

**Title:** Home Upgrade Grant - Approval for entry to Programme and Procurement of Installation Supply Partner

**Lead Officer:** Nick Cadd, Housing and Communities Manager (07976 918632)

**Portfolio Holder/  
Lead Member:** Councillor L Coles

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### **Summary**

The Home Upgrade Grant 2 (HUG2) is a programme funded by the Department of Energy Security and Net Zero (DESNZ) to provide energy efficiency upgrades and clean heating systems in low-income households.

The Council has the opportunity to participate in the HUG2 programme. To do so, we will be required to engage at least one installation supply partner to access this funding. Following a review, we propose to commission additional services from a new supply partner or partners to facilitate efficient and cost-effective installation of appropriate measures to eligible households.

### **Recommendations**

- (1) That engagement with the Home Upgrade Grant 2 programme and the completion of the Development Plan be approved, outlining to DESNZ the Council's priorities in respect of improving people's housing conditions through carbon reduction measures and addressing the climate emergency; and**
  - (2) That any decision to award contracts for the installation supply partner for the Home Upgrade Grant 2 programme be delegated to the Head of Service for Housing, Revenues and Customer Services be approved.**
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## **1 Background/Information**

- 1.1 The Home Upgrade Grant 2 (HUG2), replacing the Home Upgrade Grant (HUG1), is the next iteration of the Sustainable Warmth Competition supporting the national effort to reach the UK's Net Zero commitment by 2050.
  - 1.2 The Council is part of a consortium for HUG1 and HUG2, led by the Midlands Net Zero Hub (MNZH).
  - 1.3 The HUG1 and HUG2 schemes target the worst performing (EPC band D-G) off-gas network homes in England, to tackle fuel poverty and progress towards the UK's 2050 Net Zero commitment.
  - 1.4 Accessing HUG2 funding is complex and the process requires specialist support, for context the process is mapped in the accompanying HUG2 Process Flowchart (**Appendix 1**).
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- 1.5 The application and approval process for householders is delivered by Customer Journey Support (CJS) partners, Act on Energy (AOE). These services are supplied to the Council by MNZH funding.
- 1.6 MNZH has allocated the Council approximately £4.5 million to deliver HUG2 in financial years 2023-24 and 2024-25.
- 1.7 The Council is required to engage an installation supply partner to access this funding. For HUG1, the Council engaged the services of an installation supply partner under a framework agreement that the Council was permitted to access. This report provides information on HUG1 and HUG2 and seeks permission to engage an additional installation supply partner to aid delivery.

1.8 ***Previous performance and growth in future delivery***

- 1.8.1 Due to a range of factors, including a steep learning curve and sub-contractor challenges, installation of measures via our installation supply partner under HUG1 have been lower than hoped. A total of six properties have received energy efficiency measures out of a final target of 11. This is disappointing but not exceptional as many local authorities have struggled to spend their full allocations (see Table 1 below for anonymous regional comparisons).

1.9 **Table 1 – number of HUG1 installations:**

Local Authority	Target	Achieved
Authority 1	1	0
Authority 2	12	2
Authority 3	10	3
Authority 4	5	2

- 1.10 A particular issue for the HUG1 programme was the lack of certified installation sub-contractors for the provision of external wall insulation (EWI) to park homes. As Stratford-on-Avon District has a relatively large proportion of these low-energy-efficient properties, it was disappointing that we were unable to provide upgrades to a significant number of these homes under HUG1.
- 1.11 To mitigate this ongoing risk, we are exploring local capacity in the area of EWI for park homes. We hope this will stimulate the local provider market in this respect and improve delivery within this element of the scheme.
- 1.12 While our existing installation supply partner has taken steps to improve processes, after consideration of our options we propose that as well as retaining their services it would be prudent to engage additional supply partners for HUG2.
- 1.13 It is anticipated that additional supply partners would provide alternative and supplementary options for the installation of measures, ensuring that there is sufficient capacity to service the increased target number of properties for HUG2.

1.14 We recommend that alternative contractors be considered and procured via established frameworks, such as Fusion 21 or the MNZH Dynamic Purchasing System (DPS), if or as needed during the HUG2 programme lifespan. This will afford the Head of Service and Lead Officer a measure of flexibility in responding to installer supply shortages or any other issues and help ensure the programme delivers the maximum number of energy efficiency measures to District householders.

#### 1.15 ***HUG2 Delivery Expectations***

1.15.1 For HUG2, MNZH has set targets for the number of properties the Council is expected to upgrade. These are based on the mainly rural nature of Stratford-on-Avon District and the corresponding number of off-gas EPC band D-G properties.

1.15.2 The target number of properties for HUG2 is 91 in financial year 2023-24 and 137 in 2024-25. Of these, scheme guidelines permit a 10% park home allocation.

1.15.3 How the Council intends to meet these targets is detailed in the Development Plan (available on request due to its size). The Development Plan is prescribed by the MNZH and details our intended approach to the allocation of resources (human and financial), to procurement and contractors, forecasting, funding compliance/eligibility, risk and reporting.

1.15.4 The final iteration of the Development Plan will be submitted to MNZH as part of the initiation of the project. It is an iterative document but should be considered our key summary of our aspirations for the HUG2 programme through the period 2023 to 2025.

1.15.5 Given the targets being set by DESNZ, it is the view of officers that it is essential that we widen the supply of contractor capacity in an attempt to improve the volumes delivered over the period 2023 to 2025.

#### 1.16 ***Increasing Capacity to Deliver HUG2***

1.16.1 Following a recommendation from AOE, we have begun discussions with E.ON regarding their service options. Critically, E.ON have a great deal of experience delivering installations for a number of local authorities (LAs) under HUG1. They have also worked closely with AOE in partnership with other LAs and are able to adapt their service processes to ensure an efficient and smooth workflow between the LA, CJS partner, and installation sub-contractors.

1.16.2 Legal advice has been received and the Council is able to procure the services of E.ON as a supply partner through a direct award via the Fusion 21 decarbonisation framework.

1.16.3 As neither our existing installation supply partner or E.ON are currently able to offer EWI installation to park homes, procuring the services of an additional EWI-certified contractor is essential to enable service provision to this property archetype under HUG2.

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- 1.16.4 As there are a very limited number of EWI-certified installers in the region, we propose that the Council provides installation funding for one property to enable a local contractor to become Trustmark certified (essential to be approved for HUG2 works). This cost (up to a maximum of £15,000) could be considered an investment in local skills and capacity, as well as enabling future installations of EWI for park homes across the District. An exemption is being prepared to facilitate this and once this is secured negotiations will take place.
- 1.16.5 If achieved, we will seek to develop this relationship and create additionality around the social value offer this organisation may be able to provide.

## **2 Options available to The Cabinet**

- 2.1 The Cabinet can approve the recommendations and the delegations proposed above; or
- 2.2 The Cabinet can request the development of an alternative set of recommendations;
- 2.3 The Cabinet can determine not to approve the recommendations, procurement process and the delegations proposed, and end work of this nature. This would have significant implications as the Council has declared a climate emergency and for vulnerable residents who will miss the opportunity to have homes improved under this scheme.

## **3 Evidence Base**

- 3.1 The need for this project has been identified by DESNZ and MNZH, which has also been used to determine the funding level. The current Housing Strategy states the following:

*Cold and damp homes threaten good health, reduce quality of life and result in excess deaths in the winter months. The highest concentration of fuel poverty is in the private sector (both owner occupied and private rented housing).*

*A household's fuel poverty status depends on the interaction of three variables i.e. the energy efficiency of the home, energy prices and household income. Fuel poverty occurs when households have above average fuel costs, and if they were to spend that amount, they would have a residual income below the official poverty line. Around 15 percent of all households in the District (representing approximately 8600 households) are in fuel poverty. Fuel poverty is particularly prevalent in the District's rural communities.*

- 3.2 England has significant levels of fuel poverty. In 2022, there were an estimated 13.4 percent of households (3.26 million) in fuel poverty in England, the figure for Stratford-on-Avon District in 2021 was 15.6 percent (approx. 8,600 homes). The table below provides more information:
- 3.3 **Table 2 – Percentage of households in fuel poverty for Stratford-on-Avon compared with neighbour local authority districts in the West Midlands** (LGA Publication – Percentage of households in fuel poverty for Stratford-on-Avon compared with all local authority districts in West Midlands):
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	Households in fuel poverty		
	2019 (%)	2020 (%)	2021 (%)
North Warwickshire	16.2	15.4	16.3
Nuneaton and Bedworth	16.1	16.0	15.9
Rugby	14.6	14.4	13.6
Stratford-on-Avon	13.6	13.3	15.6
Warwick	13.0	13.2	13.9
Wychavon	14.1	14.0	15.6
Malvern Hills	15.1	15.6	18.5
Bromsgrove	11.7	11.7	13.0

- 3.4 Stratford-on-Avon District does have a higher prevalence of off-gas communities, and this contributes to these figures. The HUG2 programme targets these communities and those on low incomes. This targeting should have a positive impact on the numbers experiencing fuel poverty, but the measure also accounts for household income and therefore this cannot be guaranteed, especially if household incomes reduce as a result of the cost-of-living crisis.

#### **4 Consultation and Members' comments**

- 4.1 The Portfolio Holder's comments have been incorporated into the body of this report.

#### **5 Implications of the proposal**

##### **5.1 Legal/Human Rights Implications**

- 5.1.1 Installation supply partners are being procured in accordance with public procurement requirements and the Council's contract standing orders. The Council's Legal Services are continuing to provide legal advice and assistance in relation to the award of the contract.
- 5.1.2 The Constitution specifies that expenditure of above £150,000 is a key decision. However, there is specific provision for procurement. Where a procurement has been approved in principle by The Cabinet, that is the key decision. The subsequent decision to award the contract is not a key decision, subject to certain safeguards over value and budget. It is often the case that the award stage has quite a tight timeframe and the ability to make a quick decision is helpful. This will always involve the completion of evaluation and the necessary legal processes. In this instance, and if this report is approved, the delegated authority will rest with the Head of Service. A timely award will then enable mobilisation of the contract in time for the planned commencement date.
- 5.1.3 Any services provided by installation supply partners will be procured using existing procurement frameworks such as Fusion 21 and DPS.

## 5.2 **Financial**

5.2.1 MNZH has allocated the Council approximately £4.5 million to deliver HUG2 in financial years 2023-24 and 2024-25.

5.2.2 As this expenditure exceeds £150,000, it is a key decision. Given the value over the lifetime of the contract, it is likely to be an ordinary or major contract in terms of the Council's Contract Standing Orders.

## 5.3 **Council Plan**

5.3.1 In terms of 'enhancing the quality of Stratford-on-Avon as a place', and specifically improving the health and wellbeing of all residents, the HUG2 programme will further the Council's efforts to alleviating fuel poverty and ensuring that affordable warmth is available to everyone.

5.3.2 In respect of 'responding to the climate emergency' and doing 'all we can locally to contribute to national carbon reduction targets', this work will assist in fulfilling our aim to becoming a carbon-neutral District by 2030 and support measures to adapt to the impact of climate change.

## 5.4 **Environmental/Climate Change Implications**

5.4.1 Participation in this programme directly contributes to decarbonation and energy security, in line with the Council's July 2019 declaration of a 'Climate Emergency'. Providing home upgrades to properties in the District is a good example of local action which contributes to national carbon neutral targets, aligning with the Council's aim to being carbon neutral in the District by 2030.

## 5.5 **Analysis of the effects on Equality**

5.5.1 There are no major equality implications. An Equality Impact Assessment (EIA) is attached as **Appendix 2**.

## 5.6 **Data Protection**

5.6.1 The tenderer is required to complete the mandatory data protection declarations as part of the contract. There are no issues identified around data protection.

## 5.7 **Health and Wellbeing**

5.7.1 Energy security and costs currently present a significant challenge, particularly to residents in the worst quality EPC band D-G homes in the District. Providing energy efficiency measures would directly address these issues, decrease heating costs, and improve quality of life for eligible residents.

## 6 **Risk Assessment**

6.1 A comprehensive risk assessment is included in the Development Plan. Most identified risks can be mitigated, however there remain a number of significant risks associated with this project even after mitigation. One of these risks is low take-up; previous schemes, including LADS3 and HUG1, have experienced this and despite significant efforts by the CJS organisation, the public are sceptical about some of the measures and process. Supply chain issues do exist, and contractor capability and capacity, as well as material supply, have previously presented challenges.

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## **7 Conclusion/Reasons for the Recommendation**

- 7.1 If the Council wishes to continue to work towards its aspiration around the UK's 2050 Net Zero commitment and the declared climate emergency, we must engage with HUG2. Submitting the Development Plan and procuring additional installation supply partners with additional contractor capacity will afford the Head of Service and Lead Officer a measure of flexibility in responding to installer supply shortages or any other issues, and help ensure the HUG2 programme delivers an increasing number of energy efficiency measures to District householders through HUG2.

Annette Homer

HEAD OF HOUSING, REVENUES AND CUSTOMER SERVICES

### **Background papers:**

None.

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