

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

4098

Author:

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Department:

Commercial and Operations

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Subject:

To approve receipt of funding and allocation of match funding for Energy Efficiency Improvements

Key Decision (decision valued at more than £1million):

Yes

Total Value:

£5,466,869.95 (Type: Capital and Revenue)

Decision Being Taken:

- Accept BEIS grant of £2,261,747.98, delegating authority to the Corporate Director for Development and Growth to sign a MoU with BEIS to accept the grant.
- Include in the Public Sector Housing Capital Programme - Planned Schemes the SHDF Demonstrator scheme to the value of £5,466,869.95 funded by £2,261,747.98 SHDF Demonstrator grant and £103,000 ECO grant with the balance funded by £3,102,121.97 Major Repairs Reserve within the Housing Revenue Account.
- Delegate authority to the Corporate Director of Development and Growth, to appoint the Principal Contractor, Nottingham City Homes, and procure and award additional contracts to allow delivery of the scheme subject to the approval of the Corporate Director of Development and Growth and Section 151 Officer, following finalisation of the business case, including a financial model that passes the Capital Strategy criteria.
- Approve the pass through, via invoice, of 100% BEIS funding to project partner Energiesprong UK at a value of £125,000.

The Social Housing Decarbonisation Fund Demonstrator (SHDFD) invited Local Authorities (LAs) and LA-led consortia to bid for funding under this Scheme to trial innovative approaches to retrofitting social housing at scale. £50million is available from the Department for Business, Energy and Industrial Strategy (BEIS), with 40% funding available. Projects are to be completed by December 2021. Nottingham City Council, alongside managing agent Nottingham City Homes, has been awarded £2.262million for a bid which will deliver the Destination Zero deep retrofit model to 104 homes by December 2021.

The SHDFD project, henceforth referred to as Destination Zero 2 (DZ2), will build upon an existing programme of domestic deep retrofit, including E=0 (LKD 3296), DREeM (LKD 3296) and Whole House Retrofit (Exec Board Nov 2019) which is comprised of two workstreams - Energiesprong and Destination Zero 1 (DZ1).

Within the capital programme currently there is insufficient budget allocated against improving solid wall properties for the Council to meet its statutory obligations of EPC C by 2030. In order to fund this work money would need to be saved elsewhere. This scheme, DZ2, improves this position by:

- Bringing in 40% grant to deliver enhanced work to that which is required to be funded by the Council anyway.
- Having a c. £0.300m net present value (NPV) on the 30 year financial model subject to achievement of projected savings and income.
- Helping develop ways to reduce cost and increase income for future schemes, enabling us to meet national mandatory targets as well as carbon neutral 2028 ambitions.
- Ensuring Nottingham City Council remains a trusted partner, able to feed into Government future funding policy, to reduce / eliminate the affordability gap in future.

The Council acknowledges that it does not have sufficient capital budget to achieve its obligations, and requires central government funding to be available.

DZ2 will build on the lessons and successes of DZ1 to deliver true deep retrofit to interwall, solid brick, off street properties. The project will improve 104 homes, 103 Nottingham City Council properties and 1 leaseholder, including new DZ archetypes with room-in-roof and flats being included. The project is targeting 50kWh/m2/yr using fabric improvements only - reducing energy costs for tenants and thus tackling fuel poverty, and significantly reducing carbon emissions, supporting our Council Plan objective of a Carbon Neutral Nottingham by 2028.

The measures to be installed are simple - wall insulation, underfloor insulation, perimeter insulation, windows and doors where needed, ventilation, and roof insulation at rafter level. Where the heating is due for replacement (48 homes), an M&E system will be installed. Our aim is to procure an 'M&E in a box' solution which can be used on this project and more widely across Nottingham homes (and wider), including heat pump, Solar PV & battery.

Nottingham City Homes will act as Principal Contractor and much of the work will be insourced to provide the opportunity to upskill staff and create stable green jobs and growth. It is anticipated that 9 contracts will be awarded, with a combination of services, supply and install, including:

1. Architect
2. M&E Designer
3. SWI Supply & Manufacture

4. Windows & Doors
5. Timber floors
6. Roofs (+)
7. Ventilation Supplier
8. M&E Supplier
9. Monitoring supplier

The project will be governed by the existing Council Housing Energy Efficiency Programme Board, ensuring that the project is delivered to programme, within budget and that risks are effectively managed. Nottingham City Council's Energy Services will take the managing client role, with delivery by Nottingham City Homes (see governance structure attached as an exempt appendix). Milestones and spend profile are in place, alongside a detailed project budget, with learnings from DZ1 incorporated which showed that significant time is required for project planning, on-boarding, recruitment, procurement, mobilisation, design and manufacturing design. Works are scheduled to finish by November 15th which allows for delays of up to 6 weeks, whilst still meeting the project deadline.

Expert support is provided by project partner Energiesprong UK who are fully funded by BEIS for this projects, and the Manufacturing Technology Centre who will be sub contracted with a contract value of £50,000.

Other Options Considered:

Not accepting the funding has been considered. This would make the business case for delivering the 103 Nottingham City Council domestic property retrofits and 1 leaseholder retrofit unviable if Housing Revenue Account alone was to be used, even to minimum standards of retrofit. Therefore this option was rejected.

Not delivering the 104 domestic retrofits has been considered. This would risk key Council Plan objectives not being met, including reducing fuel poverty levels and achieving a Carbon Neutral Nottingham by 2028. This project presents a unique opportunity to develop and scale a method of retrofit which could become viable to deliver without subsidy across thousands of additional properties across the city. Therefore this option was rejected.

Background Papers:

None

Published Works:

'Social Housing Energy Retrofit (Energiesprong)' report to Executive Board on 19 November 2019. Minute 55 refers

Affected Wards:

Dales

Colleague / Councillor Interests:

None

Any Information Exempt from publication:

Yes

Exempt Information:

Description of what is exempt:

Project Summary - with brief project overview

Full application - full document submitted to BEIS

Programme and Risk Register - submitted to BEIS

Budget - full detailed budget

Governance Structure

Finance Appendix - describing the business case

Final MoU - Final MoU received from BEIS

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because planned procurement exercises could be jeopardized in that best value for money for the authority may not be achieved.

Documents exempt from publication:

SHDFD LKD - Project Summary (exempt) v2.pdf, SHDFD LKD - MoU (exempt).pdf, SHDFD LKD - Programme and risk register (exempt).pdf, SHDFD - Finance Comments 2021 01 21 TC Final.docx, SHDFD LKD - Full Application (exempt).docx, SHDFD LKD - Budget (exempt).pdf, SHDFD LKD - Governance Structure (exempt).docx

Consultations:

Date: 27/11/2020
Other City Council Bodies: Council Housing Energy Efficiency Programme Board
Group supported decision to enter bid and approval to proceed to decision

Date: 12/01/2021
Other: Mel Barrett
Mel Barrett, Chief Executive, briefing session held and approval to proceed with programme provided.

Date: 14/01/2021
Chief Finance Officer: Clive Heaphy
Clive Heaphy, S151 officer, briefed alongside Chris Henning, Corporate Director, with further discussion held on 20/01/21 which supported decision to escalate Leaders Key Decision for sign off.

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

The work carried out on the pilots has resulted in increased pride in the tenants' homes and reduced anti-social behaviour through changes to design of houses and adjacent public realm.
All site works will be secure during delivery.

Equality:

EIA not required. Reasons: Continuation of existing programme of works.

Social Value Considerations:

A series of contracts will be procured and awarded as part of project delivery (as described above). All procurement exercises will be overseen by NCC Procurement and social value considered, for example creation of local apprenticeships and green jobs is planned.

Decision Type:

Leader's Key Decision

Subject to Call In:

No

The call-in procedure does not apply to the proposed decision because the delay likely to be caused by the call in process would seriously prejudice the Council's or the public's interests. The Chair of the Overview and Scrutiny Committee (or Vice-Chair) in his/her absence has been consulted and agreed both that the decision proposed is reasonable in all circumstances and that it should be treated as a matter of urgency.

Person Consulted: Cllr Anne Peach

Consultation Date: 15/01/2021

A tight time frame has been imposed on the Council by the funders. A bid was entered in November and the acceptance of is funding required by 21st Jan. There is no flexibility on this deadline. If funding is not accepted by the 21st January , the funding will be lost.

Advice Sought:

Legal, Finance, Procurement

Legal Advice:

BEIS grant funding will be subject to funding conditions which if not complied with could result in clawback of the grant by BEIS. Any additional contracts procured in order to deliver the scheme must be procured in accordance with procurement rules and the Council's Contract Procedure Rules. External contracts procured to deliver the scheme must include provision to protect the council from the risk that external contractors by their acts or omissions bring the council into breach of the funding conditions. Advice provided by Sarah O'Bradaigh (senior solicitor) on 18/12/2020.

Finance Advice:

This advice is exempt from publication and is contained within an exempt appendix Advice provided by Sarah Baker (Commercial Business Partner - Projects) on 21/01/2021.

Procurement Advice:

There are no significant procurement issues with the decision being sought. Nottingham City Homes satisfies the conditions for a controlled legal person under regulation 12(1) of the Public Contracts Regulations 2015 (commonly referred to as the 'Teckal' exemption), and as such, contracts awarded to them are out of scope of those Regulations.

Any further procurement activities undertaken by NCC in relation to this scheme will need to be in accordance with Contract Procedure Rules; the Procurement Team will be on hand to advise and support as necessary.

Advice provided by Jonathan Whitmarsh (Lead Procurement Officer) on 17/12/2020.

Signatures:

David Mellen (Leader/ PH Regeneration, Schools, Communications)

SIGNED and Dated: 21/01/2021

Chris Henning (Corporate Director for Development and Growth)

SIGNED and Dated: 21/01/2021