

1 – SCHEME DETAILS

Project Name	Housing Retrofit - Thermal Efficiency and Heat Pump upgrades	Type of funding	Grant
Grant Recipient	City of Doncaster Council	Total Scheme Cost	£6.065m
MCA Executive Board	Housing and Infrastructure	MCA Funding	£2.7m
Programme name	Gainshare	% MCA Allocation	44.5%
Current Gateway Stage	FBC	MCA Development costs	N/A
		% of total MCA allocation	N/A

2 – PROJECT DESCRIPTION

Following the Chancellors announcement of a £2 billion Green Homes Grant (GHG) in July 2020, the government set out how the GHG would be delivered. With a focus on improving the energy efficiency standards in the homes of low-income households, to help both reduce fuel poverty and reduce carbon emissions, the government made the grant available to the general public and for delivery via Local Authorities.

Doncaster Council has successfully bid for funding to initiate a housing retrofit scheme focusing on the most impactful energy efficiency works in low income communities with the oldest inefficient housing stock. With a restrictive qualifying criteria which does not allow an area based approach. The applicant is seeking funds that allow this in order to achieve greater community impact and value for money. Delivery alongside the applicant's existing 5 year thermal improvement programme for social housing will enable the desired impact as well as allow the social housing works to be accelerated; delivering improved comfort, fuel and carbon savings much earlier in the programme.

To ensure the project is delivered to greatest effect and impact, the applicant is focusing on low income communities and specifically areas that have older housing stock with solid wall construction. By the time the MCA funding could be available, the project will target areas as Armthorpe (DN3) and Wheatley (DN2).

SYMCA funds will be used to match the Council's capital investment and Social Housing Decarbonisation Fund – Wave 2. A total of 300 homes will be in scope for 'hard to treat' external wall insulation. SYMCA funds will also be used to match Council capital to test the real impact of whole house retrofit on a range of social tenancies across 21 homes.

The monitoring and evaluation of 'before' and 'after' running costs and CO2 will help the Council and SYMCA to evaluate the true cost and impact of housing retrofit for social housing. It will help to prove how a return on investment could or couldn't be achieved using an 'energy performance contracting' finance model.

The applicant is asking for £2.7m grant funding in the preferred option. The breakdown of this grant funding is as follows:

- £5,000 per property (250 homes) contribution towards all Council house EWI works, totalling £1.25m
- £10,000 per property (50 homes) contribution towards EWI works to private properties, totalling £0.5m.
- £40,000 per property (21 homes) to match fund the cost of 'whole house' works, totalling £0.84m
- £60,000 Project Management Fees
- £50,000 for Monitoring and Evaluation (third party)

This is in addition to the £3,365,000 to be provided by City of Doncaster Council, a combination of the Council's own capital and Social Housing Decarbonisation Fund.

3. STRATEGIC CASE

Options assessment

The applicant outlines three options for the appraisal:

- A Do Minimum, where the Council house retrofit scheme would be required to operate for the remaining 5 years and private property scheme operates sporadically for the remaining period of local authority delivery, resulting in fewer homes reduce their energy use/costs. The applicant states that there would be a risk of losing the supply chain (due to increases in labour and materials cost), as the continuity of work would be lost in this option.
- The Preferred option, which secures full funding and supports a total of 321 homes.

	<ul style="list-style-type: none"> • A Viable Alternative Option 1, in which the applicant receives 20% lower grant funding for the scheme, resulting in the number of homes receiving retrofit works reducing from 321 to 255. <p>The rationale supporting the preferred option is that the SYMCA funding will allow works to be accelerated; helping address the vast inflationary cost of construction not previously considered as part of the original budget and when the most vulnerable are experiencing some of the worst financial and health pressures. The inclusion of private properties will also enable greater community impact and delivery of works to provide consistency in the streetscene, while the whole house works (not included under Do Minimum) are crucial to developing the evidence base required to support large-scale deployment of the retrofit programme. Furthermore, under the preferred option, more homes will receive support, contributing to net zero carbon objectives for Sheffield City Region. This is a clear rationale for the selection of the preferred option.</p>
<p><i>Statutory requirements and adverse consequences</i></p>	<p>The applicant has stated that all design plans have been agreed with Planning, and that works are able to commence. The applicant states that “This action was undertaken as a result of earlier phases of work being part funded by government and part by the Council. The works are also proposed to work to new PAS2035 standards for which the contractors Wates Ltd are already delivering for the Council and others.” Given this, there are no foreseen further impacts that need to be captured as a result of the scheme.</p> <p>In section 2.13, the applicant details the economic and social disbenefits of the scheme. This includes:</p> <ul style="list-style-type: none"> • Noise from operational Air Source Heat Pumps; • Disruption caused during construction; • Increased maintenance costs; • Potential impacts of external wall insulation on appearance of dwellings; and • Potential for external wall insulation to make pavements/roads narrower <p>It is clear that the disbenefits of the scheme are multifaceted, and the applicant has outlined proposed activities to mitigate or reduce the disbenefits where apparent. The potential for noise impacts; disruption; appearance impacts and reductions in garden space highlight the importance of engagement and</p>

	communication with the impacted households, and the potential need to adapt the approaches taken to these disbenefits as the project progresses.	
<i>FBC stage only – Confirmation of alignment with agreed MCA outcomes (Stronger, Greener, Fairer).</i>	<p>The project demonstrates a clear alignment with the “Stronger” objective through the employment support on the program. The applicant has stated that contractors will use the local supply chain across the MCA area, which is anticipated to support 10-15 jobs. The job estimates are based on the anticipated increase in the workforce required to complete this project in addition to the SHDF wave 2 works, with the range depending on both the programme/workforce availability.</p> <p>The project will also contribute to the “Fairer” objective through providing higher wages for those on low incomes, and health improvements/reduced fuel poverty for impacted households. The applicant also states the requirements to deliver works to PAS2035 standard will require accreditation at certain levels (Coordinator, Assessor, Designer), and that the works could therefore result in improved skills levels, however there is no firm commitment included.</p> <p>The project will also contribute to the “Greener” objective by reducing carbon emissions in each home by an average of 2.9 tonne per annum.</p>	
4. VALUE FOR MONEY		
Monetised Benefits:		
<i>VFM Indicator</i>	<i>Value</i>	<i>R/A/G</i>
<i>Net Present Social Value (£)</i>	£3.87m (MCA funding) / £383k (total public sector)	G/A
<i>Benefit Cost Ratio / GVA per £1 of SYMCA Investment</i>	2.39 (MCA funding) / 1.06 (total public sector)	G/A
Non-Monetised Benefits:		
<i>Non-Quantified Benefits</i>	10-15 jobs generated through the supply chain, 5 apprenticeships completed or supported to be completed at Levels 2, 3 or 4+; 5 individuals supported into work and the development of the local supply chain	
Value for Money Statement		

The economic appraisal provided by the applicant outlines a benefit cost ratio of 2.39 against the SYMCA funding ask (1.06 against total public sector funding). This reflects good value for money against the MCA funding and exceeds the BCR of the viable alternative (1.56 against the MCA funding ask; 0.6 against total public sector costs).

The preferred option also includes a number of non-monetised benefits, including 10-15 jobs generated through the supply chain, 5 apprenticeships completed or supported to be completed at Levels 2, 3 or 4+; 5 individuals supported into work and the development of the local supply chain and ability to inform the rollout of future housing retrofit activities. The applicant could have monetised the value of apprenticeships completed and considered the inclusion of distributional benefits to increase the value of the BCR and, taken alongside the non-monetised benefits, the project's value for money is likely understated through the current BCR, as acknowledged in clarifications responses. Taking this into account, the project is viewed to offer good value for money versus the MCA funding request.

5. RISK

The applicant has detailed 5 key risks in Section 6.7, as part of 21 risks detailed in Appendix A.3. The risks included in the list are likely to occur in the operational phase, which is recognised by the applicant. The most significant risks relate to access to premises, weather conditions; the availability of materials; standards of insulation works and that the whole house retrofit achieves lower than expected savings. Mitigation is provided for each of the risks in the FBC and Appendix A.3. Limited mitigation is provided in relation to Risk 5 (that whole house retrofit achieves lower than expected savings). Given running costs set out in Appendix C highlight running costs pre-intervention of £4,467 per year, and post-intervention running costs of £2,108 per year, there is limited potential for households to be adversely impacted.

The applicant has set out that cost overruns will be covered by the applicant and that there will be no reduced activity /outputs as a result of any future cost increases. Given the potential for cost overruns due to inflation, capacity, material, or weather constraints, a condition relating to cost overruns being borne by the applicant should be included, and that the scope of activities will not be reduced.

The applicant has stated that all other funding has been secured to deliver the project and that cost overruns will be borne by the applicant.

While the applicant has highlighted that Wates were procured following an OJEU compliant process, limited detail has been provided with regard to the bid appraisal process and the key evaluation criteria that underpinned the award.

6. DELIVERY

The timetable for delivery of the works is expected to take place from August 2023 to March 2025. The milestone for Cabinet approval to receive the Gainshare funding, if successful is set as July/August 2023 which, while still achievable, could slightly delay the commencement of the works. However, given the scale of the project and procurement has been undertaken, this is a reasonable timetable which allows for flexible installation of the various works through the scheme.

The procurement of the works contract is complete, with the contract to deliver the works awarded to Wates Property Services Limited. Clarifications responses indicate that Wates were procured in Nov 2022 via Efficiency North (EN:Procure Installation and Repairs Framework) following an OJEU compliant process, to deliver the Councils' Thermal Improvement Programme.

The level of cost certainty is 95% for this submission, which is appropriate given the state of progression of the FBC. The procurement stage is complete and therefore many of the costs are now fixed for the project. The Council has stated in the FBC that it will covers any cost overruns, and clarifications responses have confirmed that there will be no reduced activity /outputs as a result of any future cost increases.

The project governance structure is set out in Appendix D. From the council side, Karen Ratcliffe will lead the team as the Assistant Director for Strategic Housing and Sustainability, with key personnel from across the council and St. Leger Homes outlined, though no named personnel from Wates are set out in the organogram.

The business case is signed by the Director of Economy and Environment as the person responsible for the application and is also signed by the Director of Corporate Resources.

The applicant has outlined that all stakeholders are engaged at the appropriate stages of the project – the Council, St Leger Homes and the contractors, then tenants and local ward members. Feedback provided in the FBC highlights that “*The works are very welcome, both for the improved appearance of properties as well as the improved thermal comfort and ability to reduce heating fuel consumption.*” The applicant has also detailed some negative feedback that has been addressed and that a tenant liaison for St Leger Homes Doncaster and Wates are on site every day and respond appropriately to customer enquiries.

However, there has been no formal public consultation for the project, and therefore, it is difficult to assess the public opinion of the project.

Monitoring and evaluation processes are set out in the business case. The scheme will be subject to PAS235 standards, which necessitates a basic evaluation of dwellings, while the applicant also has monitoring obligations for DESNZ associated with the Social Housing Decarbonisation Fund that has been secured.

Alongside these commitments, the applicant proposes to procure a third party to monitor and evaluate the 'before' and 'after' impacts of the improvements to assess the carbon and fuel savings achieved. The MCA should ensure that this monitoring and evaluation activity is aligned with the outputs, outcomes and benefits, as well as social value commitment, set out within the FBC to ensure that the scheme objectives has been met and value for money assured.

7. LEGAL

The applicant sets out that "*Suppliers are outside the scope of subsidy on the basis that their benefit is obtained on Market Economy Operator Principle (MEO)..... An appropriately advertised open tender process (procurement) is used to select the supplier of goods, works or services and there it does not meet the second condition and is not deemed a subsidy.*" Clarifications responses highlight that subsidy control advice, as presented in the FBC, has been provided by appropriately qualified personnel (i.e. a legal professional). This should be review and confirmed by SYMCA's Legal team.

8. RECOMMENDATION AND CONDITIONS

Recommendation	Full award subject to conditions
Payment Basis	Payment on defrayal
Conditions of Award (including clawback clauses)	

The following conditions must be satisfied before contract execution.

1. Confirmation that all other funding is secured
2. Procurement of main contractor and evidence of cost certainty e.g. return of contractor tenders and confirmation of material costs
3. Submission of a detailed project plan and risk register including sufficient contingency provision for all activities and related mitigation costs.
4. Submission of acceptable Subsidy Control opinion

The conditions above should be fully satisfied by 31st October 2023. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

5. All required statutory consents including all planning conditions must be satisfied.

The following conditions must be included in the contract

6. Clawback on outputs and outcomes at SYMCA discretion.

7. Scheme promoter to address any cost overruns without unduly compromising project outputs and outcomes.