

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3296

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Nottingham City Homes

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Subject:

Energiesprong Roll Out

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

Yes

Total Value:

£1.297m (Type: Capital)

Decision Being Taken:

Following on from the Executive Board approval for the DREeM project which was agreed in June 2017 (12th June Executive Committee), this decision requests approval for the following:

Agrees the Energiesprong Roll Out to 155 homes in Nottingham

Approves the increase to the Public Sector Housing Capital Programme of £1.297m for the scheme and the funding breakdown within the financial comments.

Approves accepting £0.211m additional ERDF / DREeM grant funding towards the scheme (total £4.425m).

Approves accepting £0.580m grant from Interreg E=0 (650k Euros), which includes £0.450m towards the capital costs of the scheme, £0.040m revenue funding to support delivery and compliance costs and £0.090m for project management costs (see breakdown in Appendix 1).

Approves additional revenue costs of £0.130m which are offset completely by grant funding from Interreg (above), and the majority of which are incurred by others.

Approves NCC to contract with Melius Homes, ensuring compliance with contractual and procurement requirements.

Executive Summary

Energiesprong is a model of delivering deep retrofit, to achieve 2050 standards in one go, using savings in investment and energy to finance the cost of the work. The aim of this project is to facilitate a step change towards a solution that will deliver cost effective energy improvements, by scaling up demand and requiring the supply chain to innovate and industrialise to reduce cost.

The Energiesprong model uses a combination of the planned investment in the home over thirty years, the income which can be generated from incentives such as the renewable heat incentive and the feed in tariff, and a 'Comfort or Energy Plan', which is paid by the tenant, to fund the capital cost. The whole life maintenance cost is committed to by the contractor, and the performance is guaranteed, so NCC can be confident that the savings and income will be realised. The combination of these is called the 'investment envelope'.

The project will deliver the following benefits:

- Additional investment in NCC properties (through grant) of £0.626m (resulting in a total grant for the housing scheme of £4.840m**
- Cost per property increase, but offset by saving in 30 year housing revenue account**
- Evidencing a reduction in costs during programme, showing transformation and long term impact**
- Developing a business model which will make deep retrofit more affordable and sustainable**

- Whole place regeneration**
- Significant reduction in fuel poverty**
- Contractor commitment to invest in a factory in Nottingham and to employ via the Nottingham Jobs Fund**

The cost to improve 155 homes is £10.7m, which is partly funded through additional grant from Interreg alongside the ERDF grant which is already secured, and match funding through the Housing Revenue Account.

Match funding is proposed to come from the energy budget line of the HRA, already included in the HRA capital programme. This was discussed and agreed at the Housing Strategy Group in June 2018, as part of the 30 year Business Plan.

As a result of the project, the homes included will be fit for 2050 low to zero carbon standards. This is through spending money which is already allocated to these properties in the 30 year programme. If the status quo was maintained and the money was spent in the same way as originally intended, the properties would require significant additional investment to achieve the required standards. Therefore this project will prove a model which will achieve 2050 standards more cost effectively.

For the roll out, the investment envelope is higher than it was at tender stage, which partly offsets the higher capital cost at the start of the project. A report will be supplied at the end of each year on how the properties are performing in line with the investment envelope. The comfort plan contracts will be finalised by an external legal firm to ensure these are robust, and that we meet any obligations under the electricity regulations, as well as ensuring they survive right to buy.

The project is set to deliver a 20% saving between the current costs and those at the end of the project, and the capital costs at the start of the programme are in line with the benchmarked costs from tenders elsewhere in the UK.

ERDF and Interreg grant have now been signed off. We are awaiting a contract from MHCLG for the ERDF funding. The Interreg project requires that the full capital contribution is spent by February 2019, which is achievable but requires a fast start on site. The MHCLG programme was based on a start date of July 2018. Delays with the decision making process mean the project is starting later. However the programme was cautious to reflect this risk, so within the first two quarters we should be on target for spend and delivery for ERDF.

Procurement of Melius Homes was undertaken during the REMOURBAN project, with an option to extend their contract if ERDF was successfully negotiated. They delivered the contract successfully so we are extending their contract. This is compliant with EU regulations.

Melius will be overseen by NCH to ensure their continued good performance and budget monitoring. NCC will oversee the ERDF programme.

Revenue funding is included for additional staff in both NCC and NCH to deliver the project, with some time for additional work for existing teams. The posts included were named in the bid. The Interreg includes some revenue funding to deliver the additional homes and to provide reports associated with the different funding. NCC Economic development will require a small proportion of this for First Line audit and governance (c £10k). The rest will be transferred to NCH to cover Project Management, including management of the contractor, reports and deliverables for Interreg and attendance at partner meetings.

Briefing notes documents: Appendix 3 Proposal.docx

Other Options Considered: Not continuing with the project was discounted. The reason for not continuing was that the project is seen as the best way to develop a self financing business model for low carbon housing, and will see more than £4.8m grant being secured to spend on Council housing in Nottingham. If we didn't proceed we would lose significant investment into Council housing in Nottingham.
Reducing the total request for grant in order than no additional match funding was required was also discounted. Ministry of Housing, Communities and Local Government were keen that the project total spend remained the same. Had we reduced the total project cost, we would lose grant and therefore investment into Nottingham's council housing.
Not accessing the Interreg funding was discounted, as this brings in £484k additional funding to be spent on council housing.

Background Papers:

Published Works: Executive Board Approval 12th June 2017

Affected Wards: Radford and Park, St Ann's

Colleague / Councillor Interests:

Any Information Exempt from publication: Yes

Exempt Information:

Description of what is exempt: Finance tables and two reports.

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 the costs which are included are based on commercial pricing provided in confidence.

Documents exempt from publication:

Appendix 1 For Information Not for Publication - Energiesprong Roll Out Finance Tables.docx, Appendix 2 For Information Not for Publication Background and Investment Envelope.docx, Appendix 4 For Information Not for Publication Lessons from Pilot.docx

Consultations:

Those not consulted are not directly affected by the decision. The decision is about additional cost to deliver works previously agreed and previously consulted on through Exec board approval.

Crime and Disorder Implications:

The work carried out on the pilots has resulted in increased pride in the tenants' homes. The increased size of the bungalow kitchen windows has meant overlooking in an area which was previously not overlooked and therefore the subject of anti-social behaviour.

Equality:

Please login to the system to view the EIA document: 2018 Equality Impact Assessment New Proforma Energiesprong Roll Out Final.docx

Social Value Considerations:

The contractor was procured through a full OJEU process in 2017. They have committed to investing in a factory in Nottingham which would be used to deliver the Energiesprong roll out in Nottingham, as well as other projects in the Midlands. They have already met with Nottingham Jobs Fund representatives from Nottingham City Council and have interviewed Nottingham residents who are unemployed, or in temporary roles, or in training.

Decision Type:

Leader's Key Decision

Subject to Call In:

Yes

Call In Expiry date:

02/11/2018

Advice Sought:

Legal, Finance, Procurement, Equality and Diversity

Legal Advice:

The City Council must ensure it complies with the terms of the Interreg E= 0 grant agreement - it is understood from discussions with the report author that the grant conditions do not require a further competitive procurement.

The City Council has agreed with MCHLG arrangements to ensure the grant funding from ERDF is not unlawful state aid. This requires the City Council to keep financial records for the term of the project to identify whether the City Council has received a net financial benefit at the end of the project.

The terms of the energy plan contract to ensure recovery of the energy plan payment (as an element of the financial envelope) need to be agreed and specialist external advice will be commissioned to finalise its terms. Advice provided by Andrew James (Team Leader Contracts and Commercial) on 26/09/2018.

Finance Advice:

The finance advice is contained in the attached appendix.

Advice provided by Julie Dorrington (Senior Accountant (Housing Revenue Account)) on 08/10/2018.

Advice documents: 2018.10.02 ERDF and Interreg (retrofit) - finance comments.docx

Equality and Diversity Advice:

The proposal offers opportunities for citizens to live in environments that are beneficial mentally and physically. The proposal makes clear engagement full inclusion of citizens and is predicated on the theme of equality. Advice provided by Adisa Djan (Equalities and Diversity Consultant) on 04/10/2018.

Procurement Advice:

Melius Homes were awarded the contract for this scheme following a full OJEU-compliant tender in accordance with Public Contracts Regulations 2015 and the Council's Contract Procedure Rules, which covered both the pilot and roll-out phases. There are thus no procurement issues with their continuing to deliver the outcomes of the project. Advice provided by Jonathan Whitmarsh (Lead Procurement Officer) on 11/09/2018.

Signatures:

Jon Collins (Leader of the Council)
SIGNED and Dated: 26/10/2018

Chris Henning (Corporate Director for Development and Growth)
SIGNED and Dated: 16/10/2018