

Report of:	Councillor Eric Polano - Executive Member for Regeneration Richard Horniman - Director of Regeneration and Culture
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Submitted to:	Executive - 27 May 2021
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Subject:	Local Authority Delivery 2 (LAD2) Grant Application and Scheme Delivery
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Summary

Proposed decision(s)
That Executive approves the acceptance of the Local Authority Delivery 2 funding award and the procurement of EON as our delivery partner if the application is successful.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Decision	Yes	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
We will ensure our town is an absolute leader on environmental issues, working with local people to protect and create public and green spaces, and promote sustainable lifestyles.	We will make Middlesbrough look and feel amazing, working closely with local communities to make sure that our roads, streets and open spaces are well-designed, clean and safe, and revitalising unused buildings and heritage assets.	We will make sure that our business management practices, including how we manage finance, performance, projects, risks and assets, compare with those of the best-performing councils, and achieve good outcomes for our communities.

Ward(s) affected
All

¹ Remove for non-Executive reports

What is the purpose of this report?

1. That Executive approves the acceptance of the Local Authority Delivery 2 funding award and the procurement of EON as our delivery partner if the application is successful.

Why does this report require a Member decision?

2. A Member decision is required as the funding application is for £1,091,161 and affects all wards.

Report Background

3. The Green Homes Grant Local Authority Delivery Phase 2 (LAD2) Scheme aims to improve the energy efficiency of homes of low-income households, help to reduce fuel poverty, phase out high carbon fossil fuel heating, and deliver progress towards the UK's commitment to net zero by 2050.
4. Phase 2 comprises of £300m allocated through Local Energy Hubs for regional delivery up to December 2021. The North East Yorkshire and Humber Energy Hub has secured £51.95m in LAD2 funding from the Department of Business Energy and Industrial Strategy (BEIS).
5. Middlesbrough Council has applied for the full £1,091,161 allocation which BEIS have calculated based on Middlesbrough's fuel poverty figures. This allocation includes a maximum 11% allocation for the costs of running the scheme of £108,133.
6. Middlesbrough Council has been working with the 4 other Tees Valley authorities and all 5 are in discussions with EON to negotiate a contract to deliver the majority of the scheme on our behalf.
7. The government timescales for LAD2 have been incredibly challenging with the bids submitted on 26th March 2021, notification of funding offer due to be received from the Energy Hub in the week commencing 19th April 2021 and the programme completion deadline for the whole scheme is 31st December 2021.
8. The scheme will be challenging to deliver given the tight timescales, requirements such as the need to have a variety of skilled tradespeople and qualified Retrofit Assessors and the impact of Covid-19 making people more reluctant to have contractors carry out works in their homes. It is hoped that using a recognised company, such as EON, will help to encourage people to take part and therefore maximise the amount of investment in Middlesbrough.
9. LAD2 will be mainly aimed at homeowners in fuel poverty. The government requires that the funding must be targeted at households with an energy performance certificate (EPC) rating of Band D, E, F or G, although Band D is subject to a cap of 50% of Band D homes in any Local Authority proposal. Those receiving measures must have a combined household annual income of no more than £30,000. Those homeowners who qualify can have a maximum of £10,000 of works done to their

property at no cost such as external wall insulation, new energy efficient windows or loft insulation. LAD2 funding cannot be used to subsidise fossil fuel products or to fund gas boilers.

10. There is some scope for landlords to be involved in the scheme. The maximum amount of works to rented properties is set by BEIS at £5,000 and landlords must pay a minimum of a third of the cost of works. It is anticipated that having a lower maximum per property and having to pay towards the costs of works will not make the scheme as attractive to landlords as homeowners.
11. The amount able to be claimed for running the scheme can only be comparable to the amount spent on works. For example if we only manage to spend 60% of our allocation for works to properties we would only be able to spend 60% of the maximum £108,133 for running costs.
12. Subsidy control limits will make it difficult for registered housing providers, such as housing associations, to be involved in LAD2 however the government has other energy efficiency schemes that they can apply for.
13. Any contract entered in to will have clauses requiring local employment. Discussions have commenced about on-boarding days to specifically target local tradespeople so that they can be sub-contracted by EON.
14. Some parts of running the LAD2 scheme will remain within the Council such as managing the performance of the contract, collating and analysing data, performance reporting to the Energy Hub/BEIS, making monthly claims for the funding and being responsible for the marketing of the scheme. These costs can be covered by the funding allocation.

What decision(s) are being asked for?

15. That Executive approves the acceptance of the Local Authority Delivery 2 and the procurement of EON as our delivery partner if the application is successful.

Why is this being recommended?

16. Due to tight timescales for delivery and lack of internal capacity appointing a delivery partner is the only way to ensure we meet the requirements of the grant and avoid any clawback of funding. The 5 Tees Valley Local Authorities have worked collaboratively with Operational Leads, Procurement, Finance and Legal to ensure our proposed procurement route is compliant with our Standing Orders.
17. The application for LAD2 funding and the delivery of a scheme, if successful, has not been the subject of the Overview and Scrutiny Board or a Scrutiny Panel.

Other potential decisions and why these have not been recommended

18. The alternative would be to not accept the LAD 2 funding of £1,091,161 if the application is successful. The money would then be offered to other local authorities who felt able to expand their schemes. This would mean the least energy efficient residential properties in Middlesbrough not receiving energy improvement works, resulting in households remaining in fuel poverty.

Impact(s) of recommended decision(s)

Legal

19. The 5 Local Authorities have worked collaboratively with operational leads, procurement, finance and legal and in line with Standing Orders have identified a direct award route via an Exemption to Standing Orders, which will be actioned in the event that funding is successful.
20. The procurement and legal colleagues across the 5 Tees Valley Local Authorities are currently drafting a contract and have considered all the appropriate procurement and subsidy implications.
21. At this time there are no known legal issues with the recommended option.

Financial

22. Finance have been involved in the production of the bid for funding, including reviewing the bid before submission. Both Finance and Procurement officers have attended a briefing session about the bid process run by the Energy Hub.
23. If the bid is successful Finance will be involved in the drafting of the contract with EON to ensure that any payments to EON correlate with the monthly claims the Council will have to make to the Energy Hub for funding.
24. All relevant financial, procurement and contract management policies and procedures will be followed.

Policy Framework

25. The decision is aligned with the Council's 2020-23 Strategic Plan particularly around environmental issues as it will increase the energy efficiency of existing residential properties.

Equality and Diversity

26. Protected groups will not be adversely impacted by the decision.

Risk

27. Risks have been carefully considered as part of the bid process with the bid process including a risk register and the drafting of the contract will ensure that risks to the Council are minimised.
28. Covid-19 may mean that the Council are unable to spend the full allocation due to people being reluctant to have tradespeople in their homes. As mentioned above in the report as long as the Council do not spend a disproportionate amount of the running cost allocation compared to the allocation for works there will be no clawback. We would simply not claim any of the allocation that we have been unable to spend due to the impact of Covid-19.

Actions to be taken to implement the decision(s)

29. The bid was submitted on the 26th March 2021 and we are due to find out of the bid has been successful in the week commencing 19th April 2021.
30. This report will be presented to Executive on 11th May 2021.
31. A contract with EON will be agreed by the end of May 2021.
32. Contract management will take place during the scheme delivery with monthly claims being made to the Energy Hub along with monthly performance reporting. Monthly payments will be made to EON in line with the contract requirements.
33. All works have to complete by 31st December 2021.

Appendices

34. Impact Assessment

Background papers

35. No background papers were used in the preparation of this report.