

TITLE OF REPORT: Chopwell Green Homes Grant

REPORT OF: Peter Udall, Strategic Director, Economy, Innovation and Growth

Purpose of the report

1. To inform Cabinet of a delegated decision taken, to submit an application for £5.89m grant from the Local Authority Delivery Round 1B element of the Green Homes Grant
2. To request delegated approval to submit a further grant of ca. £1.2m, to Round 1B of the above grant scheme.
3. To request delegated approval to accept the terms of these grant awards, if successful
4. To request delegated approval to appoint Willmott Dixon Construction Ltd for the design and preconstruction contract.

Background

5. The Council approved the Chopwell and Blackhall Mill 10 Year Plan in 2018, to seek to regenerate the area. Within the masterplan, there have been a number of attempts to secure grant funding, to deliver energy efficiency improvements to homes in Chopwell, in an effort to reduce fuel poverty, cut carbon emissions and support housing market renewal.
6. The new Green Homes Grant scheme offers up to 100% grant funding to private homes, and 66% funding to private and social landlords, to fund energy efficiency works, in areas where incomes are low, and housing efficiency is poor.

Proposal

7. This report outlines a grant application, which seeks £5.2m grant from the Local Authority Delivery Round 1B of the Green Homes Grant, that was submitted on 4 December 2020.
8. The grant funding would be used by the Council to appoint a contractor, to deliver ca. £6.4m of energy efficiency works to up to 620 solid wall properties in Chopwell
9. An additional contribution of £120k would be required from the Housing Revenue Account, to match fund works in 52 Council homes. In addition, an estimated £450k of contribution would be required from private landlords (at an average of £2,250 per property), to match fund works to ca. 200 private rented properties.

10. If successful, the Council would deliver the works through a previously approved route, using Willmott Dixon Construction Ltd, under the SCAPE Major Works framework, to ensure works are delivered by September 2021. An initial £140k contract for design and preconstruction activities will be contracted in January 2021, subject to successful grant application.

11. It is noted that a further ca £1.2m grant will be bid for in January 2021, from the Round 2 of the same fund, to complete the works to a further 130 homes, to ensure all solid wall homes in Chopwell benefit.

Recommendations

12. Cabinet is recommended to:

- i. Note the delegated decision taken under Part 3, Schedule 5, Part 2 4 (e) of the Constitution, to submit the £5.89m grant application on 4 December 2020 ahead of Cabinet due to application deadlines.
- ii. Delegate authority to the Strategic Director, Economy, Innovation and Growth to agree the submission of a further ca. £1.2m grant application to Round 2 of the Local Authority Delivery element of the Green Homes Grant, following consultation with the Strategic Director, Resources and Digital
- iii. Delegate authority to the Strategic Director, Economy, Innovation and Growth to agree and approve the terms of these grant awards, if successful, following consultation with the Strategic Director, Corporate Services and Governance and the Strategic Director, Resources and Digital.
- iv. Delegate authority to the Strategic Director, Economy, Innovation and Growth to agree and approve the scope and terms of design / preconstruction contract at £140k with Willmott Dixon Construction Ltd, following consultation with the Strategic Director, Corporate Services and Governance and the Strategic Director, Resources and Digital.

For the following reasons:

- i. To support the Thrive Agenda, as outlined in Appendix 1.
- ii. To support the Council's Climate Emergency, and targets of net zero emissions by 2030

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Policy Context

1. On a local level, the scheme will directly deliver many objectives within the Thrive agenda, as follows
 - a. *Tackle inequalities / Put People and Families first.* While the project aims to improve housing quality and efficiency, the real beneficiaries are residents and their families, receiving a warmer, healthier home, in particular those in fuel poverty, helping to level up areas such as Chopwell with the rest of Gateshead
 - b. *Opportunities for employment, innovation and growth.* To further support jobs and skills in the supply chains needed to deliver the project
2. In addition, the scheme will contribute to other key priority areas for the Council, as follows:

Climate Emergency – the proposals seek to reduce the carbon emissions of the Gateshead District Energy Scheme, supporting the Council’s ambition to work toward net zero emissions by 2030

Background to Chopwell Energy Schemes

3. The Council has developed the Chopwell and Blackhall Mill Masterplan, to seek to regenerate the area. Within the masterplan, there have been a number of attempts to secure grant funding, to deliver energy efficiency improvements to homes in Chopwell, in an effort to reduce fuel poverty, cut carbon emissions and support housing market renewal.
4. In October 2019, the Council commenced a pilot scheme to trial a number of technologies on up to 6 Council homes, including solid wall insulation, heat pumps, solar panels. However, the pilot had to be aborted, due to the outbreak of Covid-19. The Council has incurred cost of £0.129m to date, for design works that have not been used.
5. In addition, the ERDF funded scheme, based on heat pumps and solid wall insulation, proved not affordable, in particular to the HRA. Therefore, the scheme was revised to:
 - a. Focus solely on solid wall insulation
 - b. Target primarily 800 homes, 90% of which were privately owned
6. The Council submitted a revised ERDF application for the above, requesting £3.5m grant at 50% funding. The outline grant was accepted in October 2020, and the Council was offered to submit a full funding bid, before January 2021.

Background to the Green Homes Grant

7. As per of the Green Recovery plan for Covid-19, in the summer, the government announced a £2bn programme of grant support for greener homes.
8. To support delivery in low income households, the government has created the Local Authority Delivery (LAD) scheme, within GHG, with a budget of £0.5bn, and criteria as follows:

- a. Energy efficiency measures can be 100% grant funded for homes, or areas, with
 - i. average household income is less than £30,000 / year
 - ii. Energy Performance Certificate between bands D to G
 - b. Funding is available to September 2021
 - c. Funding is provided to cover administration and contract management costs
9. Furthermore, a further round 2 of LAD GHG is planned, to be administered by the North East Energy Hub and NE LEP. This has specifically allocated a further £1.2m of grant funding to Gateshead exclusively, to be spent by December 2021.
10. Given the status of previous energy schemes developed for Chopwell, the proposal is to develop bids for both LAD1B and LAD2, to support the installation of solid wall insulation, and other minor energy measures, in Chopwell. If successful, the Council would withdraw its current application from the ERDF programme.

Funding Bid

11. We have taken the same project scope that was submitted to ERDF and revised this with the funding available from the GHG scheme. The bidding strategy and phasing is as follows:
- a. **Phase 1 (LAD1B). River Streets.** We will now bid for funds to deliver works around 620 properties, which is sufficient to deliver works to all homes in the River Streets area (ca. 520). The additional funding can be used to expand the scheme into North West Chopwell (another ca. 300 homes)
 - b. **Phase 2. (LAD2). North West Chopwell.** We will bid in January 2021 for our full allocation from the NE LEP, of £1.2m, which will fund works to a further 130 properties, to complete works in North West Chopwell.
12. In the above we have assumed:
- a. 100% of private homes take up the offer
 - b. 75% of private landlords take up the offer
 - c. A number of homes have already received insulation
13. In total we forecast completing works to 750 homes.
14. All private households can receive up to £10,000 in works, at 100% grant. Private landlords and social landlords can receive up to £5,000, at 66% grant, with the remaining contribution paid by the landlord.

Cost and funding

15. The costs and funding for the scheme are estimated in the table below. For the LAD1B project, we will bid for £5.890m grant, to fund the £6.36m of works. For the LAD2 bid, we will seek £1.24m grant, towards a £1.33m scheme cost. In both cases, the remaining funding will come from landlord contributions.

	TOTAL	LAD1B (620 HOMES)	LAD2 (130 HOMES)
WORKS	£6.20	£5.13	£1.07
FEES	£1.18	£0.98	£0.20
PM FEES	£0.31	£0.26	£0.05
TOTAL	£7.69	£6.36	£1.33
FUNDING			
LAD GRANT	£7.13	£5.89	£1.24
LANDLORDS	£0.45	£0.37	£0.08
HRA	£0.12	£0.10	£0.02
COUNCIL	£0.00	£0.00	£0.00
TOTAL	£7.69	£6.36	£1.33

16. It's noted that the HRA is required to contribute £120k to secure ca. £240k of grant funding, to deliver improvements to 52 Council homes. It's been confirmed that the HRA capital programme can accommodate this cost in 2021/22
17. It's also noted that not all private landlords may be willing or able to participate. The scheme will be promoted alongside Private Landlord licencing schemes, to encourage uptake, and even mandate this where required to comply with licencing requirements. Furthermore, if there is a desire from the planning department to achieve a uniform character to terraces, and achieve 100% participation where possible, the Council could consider a range of repayment options during project development, to support involvement of private landlords.
18. Within the grant request, there is also a total of £310,000 to cover internal project management costs, at 100% grant funding. This will resource the project team within Major Projects and Corporate Property Services, including:
- a. New post - 1FTE project manager post for 1 year – we are exploring the potential to second employees, or advertise to redeployees, that could fill this role.
 - b. 1FTE NEC contract manager (existing post, or consultant appt) for 1 year – we will seek to use internal resource where available, or if not, appoint consultants to undertake the role.
 - c. Other roles as required (QS, Clerk of Works, Tenant liaison, technicians plus support from Private Sector Housing on engagement of private landlords)
19. It is noted that costs are being updated by the contractor prior to bid submissions and may change. Also, the exact property numbers split between LAD1B and LAD2 may change.

Project Delivery

20. For the works, we propose to continue using the procurement approach already agreed by Cabinet for the previous scheme, which commenced pilot works earlier in 2020. The Council proposes to enter a Design and

Preconstruction contract with Willmott Dixon Construction Ltd, under the SCAPE Major Works framework. The contractor has already completed some scheme design to date, and for expediency, is best placed to be able to deliver the Council's requirements in the short timescales of the funding.

21. The Council has received an updated design contract proposal, at a cost of £140k over 8 weeks, which the Council requests delegated approval to agree the terms of this contract, to allow design to commence as soon as funding is confirmed.
22. The contractor has also provided an updated RIBA Stage 2 cost proposal for the construction phase, to inform the financial case for the full bid submission. The Construction Agreement would follow design, and be brought to Cabinet in February 2021, for approval. This is well ahead of the expiry date of the framework agreement (September 2021).
23. The construction stage is estimated to take 6 months (April – September 2021) aiming to install the first phase of 620 homes, with a possible 3 month extension should the £1.2m LAD2 funding be secured to extend delivery of the further 130 homes.
24. The contractor has confirmed their availability to carry out the works, and that of specialist subcontractors.

Consultation

25. Cabinet Members for Environment & Transport and Ward Members have been consulted

Alternative Options

26. The other options considered, and discounted, are as follows
 - Do nothing. Under this option, the grant funding opportunities would be lost, and the Council will not proceed to secure the benefits listed.

Implications of Recommended Option

27. Resources:

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms that the HRA Capital Programme can cover the £120k allocation for works in Council Homes, and that all other costs are due to be covered by the £5.89m grant award, and private landlord contributions
- b) **Human Resources Implications** – 1-2 posts (either new or existing) can be funded for one year, to be advertised internally. Other duties will be allocated to existing staff, with costs 100% covered by grant
- c) **Property Implications** – works largely to take place in private homes, but scheme will improve condition of 52 Council homes.

28. **Risk Management Implications** – As with many major infrastructure schemes there are a number of key risks as follows, but these are fairly low, given the prospect of securing 100% grant funding:

- i. Engagement and update - 100% grant reduces risk of non-participation in private homes. Private landlords may not achieve 100% update, but support through landlord licencing will support this.
- ii. Capital cost overrun - 100% grant means grant will cover cost increases to a point, reducing number of homes that can be delivered. Council does not bear risk of extra cost.
- iii. Planning – some works will require planning approval, but construction programme runs April – September, and design stage will review options for early commencement of works and use of permitted development where applicable.
- iv. Grant Clawback - Grant terms will define this risk, but main risk is around completing works after grant period ends, this will be assessed on receipt of grant terms

29. Equality and Diversity Implications – none – offers will be available to all residents

30. Crime and Disorder Implications - the works will be planned to ensure risk of theft / vandalism during works is minimised with appropriate security.

31. Climate Emergency and Sustainability Implications – the scheme directly supports the Council and GEC in achieving its objectives from the Climate Emergency, to move Council operations towards becoming Zero Carbon by 2030.

32. Human Rights Implications - There are no human rights implications

33. Ward Implications - The proposals are located in Chopwell and Rowlands Gill ward

Background Information. Previous cabinet reports relating to ERDF bids for energy Schemes in Chopwell