



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 3.5

Greater South East Energy Hub: Mobilisation of Schemes and Reprofileing of Budget

To: Cambridgeshire and Peterborough Combined Authority Board

Meeting Date: 26th January 2022

Public report: This report contains an appendix which are exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, in that it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding that information)). The public interest in maintaining the exemption outweighs the public interest in publishing the appendices.

Lead Member: Dr Nik Johnson

From: John T Hill, Director of Business and Skills

Key decision: Yes

Forward Plan ref: KD2021/071

Recommendations: The Combined Authority Board is recommended to:

1.
 - a. Approve the creation of budget lines as set out in 8.1 to deliver the services set out in the MoU for the £118,389,025 Sustainable Warmth programme.
 - b. Delegate Authority to the Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer, to enter into contracts for Managing Agent(s), works or other, as required, to expend the funding for the Sustainable Warmth programme, as set out in 3.9

2.

- a. Note the ongoing work with BEIS to produce a recovery plan for the Green Homes Grant (LAD 2 programme)
- b. Approve the formation of the CPCA Programme Board for the Energy Hub programme.
- c. Delegate authority to the Chief Executive and Monitoring Officer to approve the Terms of Reference for the CPCA Programme Board by 31st January 2022.

3. In line with the LAD2 variation letter received from BEIS, approve the corresponding reprofiling of the LAD2 and Public Sector Decarbonisation Fund budgets.

4.

- a. Approve the creation and amendment of budget lines as set out in 5.1 (a to d) to deliver the services set out in the seventh variation to the Local Energy Capacity Support MoU for c.£2,164,358 and Social Housing Decarbonisation Fund – Technical Assistance Facility Online Hub MoU as detailed in 5.1(e) for £150,000.
- b. To award a grant of £1.5m to The London Borough of Hounslow Council as Lead Authority for the Net Zero Investment Design & Scoping Programme.
- c. Delegate authority to the Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer, to enter into agreements and approve the budgets corresponding to the BEIS funding agreements.

Voting arrangements: A simple majority of all Members present and voting

Any vote in favour must include the vote of the Mayor, or the Deputy Mayor acting in place of the Mayor, to be carried.

1. Purpose

- 1.1 On the 30 June 2021, the CPCA Board gave permission for the Greater South East Energy Hub (GSEEH) to bid into the Sustainable Warmth competition funded by BEIS. BEIS issued the Combined Authority a Sustainable Warmth Funding agreement of £118,389,025, and the Memorandum of Understanding (MoU) was signed on the 19 November 2021.
- 1.2 To acknowledge the ongoing work to increase capacity in supply chain delivery via targeted skills and training in the region which sits alongside the Green Job Taskforce report to government in 2021.
- 1.3 To reprofile LAD2 funding to reflect the revised delivery profile and to reprofile the Public Sector Decarbonisation Fund.
- 1.4 BEIS have approached the Combined Authority requesting GSEEH support for the delivery of a number of projects outlined in 5.1. The draft MoUs have been issued for the projects outlined, final funding agreements and funding defrayal is expected before the March CPCA Board meeting with the total value being c. £2.3m.

2. Background

- 2.1 The Sustainable Warmth programme is a single funding opportunity which brings together two fuel poverty schemes, Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1. Through the Sustainable Warmth programme, Government aims to save households money, reduce fuel poverty, cut carbon and support the aims of the Prime Minister's 10 Point plan for a Green Industrial Revolution. The Sustainable Warmth programme provides funding to upgrade homes both on (LAD2) and off the mains gas grid (HUG1) and for the GSEEH led project this is c.£118m for low-income households. The Sustainable Warmth programme will provide funding to improve low energy performance off grid and on gas grid homes in England by installing Eligible Measures. GSEEH and the CPCA are mobilising this now, to start as soon as possible in early 2022 and upgrades to be delivered through the Sustainable Warmth programme should be completed by the delivery deadline of 31 March 2023. In essence, the Government's investment allows the GSEEH, for which the Combined Authority is the Accountable Body, to play a pivotal role in helping Local Authorities across the South East to access this funding to ensure their tenants are living in energy efficient properties. This in turn, could save them money on heating bills and reduce their fuel poverty whilst enabling families to benefit from a transition to low carbon heating and play their part in the race to hit Net Zero Carbon targets.
- 2.2 In July 2020, the Chancellor announced £2 billion of support through the Green Homes Grant (GHG) to save households money; cut carbon; and create green jobs. The GHG comprised of up to £1.5bn of support through energy efficiency vouchers and up to £500m of support allocated to English Local Authority (LA) delivery partners, through GHG local delivery. The GHG voucher scheme was closed in March 2021 due to delays, administrative issues and poor delivery supply chain availability. The GHG LAD2 scheme set out to upgrade the energy performance of over 200,000 of the worst-quality homes in England by installing energy efficiency and low carbon measures. The scheme was split

into two initial funding tranches of £200M (Phase 1), and £300M (Phase 2). Phase 2 has been made available for regional Energy Hubs. This aims to help low-income families living in the worst-quality homes in England (those rated EPC E, F or G) and is expected to result in the following outcomes:

- Tackle fuel poverty by increasing low-income household's energy efficiency rating while reducing their energy bills;
- Support clean growth and promoting global action to tackle climate change;
- Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs; and
- Use learnings from the delivery experience to inform the development and design of further energy efficiency and heat schemes.

2.3 £78.3 million LAD Phase 2 funding was awarded to the GSEEH on 12 February 2021, with a grant offer letter signed by the CPCA on 15 February 2021 to deliver retrofit measures into homes. This funding was allocated based on local authority areas relative to the number of households in fuel poverty in each LA and was timed to commence after LAD1 had completed. Our Energy Hub, supported by Combined Authority legal and finance teams commenced a tender process in January 2021, seeking Managing Agents who would manage the service delivery of household engagement, property surveys, installer procurement and management and quality assurance in Local Authority areas. A Dynamic Purchasing System (DPS) was created for a wide range of suppliers & installers to encourage local delivery and SME participation which could be accessed via mini competition.

2.4 The need to decarbonise the housing and availability of capital grant programmes, provides the opportunity to grow the domestic retrofit sector at a local level. The CPCA and GSEEH will commission a regional retrofit sector study to understand the sector, this being, suppliers, supply chain, manufacturers, accreditations and skills required to meet the ambition to decarbonise the housing stock to meet net zero targets. This will give us the information across the region for the GSEEH and its stakeholders' to move quickly to market with interventions in supply chain, skills and/or manufacturing. A draft study specification has been developed and requires input from the Business Board and Skills Committee before going into the market to procure this. This study will then take 3 to 4 months to complete and report back.

3. Sustainable Warmth Programme

3.1 Sustainable Warmth comprises, £34m Home Upgrade Grant (HUG1) and £84m Local Authority Delivery Phase 3 (£118m). There are 64 local authorities in the GSEEH consortia. The programme will be mobilised January to March 2022 with delivery commencing in April 2022 through to end of March 2023.

3.2 The mobilisation of the LAD Phase 2 project across the GSEEH had a number of lessons learnt that are applied to the Sustainable Warmth delivery approach.

- a) Supply Chain availability - the installer DPS has 38 installers with a potential delivery capacity of £407m per annum, with new installers applying each month. At the commencement of LAD2, there was limited supply chain available to the GSEEH.
 - b) A new professional services DPS will be set up for all local authorities and housing associations to access, this will be for services to support the delivery of retrofit measures.
 - c) More local authorities will be able to deliver the projects directly through grant funding agreements as the LAD Phase 1 project will be complete.
 - d) Frontline public sector and community group staff/volunteer training delivered by a national fuel poverty charity will support the generation of household referrals into the scheme.
 - e) The recommended interventions from the retrofit sector supply chain and skills study will be implemented to drive long-term and sustainable growth in the sector.
- 3.3 The Combined Authority procured a Framework for Managing Agents this is available to all local authorities in the GSEEH. The value of the Managing Agent Framework contract is £1bn (over 4 years). A Managing Agent provides turnkey project delivery, ranging from marketing, household assessment and managing installer delivery. An external Framework Manager will be appointed for Sustainable Warmth.
- 3.4 In March 2021, the Combined Authority launched a Dynamic Purchasing System (DPS) for Energy Efficiency Measure Installers, this opens on a monthly basis for new suppliers and ends in March 2026. The Framework Managing Agent is required to run mini competitions on the DPS for installers of measures. This DPS is available for use by any local authorities, LEPs, housing associations or other public bodies.
- 3.5 The Sustainable Warmth delivery model provides for local authorities to self-deliver through grant agreements or for the Combined Authority to act as Lead Authority on their behalf.
- 3.6 Only one Managing Agent was secured for the delivery of LAD2. To reduce delivery risk of a single supplier, the Combined Authority will develop a Dynamic Purchasing System (DPS) procurement for professional services. This will include referral and advisory services, retrofit assessors/coordinators, programme development and project management consultants. The budget for professional services (Managing Agent) across grant funding agreements, Framework appointed Managing Agent and any new professional services procurement is £8.2m in 2022/23.
- 3.7 The appointed Framework Managing Agent is the Employer of the Installer on behalf of the Lead Authority. Trades appointed via the Installer DPS will be contracted using the Joint Contracts Tribunal (JCT) form of contract. The budget for capital works (installers) across grant funding agreements, Framework appointed Managing Agent and any new professional services procurement is £103.2m in 2022/23.
- 3.8 Due to the delivery extensions of the LAD Phase 1 and LAD Phase 2 schemes, Sustainable Warmth will be mobilising alongside the delivery of LAD2. Additional resource is required to support the GSEEH delivery team to mobilise the programme and provide support to local authorities. The budget for resource consultancy support is up to £600K.

3.9 The project will need timely contracts to meet delivery timelines, therefore we seek delegation for the Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer, to enter into contracts above the standing CEO authorisation, as outlined below.

Contracts above the standing Chief Executive authorisation (£500K) are:

Contractor(s) Information	Contract Value (£)	Contract Start Date	Contract End Date
[Existing] Managing Agent Framework & [New] Call Off Contract [New] Professional Services DPS	£8,270,000	01/04/2022	31/03/2026
[NEW] JCT Intermediate with Design/MTC - GSEEH Dynamic Purchasing System installer contracts (MA Employer of Installer)	£103,284,889	01/04/2022	31/03/2023
[Existing] Framework Manager (CCS RM3741) [New] - Framework Manager (CCS RM6187 - MCF3)	£1,215,000 (est.)	08/03/2022	31/03/2023
[NEW] Consultancy Support Programme Mobilisation (CCS RM6187 - MCF3)	£400,000 - £600,000 (est.)	21/01/2022	31/08/2022

4. See confidential Appendix 1

5. Additional Projects

5.1 BEIS have requested that the GSEEH supports the delivery of a number of projects, the total anticipated funding is in the region of £2.3m, the funding is for:

- a. **Net Zero Investment Design & Scoping Programme - £1,500,000:** To establish the business case to build a place-based approach to delivering Net Zero at scale, in partnership with local authorities, industry and investment community.
- b. **Cleaner & Greener Sustainability Hub - £258,358:** A three-year project to establish a pilot community hub in a Bromley shopping centre to support residents to reduce environmental impact and provide a retrofit advice centre. If successful, the project may be replicated.
- c. **Community Energy Pathways - £216,000:** To build a framework approach for community energy pathways that establishes community energy networks in England.
- d. BEIS have committed circa **£195,000** to provide short term resource support to the GSEEH operational team to mobilise programmes and projects that have been delayed due to the resource requirement of LAD2.
- e. **Online portal and Technical Assistance Facility resource - £150,000:** To support local authorities applying for BEIS Social Housing Decarbonisation Funding.

5.2 Projects (a to d) will be the seventh variation of c.£2.3m to the Local Energy Capacity Support MoU, a draft MoU has been received for review.

- 5.4 The Net Zero Investment Programme is a partnership project between Core Cities, Connected Places Catapult and London Councils (UK Cities Climate Investment Commission). The £1.5m grant will be allocated to the Lead Local Authority, Hounslow Council.
- 5.5 BEIS have requested that project (d) the online portal is delivered by the 1 March 2022, the draft MoU has been received for legal review for these services. External consultancy has been procured for the online portal and technical consultancy will be procured for the technical assistance resources.
- 5.6 Delegation is sought for the Chief Executive, in consultation with the Chief Finance Officer and Monitoring Officer, to create and amend budget lines, approve budgets and enter into agreements for all projects in line with the BEIS funding agreements, final issues are expected by the end of January 2022.

6. Governance

A CPCA Officer Programme Board will be set up to monitor the implementation and the performance of the LAD2 project. The aim of the Board is to provide oversight of the LAD2 programme and future Sustainable Warmth project delivery.

CPCA Programme Board	
Meeting Chair:	Regional Head of GSEEH (Maxine Narburgh)
Attendees:	Deputy Chief Officer for the Business Board, SRO for Energy (Alan Downton) Regional Head of GSEEH (Maxine Narburgh) S.73 Chief Finance Officer (Jon Alsop) or Deputy S.73 Officer Finance (Robert Emery) Monitoring Officer – Legal/Procurement (Robert Parkin) or Deputy Monitoring Officer/Data Protection Officer – Legal (Rochelle Tapping) Head of Communications (Emily Martin)
Meeting Purpose:	Steering Board to run through in detail current progress of both the LAD scheme and future scheme progress. Progress to be outlined against proposed baseline strategy.
Outputs:	Update and advice provided on overall progress as well as opportunities to unlock potential issues.
Frequency	Fortnightly meetings with BEIS commencing the 28 th January 2022

7. Financial reprofile of Greater South East Energy Hub

- 7.1 On 24 March 2021 the GSEEH business plan for 2021/2022 was signed off by the Combined Authority Board. This will be updated in March 2022 for the financial year

2022/2023 and sign off will be sought from the Combined Authority Board at the earliest opportunity.

Significant Implications

8. Financial Implications

- 8.1 As per recommendation 1a, the Sustainable Warmth MoU awarded GSEEH the sum of £118,389,025 for delivery of LAD3 and HUG1. This funding was received by the Combined Authority in December 2021. In line with the submitted proposal to BEIS, budget lines are requested for this funding as per the table below, with spend in both the current and next financial years.

Cost Centre	Budget Name	Requested Budget Profile	
		2021/22	2022/23
CX7031	HUG1 Capital Grant Programme	£0	£29,609,889
CX7032	LAD3 Capital Grant Programme	£0	£73,675,000
CX7033	HUG1 Programme Delivery	£250,000	£4,193,243
CX7034	LAD3 Programme Delivery	£250,000	£10,410,893
Totals		£500,000	£117,889,025

- 8.2 As per recommendation 3, the reprofiled spend of the LAD2 budgets is requested.
- 8.3 The additional budget requested for reprofiling in recommendation 3, is the Public Sector Decarbonisation grant fund. This funding was awarded to GSEEH via an MoU from BEIS during 2021 and was profiled within 2021/22 only, however, the funding agreement allowed for spend across both the current financial year and 2022-23 so extending the spend profile into the next financial year does not create a funding risk. The GSEEH team have been concentrating on the LAD2 programme, but now work is beginning in earnest during January 2022 and the requested profile is detailed in the table below.

Cost Centre	Budget Name	Current Budget Profile			Requested Budget Profile		
		21/22	22/23	23/24	21/22	22/23	23/24
CX7009	Public Sector Decarbonisation	£1,372,289	£0	£0	£180,000	£970,000	£222,289

- 8.4 As noted in recommendation 4, BEIS have awarded GSEEH an additional £2,164,358 to deliver further services. Most of the additional services will fall within the current core Energy Hub project and therefore approval for amending this budget is required to reflect the additional income and corresponding spend. A new budget line is requested for the Net Zero Investment Design & Scoping Programme. Full details are provided in the table below.

Cost Centre	Budget Name	Current Budget Profile			Requested Budget Profile		
		21/22	22/23	23/24	21/22	22/23	23/24
CX0072	GSE Energy Hub	£890,000	£1,578,731	£0	£1,022,871	£1,844,474	£265,743
TBC	Net Zero Investment Design	£0	£0	£0	£495,000	£1,005,000	£0

9. Legal Implications

9.1 There are no significant legal implications at this point.

10. Climate & Nature Implications

10.1 The GSEEH programmes of work are to support the transition to Net Zero.

10.2 The Sustainable Warmth programme will improve the energy efficiency of 10,242 homes and provide annual carbon savings of 3,425 t/CO2e/year.

11. Appendices

11.1 Appendix 1 - Confidential

12. Background papers

12.1 [Report to the Combined Authority Board 30.06.21](#)

13. Accessibility

13.1 An accessible version of this report is available on request from [Alan Downton](#).