Thanet District Council

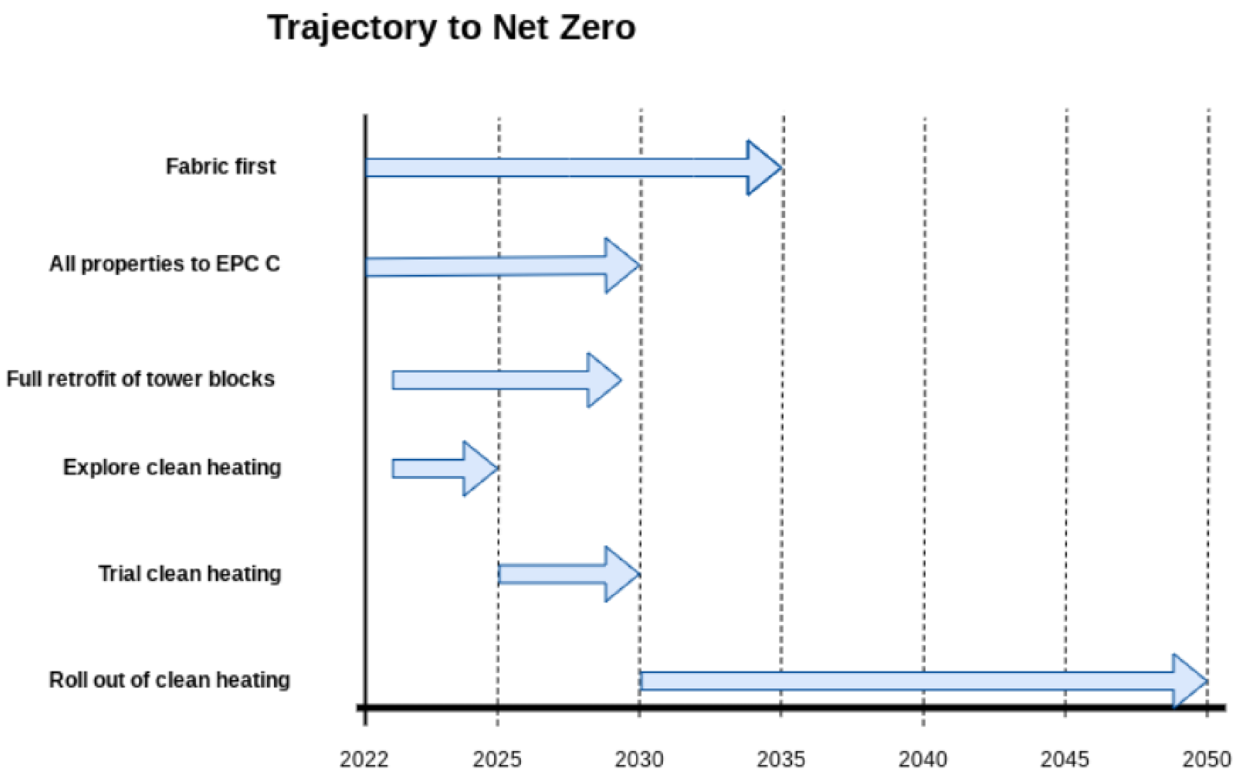
Bid and delivery of SHDF wave 2.1

October 22/V1/Sally O'Sullivan

Introduction

The UK government has committed to reducing greenhouse gas emissions by 78% compared to 1990 by 2035, and to becoming net zero carbon by 2050. Home energy use contributes to around 21% of the UK's total greenhouse gas emissions. Through the Clean Growth Strategy, the UK government has set a target for social housing providers to attain the minimum rating of Energy Performance Certificate (EPC) C for rented properties by 2035 (2030 for 'fuel poor' households). This is an important milestone towards the longer term target, to make all homes 'net-zero-carbon' by 2050. In alignment TDCs declaration of a climate emergency and Net Zero Strategy, the Tenant and Leaseholder Services (TLS) pledge to contribute to decarbonise the Councils social housing stock.

Below shows our proposed time frames in meeting these obligations:



In our efforts to achieve the above trajectory, Thanet District Council is eligible to apply for grant funding through the Social Housing Decarbonisation Fund. This funding scheme provides 50% match funding for specific retrofit measures that improve the energy efficiency and reduce the carbon output from social housing units.

Upon review of TDCs HRA housing stock, the strategy has been to identify the poorest performing stock eligible for retrofit measures. The outcome of which has prioritised TDC tower blocks for the following reasons:

- They are the worst performing properties in our housing stock (across multiple metrics)
- We need to carry out fire safety and structural works; and have obtained Homes England funding for the External Wall Insulation (EWI). To ensure we achieve 'right first time/no

regrets' holistic approach, we consider that we must undertake all the works as one project, including incorporating wider refurbishment works.

- There is no specified time limit to spend the HE funding other than 'as soon as possible'. We have consulted HE on our proposed timeframe (complete all works funded by HE by June 2025, which follows the SHDF timetable as described below), which they are happy with.
- They have suffered immensely from lack of investment over the last decade and require major and cyclical works to improve their standards.

Social Housing Decarbonisation Fund

Wave 2.1

The Government has committed to a £3.8 billion Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050.

If a successful bid is submitted, TDC will need to match fund at least 50% of total eligible costs

Wave 2.1 Bid timescales

Milestone	Indicative date
Competition launch	Sept 2022
Application and submission details published	Mid Nov 2022
Application submission opens	At least 5 working days before competition close
Competition closes	8 weeks after launch
Bid assessment ends	End Nov 2022
Successful projects notified	Feb 2023
Grant funding agreements signed/projects start	From Feb 2023
Grant funding to be spent	End of March 2025
Works to be complete on site	End of June 2025

Project delivery time scales

All grant funding for SHDF Wave 2.1 projects must be transferred to the grant recipient and spent by 31st March 2025.

Eligible properties

All existing social housing below EPC C (on and off gas grid)

In a single scheme, if less than 10% does not meet this criteria (ie EPC B or C), then they may be funded on an infill basis.

A minimum of 70% of homes across the overall application must be social homes.
Where a small number of properties in a block or terrace are non-social homes, for example the tenure is leasehold, they can be included where they enable effective works to social housing.

In 4 of the 5 blocks, <10% of the units are leasehold. Only Harbour Towers has more, with 50% properties being leasehold. Across our entire bid submission only 7.9% of the units are leasehold and therefore falls below the application requirement.

<u>Bid size</u>
All Wave 2.1 proposals will be required to include a minimum of 100 eligible social housing units. We are submitting 405 units.

Our tower blocks

The following Tower Blocks will form TDCs bid for SHDF wave 2.1:

- Stanner Court
- Invicta House
- Kennedy House
- Trove Court
- Harbour Towers

Profiles of these blocks are attached at appendix 1.

The rationale behind this decision:

1) Starting with the tower blocks tackles some of the worst performing units in our stock and thus adheres to - <u>Principal 1 - Worst First</u>

Currently, 168 properties are D or below.

We have confirmation that we can apply for funding using modelled data of our tower blocks with the External Wall INsulation (EWI) removed. This means the EPC rating will fall to D or below for all units, thus 100% of the units being submitted by us for this round will be eligible for funding.

This means we will have 405 eligible units to submit for funding

2) We have been successful in securing HE funding.

To date we have secured £1,734,977.08 pre tender funding, allocated for the technical consultants we need to provide options on the best solution, build our specification and for specialist fire consultants to create our fire strategy for the blocks.
In principle, we could secure funding for 100% for proposed EWI works; but we need to make a further application for funding and await approval before truly knowing that our full extent of works will be funded.

This removal and replacement of the EWI is a major works project. This will require scaffolding and will cause disruption to our residents.

The net zero measures we would retrofit into the tower blocks are interdependent on the removal and replacement of the EWI, for example, replacement windows, replacement roof, installation of heating network.

By combining these works we will find cost and time efficiencies, as well as reduce disruption on our residents.

- We do not want to delay the replacement of the EWI as this poses a health and safety risk to our residents that is currently being mitigated by a Waking Watch team.
- We do not want to have to undo works carried out to retrofit carbon reducing measures (for example - the EWI will need to be removed to install windows
- We want to ensure the EWI compliments the carbon reducing measures we introduce and we will have most success in this if we specify and carry out the works in a single project. - thus adhering to <u>principal 2 - fabric first and no regrets.</u>

If we are successful, this project will achieve our first 2 objectives on 13% of our properties by the end of March 2025:

Objective 1 - EPC C by 2030

Objective 2 - Reduce energy consumption for residents

Bid Submission and delivery of works

The bid needs to be submitted by **18 November 2022.**

We have chosen to write our bid with the assistance of 3 x delivery partners:

<u>Principal Contractor</u>
Mears are writing TDC SHDF at risk, and should we be successful will be appointed as principal contractor.

<u>Supporting contractor</u>
EON are supporting Mears with the writing of the bid and seeking out blended funding opportunities, for example ECO and HUG funding, some of which will help to cover leaseholder work costs.

<u>Project management and technical support</u>
This would be the biggest and most complex project the council's tenant and leaseholder service (TLS) has taken on and it therefore requires technical and project management support.
We propose appointing Potter Raper (PRP) to provide consultation services for the following elements:

- Project management
- Principal Designer

- Building Safety Advisor (see section below on Building Safety Act 2022)

PRP would be appointed and under direct control of TDC rather than a subcontractor for the Principal Contractor.

PRP has already carried out extensive surveys of our tower blocks that have fed into the HE grant application and informed the specification of the proposed EWI. We are pleased with their performance to this date.

<u>Mears as lead bid writer, with TDC to submit bid as Client</u>

Rationale for decision:

- Mears have been the partnering contractor for TDC, delivering responsive repairs and maintenance since 2016.

As a long standing partner Mears have an in-depth knowledge of our stock and most importantly our tower blocks - which are highly complex buildings. They will also hold records of where measures have already been implemented, therefore reducing the risk of replacing the same element in a short period of time.

Since the service was brought back in-house 2 years ago, the partnership we have enjoyed with Mears has gone from strength to strength. Most notably, Mears altered their staff structure to allow Thanet its own team and contract manager. This change has improved relationships, accountability and customer satisfaction:

Measure	Oct 2020 KPI	June 2022 KPI
Customer Satisfaction	71%	96.2%

It has been hard to compare KPI's from Oct 2020 to today because of the impact of Covid-19 on the delivery of a repairs service but the customer satisfaction measure speaks for itself.

Mears already are a known entity to our residents and by improving their service they will improve their reputation with our residents.

We would have to consider complications of Mears delivery a responsive repairs service to our residents while Majors works are taking place at the tower blocks

- Track record of success in securing funding for partners - Mears were successful in securing funding for 3 x partners in SHDF wave 1.

<u>Case study:</u>
In SHDF wave 1, Mears secured £3.1 million for Milton Keynes City Council for 302 properties on the Netherfield Estate.

With a £9.8million investment from Milton Keynes Council, circa £42,000 is to be spent per home for the following measures:

- Replacement roofs with high performance insulation
- External wall insulation
- Front entry doors

Milton Keynes Council predict that these measures will reduce energy consumption by 50% for families

The programme is expected to create almost 50 local jobs and apprenticeships. It will form part of the Netherfield estate renewal programme and is expected to start in Summer 2022, with completion and handover in summer 2023 (deadline for SHDF wave 1 to be spent is 31 March 2023, completion of works June 2023)

- Guaranteed supply chain for delivery of works

BEIS are looking for evidence of an established delivery partner with extensive supply chain capacity to guarantee delivery within the specified timeframe.

Mears have an established supply chain who are currently working at risk to survey our tower blocks. This holds 2 benefits for us:

- the subcontractor will be aware of what materials and labour will be required and this will guarantee the availability of resources.
- The subcontractor will write a letter of support to this effect that adds strength to our bid that we can deliver the works..

<u>E-on as supporting bid writer</u>

E-on is a giant in this industry, offering social housing providers end to end solutions to reduce fuel poverty and meet net zero targets.

We began this journey with Eon and Mears as equal partners for bid writing and delivery. But Eon felt that we would have a better chance of success with one lead bid writer and principal delivery partner.

Eon have taken a step back, but will lend us their expertise and skills in bid writing. They will also deliver on works where they are the experts (for example if we were to install ground source heat pumps) and apply for further funding streams that can be blended with SHDF, for example ECO4 and Home Upgrade Grant (HUG). A collaborative approach to bid writing and funding streams shall ensure greater chances of bid success.

Proposed Measures

Delivery

<u>Mears delivery of works</u>
The marking of bids is heavily weighted towards delivery assurance (40%). As such, BEIS are looking for evidence of an established delivery partner with extensive supply chain capacity. This is in part due to the narrow delivery window. Funding is required to be returned if not spent within the delivery timeframe.

The narrow delivery window does not allow time for open procurement to take place.

If we are successful with our SHDF wave 2.1, we will need to have the funding spent by 31 March 2025 and works delivered by 30 June 2025.

Lessons learnt from Wave 1 includes delays in delivery, with only 2.61% spent so far. Reasons for this include:

- Delayed engagement with delivery partners
- Delays caused by the procurement process and prolonged tendering processes
- Supply chain delays - shortage of materials/skills/labour

To mitigate the risks highlighted above we have engaged with delivery partners from the outset and aim to be ‘delivery ready’ should funding be allocated to TDC.

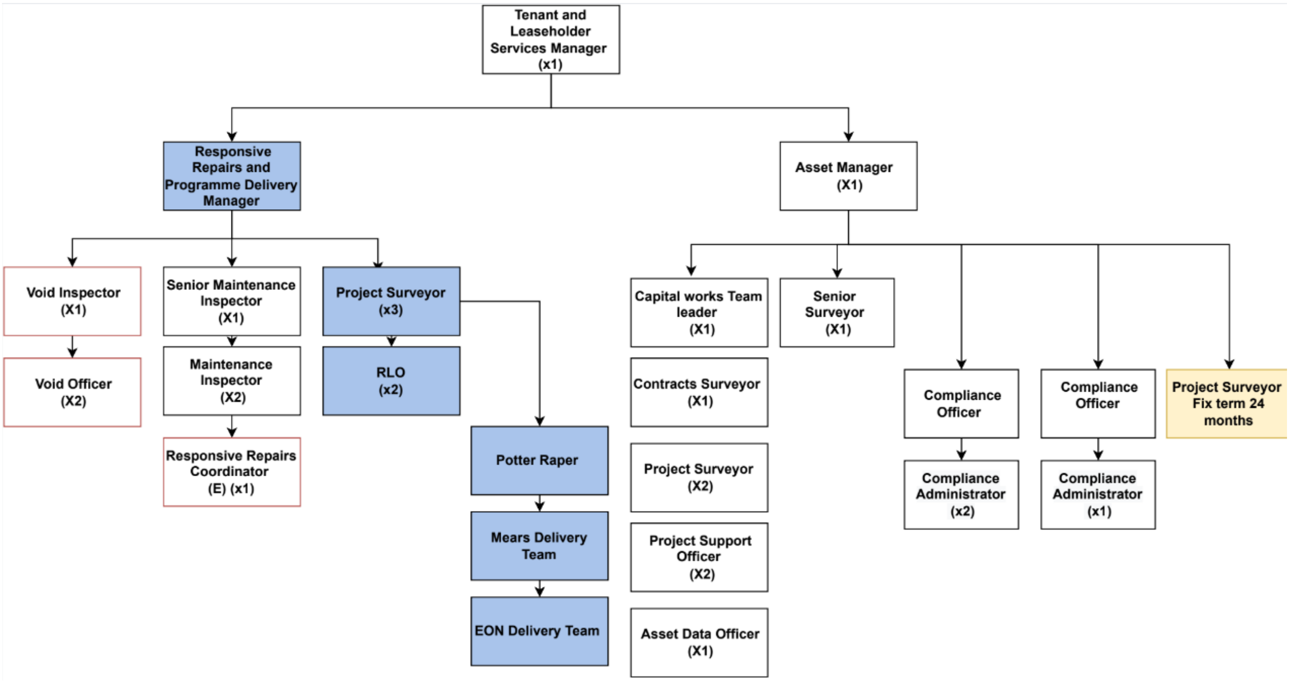
We must be in a position to award the contract as soon as we have the outcome of the funding award to avoid delays and allow for immediate mobilisation of contractors.

To strengthen our bid and to enable fast mobilisation, Mears have appointed a subcontractor that has carried out preliminary surveys at risk. This gives us further confidence in a successful award and in ability to deliver within the prescribed time frame.

We have established that we can direct award works for HE funded elements of the programme. The contractor must prove they have the correct training and credentials.

TDC delivery team
To ensure this programme of works is delivered, we must upscale our team to cope with the demand.

Proposed TDC delivery team:



The roles shaded in Blue are the new proposed roles for the delivery team, hired on a 24 month fixed term contract as this is the deadline for project delivery.
50% of these costs will be applied for in SHDF.

The proposal of 3 project surveys gives the responsibility of 1 tower block at a time per surveyor as an entire project, with the support of 2 x resident liaison officers. This takes into account the expected delivery timetable of no more that 3 tower blocks in a given period for example:

Year	Blocks where work will be carried out
1	Trove Court Kennedy House Harbour Towers
2	Staner Court Invicta House

It is expected that Mears will front load works to attempt to achieve 60% of works in year one, therefore ideally we will need these officers ready for contract mobilisation in March 2023.

Budget

Table of proposed budget and funding for 5 tower blocks:

Tower block	Cost of refurbishment works - outside funding streams	Potential Homes England Funding	Potential SHDF award	TDC match funding for SHDF	TOTAL
Invicta House	£1,121,919.16	£1,136,264.23	£1,513,000.00	£1,513,000.00	£5,284,183.39
Kennedy House	£1,479,616.00	£1,519,317.98	£1,530,000.00	£1,530,000.00	£6,058,933.98
Trove Court	£1,480,569.00	£1,519,552.82	£1,513,000.00	£1,513,000.00	£6,026,121.82
Harbour Towers	£1,160,297.80	£1,086,029.73	£816,000.00	£816,000.00	£3,878,327.53
Staner Court	£1,565,248.00	£1,448,857.74	£1,513,000.00	£1,513,000.00	£6,040,105.74
TOTAL	**£6,807,649.96**	**£6,710,022.50**	**£6,885,000.00**	**£6,885,000.00**	**£27,287,672.46**

This figures are based on a number of assumptions and predictions, and may change once we know the final scope of works and the outcome of our wave 2.1 SHDF bid:

Cost of refurbishment outside funding streams
Some of these works may be covered by SHDF - for example, roof replacement, window replacement.

SHDF and TDC match funding
- Individual units have not been surveyed
- Assumed we will bid for maximum value of grant that can be applied for
- TDC must match SHDF with 50%

Does not include measures that EON will carry out using ECO4 funding and HUG. These funding streams come at Zero cost to the Council.

In the week beginning 10 October 2022, Mears carried out surveys on the tower blocks, including a sample of units within the blocks that will help inform the bid modelling.

By 4 November, Mears will have completed the modelling for retrofit measures. This will give us a definitive list of measures and costs that we will bid for funding for via the SHDF. We will also be able to provide a more accurate prediction of total costs for the tower blocks.

Procurement

Due to the value of works, we must ensure we are compliant with Public Contract Regulations 2015 (incl OJEU) and TDC Contract Standing Orders.

Procurement Options: Mears as Principal Contractor

Option 1: Framework - Direct Call-off

We can directly award the full contract to Mears via the **Prosper Framework.** Prosper offers a PCR 2015 compliant route to the market for public sector organisations. Approved contractors are assessed through their selection process for:

- Financial stability
- Track record
- Experience
- Technical ability
- Professional ability

We would use the Decarbonisation Retrofit Framework (including Refurbishment Works), Lot 7 - South East Region. Mears are on this lot and direct award is available under the Framework. A direct call-off report shall be circulated for completeness.

Social Value

Prosper

An annual social value dividend is paid to partners of up to 1% to reinvest in their community, depending on need.

Mears

Where possible, Mears will subcontract works to local contractors. They are also looking into apprenticeship opportunities and how they can offer jobs to local residents.

Value for money (VfM)

Prosper

By direct awarding through the Prosper framework, we will be subject to a 2% charge on the project cost. This is the standard charge for using the Framework and there is an opportunity to negotiate this down depending on the total value of the contract being awarded.

Mears Commercials

Mears are subject to the rates pre-tendered through the framework.

Following the bid submission, we must make progress on having the contract ready to award should we be successful. To ensure we are obtaining VfM delivering via this route, PRP will provide a VfM report for our scrutiny

Option 2: Works awarded under existing Mears Contract

Another option we explored was to direct award works to Mears under the existing Term Partnering Contract (TPC). On initial investigation, it looked that this would be a possibility due to the value of the original contract and scope of works.

We obtained legal advice, which informed us of the following:

- There is a synergy in the term partnering contract - but they are not exactly the same as they are established for different purposes.
- It could be seen as though we are applying modifications to the TPC - which could not be covered under procurement regulations.
- The TPC expires in March 2025, which aligns with the delivery of the SHDF funded works but, there is provision with the grant funding to extend delivery until June 2025 - which then falls outside this timescale.

Following this advice, we deemed the risk of awarding the works through the current TPC to be too great, especially considering the nature, value and complexity of works, this project is bound to be under a lot of scrutiny.

This does not mean that, as we come to better understand the measures to be implemented in this project, we consider a blended approach to the award of works. We would like to further explore what works we can award through the TCP without risk or challenge

Building Safety Act 2022

Before carrying out works on our tower blocks, we must submit a building control application to the new Building Safety Regulator (BSR) (The BSR is the HSE). The Accountable Person will have an ongoing duty to assess and manage the building safety risk, taking into consideration the impact of the planned works.

To monitor this the BSR will carry out inspections at keys stages of the building works and provide regulatory oversight.

For building works that can be self certified under and authorised Competent Person Scheme, we must notify the BSR within 30 days of completion of the works so it can decide if it wants to carry out an inspection

We intend to appoint PRP to oversee this function for us.

Leasehold - Section 20 consultation

The value of this project will mean it is subject to a statutory Section 20 consultation.

Our proposed why forward is to:

- Begin the Section process with the Notice of Intention
- Inform leaseholders that we cannot carry out a compliant Section 20 consultation as we will direct award the works to a known contractor.
- Explain the rationale for this and continue consultation in areas where possible
- Apply to the courts for dispensation.

We know that if a landlord is not able to comply with the correct consultation procedure, it is possible to obtain dispensation from compliance with an application to the Leasehold Valuation Tribunal. We anticipate that this approach will be successful, as a direct award of the contract through the Prosper Framework does enable us to bid to wave 2.1 and set out a realistic delivery plan. If we are successful in securing the wave 2.1 funding the costs for leaseholders will be significantly reduced.

Appendix 1 - Block profiles

Stanner Court 	Address: Manston Road, Ramsgate Number of floors: 15 Number of units: 89 Units at EPC C or above = 27 Units at EPC D or below = 28 Units where EPC rating is unknown = 34 **% of properties EPC D or below = 69.7%** Number of leaseholders: 6 93.3% social homes
Kennedy House, 	Address: Newcastle Hill, Ramsgate Number of floors: 15 Number of units: 90 Units at EPC C or above = 30 Units at EPC D or below = 38 Units where EPC rating is unknown = 22 **% of properties EPC D or below = 66.7%** Number of leaseholders: 3 96.7% social homes

Trove Court 	Address: Newcastle Hill, Ramsgate Number of floors: 15 Number of units: 89 Units at EPC C or above = 25 Units at EPC D or below = 39 Units where EPC rating is unknown = 25 **% of properties EPC D or below = 71.9%** Number of leaseholders: 6 93.3% social homes

Invicta House 	Address: Millmead Road, Margate Number of floors: 15 Number of units: 89 Units at EPC C or above = 26 Units at EPC D or below = 35 Units where EPC rating is unknown = 28 **% of properties EPC D or below = 70.8%** Number of leaseholders 0 100% social homes

Harbour Towers,	Address: Hertford Road, Ramsgate Number of floors: 9 Number of units: 48 Units at EPC C or above = 5 Units at EPC D or below = 7 Units where EPC rating is unknown = 34 **% of properties EPC D or below = 85.4%** Number of leaseholders 17 50% social homes