

Report to Cabinet

21 June 2023

Subject:	Social Housing Decarbonisation Fund – Wave 1 Delivery
Cabinet Member:	Cabinet Member for Housing & Built Environment Councillor Laura Rollins
Director:	Director of Housing Gillian Douglas
Key Decision:	Yes Above £1million threshold
Contact Officers:	Sarah Ager, Assistant Director – Asset Management and Improvement sarah_agger@sandwell.gov.uk

1 Recommendations

- 1.1 That the Director of Housing be authorised to extend the External Improvement Works contract (reference SCC465) with Vinci Construction Ltd to 30th September 2023 to enable the delivery of the works awarded under the Grant for Social Housing Decarbonisation Fund (SHDF) Wave 1.

- 1.2 That the Director of Housing be authorised to grant a contract variation to the External Improvement Works contract (SCC465) with Vinci Construction Ltd under Regulation 72 of the Public Contract Regulations



2015 in order to allow up to £5m of works to be delivered under the SHDF Wave 1 programme.

2 Reasons for Recommendations

- 2.1 The purpose of this report is to authorise a contract variation to enable work of up to an additional £5m to be issued to the incumbent contractors, Vinci Construction UK Ltd. to deliver the works associated with SHDF Wave 1.
- 2.2 Approval was granted by Cabinet on 23rd February 2022, to accept the grant funding and provided delegated authority to the Director of Housing to instruct the Council's delivery partner, Vinci Construction Ltd, to deliver energy improvement works under the existing contract.
- 2.3 While orders for delivery of this project were placed with Vinci Construction Ltd prior to the end of the original contract, delays in mobilisation have been experienced due to price and supply chain volatility which has prevented works being delivered within the existing contract term.
- 2.4 Following engagement with Legal Services and Corporate Procurement, the recommendation is to extend the term of the contract with Vinci Construction Ltd from 31st December 2022 for a further 9 months to 30th September 2023 in order to allow sufficient time to deliver the positive impacts that this programme will bring. Further background can be obtained in section 4 of this report.

- 2.2 This initiative clearly supports the current drive towards a greener, low-carbon economy and a need to address Climate Change priorities. It will also help to address high levels of fuel poverty in the Sandwell area.
- 2.3 Acceptance of the proposals contained within this report, will have the following effect:
 - A reduction in fuel poverty levels
 - Improved living conditions for tenants in Council homes

- Improved EPC ratings for the properties concerned
- Promote the Council's reputation as being serious about climate change and the move towards a carbon-neutral economy.

3 How does this deliver objectives of the Corporate Plan?

	<p>Quality homes in thriving neighbourhoods, this investment is required to allow Sandwell MBC to improve the thermal efficiency, decency and appearance of the housing stock.</p> <p><i>Ambition 2 - Sandwell is a place where we live healthy lives and live them for longer, and where those of us who are vulnerable feel respected and cared for.</i> Improved energy-efficiency of homes should reduce energy bills and help to address fuel poverty, allowing vulnerable residents to enjoy more comfortable lives.</p> <p><i>Ambition 10 – Sandwell now has a reputation for getting things done, where all local partners are focussed on what really matters in people's lives and communities.</i> This initiative will demonstrate Sandwell as a forward-thinking authority that has successfully bid for government funding aimed at reducing tenants' energy bills and carbon emissions and is committed to reducing our climate change impact.</p>
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4 Context and Key Issues

- 4.1 On the 23rd February 2022 Cabinet agreed to accept grant funding of £2,888,327 (2/3 of £4,332,800) from Department for Energy Security & Net Zero (DESNZ) formerly known as Department for Business, Energy & Industrial Strategy (BEIS). This funding is routed through the West Midlands Combined Authority as part of a consortium bid.
- 4.2 The grant was to fund proposed energy-efficiency improvements to council-owned dwellings in Smethwick and approval was given to allocate the sum of £1,444,473 (1/3 of £4,332,800) from the Housing Revenue account (HRA), to match-fund the proposed works.

4.3 It was agreed that utilising Vinci Construction Ltd to deliver Sandwell's SHDF Wave 1 allocation was the most feasible route to delivery available, thus avoiding the requirement for an extensive and time-consuming procurement process (SCC465 External Improvement Works).

4.4 The original termination date for SCC465 External Improvement Works was December 2023. Orders for completion of the additional SHDF grant funded work were placed prior to the end of December, with an expectation that the work would be completed before 31st March 2023 as per DESNZ set timescales.

4.5 However, due to mobilisation issues DESNZ have extended the timeline nationally to 30th July 2023 for delivery of the works, with all documentation needing to be submitted before the end September 2023.

5 Alternative Options

5.1 The Cabinet Paper and decision made of 23rd February 2022 contained alternative options in the award and delivery of these works.

5.2 Alternatives to the recommendations in this paper would be:

	Impact	Cost	Risk
Option 1 Commence new procurement exercise specifically for SHDF Wave 1 works	Delays in the delivery of works Delivery will extend beyond DESNZ deadline	Procurement and Legal costs would be incurred	Contractors would not tender for a small amount of work covered under SHDF Wave 1 Reputational risk with the Combined Authority and DESNZ
Option 2 Access an alternative OJEU complaint	Delays in the delivery of works	Procurement, Legal and framework costs would be incurred	Contractors would not tender for a small amount of work covered under SHDF Wave 1

framework to deliver energy improvement works	Delivery will extend beyond DESNZ deadline		Reputational risk with the West Midlands Combined Authority and DESNZ
Option 3 Return the grant funding back to the West Midlands Combined Authority and DESNZ	Reputation and Financial risk	Grant funding is lost and full cost of future works would come from the HRA	Reputational risk with the West Midlands Combined Authority and DESNZ

6 Implications

Resources:	<p>The HRA 30 Year Business Plan, which was approved by Cabinet on 15 February 2023, included capital investment for Refurbishment and ECO projects to improve the energy efficiency of properties in Sandwell. The increased contract cost will require an additional £668,000 of HRA capital investment as set out below. This can be accommodated from the capital programme.</p> <p>The contract extension is for a total sum of £5m to give adequate headroom to deliver whole project costs. The original contract had a value of £20m but as set out that contract has now expired.</p> <table border="1"> <thead> <tr> <th rowspan="2">SHDF – Wave 1</th><th>Current</th><th>Proposed</th><th>Additional</th></tr> <tr> <th>£m</th><th>£m</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Grant</td><td>2.888</td><td>2.888</td><td>0.000</td></tr> <tr> <td>Match Funding</td><td>1.444</td><td>2.112</td><td>0.668</td></tr> <tr> <td>Total</td><td>4.332</td><td>5.000</td><td>0.668</td></tr> </tbody> </table>				SHDF – Wave 1	Current	Proposed	Additional	£m	£m	£m	Grant	2.888	2.888	0.000	Match Funding	1.444	2.112	0.668	Total	4.332	5.000	0.668
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Legal and Governance:	<p>The project would be awarded and delivered via the current External Improvement Programme contract which is currently being re-procured, approved at the Cabinet meeting of 18th May 2022 (minute 105/22 refers). This report recommends the waiver to extend and vary the existing contract to deliver works associated with SHDF Wave 1 only. All future funding rounds will be procured and delivered through the new contract or alternative OJEU compliant framework routes.</p> <p>Certain variations to contracts are permitted pursuant to the Public Contracts Regulations 2015, without the need to readvertise and in this instance readvertising the project would cause significant inconvenience or substantial duplication of costs for Sandwell MBC as the contracting authority and the increase in price does not exceed 50% of the value of the original contract.</p> <p>Therefore, it is clear the variation is within the criteria set out within Reg 72.</p>
Risk:	<p>A risk register has been compiled and is reviewed and updated on a regular basis by the SHDF Steering Group. Arrangements are in place to effectively manage and mitigate the risks identified. Major risks are identified below:</p> <ul style="list-style-type: none"> • Inability to spend any funding awarded within the timeframes.
Equality:	<p>An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.</p>
Health and Wellbeing:	<p>Completion of the proposed insulation works should result in the following benefits to the households concerned:</p>

	<ul style="list-style-type: none"> • Better insulation will help residents to save energy and money on fuel bills or able the residents to heat their home effectively with the money available to them • Improved living conditions could help to ease the pressure on the NHS by reducing hospital admissions • Use of the grant to support the associated work, will reduce carbon emissions with associated benefits through reducing the impacts of climate change
Social Value	<p>The proposals contained in this report are entirely commensurate with the Council's climate change priorities and will help to support:</p> <ul style="list-style-type: none"> • Reduced carbon and greenhouse gas emissions • A reduction in fuel poverty • Improved health and wellbeing • Inclusive economic growth – reduced fuel bills should allow more money to be spent locally.
Climate Change:	<p>All council stock must be at Energy Performance Certificate (EPC) level C or above by 2030. Under the council's Climate Change Strategy our housing stock should also achieve net zero carbon by 2041. Meeting these targets requires significant investment in the stock and this is reflected in the Plan. However, to achieve net zero carbon we will require external funding as well as use of HRA.</p>
Corporate Parenting:	<p>There are no implications for Corporate Parenting arising from this report.</p>

7. Appendices - none

8. Background Papers

Report to Cabinet 23rd February 2022, Social Housing Decarbonisation Fund – Wave 1