Housing, Economic Development & Skills and Regeneration		
Accountable Director: Claire Demmel, Interim Executive Director of Place		
This report is Public		
Version: Final / Cabinet		

Executive Summary

In October 2023, Thurrock Council were notified of an additional opportunity of funding under the Social Housing Decarbonisation Fund (SHDF) scheme for wave 2.2. This wave of funding was only open for bids by a selected number of social housing providers and Thurrock Council were selected as part of this cohort. The competition window opened in November 2023 with a deadline of the 31st of January 2024. Thurrock Council submitted a bid to deliver a retrofit project for 206 of the worst performing homes within the Council’s housing stock and on the 18th of March 2024, the Council were notified that the bid had been successful in securing £3,318,730.17 excluding VAT of grant funding (£3,982,476.19 including VAT).

In order to comply with the funding requirements, the grant apportionment of the total cost of the project must be delivered and spent by the end of March 2025 and the overall project must be completed by the end of March 2026.

This report is seeking approval from Cabinet to proceed to tender in order to source a contracting partner to deliver this project for and on behalf of the Council and its residents. Furthermore, the report is seeking approval from Cabinet to give delegated authority to the Executive Director of Place in consultation with the Portfolio Holder and the Section 151 Officer for award of contract following a successful procurement exercise.

The announcement regarding grant funding from the Department of Energy Security and Net Zero was inclusive of VAT and these figures have been set out above. However, the Council as a local government authority conducts its accounting excluding VAT and therefore the figures throughout the report are represented excluding VAT.

Commissioner Comment:

Commissioners have been consulted on the content of this report and agree with the recommendations made.

1 Recommendation(s)

1.1 Members are asked to:

1.2 Acknowledge the £3,982,476.19 (Including VAT) grant funding the Council have secured and accepted to upgrade 206 Council owned residential units.

1.3 Approve the procurement approach to allow the Council to undertake a competitive tender exercise via a framework. Following a successful procurement process a report will be issued to the Executive Director of Place and Section 151 Officer in consultation with the Portfolio Holder for Health and Wellbeing that will recommend awarding of contract to a Principal Contractor to deliver the works.

1.4 Members are asked to give delegated authority to the Executive Director of Place and the Section 151 Officer in consultation with the Portfolio Holder for Health and Wellbeing to award the contract to deliver this project as set out within this report.

2. Introduction and Background

2.1 In 2019 the Government released a manifesto that committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

2.2 Thurrock Council, like most social housing providers, face significant pressures in funding the retrofitting of its housing stock and therefore it must actively seek funding from all possible sources to support the delivery of projects to maintain and improve its homes. The delivery of these projects is not only vital to supporting the national agenda of decarbonisation but also for providing our residents with warm and secure homes that are fit for the future.

2.3 In late 2021, the Council bid for a project under SHDF wave 1 and in March 2022, Thurrock Council were successful in securing £3,198,284.67 excluding VAT (£3,837,941.60 including VAT) of grant funding. This funding allowed the Council to deliver a retrofit project to 272 homes in three of the Council's tower blocks which are now connected to a renewable ground source heating and hot water system. The project was delivered over the last two years and has been very successful with residents benefitting from significantly reduced energy bills whilst having access to modern facilities in their homes. This project has been recognised by both local and national bodies and throughout 2023 received seven award related to sustainability / carbon reduction and tackling fuel poverty. At the time of drafting this report the project is currently shortlisted for a further three awards.

2.4 In late 2022, the Department of Energy Security and Net Zero released wave 2.1 of the SHDF programme, Thurrock Council did apply for funding under this wave but was not successful on that occasion.

- 2.5 The SHDF funding, run by the Department of Energy Security and Net Zero, is being delivered in “waves” with each phase open for social housing providers to bid for grant funding for the delivery of a retrofit project for its assets.
- 2.6 In October 2023, Thurrock Council were notified of a new wave “2.2” funding opportunity that was going to only be open to a smaller cohort of bidders. Thurrock Council met the very limited eligibility criteria of wave 2.2 of the SHDF funding and as a result the Council was ambitious and took advantage of the wave 2.2 funding opportunity despite the very challenging bidding timescale.
- 2.7 In developing the bid, the Council had to ensure it met the minimum requirement of the competition guidelines to ensure bid compliance. Whilst there were several mandatory requirements that needed to be met as part of the bid, two of them related to the minimum number of eligible properties which meant the bid had to include a minimum of 100 eligible properties, as well as the restriction of delivery timescale and feasibility of spending the grant allocation by March 2025. Therefore, the property selection had to be such that it was sufficient in size and scale that could be delivered within a short timeframe, whilst also ensuring that we maximised the opportunity and delivered real benefits the residents living in the Council’s social housing portfolio.
- 2.8 The 206 homes that form part of this project met the criteria making it a compliant bid but also within the 206 homes there are only two separate property archetypes. This approach and property selection maximises the funds under this project because delivering at scale in two selected areas of the borough to the same property type will achieve significant economies of scale in site delivery, management, and material procurement. Furthermore, this approach will also retrofit homes in two areas of the borough in one main project and avoid having to return to the areas in the future to undertake these works.
- 2.10 All of the homes included in this project are of “non-traditional” construction, the property selection includes 21 homes of “Airey” construction in Orsett that are all within two roads. The other 185 homes which are “Lecaplan” construction are located in the Ockendon Ward. The works required to the Airey homes are of such scale that resident will need to be relocated on a temporary basis to facilitate the works, therefore this was also a consideration because this must be done in a manageable and practical way with the timescale of this project.
- 2.9 On the 18th March 2024, the Council were notified its application for grant funding was successful with £3,318,730.17 being awarded to support an anticipated overall project cost of circa £11.5m to vastly improve 206 of the Council’s worst performing homes.
- 2.10 The requirements of the funding stipulate that the Council must be able to spend the grant allocation amount by the end of March 2025 and the overall project must be completed by the end of March 2026. Therefore, it is crucial that the Council expedites timeframes as much as possible to procure a contract and commence the delivery of the associated works as failure to do so will result in the loss of some or all of the funding that has been secured.
- 2.11 Whilst developing the bid for wave 2.2 SHDF funding during December 2023 and January 2024, the housing service worked closely with finance colleagues to ensure that the Council can meet its obligations relating to match funding for the proposed project. Given this project relates to the housing revenue account, the Council were able to make that declaration.

3. Issues, Options and Analysis of Options

3.1 The Council must ensure that a contracting partner is sourced as swiftly as possible to commence the delivery of the proposed project so it can meet the requirements of the funding agreement whilst also ensuring that the associated contract is procured in line with the Council's constitution and with full adherence to all applicable procurement regulations.

3.2 The options open to the Council regarding procurement are set out in the following table:

	Option 1	Option 2	Option 3
Actions	Not proceed with project, no procurement exercise required.	Full open market three stage procurement exercise	Run mini competition within a procurement framework
Outcomes	Project doesn't proceed and 206 of the homes that have been identified as being some of the worst performing units remain in their current condition with an EPC rating of E or lower. Grant funding is returned and identified Council co funding contribution is invested in a different HRA project.	Procurement timeline takes up to six months from point of report approval through to the end of the standstill period. Contract award and commencement on site in November 2024 given adequate mobilisation period. Grant funding at significant risk given very short timescale to deliver volume of required works before the end of March 2025.	Expedite timeframe of procurement activity to give the Council a compliant route to market on a suitable framework for the works required. Timeframe for procurement exercise is up to 10 weeks from point of report approval. Anticipated mobilisation of works would commence in September 2024.
Recommended	No	No	Yes

3.3 Acceptance of the grant funding was made by the deadline of the 9th of April 2024 and the Council are required to return monthly updates to the Department of Energy Security and Net Zero to ensure there is full transparency in the delivery of works and to demonstrate compliance with the funding agreement. The monthly return will provide a clear path of delivery from procurement through to practical on-site completion and handover.

3.4 The procurement exercise will be based on a percentage weighting split between price, quality and social value, the weighting will be appropriate for the nature of the project and developed in consultation with the procurement department. The framework to be utilised for the procurement exercise will contain suitably sized principal contractors of whom have the necessary size, skill and resource capacity to deliver the project. However, there will be specific requirements contained within the tender exercise to ensure they can meet the deadlines of the project and can give assurances in that respect.

3.5 The contract that will be utilised will be a JCT Design and Build contract to limit the risk to the Council in delivery but will also ensure the appointed contractors will have the necessary design control for project coordination and delivery. To meet the requirement of the funding agreement the project will be delivered in accordance with PAS 2030/2035 and will be managed by Council officers for effective contract and programme management.

4. Project funding

4.1 The project to deliver works to the 206 identified Council-owned homes is estimated to require an overall capital expenditure of circa £11.5m exclusive of VAT. Therefore, the Council is required to match fund circa £8.2m to deliver this project. The match funding requirement of circa £8m would be applicable across both the 2024/25 and the 2025/26 financial years given the anticipated project duration spanning both years.

4.2 The works to be delivered as part of this project will improve the external elements of the 206 homes and this means it covers the requirement for the Council to improve homes and maintain them to a decent standard.

4.3 Item 19 of the February 2024 Cabinet meeting provided details of the housing revenue account business plan and this report included details of the capital budget allocation for the next five years. The match funding required by the Council to deliver this project over the next two financial years will be met from these capital allocations. Across both the 2024/25 and 2025/26 financial years the Council will need to meet an anticipated £8.2m of match funding.

4.4 The £8.2m required match funding is through a combination of £1.642m prudential borrowing which has already been identified in the budget allocation under carbon reduction requirements for 2024/2025. The remaining match funding requirement of £6.558m which will be spread across financial years (£858k) 24/25 & (£5.7m) 25/26, will be met from the revenue account contribution to capital within the housing revenue account.

4.5 The terms and conditions of the grant from the Department of Energy Security and Net Zero requires the Council to spend all the allocated grant funding within the 2024/25 financial year.

4.6 The anticipated project costs have been developed through direct market engagement with sector professionals and supply chains. Therefore, the costs set out in this report are as accurate as possible at this stage. However, it should be noted that these costs will be subject to variance based on the tendering exercise. The costs sought through the market engagement activity were utilised as part of the Council's bid for funding and the funding allocation amount was calculated based on these costs.

Project Value	Circa £11.5m Final sum subject to procurement exercise
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Funding source	Thurrock Council	SHDF Grant
Project funding 2024/25	£858,000 – Revenue contribution to Capital £1,642,000 – prudential borrowing	£3,318,730.17 exc Vat <i>(£3,982,476.19 inc VAT)</i>
Project funding 2025/26	£5,700,000 – Revenue Contribution to Capital	£0
Total:	£11,500,000	

5. Reasons for Recommendation

- 5.1 The recommendations set out in this report are presented to Cabinet to allow the Council to utilise the grant funding it has been successful in bidding for to award a contract and deliver a project to vastly improve the homes, wellbeing and lives of 206 individual households.
- 5.2 The Council's housing service, and the housing sector as a whole, faces significant challenges both now and in the future. These challenges relate to meeting the practical and financial requirements of continued investment into the housing stock to maintain homes to a decent standard and to also meet the requirements of meeting a net zero housing stock. Therefore, the council must continue to ensure it takes advantage of opportunities to identify, bid for and utilise external funding to support stock investment and to ultimately improve Council-owned homes for residents.
- 5.3 Whilst this project will take a significant step for the Council in addressing a significant proportion of its homes of non-traditional construction, there remains a further 190 non-traditional homes in the social housing stock that require long term remediation. Whilst these homes require works for long term structural remediation, the homes are still maintained and receive investment to ensure they meet the decent homes standard and are safe and secure homes.
- 5.4 Homes of non-traditional construction present a unique challenge in undertaking the full reinstatement because of the complexity of works and the costs associated in doing such. This project has maximised the opportunity for the Council and will address 206 thermally inefficient homes whilst also addressing structural defects in the buildings. The inclusion on the 21 Airey Homes is significant in scale because of the need to temporarily relocate residents whilst works are undertaken, therefore, this number is deemed to be manageable within the required timeframe.
- 5.5 The housing service will continue to monitor the remaining homes of non-traditional construction and will continue to priorities future investment where possible to address the worst performing stock first. The Council will also continue to identify and bid for future funding to support required stock investment, the securing of significant funding such as this project is vital for the Council as a social housing landlord. The development of future programmes and projects must continue to strike a balance to asset investment because it is essential investment is targeted into the right areas year on year to maintain high levels of stock decency and to also maximise monetary investment into the portfolio.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The recommendations within this report align with the strategic theme of the Improvement and Recovery Plan to be a focussed, cost-effective, sustainable organisation, with a co-designed approach to service provision which is delivered in partnership with residents and other key partners with collaboration across multi-disciplinary teams.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Assistant Director - Strategic and Corporate Finance

The SHDF grant offers the Council a funding opportunity to get its housing stock to meet the decent homes standard. While the grant is for £3.319M (ex VAT), match funding of £8.2M is required from the Council.

The £8.2M match funding will be met from the existing Medium Term HRA Capital Programme budget that was approved by Full Council in February 2024. The SHDF programme is targeting some of the least performing assets so the match funding from the HRA capital programme budget does not represent a diversion of funds from existing programme but rather complementary to the Council's planned programme of works.

Due to the conditions applied to the SHDF grant which expects the spending to be fully utilised by 31st March 2025, some of the Council capital programme budget for 2024/25 may be slipped to 2025/26 to ensure the budget is spread adequately.

The £8.2M match funding is mainly financed from HRA Revenue Contribution to Capital and a £1.642M prudential borrowing for 'Carbon Reduction Requirement' in 2024/25.

7.2 Legal

Implications verified by: **Kevin Molloy**
Principal Solicitor

The Council has power to enter into contracts for the provision of repair of its housing stock under section 11 of the Housing Act 1985 as amended by the Homes (Fitness for Human Habitation Act 2018). For any activity not covered by such sections under s.1 of the Localism Act 2011 (the general power of competence) the Council has the power to do anything an individual can do. None of the limitations on the power in s.2 to 4 of the 2011 Act apply to the recommended decisions.

In procuring goods and services, the Council is required to comply with the requirements of the Public Contracts Regulations 2015, and its own Contract Procedure Rules (although the former will override the latter if there is any inconsistency).

The use of frameworks to procure goods and services is specifically authorised under Regulation 33 (8a) of PCR 2015, as an open procurement process has been undertaken to procure the framework, but the Council must comply with the terms of the Framework. The

selection of the bidder on the framework via a competitive process as referred to above should discharge the Council's obligation to secure Best Value.

The proposed award of the contract falls within the definition of essential spending under s.114 of the Local Government Finance Act 1988 notice, as it relates to essential service provision.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Community Development Team

The works to be delivered under this proposal impacts on many of our residents and communities by delivering works to 206 homes in areas of the borough.

The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. As such, a full Community Equality Impact Assessment will be carried as part of the procurement process.

The Council must, in the performance of its functions, therefore, have due regard to, eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act • advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it • foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

While there are no specific equality and diversity implications arising from the recommendations of this report, it is imperative for the Council continue to invest into the assets and improve them to maintain stock decency and continue to provide safe and secure housing.

The Council must continue to meet its landlord obligations under the Fitness for Human Habitation Act with implications for all protected groups with some, potentially, more disadvantaged than others because of age and disability. Council Officers will work with the appointed to explore opportunities to extend its existing social value offer to support a wider range of projects to benefit the social, economic, and environmental wellbeing of residents.

7.4 Risks

Failure to deliver this contract within the required timeframe as set out under the grant funding agreement with the Department of Energy Security and Net Zero will mean the Council lose the funding that has been awarded.

A project risk register has been developed and will be updated as the project progresses following Cabinet approval.

8. Background papers used in preparing the report:

<https://assets.publishing.service.gov.uk/media/658ed6f580a3bb000e9d05f8/shdf-wave-2-2-competition-guidance.pdf>

<https://thurrockintranet.moderngov.co.uk/documents/s42284/HRA%2030-Year%20Business%20Plan%20Report.pdf>

9. Appendices to the report – N/A

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