



Contract Award for Warm Homes Social Housing Fund works

Report Author

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Purpose of Report

To seek approval to enter into a contract with Equans Buildings Ltd. for a programme of works to upgrade Council owned properties with energy efficiency and low carbon heating measures, in line with the of *Warm Homes: Social Housing Fund* grant funding allocation.

Recommendations

That Cabinet approves the award of a contract to Equans Buildings Ltd for a period of 3 years with an estimated value of £7.81 million for energy efficiency and low carbon heating measures in Council owned properties.

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Sustainable South Kesteven Housing
Which wards are impacted?	All wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 Council approved the allocation at the meeting on the 27th February 2025 for a total of £6 million to comprise the co-funding contribution towards the delivery of a programme of upgrades. This was in support of an original programme to be delivered over three years with an expected contract value of £12 million, in the event of a successful bid to the *Warm Homes: Social Housing Fund*.
- 1.2 Since that date, the Department for Energy Security and Net Zero have provided an adjusted grant funding offer, as due to the volume and scale of applications received the fund was oversubscribed. The estimated contract value with Equans Buildings Ltd. for the delivery of a programme of upgrades in line with funding conditions is £7.81 million.

Completed by: David Scott – Assistant Director of Finance (deputy s151 officer)

Procurement

- 1.3 It is confirmed that a fully compliant procurement process has been completed and the Council's Procurement Lead has been consulted throughout the process.

Completed by: Helen Baldwin, Procurement Lead

Legal and Governance

- 1.4 The necessary processes have been followed in accordance with the Council's Contract Procedure Rules. There are no further significant legal, or governance implications not already highlighted within the body of the report.

Completed by: James Welbourn, Democratic Services Manager

Climate Change

- 1.5 The *Warm Homes: Social Housing Fund* (WH SHF) will be a significant project for the Council to directly reduce energy use and therefore carbon emissions associated with its housing stock. Investment in these properties via grant funding and allocated Housing Revenue Account (HRA) funding will also help to reduce running costs for tenants, address risk of fuel poverty and promote warm and efficient homes.

Completed by: Serena Brown, Sustainability and Climate Change Manager

2. Background to the Report

- 2.1. The Council has a clear commitment in its Corporate Plan 2024 – 2027 to ensure that all residents can access housing which is safe, good quality, sustainable and suitable for their needs and future generations which this project will contribute towards achieving.
- 2.2. The Council is responsible for around 6,000 properties which are let to tenants. The average Energy Performance Certificate (EPC) for the Council's housing stock is an EPC D. There is a requirement for the Council to achieve an average of at least EPC C across the portfolio by 2030 to mitigate fuel poverty for our tenants, as well as to contribute to wider decarbonisation of the district of South Kesteven. This will require a significant programme of targeted energy efficiency upgrades.
- 2.3. The energy shocks of recent years have shown the urgent need to upgrade homes to protect billpayers, reduce fuel poverty, and contribute to national and local targets to meet net zero carbon targets. Following on from the ongoing delivery of a programme of upgrades through Wave 2.1 of the Social Housing Decarbonisation Fund, the Council identified the opportunity to submit a bid into the following round of funding: the *Warm Homes: Social Housing Fund* (WH:SHF). The bid window opened on 30 September 2024.
- 2.4. The Government's WH:SHF programme seeks to raise the energy performance of as many homes as possible of the 1.2m social homes below EPC band C up to that level, as part of the journey for the social housing stock towards Net Zero 2050. WH:SHF Wave 3 will increase the provision of low carbon heating incentives with these targets in mind.
- 2.5. The Council conducted a procurement exercise to select an experienced partner to support with bid development and submission to give the Council the best possible chance of securing government funding for this project. The preferred procurement route identified was a direct award via a framework, to meet the delivery timeframe dictated by the key dates of the WH:SHF scheme. The Council

completed a three-stage process to appoint a successful supplier and ensure value for money.

- 2.6. The Council firstly published a Request for Information (RFI) to potential delivery partners. The Council received 27 RFI's from potential delivery partners for the next round of funding. The RFI's were reviewed and scored with 4 potential delivery partners shortlisted. These suppliers were interviewed to assess their proposals for delivery experience, programme management approach and support with bid submissions. The following table provides the scores for the 4 delivery partners interviewed:

Supplier	Total score (%)
Equans	90
Supplier 2	80
Supplier 3	80
Supplier 4	79

- 2.7. Procurement routes for delivery of the project, in the event of a successful bid, were reviewed ahead of submission of the final proposal. Frameworks were reviewed for: compliance with project scope, eligibility for local authority use, commission rates, and level of support provided by framework providers. A value for money exercise was then conducted on the top performing supplier, to benchmark costs and review procurement routes for delivery of the project from three eligible frameworks. The EEM Framework was selected as the preferred framework as it demonstrated best value for money.
- 2.8. The EEM Property Improvement and Decarbonisation Works Framework (framework reference EEM0056) was identified as a compliant route to market on a direct award basis, as well as offering low commission rates for the intended project value and representing the lowest overall cost for proposed upgrades to Council properties.
- 2.9. Equans were selected as the successful provider who supported the Council with producing the bid and a programme of upgrades works and have extensive experience of working with housing providers to deliver decarbonisation programmes which puts SKDC in a strong position for delivery of a programme of energy efficiency upgrades on the Council's housing stock.
- 2.10. The Council submitted a formal bid in November 2024 for a £12m project to be funded by £6m WH:SHF grant and £6m match funding from the Council to be delivered over a three-year period commencing April 2025. The Department for Energy Security and Net Zero wrote to the Council in late February 2025 with a revised grant allocation letter. This update noted that, due to the volume and scale of applications received the fund was oversubscribed, and all successful applicants are subject to a scaling exercise to reduce the original grant funding allocation requested. It was confirmed that South Kesteven District Council's grant allocation amount is to a maximum of £4.19 million, to be matched by co-funding.

- 2.11. This brings the project budget to an expected value of £8.38 million, as set out in the table below. It is estimated that 273 properties will be upgraded with energy measures such as solar PV panels, air source heat pump upgrades, and fabric upgrades to improve the thermal performance of the property.

WH:SHF allowable grant funding	£4,191,739
WH:SHF applicant allowable co-funding	£4,191,739
TOTAL	£8,383,478

- 2.12. The total figure set out above is inclusive of all foreseen project costs the Council is liable for. This includes a provision for a team within the Council to manage and oversee delivery, project reporting and any governance requirements over a three-year period. This brings the expected contract value for a programme of energy efficiency upgrades delivered by Equans to **£7,810,447**

WH:SHF maximum project budget	£8,383,478
Expected SKDC staff costs	£573,031
TOTAL	£7,810,447

- 2.13. It is noted that the project costs are pre-survey at this stage and therefore subject to change. Following completion of retrofit assessments and a medium-term plan for the properties to be upgraded, firm costs for installation of each energy efficiency measure will be established. The terms of the WH:SHF funding set cost caps for different elements of the scheme, which will need to be adhered to for the project to remain compliant.
- 2.14. Revised project data was also requested by the Department for Energy Security and Net Zero in line with the revised grant funding allocation, which was submitted in March 2025. At the time of writing this report, the Council is awaiting further communication from the Department for Energy Security and Net Zero to issue the Grant Funding Agreement for the delivery of a *Warm Homes: Social Housing Fund* project. This includes feedback on whether the programme of upgrades will be delivered over a two- or three-year period.
- 2.15. If Cabinet approve the decision to award the contract, contract mobilisation will commence in June 2025 for the first batch of properties to be upgraded.

3. Key Considerations

- 3.1. The *Warm Homes: Social Housing Fund* allocation is granted to allow social housing providers to upgrade their housing stock to protect billpayers, reduce fuel poverty, and contribute to national and local targets to meet net zero carbon targets. These strategic aims chime with the Council's Corporate Plan ambitions for Housing and Sustainable South Kesteven respectively.

- 3.2. Full Council approved the allocation of co-funding to match WH:SHF funding in the event of a successful bid at its meeting on 27 February 2025. Full Council also agreed to delegate authority to the Chief Executive, S151 Officer and the Cabinet Members for Housing and Property to accept the funding award upon details being finalised.
- 3.3. To date, the Council is awaiting final approval from the Department for Energy Security and Net Zero including provision of a Grant Funding Agreement. Once final confirmation has been provided the Council will look to mobilise the project as swiftly as possible to ensure an efficient programme of upgrades.
- 3.4. The expected contract value with the preferred provider, Equans Buildings Ltd. is for **£7.81m**.

4. Other Options Considered

- 4.1 The Council could choose not to deliver a programme of energy efficiency projects and return any funding allocation to the Department for Energy Security and Net Zero. This would not make progress towards upgrading the Council's stock of properties to a minimum of EPC C by 2030 and further expose tenants to high and volatile energy prices.

5. Reasons for the Recommendations

- 5.1 There is a need for a sustained programme of energy efficiency upgrades to be delivered across the majority of the Council's housing stock in order to improve the EPC average to a C by 2030.