LONDON BOROUGH OF CAMDEN	**WARDS:** ALL
REPORT TITLE Retrofit at Scale for Council Homes – Procurement Strategy (SC/2024/21)	
REPORT OF Cabinet Member for Better Homes	
FOR SUBMISSION TO Housing Scrutiny Committee Cabinet	**DATE** 10 December 2024 11 December 2024

STRATEGIC CONTEXT

We Make Camden is our joint vision for the borough, developed in partnership with our community. Its ambition is that everyone in Camden should have a place they call home, Camden should be a green, clean, vibrant, accessible, and sustainable place with everyone empowered to contribute to tackling the climate emergency.

This report recommends approval of a prototype "Retrofit Test Model" which will test principles around reducing carbon emissions while providing lower energy costs for residents. The model will be aimed at a comparatively small sample of Council homes but will test principles which could ultimately be used for our whole stock. It is also part of our work to deliver energy security and test the ability of institutional investment to help deliver our net zero goals.

The Way We Work is the Council's response to We Make Camden. This project will be rolled out with extensive resident engagement and will be an exemplar scheme benefiting from the feedback and experience of those households who form part of the pilot.

SUMMARY OF REPORT

This report recommends developing a prototype Retrofit Test Model targeting a relatively small sample of circa 3,000 of the Council's homes.

The model will test and develop principles as part of a prototype to reduce carbon emissions at scale across our housing stock while providing lower energy costs for residents. The proposed approach is the first of its kind at any significant scale. It is required as London Councils estimate that current grant-funded retrofit schemes will only reach between 2% and 3% of homes in the capital. The project aligns with work by Government to improve energy security with support from institutional investment, and reduce reliance on fossil fuels for energy generation.

The model will test a phased approach to retrofit. It will see the installation of solar panels and battery storage to around 3,000 Council's homes (9% of the overall stock). Should it be successful it will lay the foundation for further retrofit work to the initial sample of 3,000 homes – for example heat pump installation or fabric measures.

More significantly, principles developed for and by the Retrofit Test Model could subsequently be used to develop another more extensive model which could be rolled out more widely across the Council's housing stock.

Under the proposed approach, the intention is that the supplier will be an institutional investor who will part fund the works. The energy generated means that residents receive lower bills and part of the saving is used to pay back the investment. The resident receives a single bill which captures all this, which is generated by a billing platform unique to the project. The prototype, including the capital works required, will be delivered through a special purpose vehicle.

The properties that will be added to the pilot are those with poorer energy ratings and where residents will benefit from the energy provided by the panels and battery storage. This will form an important part of the Council's work to make sure all homes achieve a Energy Performance Certificate (EPC) rating of band "C" or above.

Because the model is the first of its kind to be mobilised at any significant scale, based on pre-market engagement, it appears there is likely to be a very limited supplier pool of organisations who potentially have the resources, capacity and capability to collaborate with the Council and develop the detailed financial and legal structure to deliver the requirements of the Council's prototype and positive outcomes sought for residents.

As explored in the report, expert legal advice has been obtained, and the proposed approach is to publish a transparency notice, which may lead to a subsequent decision to make a direct award of a contract to operate the Retrofit Test Model.

The report is coming to the Cabinet because the ultimate gross value of the contract over 30 years is estimated as being £68.2m.

Local Government Act 1972 – Access to Information

No documents that require listing were used in the preparation of this report.

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RECOMMENDATIONS

The Housing Scrutiny Committee is asked to consider the report and make any recommendations to Cabinet.

Cabinet having considered the results of the Equalities Impact Assessment at Appendix 3 and having due regard to the obligations set out in section 149 of the Equality Act 2010 is asked:

(a) To approve the establishment of a bespoke Retrofit Prototype Test Model targeted at a sample 3,000 homes (9% of Council stock) designed to test

principles for reducing carbon emissions while providing lower energy costs for residents

(b) To delegate to the Executive Director Supporting Communities following consultation with the Cabinet Member for Finance & Cost of Living, the Cabinet Member for Better Homes and the Executive Director Corporate Services, the power to take all decisions and operational actions required to develop and implement the prototype Retrofit Test Model, this to include:

- Agreement of the detailed heads of terms and specifications for the model following financial and legal due diligence
- Serving of transparency notices as specified under the Procurement Act 2023
- Approval of the procurement strategy/contract award once all relevant procurement notices, have been issued and internal governance and due diligence completed

Signed: 

Date: 29th November 2024

1. CONTEXT AND BACKGROUND

1.1 The Council is committed to the decarbonisation of its homes and to improving energy security for its residents. An important part of this work is to 'retrofit' the Council's housing stock. Retrofit describes the process of carrying out work to make homes more energy efficient and/or reduce the carbon emissions they generate. This work often provides energy savings and lower energy bills for residents.

1.2 This report recommends that the Council develops a prototype Retrofit Test Model. The model will pilot a methodology for installing retrofit measures, linked to a bespoke billing platform, with works delivered through a special purpose vehicle which the Council would part fund. The first phase of the pilot will see solar panels and storage installed, with later phases to be considered such as heat pumps installation and / or fabric measures.

1.3 The model is specifically designed to test principles around delivery, viability and suitability, for the purposes of designing a wider model which could be rolled out across the Council's housing stock. It will test these concepts using a sample consisting of a relatively small proportion of the Council's overall stock (9%). The project aligns with the work of Government to improve energy security and reduce reliance on fossil fuels for energy generation.

1.4 The approach set out in this report also looks at how institutional investment can help to deliver retrofit at scale, which will be necessary given the financial cost of delivering this work to all our Council homes.

2. PROPOSAL AND REASONS

2.1 The proposed Retrofit Test Model is an innovative scheme required because London Councils, supported by a study from Arup, estimate current grant funded retrofit schemes will only reach between 2% and 3% of homes in the capital. The model will see the installation of solar panels and battery storage to 3,000 Council's homes (9% of the housing stock) as a prototype. The sample properties to be included in the model are generally those with poorer energy ratings where residents will benefit from the energy provided by the panels and battery storage. This will form an important part of the Council's work to make sure all homes achieve a "SAP" rating of band "C" or above.

2.2 Should the prototype be successful it will lay the foundation for further retrofit work to the test sample of 3,000 homes – for example heat pump installation or fabric measures – and will also test whether this approach can be delivered more widely across the housing stock.

2.3 Because this scheme is the first of its kind to be mobilised (at least at any signifcant scale) the model is designed to test whether institutional investment can support delivery of retrofit at scale, which will be necessary given the financial cost of delivering this work to all our Council homes. Under the Retrofit Test Model the supplier, who would be an institutional investor, will part fund the project. The energy generated means residents receive lower bills and part of the saving is used to repay the investment. The resident receives a single bill which clearly explains this, which is generated by a

billing platform unique to the project. The capital works element will be delivered through the special purpose vehicle established for the project.

2.4 Detailed heads of terms for the test model will be developed should this report be approved and these will be subject to legal and financial due diligence. Its key features are set out below and are described further in Appendix 1:

- Establishing a Special Purpose Vehicle (SPV) to provide “Energy as a Service” to the Council and its residents
- Development of retrofit pathways for the homes in scope of the model
- Unique billing arrangements so that the residents receive a single bill and a share of the energy savings generated by the solar panels and storage
- Arrangements for the Council and an institutional investor to invest capital funds for the delivery of the necessary works through the SPV, and for the investor to receive a return on their capital outlay

2.5 The unique characteristics of model relate to the partnership and legal framework between the landlord, institutional investor, provider of the billing solution and a regulated energy provider. The pathway analysis undertaken by the provider of the billing solution also makes sure there is sufficient energy generated and savings secured for the investor and resident to both share the benefit. It is also the case that detailed heads of terms to operate the above arrangements, that also allow for future phases, do not currently exist in an operational form. This prototype will also look to pave the way for ‘heat pumps as a service’ to complement the energy already provided, and the addition of fabric measures where cost effective.

2.6 Resident engagement will be central to the prototype, and the Council will work with all residents in scope to talk through how the scheme operates and get their feedback on how it can be successfully implemented. Residents who live in homes connected to the pilot installations will have the option of signing up to the scheme once they have considered the level of energy they typically use and the benefits of the scheme to them. The savings secured by residents will depend on the amount of energy they use (feasibility work suggests savings of 13% generally achievable), and this will be explored and explained as part of the signup process.

2.7 Because the model is the first of its kind to be mobilised at any significant scale, based on pre-market engagement, it appears there is likely to be a very limited supplier pool of organisations who potentially have the resources, capacity and capability to collaborate with the Council and develop the detailed financial and legal structure to deliver the requirements of the Council’s prototype and the positive outcomes sought for residents. If it can be demonstrated there is only one organisation that can deliver the prototype, this may permit a direct contract award to that organisation.

2.8 If the recommendations are approved, the principle of making a direct award of a contract for the Retrofit Test Model will be explored further through additional pre-market engagement and the publication of transparency notices. Before any decision to award is taken, the transparency notice would give details of the contract for the model and notification of the Council’s

intention to make a direct award. Essentially the effect of the transparency notice would be to give any other potential suppliers the opportunity to make representations about the proposed direct award. These could be considered in any subsequent decision to formally adopt a procurement strategy for direct award of the Retrofit Test Model contract and the actual award of the contract.

2.9 The report is coming to the Cabinet because the total estimated gross operating income generated by the vehicle, i.e. the value of the opportunity, will ultimately be £68.2m over the 30 year life of the agreement. The net operating income after all expenditure, will of course be much lower. The actual capital works cost, estimated as being £18.1m, will be tendered by the special purpose vehicle that will be established.

2.10 The approach to financing the Retrofit Test Model is set out in Appendix 2. In summary the Council will invest c. £11.2m into the project and an institutional investor will provide c. £9.5m. The Council is applying for funding from Government through its Social Housing Fund – Wave 3 (SHFW3) to cover part of the cost of the scheme with its application submitted November 2024 and successful applicants to be notified in March 2025. The SHFW3 funding could cover between 25% to 50% of all construction cost including design works. Any grant funding is to be spent by 31st March 2028 following the profile below:

FY 2025/26	FY 2026/27	FY 2027/28
1/3 of grant funding	1/3 of grant funding	1/3 of grant funding

2.11 The Council has worked with the GLA and London Councils to develop a consortium bid acting as the lead bidder for SHFW3, representing 14 other local authorities and registered providers.

2.12 The Council is also in discussions with an organisation called HACT with a view to securing carbon credits against the solar panels and storage being installed. On a pilot of 3,000 homes this would provide an additional total income of approximately £4.7m direct to the Council, phased over 17 years for delivering the scheme and will be used to support the billing costs.

3. OPTIONS APPRAISAL

3.1 The following options were explored:

Option 1 – Do nothing

3.2 The Council could continue with its current grant funded projects and deliver works to approximately 300 homes over the next 2-3 years. Since 2022 this would be a cumulative total of 500 homes which would constitute just more than 2% of Council homes, which is in line with average across London boroughs. It is also noted that capacity for additional projects funded in this way is very limited as they require the Council to commit significant levels of match funding, and this has to be considered alongside the extensive investment required across the Council stock for essential maintenance and infrastructure work.

Option 2 – Fund the work directly

3.3 The total estimated cost of decarbonising all Council homes is estimated as being a minimum of £700m, this increasing when other factors are added in such as project overheads and access arrangements. It is therefore essential that new forms of delivery and the scope for institutional investment to be explored.

3.4 With regards to this prototype, direct investment would double the capital cost of the scheme to the Council and could not be supported by the capital programme when weighed against other priorities.

3.5 The proposed prototype will also allow the Council to test innovative billing arrangements and examine how a 'comfort charge' model may work for solar panel, storage and other retrofit measures, and enable delivery of retrofit at scale.

Option 3 – Carry out a competitive tendering exercise for award of a contract for the Prototype Test Model

3.6 The prototype as recommended in this report is the first of its kind to be procured. The Procurement Act 2023 (PA 23) permits direct award of a contract without a competitive tendering exercise in the case of a prototype and development contract, designed to test principles which can be used in developing a subsequent model and large-scale contract.

3.7 Whilst the model is still subject to further design and development of heads of terms, based on the information currently available, it is considered it could legitimately be classed as a prototype and development contract within the meaning of PA 23. Furthermore, there are no comparator projects in the market, although a small number of social landlords and Councils are engaged on similar feasibility work.

3.8 A direct award process would allow an institutional investor, their technical partners and the Council to work closely together, develop and mobilise the prototype in a reasonable timescale. By contrast, a competitive tendering exercise would not support this collaborative approach, and investors are unlikely to commit the significant investment required to develop a bespoke prototype that meets the Council's requirements.

3.9 It is noted that the capital works element to install the solar panels and storage, will be competitively tendered by the special purpose vehicle that would be established for the project.

Option 4 – Further explore direct award of the Test Model

3.10 This is the recommended option. As noted, indications are the Retrofit Test Model (whilst still subject to further development in terms of due diligence) will fall within the prototype and development contract justification for direct award in the PA 2023. Furthermore, based on pre-market engagement, there appears to be a very limited supplier pool of organisations who have the resources, capacity and capability to collaborate with the Council and develop

the detailed financial and legal structure to deliver the requirements of the Council's prototype and the positive outcomes sought for residents. If it can be demonstrated there is only one organisation that can deliver the prototype, this may permit a direct contract award to that organisation.

3.11 Progressing a direct award approach will also help make sure the Council can meet the timescales under SHFW3 to draw down Government funding, should the grant application be successful, and accelerate the installation of solar panels and storage to approximately 3,000 homes.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1 The main risks and mitigations are explored below:

Risk	Mitigations/Measured risk
Insufficient properties are viable, or not enough residents sign up	The Council will have a proactive engagement programme and make sure clear communications are in place so that residents can consider the benefits. The Council will need to make sure sufficient properties are in scope of the programme to capture sufficient interested residents.
"Comfort charge" not paid by residents	The Council will have a risk sharing matrix with the institutional investor to manage the potential cost impact of this. The Council will also have the ability to remove non-paying residents from the scheme (and therefore not receiving the savings).
Cost overruns and/or need for additional working capital	The financial analysis includes contingency sums and the delivery costs of solar PV and storage are well established.
Challenge to the direct award procedure	If a challenge is received following the issuing of the contract notice this will be considered and responded to in line with the Council's constitution and under the relevant Procurement Act.
Savings to residents do not materialise	The financial analysis is built on well established data which models the energy generated and the income it can secure by being sold to the National Grid. The value of saving will change over time but the model will always allow for a percentage saving to be passed onto the resident.
The SPV might not be able to continue to match third party electricity prices and households might be better off buying their electricity elsewhere.	The SPV's prices would be linked to the grid to some degree, since its storage capacity would enable it to purchase from the grid when prices are lower e.g. at night so lower prices in the broader market could benefit residents as well.
The SPV would not have a lot of working capital under the current financial model so would have limited capacity to withstand financial shocks. The most likely cashflow issue would be if bad debt exceeds the level assumed in the financial model.	This risk would need to be shared between Camden and its investment partner in a fair way. The comfort charge by its nature is reducing household bills which one would expect would reduce the risk of bad debt. Nevertheless, the risk can be mitigated in a number of ways including careful selection of participating households and processes for managing arrears.
The Council would be responsible for paying the	Void periods in Camden's stock are not frequent but risk being lengthy if complex repairs are needed, or the property

comfort charge on void properties. While consumption will be minimal in empty properties, the current financial model envisages a minimum comfort charge that all households will have to pay.	is not relet promptly. Void repairs where homes are a part of this scheme will need to be prioritised, and initial profiling of installations will reduce likelihood
The Council will not have any ownership of the SPV, the institutional investor will be the sole owner. This has some benefits for the Council e.g. it is not directly responsible for the SPV. Its sole relationship to the SPV will be contractual.	This means that liabilities will be subject to the contract terms agreed between the Council and its investment partner through commercial negotiations. This project is by its nature innovative, and the Council may have to tolerate some degree of risk. However, the effective management of the risks above rely on the Council successfully negotiating the commercial terms of the contract with its investment partner.
The financial model is based on households consuming a certain amount of electricity per year. If they consume less, then the SPV generates less income and may not be financially viable.	Excess electricity can be exported to the grid but at a lower price which wouldn't make up the shortfall but reduce the impact. Other mitigation measures will include better understanding of household consumption as part of the selection process for the units in the pilot.
Grant spend deadlines are not met due to design & installation delays, resulting in grant being returned and the Council therefore having to inject its own funds into the SPV	The Council is part of a consortium with London Councils and the GLA and LB Camden will be the lead applicant under SHF wave 3 for London local authorities and registered housing providers, for a bid totalling circa £152m. This strategic bid will allow landlords to phase grant expenditure across a number of projects so that the consortium as a whole can better deliver outcomes and the required phasing of expenditure.

5. CONSULTATION/ENGAGEMENT

5.1. Initial resident engagement has explored the proposed approach with Camden tenants. As part of this, 655 households responded to a survey, 68% of the respondents were tenants and 32% were leaseholders. Overall feedback was positive and aligned to an initial focus on solar panels and storage. Headline results include:

- The average interest level in participating in an energy-saving project was high at 8.52 out of 10 (with 10 being very interested)
- Perception of disruption related to retrofit was relatively high, with perceived disruption scored at 6.02 out of 10 (with 10 being very disruptive), indicating that a phased approach, focused initially on solar panels and storage, may be better received
- In reference to energy bill savings, the highest proportion of respondents (30%) thought a 10-20% energy bill saving would be worthwhile.
- Saving money was the main reason residents (61%) would participate in a retrofit project.

5.2. Should the recommendations be approved, there would be focused engagement with residents whose homes are in scope of the pilot to get their early input into the proposed arrangements.

6. LEGAL IMPLICATIONS

6.1 The Council is being advised on the project by Trowers and Hamlins solicitors. Trowers have provided specific advice on the implications of a proposed direct award of a contract for the Test Model. Their advice is set out in full in the confidential Part II Appendix (Appendix 4). However key points are also summarised below.

6.2 The Procurement Act 2023 (PA 23) has passed into law and will come into force in February 2025 and hence will apply to the award of a contract for the Retrofit Prototype Test Model. PA 23 requires authorities to undertake a competitive procurement process for the award of any contract save in certain defined instances. Section 41 of the PA 23 provides such an instance and states that where a "direct award justification" applies, a contracting authority may award a contract directly to a supplier

6.3 The direct award justifications are set out in Schedule 5 to the PA 23 and include Prototypes and Development which is set out below.

> ***Prototypes and development***
>
> *The public contract concerns the production of a prototype, or supply of other novel goods or services, for the purpose of –*
>
> *(a) Testing the suitability of the goods or services,*
>
> *(b) Researching the viability of producing or supplying the goods or services at scale and developing them for that purpose, or*
>
> *(c) Other research, experiment, study or development.*

6.4 The Government has published additional guidance around the Direct Award justifications. Of note, in respect of prototypes and development, it sets out that:

> *15. This justification allows for direct award when procuring a prototype or other novel good or service that is designed or developed at the request of the contracting authority. For example, procuring a solution to enable data to be shared securely between different agencies.*
>
> *16. The public contract must be limited to the early stages of design and development and aimed only at testing the suitability of the goods or services, understanding the viability of production or supply in quantity or*

other research, experiment, study or development. This means it must not include quantity production or supply beyond that necessary for these purposes, for example, to produce or supply the contracting authority with the goods or service on a commercial basis.

6.5 Although if the recommendations in this report are approved the test model will still require further development (building in legal and financial due diligence) having regard to the above the test model appears to fall within the scope of the Prototype and Development contract justification in PA23 given its bespoke nature and the fact that it is designed around testing concepts and principles that are intended to be used subsequently in developing a model for the Council's wider housing stock

6.7 If the recommendations are approved the principle of making a direct award of a contract for the Test Model will be explored further through additional pre-market engagement and in particular through the publication of transparency notices. The transparency notice would give details of the contract for the Test Model and notification of the Council's intention to make a direct award. Essentially the effect of the transparency notice would be to give any other potential suppliers the opportunity to make representations about the proposed direct award. These could be taken into account in any subsequent decision to formally adopt a procurement strategy based on direct award of the Test Model contract and the actual award of the contract.

7. RESOURCE IMPLICATIONS

7.1 This project has both capital and revenue financial implications for the Council. The figures quoted are based on the current financial model. They should be considered as indicative and are subject to change following due diligence and commercial negotiations.

Capital impact on the Council

7.2 Current financial modelling puts the initial cost of the SPV at £20.6m, of which £11.2m would come from the Council and the remainder from the institutional investor. Camden has made a bid to the Warm Homes: Social Housing Fund Wave 3 for 50% of the installation costs which are currently estimated at £18.1m. If the bid is successful, then the initial capital cost for the Council to be funded from its own resources would be modest. If it is not successful or a smaller grant per unit is awarded, the Council would need to find an alternative funding source, the default option being borrowing. The Council's capacity for new borrowing is limited so if borrowing is needed, there may be an opportunity cost to using the borrowing for this purpose than for other investment.

Revenue impact on the Council

7.3 The Council would have an ongoing annual revenue billing cost of circa £225k under the current model. It would also need to cover a one-off cost in Year 15 of circa £400k to replace the environmental sensors needed for metering and monitoring. This cost would most likely need to met from within the Council's Housing Revenue Account and has been factored into its medium term

financial planning. Some of this revenue cost could be offset by applying carbon credits from third parties.

7.4 As noted in the risks section below, the Council is likely to be liable for the minimum comfort charge on voids and some element of bad debt above a certain level. It is estimated that the annual cost for voids would be around £20k. The current assumption in the financial model for bad debt should be sufficient so the risk of the Council having to pick up the bad debt should be fairly small. However, if bad debt were twice the model's assumption, the cost to be picked up by the Council could be around £30k to £40k a year.

7.5 The SPV itself should be self-funding. It will generate revenue from the comfort charge paid by residents but also it will be able to sell any excess power generated and stored in batteries back to the grid when needed. Its main area of expenditure will be the operating and maintenance costs of the PV panels and batteries, and it will also need to deliver a return on investment for the Council's investment partner.

Financial risks for the SPV and the Council

7.6 This is a novel approach to investment in the decarbonisation of social housing and as such there are a number of risks to consider. The risks relate to both the SPV and the Council.:

- The installation of the PVs and batteries might suffer from cost overruns. This could result in the Council and its investment partner needing to inject more capital into the SPV. In mitigation, the market for the kit has reached maturity and the construction industry is gearing itself up for mass installation.
- Sign-up to the comfort charge has to be voluntary (otherwise it is considered part of rent or a service charge and a third party can't charge it) so there is a risk that insufficient residents sign up and remained signed up even though there are savings on offer. This could be mitigated by engagement with households and explaining the benefits.
- The financial model is based on households consuming a certain amount of electricity per year. If they consume less, then the SPV generates less income and may not be financially viable. Excess electricity can be exported to the grid but at a lower price which wouldn't make up the shortfall. This can be mitigated by better understanding of household consumption as part of the selection process for the units in the pilot.
- In the longer term, the SPV might not be able to continue to match third party electricity prices and households might be better off buying their electricity elsewhere. However, the SPV's prices would be linked to the grid to some degree, since its storage capacity would enable it to purchase from the grid when prices are lower e.g. at night so lower prices in the broader market could benefit residents as well.
- The SPV would not have a lot of working capital under the current financial model so would have limited capacity to withstand financial shocks. The most likely cashflow issue would be if bad debt exceeds the level assumed in the financial model. This risk would need to be shared between Camden and its investment partner in a fair way. The comfort charge by its nature is reducing household bills which one would expect would reduce the risk of bad debt.

Nevertheless, the risk can be mitigated in a number of ways including careful selection of participating households and processes for managing arrears.

- The Council would also be responsible for paying the comfort charge on void properties. While consumption will be minimal in empty properties, the current financial model envisages a minimum comfort charge that all households will have to pay. Void periods in Camden's stock are not frequent but risk being lengthy if complex repairs are needed or the property is not relet promptly. The comfort charge would add extra costs to a void property in the scheme creating extra impetus to turn void properties around quickly.
- The Council will not have any ownership of the SPV, the institutional investor will be the sole owner. This has some benefits for the Council e.g. it is not directly responsible for the SPV. Its sole relationship to the SPV will be contractual. This means that its liabilities vis-à-vis the SPV, including in the event of the SPV running into serious financial difficulties, will be subject to the contract terms agreed between the Council and its investment partner through commercial negotiations.

7.7 This project is by its nature innovative and the Council may have to tolerate some degree of risk. However, the effective management of the risks above rely on the Council successfully negotiating the commercial terms of the contract with its investment partner. Section 4 above provides more detail on risks and mitigations.

8. ENVIRONMENTAL IMPLICATIONS

8.1 The installation of solar panels will have a positive impact on the environment creating 943 carbon tonnes of savings per annum. This model allows a phased approach where solar panels and storage would be the first of various energy efficiency measures to be installed to reach carbon net zero, providing a platform for other measures such as heat pumps. The removal of gas and installation of a low carbon heat pumps will see a substantial further increase in carbon savings.

9. TIMETABLE FOR IMPLEMENTATION

9.1. Should this proposal be approved, the table below sets out the key milestones:

Activity	Date
Social Housing Fund – Wave 3	November 2024 [bid submitted]
Cabinet meeting	December 2024
Develop Heads of Terms for the Energy Services Agreement	February 2025
Delegated decision to proceed to contract and invest in the project	February 2025
Issue Transparency Notice	March 2025
Successful grant applicants notified	March 2025
Issue Contract award notice Enter into Energy Services Agreement	June 2025
Works commence	September 2025
Scheme phased completion	March 2028

10. APPENDICES

10.1 Appendix 1 – Phase 1 solar panels and storage – resident benefits/proposition
10.2 Appendix 2 – Financial model
10.3 Appendix 3 – Equalities Impact Assessment
10.4 Appendix 4 – Part II Appendix – detailed legal advice **Not for publication**

REPORT ENDS

Appendix 1 – Retrofit Test Model – Phase 1 solar panels and storage – resident benefits

Background

- This document provides an overview of the Retrofit at Scale project ("Project") in terms of the benefits to the Resident and how those benefits are delivered.

Resident benefits: Energy as a Service

- The purpose of the Project is to deliver Energy as a Service ("EaaS") which translates to delivery of defined outcomes as opposed to the purely the provision of electrical energy to a Resident's home. While delivery of EaaS generates positive outcomes for LB Camden (as the landlord) the benefits to the Resident are as follows:

  - ❖ More affordable electricity bills achieved through providing the Resident with a bill saving;

  - ❖ Providing a degree of certainty for household budgets over future electricity bills and thereby protecting against energy price spikes; and

  - ❖ Providing a transparent and simple way for the Resident to understand their electricity bill; view their savings; how they are contributing towards lowering carbon emissions; and gaining insights to understand how behaviour changes can impact their electricity bill.

Delivery of benefits

- The diagram overleaf provides a summary view of how the Resident benefits are delivered. The key points to note are as follows:

  - ❖ To join the Project the Resident (subject to agreed eligibility criteria) will be asked if they wish to be an Energy Service customer ("ES Customer");

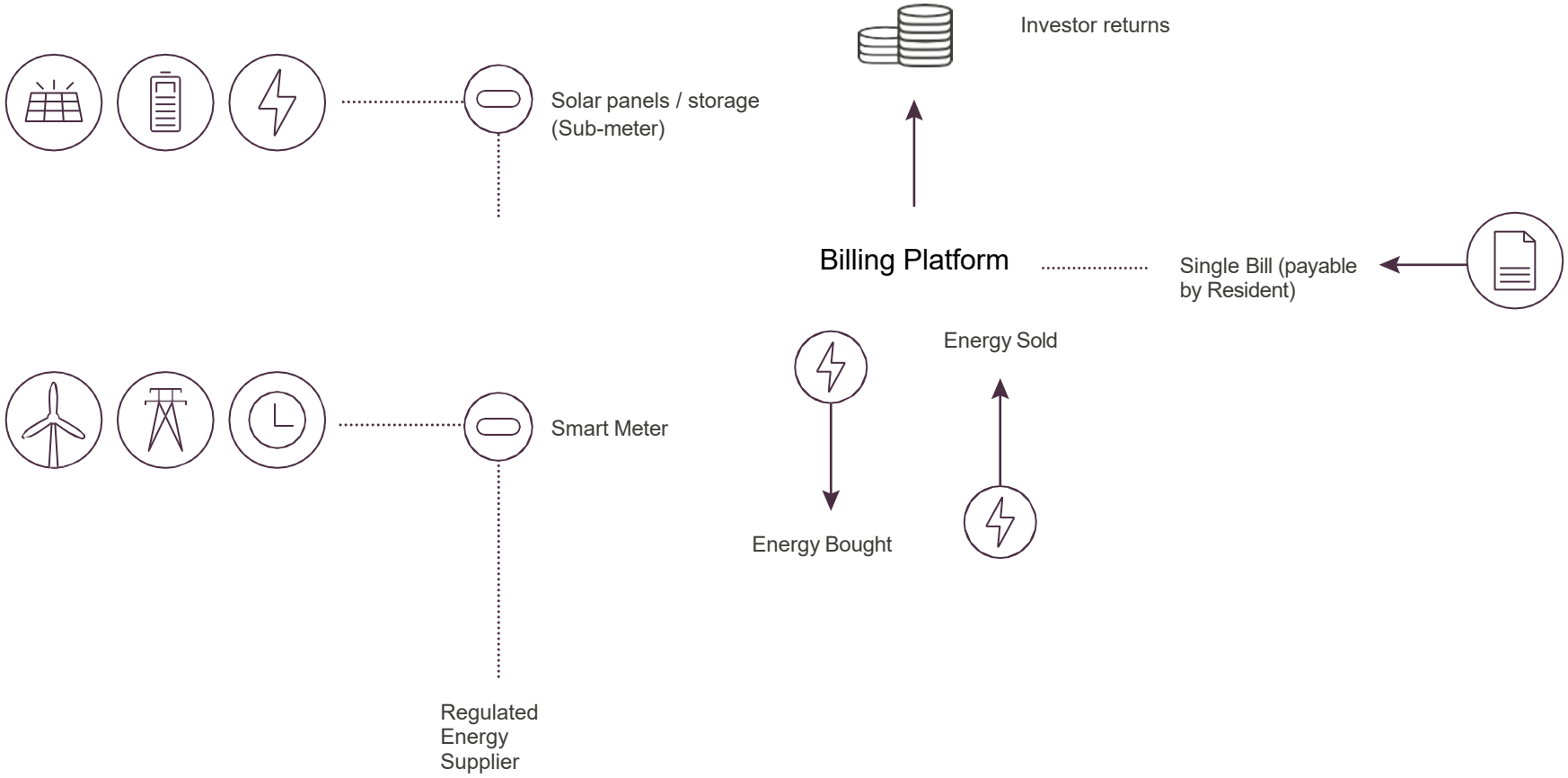
  - ❖ As a ES Customer the Resident's existing electricity supplier would be switched to a Regulated Energy Supplier who is partnered with the billing platform. This switch is designed to ensure the Resident secures a favourable tariff for any electricity which is imported into the home (i.e. any electricity which is not generated by the home; see the next point) as well as facilitating the delivery of a single energy bill to the Resident (see comment below);

  - ❖ The Project will entail the procurement and installation of solar PV and battery storage on and within the Resident's home. This technology creates renewable low carbon electrical energy ("Solar Energy") which will be used to power a Resident's home and minimise the need for electrical energy to be imported from the energy grid;

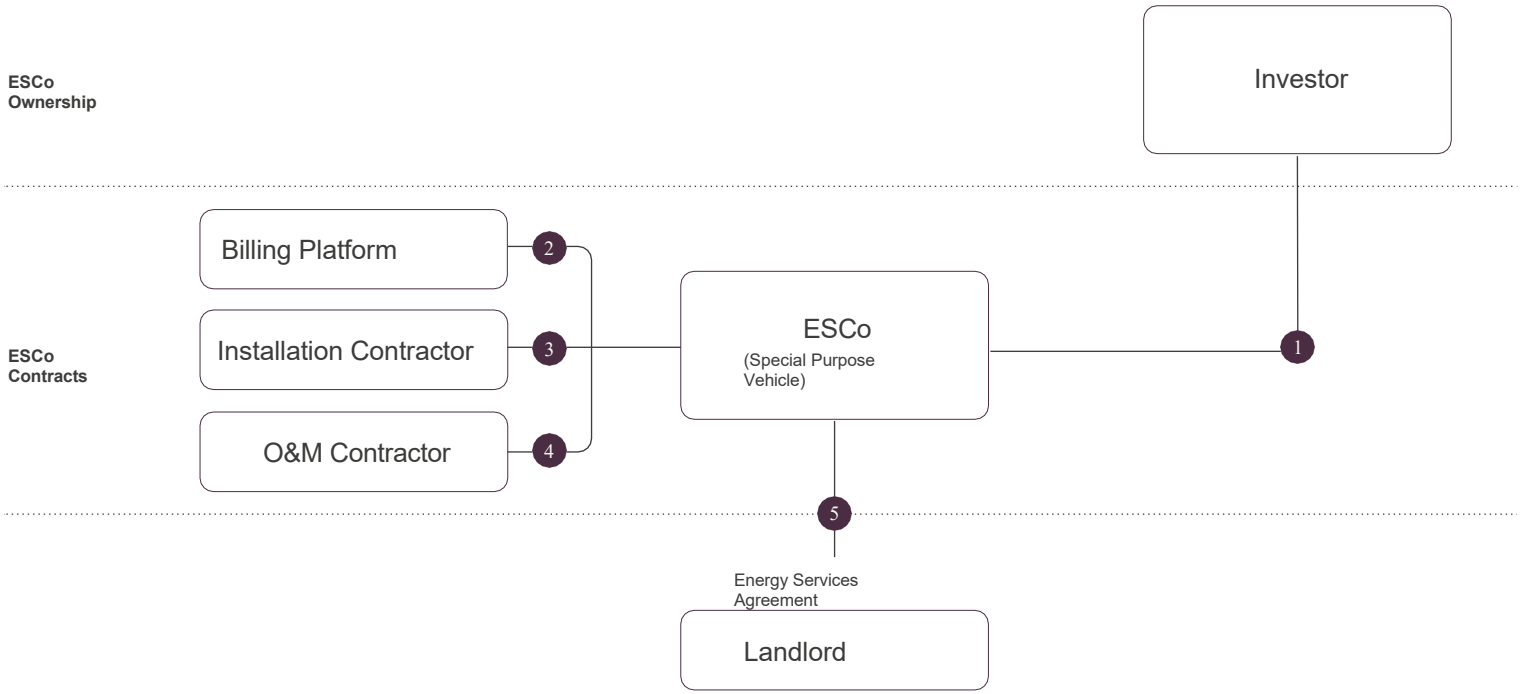
  - ❖ This Solar Energy would be sold to the Resident at a discount to prevailing market rates to enable the Resident to access energy bill savings; and

  - ❖ As a ES Customer. the Resident would receive a single energy bill which shows the consumption of Solar Energy and imported electricity together with the energy bill savings achieved. The provision of a single bill is designed to make the customer experience simple and transparent; i.e. the Resident need only to look at single bill to access all the information they need.

Appendix 1 – Phase 1 solar panels and storage – resident proposition



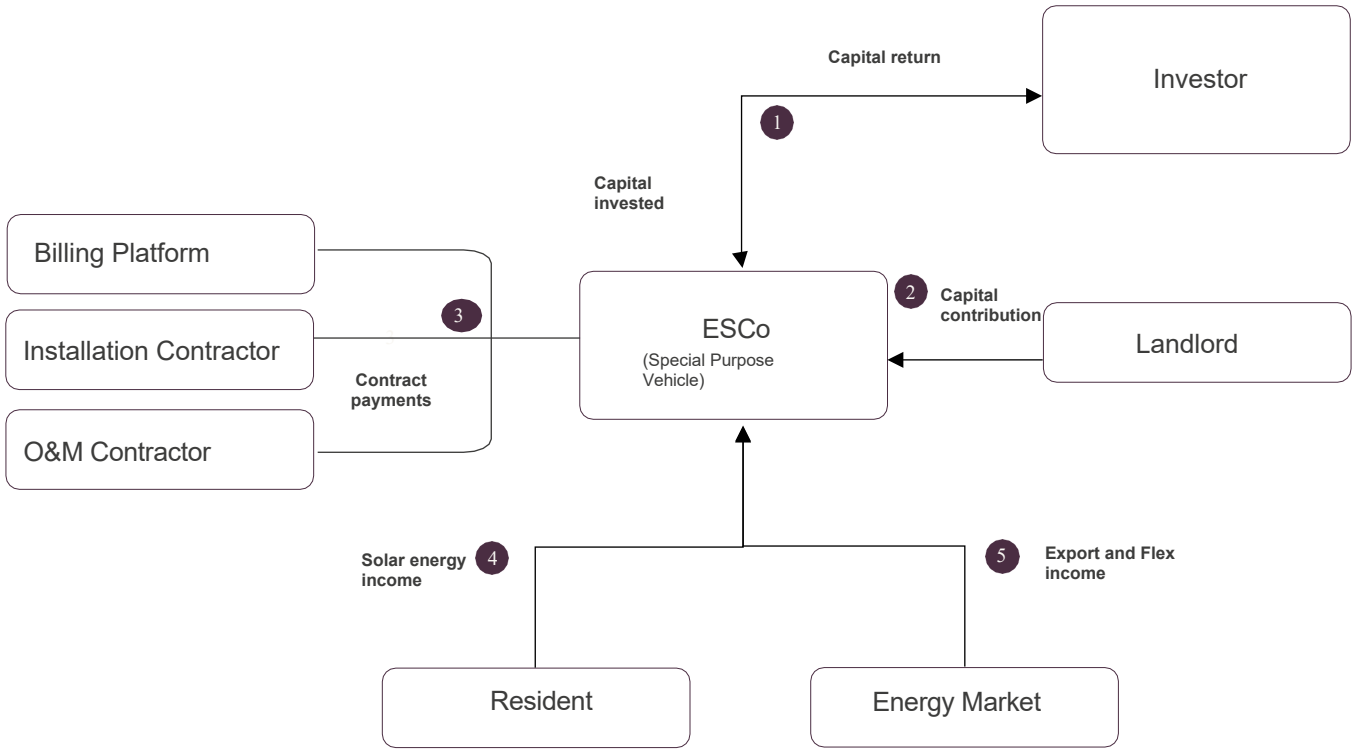
Appendix 2 – Financial model



Key Contractual Relationships

1. Investor owns 100% of an Energy Services Company (ESCo) which is a special purpose vehicle
2. Billing platform provides framework services including technical risk management and energy services contract with Residents to look after their energy bills
3. ESCo procures a contract with an Installation Contractor for the supply and installation of measures to homes
4. ESCo procures a contract with an Operations and Maintenance (O&M) Contractor for the maintenance and replacement of measures installed in the home (solar panel array and battery)
5. Landlord has an Energy Services Agreement (ESA) with the ESCo which defines performance obligations of both parties and provides a contractual means for a Landlord to part fund the capital cost of measures

Appendix 2 – Financial model



Key Cashflow Relationships

1. Investor will invest capital into the ESCo to fund the capital cost of the installed measures. The financial return once all payments made, help repay their investment
2. Landlord will contribute capital to part fund the capital cost using existing funds and / or capital grant.
3. ESCo uses capital funds (see points above) to fund capital works costs. Operational costs (i.e. billing fee and O&M costs) are paid from the ESCo's revenue (see points below)
4. Billing platform bills the Resident (which includes a discount) for solar energy consumed as generated by the installed measures. The income collected is transferred to the ESCo (which in part reflects the Investor's return on investment)
5. The ESCo trades with the wider energy market to generate additional income, this relates to selling (exporting) excess energy not used in the home and using the battery to provide flexibility services to the energy grid