

Report for: Cabinet Member Signing – 9 August 2022

Title: Energiesprong retrofit pilot project progression – Withholding the notice to proceed

Report authorised by: David Joyce, Director of Housing, Regeneration & Planning

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Ward(s) affected: White Hart Lane/Bruce Castle

**Report for Key/
Non-Key Decision:** Non Key Decision

1. Describe the issue under consideration

- 1.1 Following a design process, tenant engagement and an evaluation, this report seeks approval to withhold a notice to proceed for a pilot Energiesprong project of 51 council-owned properties.
- 1.2 Note that the delegation to Cabinet Member of a decision whether or not to proceed was agreed under 3.6 in the Cabinet Report “Energiesprong Retrofit Pilot Project Progression” at the Cabinet meeting on the 16th March 2021.

2. Cabinet Member Introduction

N/A

3. Recommendations

The Cabinet Member for Housing Services, Private Renters, and Planning is recommended:

- 3.1 To agree to withhold issuing a notice to proceed and end the contractual arrangements with the Energiesprong solution provider Equans UK (previously Engie Regeneration Limited). This will mean that the Energiesprong project on 51 properties around Rivulet Road stops.
- 3.2 To agree that Haringey remains within the Greater London Authority (GLA) Innovation Partnership to investigate further opportunities to undertake an Energiesprong project on the Council’s housing stock. This could involve exploring options with alternative suppliers on the GLA Innovation Partnership framework.
- 3.3 To approve not drawing down £1,487,000 of Government Department of Business Energy and Industrial Strategy (BEIS) Social Housing Decarbonisation Funding (SHDF) from London Borough of Barking and Dagenham (lead partner) which was secured to deliver this pilot project.

- 3.4 To agree that an alternative deep retrofit project is investigated for the 19 tenanted homes who had signed up to the pilot Energiesprong project and 2 council properties which are void.

4. **Reasons for decision**

4.1 The Energiesprong designs submitted by Equans:-

- did not meet the agreed gross maximum price per property of £85k. This meant that the Council would have to significantly increase its funding towards the project.
- did not offer the expected maintenance savings. This meant that the Council would have to increase its maintenance programme to manage these improved properties.
- could not be completed by the end of March 2023 to claim BEIS funding. This meant that the Council would have to significantly increase its funding towards the project.
- included unacceptable design compromises. This would introduce issues not previously agreed with the tenants (such as internal works), may require planning requirements or did not offer a pathway to a quick and replicable solution.

5 **Alternative options considered**

5.1 *Continue with the Energiesprong pilot project with Equans for 51 properties around Rivulet Road.*

This option is not recommended as the suggested approach does not satisfy the principles set out below:-

- Quick installation with minimum disruption to tenants through offsite manufacture.
- Financial viability, ie with the BEIS grant funding, maintenance savings and comfort charge payments, the capital outlay is recouped over a 30 year period
- A replicable approach.
- A fixed gross maximum price (for the works) per property with available grant funding
- Economies of scale in future stages of the project through continued innovation
- Delivery to the BEIS funding deadlines. Without the grant funding the business case is not met.

5.2 *Continue with the Energiesprong pilot project with another solution provider for 51 properties around Rivulet Road*

This option is not recommended as it could not be completed to the BEIS funding deadlines. The project would therefore not be financially viable.

5.3 *Withhold a notice to proceed and pull out of the GLA Innovation Partnership. Do not consider Energiesprong projects going forward.*

Energiesprong remains a recommended approach to achieve deep retrofit at pace with a financial mechanism to repay the cost over a 30 year period. Remaining within the GLA's Innovation Partnership will allow Haringey to

benefit from the experiences of the suppliers, contractors and other participating local authorities and reconsider an alternative Energiesprong project with another solution provider when appropriate.

6. Background information

- 6.1 Energiesprong was developed by the Dutch Government to deliver net zero energy homes without public subsidy. It has since been implemented in the United States, France, Germany and Canada. In the UK there have been pilot installations in Nottingham and Maldon. The model's success has meant that the GLA has chosen it to be delivered as part of its Innovation Partnership.
- 6.2 An Energiesprong retrofit takes a whole house approach. A single contractor is procured to deliver a 'design, build and guarantee' contract against the Energiesprong Performance Specification. This specification is outcome based and doesn't specify the technical solution. It is designed to provide temperature of 21oC in living rooms and 18°C in bedrooms all year round, 140 litres of hot water and an allowance of plug power, all at an affordable total cost. Installations must be achieved with minimal intrusion to the property, and without decanting tenants.
- 6.3 In the Energiesprong model, tenants would be charged a "comfort charge". The aim is that the comfort charge and a reduction in planned maintenance charges over a 30 year period will cover the cost of the Energiesprong installation. If tenants choose not to take part in the scheme their property is to be removed from the project.
- 6.4 Recognising the benefits of Energiesprong, the approach is supported by the Mayor of London's Retrofit Accelerator programme led by Turner and Townsend. This programme is leading and supporting the GLA Innovation Partnership made up of contractors, supplier and participating local authorities. The long term ambition is to develop a national framework for the delivery of Energiesprong retrofits at an economic price point.
- 6.5 Achieving the borough's Climate Change Action Plan outcomes will require extensive refurbishment of the borough's housing stock. This is a huge challenge both technically and financially. Energiesprong retrofits could potentially offer a solution particularly with innovative offsite manufactured solutions that could dramatically increase the pace of retrofit projects.
- 6.6 Haringey could also benefit from increased local supply chain activity as demonstrated in all Energiesprong UK projects to date. For example, Melius Homes (Nottingham) opened a new factory producing wall panels with integrated doors and windows. Ventive (London) is developing and manufacturing the first prototypes of its "Ventive Home" product in response to the pipeline of Energiesprong projects. Within the SHDF Demonstrator bid it was projected that the project as a whole (across all partners) will deliver 158.5 FTE construction jobs, 17.5 FTE construction management jobs and 73 FTE factory based roles.
- 6.7 In March 2021 Cabinet agreed to

- undertake of an Energiesprong pilot project on 51 properties in the Council Housing Portfolio.
 - accept £1.6m funding from the BEIS SHDF Demonstrator.
 - procure a contractor through the GLA Innovation Partnership procedure to be carried out with the GLA to deliver an Energiesprong pilot project.
 - design and consult with tenants on the Energiesprong model and the Comfort Charge.
 - note that the decision whether or not to proceed with the Energiesprong pilot including the Comfort Charge value and implementation process will be determined by the Cabinet Member for Housing and Estate Renewal (NB: portfolio responsibilities have since changed)
- 6.8 TFL undertook the procurement exercise, for this project, on behalf of all the participating local authorities and the GLA. Within each tender the bidders were asked to rank their preference for working with each of the local authorities. The bid evaluation rankings and the contractors preferences were used to match up bidders with each authority. The winning bidder was allocated to their highest preferred authority choice. The second placed bidder was allocated to their highest preferred authority still available and so on.
- 6.9 Haringey were Equans' (previously Engie) first choice and its bid was ranked second. Equans were subsequently paired with the Council.
- 6.10 On 14 May 2021 the Leader at the time approved the award of the Energiesprong innovation partnership contract to Equans.
- 6.11 The Innovation Partnership contract with Equans was executed on 16 December 2021. This contract has four stages:-
- Stage 1: Design of the installation to deliver the Energiesprong standard.
 - Stage 2: Installation on 51 dwellings at a gross maximum price (GMP) of £85,000
 - Stage 3: potential for a further installation on 55-75 properties at a GMP of £70,000
 - Stage 4: potential for another installation of 150—250 properties at a GMP of £55,000
- 6.12 The contract allows the implementation of all four stages. At the end of each stage, the contractor's performance is assessed and the Council will be expected to issue a notice to proceed to progress to the next stage or issue a notice to stop the programme. The issue of a notice to stop does not make the Council liable to the contractor for any costs, expenses, losses, or damages the Contractor may incur resulting from the notice to stop.
- 6.13 51 council tenants in and around Rivulet Road were invited to take part in the pilot project. See map in appendix A.

Evaluation of Contractor's Design

- 6.14 Stage 1, the design phase of the contract commenced on 17 December 2021. A design was submitted by Equans on 20 February 2022 for evaluation.

- 6.15 This design was evaluated by a joint Homes for Haringey (as was then known) and Haringey Council team supported by Turner and Townsend and Energiesprong UK. The evaluation considered if the design met minimum monitoring requirements and the Energiesprong performance requirements eg capacity and temperature of hot water system; ability to meet internal temperature of 21°C, ability to prevent overheating.
- 6.16 The first design was rejected by the project team as
- The proposed cost for the retrofit was above the expected GMP of £85k.
 - The proposed Operations and Maintenance costs were higher than predicted.
 - The anticipated number of homes could not be completed by the BEIS funding deadlines.
- 6.17 Equans was given the opportunity to submit a new design. The submitted design included various value engineering options including
- A “cold roof design”. This is where rather than the installation of a new insulation roof to create a tea cosy effect, the loft will be insulated but the roof not renewed. This would mean that Haringey would need to replace the roof in due course and associated insulation upgrades. Solar Panels would be installed on the existing roof.
 - External Wall Insulation (EWI) option rather than an offsite panel manufacture option. Offsite manufactured panels are preferred as they offer a quicker installation which the Council needs to meet its carbon targets. However, there is little thermal difference in the two approaches and therefore this is acceptable.
 - Revised mechanical and electrical specifications including the use of ventilation extracts rather than a full mechanical ventilation and heat recovery system. These modifications would require further assessment and design to prove they met the Energiesprong performance specification.
- 6.18 The GMP for the new design remained above the expected £85k.
- 6.19 A final proposal was put forward by Equans. This included offsite manufactured wall panels and an insulated roof. However, this would be above the expected GMP and delivery could not commence until April 2023. This would not meet BEIS funding deadlines and would need the council to fully fund the retrofit at £125-132k per property.
- 6.20 This final proposal would also require a full re-design and evaluation to ensure that it met the Energiesprong performance specification and delivered the expected maintenance savings to be financially viable.

Tenant Sign-up to the project

- 6.21 A s105 consultation exercise was undertaken in August 2021. This included online presentation events and door-knocking/home visits to deliver s105 booklets and discuss the scheme with tenants.

- 6.22 The outcome of this consultation was favourable with the majority of respondents agreeing to an Energiesprong installation and paying the comfort charge.
- 6.23 Key issues raised by tenants included:-
- A reluctance to remove gas from the property particularly for cooking.
 - A requirement for more details on the comfort charge.
 - Re-instatement of satellite dishes, aerials, lean-tos etc
- 6.24 From September 2021 to date, Homes for Haringey (now within the Council itself) has continued engagement activities. A dedicated resident liaison officer is allocated to the project and has undertaken further home visits, collected home comfort questionnaires and 24 months energy bill data from tenants.
- 6.25 In January 2022 tenants were invited to indicate their interest in taking part in the Energiesprong pilot by signing a Memorandum of Understanding (MOU) letter. 19 tenants out of 51 units targeted signed this MOU. Two void properties were also due to be included.
- 6.26 To assist residents in their decision process, two in-person events were held on Saturday 5th February and Tuesday 8th February. These gave residents the opportunity to discuss and co-design proposals with Equans and the project team. These events were attended by 15 tenants.
- 6.27 To satisfy tenant expectations it is proposed to update residents on the situation and to investigate carrying out an alternative deep retrofit on these properties.

BEIS Grant funding

- 6.28 Cabinet on 16th March 2021, accepted £1.6m of government SHDF Demonstrator funding to part finance this pilot project.
- 6.29 This funding came with a project completion deadline of 31 December 2021 which was extended to 31 December 2022.
- 6.30 The recommendation not to proceed would mean that Haringey will not draw down £1,487,000 of BEIS funding from the London Borough of Barking and Dagenham (lead partner) for this project.
- 6.31 Incurred project costs, including Homes for Haringey staffing and surveys is £155,647.
- 6.32 £113,000 of SHDF funding has already been drawn down from London Borough of Barking and Dagenham, on achievement of agreed milestones for the project. BEIS has advised that this funding will not be clawed back and will be used towards the costs incurred during the pre contract and design phase of this pilot.
- 6.33 The cost to the council, over and above existing staff resources, is therefore £42,647. This spend on the Energiesprong design phase has amassed significant knowledge, experience and data which will can be applied to other

retrofit schemes as the Council moves forward to meet its climate change ambitions.

7. Contribution to strategic outcomes

- 7.1 This projects supports the Borough Plan by driving up the quality of housing for everyone (Housing) by delivering the following objectives: -
- To improve the quality of Haringey's Council housing, including by ensuring that a minimum of 95% of homes meet the Decent Homes Standard by 2022.
 - Improve residents' satisfaction with the service they receive from HfH to be in the top quartile for London (78%) by 2022.
 - Ensure safety in housing of all tenures across the borough, responding to any new regulations as they emerge.
- 7.2 Achieving the borough's Climate Change Action Plan outcomes will require extensive refurbishment of the borough's housing stock. This is a huge challenge both technically and financially. Energiesprong retrofits could potentially offer a solution.
- 7.3 There are estimated to be over 15,000 households experiencing fuel poverty in the borough. Improving the energy efficiency of our housing stock to reduce fuel bills is the most effective means of achieving a key objective of the Council's Affordable Energy Strategy 2020-2025. Improving the energy efficiency of homes remains the most sustainable, long-term solution to fuel poverty.
- 7.4 Energiesprong also has the potential to contribute to the Council's Good Economy Recovery and Community Wealthbuilding plans. All Energiesprong UK projects to date have spurred local supply chain activity and created significant savings for tenants.

Statutory Officer Comments

8.1 Strategic Procurement

Not applicable.

8.2 Financial Consideration

- 8.2.1 The scheme, at the cost proposed by Equans, has been assessed for viability and is unviable, even with the full grant of £1.6m.
- 8.2.2 If this recommendation in this report is approved, the actual cost to the Council will be limited to £42k, which represents a sunk cost.
- 8.2.3 This cost cannot be capitalised but will be expensed against the services budget.

8.3 Legal Considerations

- 8.3.1 The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.
- 8.3.2 In accordance with the Contract the Council is not liable to the Contractor for any costs, expenses, losses or damages resulting from the issue of the notice to stop the programme.
- 8.3.3 The Cabinet Member having the relevant portfolio responsibilities has authority to approve the recommendations in the report.
- 8.3.4 The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing the Cabinet Member for Housing Services, Private Renters and Planning from approving the recommendations in the report.

8.4 Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Increased energy efficiency will benefit tenants in Haringey Council housing. Black people, older people, people with disabilities, and women are over-represented among current Council tenants. Reducing tenants energy bills will represent a measure to advance equality of opportunity for people who share the protected characteristics by meeting their needs where they are different to the needs of others.

Reducing carbon emissions has equality implications. The climate crisis can be expected to disproportionately impact younger people, people on lower incomes, and groups that are already marginalised. Measures to reduce carbon emissions therefore represent means of preventing and mitigating future inequalities.

This pilot project is being paused to ensure that the project is replicable within the Council housing portfolio and to ensure that as many tenants as possible are able to benefit from increased comfort levels and lower energy bills.

9 Use of Appendices

Appendix A – Location of the properties that were under consideration.

10 Local Government (Access to Information) Act 1985

Not applicable.