

Report of Chief Officer, Sustainable Energy and Air Quality

Report to Director of Resources and Housing

Date: 2nd October 2019

Subject: Contract and financial decisions to deliver the ERDF funded Transformational Insulation in Back to Backs project (TIBB).

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Armley, Beeston and Holbeck, Burmantofts and Richmond Hill, Gipton and Harehills, Hunslet and Riverside	
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary

1. Main issues

- The council submitted a full ERDF grant application in July 2018 for Transformational Insulation in Back to Backs (TIBB).
- TIBB aims to transform the market for external wall insulation (EWI) and will deliver innovative EWI to 750 council owned back to backs within 4 deprived communities between April 2020 and March 2022.
- A decision in principle has been taken by MHCLG to fund the project and signing the grant funding agreement will ensure c£5.3m of external funding is available for the project. Match funding has been committed from the existing Capital Programme.
- The grant funding agreement needs to be signed within 14 days of a formal offer being received and conditions cannot be negotiated.
- This project cannot be delivered by either internal service providers or existing contracts, therefore an external contractor will be procured to deliver the programme.
- The council will use a mini competition within the relevant lot of an existing framework to strengthen competition and value for money. This procurement methodology has been agreed by MHCLG.

- Permission will be required to use a particular framework both from MHCLG and our legal review team and so there is likely to be a delay of a few months before procurement can start. Procurement will be carried out by the Project Team with advice from Procurement and Commercial Services. An evaluation report with a recommendation of a contractor will be presented to the Director of Resources and Housing.
- An ERDF condition is that all costs defrayed on the project can be identified and are claimed in arrears. A separate capital cost code needs to be set up to ensure this condition is and the HRA match funding needs to be injected into this so that contractors can be paid before the money is reclaimed and invoice payment terms can be met.

2. **Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- Leeds City Council's Best Council Plan 2015-20 sets the ambition to be the best city where everyone in Leeds lives in good quality, affordable homes within clean and well cared for places measured through the energy and thermal efficiency performance of houses. TIBB improves 750 back to back council houses addressing any damp and disrepair issues and making them more thermally efficient, directly contributing to this ambition.

Resource Implications

- Acceptance of this grant will add c£5.3m of external ERDF funding into the HRA Capital Programme.
- The programme will be delivered with match funding of £5.3m from the approved Housing Revenue Account Capital Programme.
- Additional, unquantified, HRA expenditure will be required to remedy any damp or disrepair issues found.
- A competitive call off from an existing framework, represents the quickest and best value method for procuring this project and will result in a competitive tender.

Recommendations

The Director of Resources and Housing is recommended to:

- a) Provide authority to enter into an ERDF grant agreement for £5,256,713 for the TIBB programme;
- b) Approve the request to inject £5,256,713 of ERDF grant funding into the Housing Leeds Capital Programme with match funding of £5,068,759 provided from the non-traditional and hard to treat budget within the approved Housing Revenue Account Capital Programme;
- c) Provide authority to spend for £10,137,519 to deliver the entire TIBB programme;
- d) Provide authority to procure a contractor to deliver this work from an approved framework.

1. Purpose of this report

- 1.1 To provide an update on progress with the Transformational Insulation for Back to Backs (TIBB) project and to take the necessary decisions to deliver TIBB.

2. Background information

- 2.1 A call for ERDF PA4 applications was issued in September 2017. Three low carbon projects, including TIBB, were submitted by Leeds as outline applications in November 2017.
- 2.2 The Full Application for TIBB was submitted in August 2018 and, following assessment by MHCLG over an extended period, a decision in principle to award an ERDF grant for TIBB was taken on 15th August 2019. Both parties must now sign a grant agreement to confirm the grant funding.
- 2.3 TIBB aims to transform the market for external wall insulation (EWI) starting with back to back housing within Leeds. It will deliver innovative EWI within 4 deprived communities in Leeds between April 2020 to March 2022, together with related energy efficiency improvements. The project will deliver the improvements to 750 council homes, providing a large-scale demonstrator of the use of offsite manufacture for retrofit EWI.
- 2.4 TIBB has been co-ordinated with the Housing Leeds disrepair team. A damp survey will take place before any work commences and all remedial work required will be carried out before work starts. If this work relates to energy efficiency such as upgrading existing windows and doors, it will be included in ERDF. If it relates to other works such as replacement flooring this will need to be fully funded by Leeds City Council.
- 2.5 Alongside the EWI and required ancillary work, all houses will have a new insulated roof unless they have had a new roof in the last few years.
- 2.6 Many of the houses are contained within Priority Neighbourhood Areas, and will contribute to regeneration of these areas.
- 2.7 We also hope to use this demonstrator, in conjunction with the Better Homes Yorkshire framework, to encourage up to 8,800 privately owned homes to take up EWI using ECO funding that is more widely available to the private sector. With a mixed tenure project enough houses can be improved to lift the whole neighbourhood, creating a more welcoming neighbourhood for families and lowering rates of anti-social behaviour.

3. Main issues

- 3.1 A decision in principle to fund the project has been taken and signing the grant funding agreement will ensure c£5.3m external funding is available for the project. Match funding has been committed by Housing Leeds.
- 3.2 The grant funding agreement needs to be signed within 14 days of being offered. Conditions cannot be negotiated. Leeds City Council have signed such grant funding agreements before.
- 3.3 It may be a contract requirement to use WYCA Jobs and Skills, Leeds City Council's Job and Skills have been contacted and given their input, and agreed that we can work with WYCA Jobs and Skills.

- 3.4 This project cannot be delivered by either internal service providers or existing contracts. So an external contractor will be required to deliver the c£10.2m TIBB programme. Additional contractors will be required to monitor and measure the project to produce a summative assessment which is a requirement of the project.
- 3.5 A competitive call off from an existing framework, represents the quickest and best value method for procuring this project as the framework identified will have already been tested for value for money and use of an already procured and compliant framework cuts down officer time involved.
- 3.6 The additional use of a mini competition within the relevant lot to call off from the framework will strengthen competition. Checks will also be made comparing the costs to standard works and the ERDF budget to ensure value for money. This procurement methodology has been agreed by MHCLG.
- 3.7 Permission will be required to use a particular framework both from MHCLG and our legal review team and so there is likely to be a delay of a few months before procurement can start. Procurement will be carried out by the Project Team with advice from Procurement and Commercial Services. Once completed, an evaluation report with a recommendation of a contractor will be presented to the Director of Resources and Housing for approval.
- 3.8 An ERDF condition is that all costs defrayed on the project can be identified and are claimed in arrears. A separate capital cost code needs to be set up to ensure this condition is met and the HRA match funding needs to be injected into this so that contractors can be paid before the money is reclaimed and invoice payment terms can be met.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 A pilot house was insulated with offsite manufactured external wall insulation in Autumn 2017 the owner of this property has been contacted and reported that the insulation had kept the house warm over the following Winter. A further pilot was carried out on an LCC owned property to look further at the potential methodology for installation.
- 4.1.2 Initial consultation was carried out with Ward Members for Gipton and Harehills, and, Burmantofts and Richmond Hill in May and October 2017 for a wider private sector scheme, but changes to ECO regulations and a desire to co-ordinate with the ERDF scheme have delayed this. As Innovation ECO has now come into force providing extra funding to the private sector we intend to engage the appointed contractor and Better Homes Yorkshire to develop a wider private sector scheme in the TIBB areas. Once this offer has been developed we will brief ward members ideally via community committee meetings.
- 4.1.3 Environment Programme Board and the Affordable Warmth Partnership have been kept informed of the progress of the ERDF Application.
- 4.1.4 The Executive Member for Climate Change, Transport and Sustainable Development has been briefed.
- 4.1.5 A Tenant Liaison Officer will liaise with tenants before installation starts, keep tenants informed of progress and give advice on how insulation affects their home.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 TIBB is designed to combat fuel poverty, one of the LCC Equality Improvement Objectives 2016 – 20, and so will have a positive effect on equality. An impact assessment was carried out by Housing Leeds on 26th July 2018.
- 4.2.2 An offer for private landlords and owner occupiers part funded by the Energy Company Obligation (ECO) will be developed to run alongside this scheme to promote cohesion and integration and improve the whole neighbourhood.
- 4.2.3 The project is expected to safeguard or create approximately 80 jobs, and apprenticeships.

4.3 Council policies and the Best Council Plan

- 4.3.1 The ERDF project fits with the council's overall aims to reduce carbon emissions and address fuel poverty, specifically:
- Leeds City Council's Best Council Plan 2015-20 sets the ambition to be the best city where everyone in Leeds lives in good quality, affordable homes within clean and well cared for places measured through the energy and thermal efficiency performance of houses.
 - And LCC Equality Improvement Priorities 2016-20, include:
 - Compassionate City - Living safely and well, living at home, and valuing communities
 - Reducing fuel poverty increases life expectancy, improves mental health and wellbeing and reduces health inequalities.

Climate Emergency

- 4.3.2 Leeds Climate Change Strategy has the following targets:

- 40% CO₂ reductions from all sectors from 2005-2020
- and net zero by 2030.

The project is forecast to save an average of 687 kgCO_{2e} pa per household, equating to 515 tonnes of CO_{2e} pa for the project. If all 8,800 private sector homes also take up the offer, this would increase this to 6,914 tonnes of CO_{2e} pa.

The demonstration at scale of this innovative off site manufactured insulation has the potential to drive down the cost and time taken for insulation for external wall insulation, which may lead to increased uptake, and would lead to a reduction in the cost of future schemes.

- 4.3.3 Affordable Warmth Strategy 2017-30:

- increase the average SAP rating of housing in Leeds to band C by 2020 as a whole, and to ensure that no properties are below band E by 2030;
- to ensure that resident's health and wellbeing isn't put at risk due to being unable to heat their home, as per the NICE guidelines on preventing excess winter deaths.

At least 750 homes will have their SAP rating improved by between 13 and 22 points, depending on their starting point.

This project will also deliver the following benefits:

- Reduce energy use by an average 34% per household, allowing tenants to afford to live in a warmer, more comfortable home and lifting an expected 200 households out of fuel poverty.
- Reduce humidity levels and surface condensation which can lead to mould growth.
- Improve the health of tenants, particularly those suffering from diseases affected by cold and damp such as asthma, COPD, or mental health conditions.

4.4 Resources, procurement and value for money

- 4.4.1 ERDF grant funding is external funding. Acceptance of this grant funding will add c£5.3m into the Capital Programme.
- 4.4.2 The programme will be delivered with match funding of £5.3m provided from the non traditional and hard to treat budget, within the approved Housing Revenue Account Capital Programme.
- 4.4.3 Additional expenditure will be required to remedy any damp or disrepair issues found which will come from the existing Housing Leeds budget but cannot be quantified at this time.
- 4.4.4 Procurement is covered in the main issues section.

4.5 Legal implications, access to information, and call-in

- 4.5.1 A key decision is required to accept any ERDF grant funding, inject it into the capital programme and give authority to spend. Forward notification of this key decision has been published.
- 4.5.2 A legal grant agreement will need to be entered into before grant money can be accessed. The grant agreement has to be signed within 14 days of it being offered and cannot be negotiated. The council has entered into ERDF grant agreements before on the same standard terms and conditions, which have previously been checked by Procurement and Contracts.

4.6 Risk management

- 4.6.1 Corporate risk 24 is that 'Council does not meet CO₂ emissions reduction targets and improve home energy efficiency'. The ERDF projects both contribute towards mitigating both of these risks and so should be pursued.
- 4.6.2 ERDF have strict clawback processes for any projects that are deemed to be non-compliant with procurement rules. Access to an OJEU compliant framework is required to avoid clawback.
- 4.6.3 The framework will be approved by MHCLG prior to the award of the contract, lessening the possibility of clawback. This approval is required before any contract can be signed.

5. Conclusions

- 5.1 TIBB aligns with council priorities, tackles poverty in deprived neighbourhoods and will produce carbon savings. It attracts £5.3m of external funding and so the grant funding agreement should be signed.
- 5.2 An external contractor is required to deliver the scheme and therefore should be procured.

6. Recommendations

The Director of Resources and Housing is recommended to:

- a) Provide authority to enter into an ERDF grant agreement for £5,256,713 for the TIBB programme;
- b) Approve the request to inject £5,256,713 of ERDF grant funding into the Housing Leeds Capital Programme with match funding of £5,068,759 provided from the non-traditional and hard to treat budget within the approved Housing Revenue Account Capital Programme;
- c) Provide authority to spend for £10,137,519 to deliver the entire TIBB programme;
- d) Provide authority to procure a contractor to deliver this work from an approved framework.

7. Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.