

**12 December 2023**

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**Subject: Home Upgrade Grant Phase 2 (HUG2) Procurement**

**Cabinet Member: Cllr Nick Holder - Cabinet Member for Environment and Climate Change**

**Key Decision: Key**

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### **Executive Summary**

The purpose of this report is to provide Members with an overview of the Home Upgrade Grant phase 2. As the contract will exceed an annual value of £1 million, as determined by the Council's constitution, the report seeks authority from Cabinet to commence a procurement to secure delivery of energy efficient measures in line with the grant eligibility requirements.

Wiltshire Council has been successful in securing more than £3.6m of Home Upgrade Grant (HUG2) from the government to assist with energy efficiency measures of existing housing in the county. It has been awarded to retrofit up to 210 Wiltshire Homes by March 2025, supporting the council's ambition to be carbon neutral by 2030.

HUG2 is a grant funding scheme launched by the Department for Energy Security and Net Zero to help local authorities to provide energy efficiency upgrades and low carbon heating systems to low-income households.

The scheme targets the worst performing homes (energy performance certificate bands D-G) without mains gas central heating, with 60% of the national funding ringfenced for rural Local Authorities. A key focus of the scheme is to increase the energy efficiency of homes and phase out the use of fossil fuel heating to make progress towards meeting the UK's 2050 Net Zero commitment. It will also support improved household health and wellbeing by reducing the number of cold homes and play a key role in the government's wider programme of green retrofit.

This investment in energy efficiency upgrades will contribute to a range of benefits which include:

- Reducing the risk of fuel poverty by offering support to the most vulnerable households, by increasing the energy efficiency of poorly performing homes in economically deprived neighbourhoods
- Reducing energy demand and associated carbon emissions by upgrading building insulation and installing low carbon heating systems and solar PV
- Improving household health and wellbeing and providing the opportunity to reduce the demand on health and social care, helping households to heat their homes for less and keep them warm for longer.

- Supporting the growth of the green economy in Wiltshire through job creation, upskilling and apprenticeship training by stimulating the local retrofit market by creating demand for skills and work.
- Promoting retrofit to the wider community by sharing knowledge and best practice.

### **Proposals**

Cabinet is recommended to:

- 1) Agree that a Find a Tender Service (FTS) compliant contract be awarded to enable the delivery of energy efficiency improvements to low-income owner-occupied homes in Wiltshire.
- 2) Delegate authority for awarding the contract to the new service provider/s to the Corporate Director for Resources & Deputy Chief Executive, and the Director for Environment in consultation with the Cabinet Member for Environment and Climate Change.

### **Reason for Proposals**

The recommendations included in this paper have been proposed following extensive research and in consultation with subject matter experts. The justification for each of the procurement proposals included in this report are as follows:

1. Retrofit services will be procured via a FTS compliant means. This is to speed up the procurement of the services by removing the need for the council to run its own tender process.
2. A turnkey contractor will be procured to manage and deliver all the services required to deliver a HUG2 project. This is more efficient than the council managing multiple contracts and reduce the level of resource required from the council.
3. Quality assurance will be provided by an organisation which is independent from the turnkey contractor. Auditing of ten percent of each property archetype will check for quality and any issues can be raised early in the project.
4. The council will seek to work with local SME's who can deliver the specialist retrofit services required, either as the turnkey contractor or as subcontractors to the turnkey contractor.

**Terence Herbert**  
**Chief Executive**

## Wiltshire Council

### Cabinet

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### Purpose of Report

1. The purpose of this paper is to provide an update to Cabinet on the Wiltshire Council procurement process for delivery of the Home Upgrade Grant, and to set out the procurement approach being taken.
2. Cabinet is asked to authorise a Turnkey procurement to deliver retrofit measures to eligible homes in Wiltshire.
3. This report makes the following specific proposals to Cabinet:
  - a. That officers continue to undertake to prepare and complete the tender programme, award and implement a new contract to deliver energy efficiencies to up to 175 eligible Wiltshire homes by December 2023.
  - b. To endorse the approach and agree that officers continue with actions identified in the report which include:
    - Implementing a turnkey procurement method where Wiltshire Council will contract with a single main contractor who will generate leads, assess, model, design and provide aftercare and support to customers.
    - Subject to the funder's permission and grant eligibility criteria, to claim additional funding up to the total grant value of £7.2m for the retrofit of additional homes if Wiltshire Council's delivery performance is in line with, or exceeds its delivery forecasts of 175 homes.
    - Procure an independent auditing service to ensure quality and compliance.
  - c. To endorse the approach to work with local SME's either as the turnkey contractor or as subcontractors to the turnkey contractor.
  - d. To delegate authority to award a contract and future mini competitions and all associated documents to Director of Environment in consultation with the corporate director for resources.

### Relevance to the Council's Business Plan

4. By reducing carbon emissions, stimulating the green economy and tackling the health issues associated with fuel poverty, this funding will support the following business plan missions and guiding themes laid down in the Council's [Business Plan 2022 to 2032](#):
  - The people of Wiltshire are empowered to live full, healthy and enriched lives.

- Our local economy thrives and is supported by a skilled workforce.
  - We lead the way in how councils and counties mitigate the climate challenges ahead.
  - Improving social mobility and tackling inequalities.
5. By reducing carbon emissions, stimulating the green economy, and tackling the health issues associated with fuel poverty, this funding will support the Council's Business Plan missions and guiding themes:
- a. The people of Wiltshire are empowered to live full, healthy and enriched lives.
  - b. Our local economy thrives and is supported by a skilled workforce.
  - c. We lead the way in how councils and counties mitigate the climate challenges ahead.
  - d. Tackling inequalities
6. This initiative contributes to the Wiltshire Climate Strategy 2022-27 objectives:
- a. Existing buildings in all sectors to be retrofitted to improve energy efficiency and decrease energy demand through low carbon technology.
  - b. New and existing buildings to be adapted to climate change for both heating and cooling.
  - c. To grow the green economy in Wiltshire, increasing capacity in key sectors to meet demand and delivery targets.

## **Background**

7. Wiltshire Council made a bid for HUG2 funding and in March 2023 successfully secured £3,622,500 to improve the energy efficiency of 175 homes by installing measures including loft and wall insulation, air source heat pumps and ventilation systems. There is also limited funding available for other measures, for example solar PV, double glazing, underfloor insulation and electric heating.
8. HUG2 cost caps have been split into two categories: energy efficiency measures and low carbon heat. Measures are split into three categories, grade A, B and C. Grade A measures must represent at least 60% of measures costs. Grade C measures cannot represent more than 10% of measures costs. See appendix 1, Eligible Measures, for further details.
9. Further funding may be available for the retrofit of additional homes, up to the value of £7.2m, if Wiltshire Council's delivery performance is in line with, or exceeds its delivery forecasts of 175 homes. In this case the funder can grant permission for Wiltshire Council to draw down additional funding.
10. The delivery period for HUG2 ends in March 2025.
11. HUG2 grant requirements require that eligible properties are domestic dwellings, owner occupied (and in some cases privately rented), have an Energy Performance Certificate (EPC) rating between D and G and are off-gas grid (i.e., Not connected to the main gas grid for space heating purposes).

12. Eligible households for the scheme must either have a combined gross annual income of under £31,000, which must be verified or be located in an economically deprived neighbourhood (based on data drawn from the Indices of Multiple Deprivation 2019).
13. The eligibility of potential households for inclusion to the scheme will be verified to ensure they meet the eligibility requirements set out in the grant conditions. Proposed energy efficiency measures will be assessed to make sure they are suitable for the property and its occupants and can be delivered within the cost caps.
14. Private rented sector dwellings are also eligible but are limited to landlords with a portfolio of four properties or fewer. Landlords are required to contribute one third of the total cost of any upgrades.
15. Energy efficiency measures installed to eligible homes must be within the cost cap of the funding. A fabric first approach is required, this focuses on improving the building envelope to reduce heat loss and the demand for heat and is carried out before the introduction of efficient heating technologies and renewable energy technologies. A fabric first approach is generally regarded as the most cost-effective approach to retrofit. Grant funded measures must improve the EPC to C or above and in EPC F-G homes to at least a band D. At least 60% of funding must be spent on grade A measures and no more than 10% on grade C measures (see appendix 1, Eligible Measures).
16. The scheme will be promoted and available to households in Wiltshire subject to grant eligibility requirements.
17. Following analysis of local and national data and the grant eligibility guidance, it is anticipated that homes which are eligible for HUG2 grant will require loft and wall insulation and air source heat pumps. The grant conditions mean that there is limited funding available for other measures including glazing, solar panels and electric heating.

### **Procurement of the scheme**

18. In order to deliver a HUG2 funded project, a range of services are required. These will include lead generation, validation of household eligibility, specialist retrofit roles including PAS 2035 certified assessors, designers and coordinators. Coordination and management of installers and sub-contractors, customer engagement, installation, contract management, compliance and scheme reporting services will also be required. See appendix 2, Technical Brief, for the HUG2 procurement technical brief which provides further detail about the requirements of each of these services.
19. Due to the wide range of specialist roles and installers required to deliver compliant works, the council will outsource the majority of the services. The Wiltshire Council HUG2 project team does not have sufficient resource to provide in-house technical and PAS 2035 roles or to manage multiple contracts. This report recommends the procurement of a turnkey contract, where the services required to deliver a HUG2 compliant retrofit project will be provided by a single main contractor, who will be responsible for delivering the retrofit works throughout the entire project life cycle.

20. This will speed up the delivery of the installations and reduce the complexity of the contractual arrangements.
21. This report recommends that the council will use FTS compliant route to market to procure a turnkey solution provider for the HUG2 delivery in which a contractor completes all project stages and eliminates the risk of managing multiple contracts with lead generation and eligibility assessment, PAS 2035 roles and PAS 2030 certified contractor, whilst also reducing the overall risk in terms of project accountability, management, and resources. This approach ensures that the project communication is more streamlined, and this reduces inconsistencies over the course of the project.
22. In addition, the council will procure an independent auditor organisation, to complete full audits of ten percent of installations of each property archetype to ensure that the Trustmark data and installation of measures are compliant with the grant conditions, PAS 2035, PAS 2030 and Trust Mark. The quality assurance audits will be front loaded to early retrofits to ensure any issues are highlighted and corrected at the early stages of the project. The Council HUG2 project team also includes a qualified retrofit Coordinator, this is a role which specialises in the identification and management of retrofit risks.
23. Wiltshire Council will seek to support the growth of the green economy and work with local partners and SME's either as the main contractor or subcontractor, where these organisations meet the funding requirements.
24. The procurement approach will be as follows:
- a. The council will use a retrofit installation turnkey approach to deliver the project, where services required to deliver a HUG2 compliant retrofit project will be provided by a single main contractor who will be responsible for retrofit works delivered throughout the entire project life cycle.
  - b. The council will procure an independent auditor to quality assess installations and ensure that the Trustmark data and installation of measures are compliant with the grant conditions, PAS 2035, PAS 2030, and Trust Mark.
  - c. The council will seek to work with local SME's who can the deliver specialist retrofit services required, either as the main contractor or as subcontractors to the main contractor.

### **Data and project design**

25. Wiltshire Council have adopted a data led approach to inform the design of the HUG2 project. Local data relating to the grant eligibility has been analysed to inform the design of the project and the delivery strategy. The data has been used to identify geographical areas and house types where the properties and households are likely to be eligible for the grant.

### **Communications about the funding**

26. Communications and marketing of the scheme will be delivered in partnership with the turnkey contractor. Council officers will provide information about the retrofit

opportunity, the grant eligibility requirements and contact methods via arrange of communication channels including Wiltshire council social media, web site, press releases and the One council newsletter. Officers will also promote the scheme through Town and Parish newsletters, partner newsletters, area boards and town and parish meetings.

27. The turnkey contractor will be responsible for providing target audience data to allow communications to be tailored to the needs of the recipient and targeted to areas where properties and residents are eligible for the grant and a range of marketing methods will be used to reach all members of the community.

### **Reporting and Payment**

28. Local Authorities are required to submit batches of homes which have been assessed in line with the latest PAS 2035 standards, to be approved by the funding authority before funds can be released to install the measures.
29. Grant payments will be made to authorities in arrears through provision of successful batches and following success at the Delivery Assurance Check. In delivering the approved batches, payments are incurred in relation to:
- a. A recipient who is an 'Eligible Household' and
  - b. Installation of 'Eligible Measures' and
  - c. Completed by an 'Eligible Installer' and
  - d. Installation is completed during the 'Funding Period'

### **Main Considerations for the Council**

#### Time

30. The project delivery period is relatively short, and grant will be withdrawn for installations which fall out of this period. The design of the delivery strategy and procurement approach must ensure that installations can be started quickly and rolled out efficiently, and that our delivery partners have experience of managing HUG projects successfully.
31. Procurement of a turnkey contractor who will manage and deliver all the services required to deliver a HUG2 project is more efficient than the Council managing multiple contracts and resolving issues between them.
32. Energy efficiency measures which require long lead in times, such as external wall insulation or other measures which require planning permission, will be carefully considered to ensure that the grant can be maximised.

#### Budget

33. Energy efficiency measures installed must fall within the grant cost caps. This may affect the variety and combinations of measures which can be installed as part of this project.
34. Through the procurement process we will address value for money and suppliers will bid via a competitive process. The Council procurement team will offer support with

verifying costs, benchmarking of rates and provide transparent cost models and item approvals.

#### Resource

35. The HUG2 project team will be funded through the administrative and ancillary element of the HUG2 grant, and this will fund a Compliance Officer role and a Contract Officer. The new post of Retrofit Development Manager has been funded by the UK Shared Prosperity Fund.

#### Quality

36. Installers must be certified to the most recent version of PAS 2030:2019 and able to work to the latest PAS2035 guidance. All property assessments, design and coordination activities will be compliant with PAS 2035 standards and PAS 2030 compliant installation of energy efficient measures to safeguard the interests of the customer and the public.
37. The Council will procure an independent audit, where full audits of ten percent of installations of each archetype will be carried out by an independent organisation to ensure that the Trustmark data and installation of measures are compliant with the grant conditions, PAS 2035, PAS 2030 and Trust Mark.
38. The Council retrofit project team also includes a qualified retrofit Coordinator.

#### **Overview and Scrutiny Engagement**

39. The Chairman and Vice-Chairman of the Environment Select Committee and the Chairman of the Climate Emergency Task Group will be briefed on the report before the Cabinet meeting.

#### **Safeguarding Implications**

40. There are processes in place to ensure that services identify those at risk of harm and/or exploitation and those concerns are reported appropriately. Across Wiltshire Council there are strong, established relationships cross cutting children's and adults safeguarding, housing and public health to ensure that any risks, concerns or incidents are escalated in line with council protocols and procedures.
41. The contract arrangement will contain robust safeguarding measures in line with council policy. Contracts give clear direction on how and when to raise a safeguarding alert to avoid any confusion about who will do this and/or assumptions that someone else will raise the alert.
42. The contract also ensures that any issues relating to child protection are identified and appropriate referral made to children's services.

#### **Public Health Implications**

43. This fund will help to provide energy efficiency improvements to low-income households in Wiltshire. By utilising data provided by Wiltshire Data and Insight Team and the Home Upgrade Hub we can ensure that resources reach the target audience where efficiency upgrades are most needed with the aim of reducing inequalities across our population.



44. Improving thermal comfort through a better insulated and ventilated home reduces operational costs and can also improve the health and wellbeing outcomes for those who are living in cold homes and reduce the demand on health and social care.

### **Procurement Implications**

45. Procurement colleagues have been involved in the development of a procurement approach for the delivery of this project. The procurement sourcing plan is in development.

46. To add optimum commercial value to the HUG2 completion also noting the limited resources to expedite the installation and Admin and Ancillary element of the grant separately, Procurement is of the opinion that the HUG2 project is expedited using a turnkey solution approach off a compliant route. This would ensure significant time saving against a Wiltshire tender ensuring quick and easy access to already pre-qualified service providers with the right experience and qualifications to deliver the HUG2 project. The proposed route aims to provide opportunities to engage with local suppliers who have required expertise in retrofit installation services.

### **Equalities Impact of the Proposal**

47. In discussions with Equalities Team to ascertain if an EQIA is required.

### **Environmental and Climate Change Considerations**

48. A key focus of the scheme is to reduce the heating demand of homes and to phase out the use of fossil fuel heating and to make progress towards the UK's 2050 Net Zero commitment. The retrofit approach for the delivery of this funding will be based on a fabric first principle, which focuses on firstly improving the building fabric to reduce the heating demand as much as possible, followed by decarbonising the properties space heating demand.

49. The tender evaluation and contract terms and conditions will include sections on environmental and climate change impact to ensure this is appropriately considered.

50. As part of the procurement of the HUG2 project, contractors will be required to demonstrate consideration to supporting the Council's commitment to being carbon neutral by 2030 and being resilient to the impacts of climate change. A sustainable procurement will support the sustainability goals of the council and optimises the environmental, social and economic impacts of the project.

51. Retrofit installers will be required to work to the latest PAS 2035 guidance and will assess homes to make sure sufficient and suitable ventilation is present or specified as part of the upgrade. This will allow the property to be cooled more effectively during hot weather.

### **Workforce Implications**

52. The 15% Administrative and Ancillary funding will be used to procure a managing agent and fund 2 FTE in-house staff with the required specialist skills to manage the project including a contract officer and compliance officer.

53. Additional funding has been provided through UKSPF funding to fund a Retrofit Development Manager to project manage the HUG2 project for the duration of the project. UKSPF funding is to provide measures to reduce the cost of living including through measures to improve energy efficiency, and combat fuel poverty and climate change.

### **Risks that may arise if the proposed decision and related work is not taken**

54. Risks of not executing the project:

- A failure to retrofit a property increases the risks of:
- Fuel poverty
- Cold and damp
- Unsafe homes
- Wasted energy – contributes to CO2 emissions.
- Increased health risk – impacts the localised healthcare resources.
- Non – compliance with housing regulations

55. Procurement risks and mitigations are summarised in appendix 3, HUG2 Risk Log. A detailed project risk log has been developed as part of the project documentation which set out the risks that would occur if the recommendation is taken.

### **Financial Implications**

56. Government grant capital funding is agreed in principle up to the value of £3.6m to deliver the outcomes in line with the proposal. £3.1m of this funding is capital costs and £0.5m (15%) is for Administration and Ancillary costs which will be used to fund the project team that support the delivery of this programme. If applications under this scheme exceed the capital grant agreed in principle the council will, subject to the funder's permission and grant eligibility criteria, claim additional funding up to the total grant value of £2.7m for the retrofit of additional homes if Wiltshire Council's delivery performance is in line with or exceeds its delivery forecasts of 175 homes. If this is not possible the scheme will need to cease so that the council does not occur any detrimental financial impact.

57. Successful grant batch applications need to be regularly submitted to draw upon the funding in principle to fund the home upgrades.

58. Upgrades delivered through HUG 2 are required to be completed by the delivery deadline of 31 March 2025. Unpaid grant is required to be returned to the government.

### **Legal Implications**

59. Legal advice has been sought and will continue to be sought on this project. The procurement of a turnkey service will be taken in accordance with the Constitution and Procurement Law. The proposed arrangement will ensure the Council meets its duties as described above more fully.

## **Options Considered**

### Option one: Procure a turnkey service to deliver energy efficiency improvements to low-income households in Wiltshire.

60. The Council will outsource most of the services required to deliver a HUG2 retrofit project. The project requires a range of specialist roles and installers to deliver compliant works and the Wiltshire Council HUG2 team is limited in size due to the size of the project.
61. The installation of energy efficiency improvements reduces the risk of fuel poverty by supporting the most vulnerable households by reducing the cost of heating their homes through improved insulation, ventilation and low carbon heating systems. This provides a parallel opportunity to improve health and wellbeing outcomes for those living in cold homes and reduce the demand on health and social care.
62. This retrofit project will continue to build capacity within the Council to scale up the delivery of retrofit and be ready to bid for future funding opportunities.
63. This retrofit project will promote retrofit to the wider community in Wiltshire by sharing knowledge, providing examples and resident ambassadors.
64. This project will help stimulate the local retrofit market by creating demand for skills and work and will help the local economy through job creation, upskilling and apprenticeship training. The Council will seek to procure a local managing agent, if this is not possible, we will seek to employ a managing agent who can subcontract to local SME's who can deliver the specialist services required.
65. The scheme will be promoted to households in Wiltshire, whose household income will be verified to ensure they meet the grant eligibility requirements. Retrofit assessments will be carried out to confirm:
  - The pre-work EPC score
  - The suitability of proposed energy efficiency measures
  - Ensure the upgrade will meet the required post installation EPC band.
  - Ensure the proposed energy efficiency measures are allowable through the grant.
  - Confirm the proposed energy efficiency measures are within grant cost caps.

### Option two: Remain as is and we don't run the project:

66. This option removes the Council's ability to drive forward the installation of energy efficiency measures for low-income owner-occupied homes as well as the many benefits which the project offers to the council and community.

## **Conclusions**

67. It is recommended that the Cabinet notes the content of this report and is asked to authorise option one and to delegate the spend of the grant to the Corporate Director for Resources & Deputy Chief Executive, and the Director for Environment in consultation with the Cabinet Member for Environment and Climate Change.

**Sarah Valdus**  
**Director, Environment**

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6 November 2023

**Appendices**

Appendix 1 – Eligible Measure Categories

Appendix 2 – Procurement Technical Brief

Appendix 3 - HUG2 Risk Log