

To: Cabinet
Date: 15 November 2023
Report of: Head of Corporate Strategy
Title of Report: FutureFit Oxford(shire) Project - Grant Funding Bid for Retrofit

Summary and recommendations	
Purpose of report:	To seek project approval for Oxford City Council's involvement in the FutureFit Oxford(shire) Project (FOx Project), and delegated authority for the facilitation and delivery of the project.
Key decision:	Yes
Cabinet Member:	Councillor Railton, Cabinet Member for Zero Carbon Oxford and Climate Justice
Corporate Priority:	Pursue a zero carbon Oxford
Policy Framework:	Council Strategy 2020-2024

Recommendations: That Cabinet resolves to:	
1.	Grant project approval for the FOx project to proceed, including approval of Oxford City Council's role as overall project lead;
2.	Recommend to Council to establish a revenue budget for £1.56 million funded by a government grant to enable the necessary resources to be employed and the work undertaken;
3.	Delegate authority to the Head of Corporate Strategy, in consultation with the Head of Financial Services / Section 151 Officer and the Head of Law and Governance to enter into a grant agreement with Innovate UK for the sum of £1.56 million as well as any related agreements, contracts and transactions to facilitate the project and its delivery in terms of accepting grant offer letters, partnership agreements, retrofit seed funding payments, subcontracting and subscriptions;
4.	Delegate authority to the Head of Corporate Strategy, in consultation with the Cabinet Member for Zero Carbon Oxford and Climate Justice, to deliver the grant funded consortium project, and to comply with Innovate UK's project monitoring and grant payment processes (and project change processes, if required); and

5. **Note** that this is a multi-partner collaborative project with a total value of £5.28m. A decision from the funder to award the bid and at time of writing a decision from the funder on whether the bid has been successful has not been received (expected to be on 8th November).

Appendices

Appendix 1	Risk Register
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Introduction and background

1. In March 2023, Oxford City Council won a £75k bid to Innovate UK (IUK) leading a consortium that that undertook a feasibility study to look at options for developing a whole-system FutureFit One Stop Shop (FOSS) solution to address barriers and accelerate take up of decarbonisation measures by households and businesses. The consortium included Low Carbon Hub, both universities, Oxfordshire County Council, Lucy Group, ODS and others. The feasibility study was submitted to IUK and the Council was invited to bid for up to £5m grant plus commercial organisations' match funding to deliver a substantive project to test the FOSS solutions.
2. In September 2023 Oxford City Council submitted a £5.28m bid to IUK's Net Zero Living Pathfinder Places Phase 2 funding stream, to take forwards a project - now called FutureFit Oxford(shire) (FOx) - involving many of the same partners, although time also involving the other four Oxfordshire district councils. A decision from IUK on successful bids is expected 8th November 2023.
3. The project would be to lead a collaboration of 11 consortium members to accelerate retrofit and transition to smarter retrofit ("FutureFit") in Oxford and Oxfordshire. In the application Oxford City Council has requested c.£1.56m grant funding, with the remaining project funds split between other project partners.
4. The FutureFit Oxford(shire) (FOx) project intends to take a whole building approach using smart technology so that electricity generation, storage and usage can be integrated and balanced within the building (i.e "FutureFit"). This should ensure the impact on the electricity grid is a positive one. It will also establish a strategic local partnership that can help break down systemic non-technical barriers, such as standards, skills, appropriate finance and supply chain issues, faced by retrofit/FutureFit providers, households and businesses.
5. If successful in the bid, it should be noted that the Future Oxfordshire Partnership Environmental Advisory Group considers FOx central to work that will be undertaken across the six Oxfordshire councils over the next two years to boost retrofit take-up. This programme, if it goes forward, will equally be of importance to many of our key city stakeholders through the existing ZCOP partnership.

Project Summary

6. The FOx project is consortium based, building on existing good relationships with local partners. There are 11 project partners: Oxford City Council (Lead project partner), Low Carbon Hub, University of Oxford, Oxford Brookes University, Retrofitworks, Lucy Group, Oxfordshire County Council and all 4 district councils. Several subcontractors will join the project (subcontractor choice subject to

individual partners' procurement processes) to provide expertise in the areas of finance, installation/supply chain, standards, inseting, smart retrofit products and education/upskilling.

7. The Zero Carbon Oxford Partnership (ZCOP) roadmap indicates significant retrofit of both domestic and non-domestic buildings are needed to reach net zero Oxford by 2040, which is why projects such as FOx are important for the Council to engage with. To tackle carbon emissions it's clear that improvements are needed across the city in terms of building fabric measures (e.g. insulation), electrification of heat (heatpumps), local generation/storage of electricity (e.g. solar PV and on-site batteries) and electrification of travel (EVs). It's known from previous projects (e.g. Project LEO) that high levels of retrofit has the potential to cause significant challenges for the local electricity grid.
8. The FOx project has two key aims. Firstly, it intends to address the electricity network challenge by transitioning retrofit to "FutureFit" (a concept being developed by project partner Low Carbon Hub). This centres on retrofit taking a whole building approach and using smart technology so that electricity generation, storage and usage can be integrated and balanced locally within the building. This should ensure the impact on the grid is a positive one.
9. The second aim of the FOx project is to scale up delivery of retrofit/FutureFit to support delivery on ZCOP roadmap milestones. The previous feasibility work (April – June 2023) identified that existing one stop shops (OSSs) providing retrofit services, such as Cosy Homes Oxfordshire (domestic retrofit) and Energy Solutions Oxfordshire (non-domestic retrofit), as well as building owners and installers, face key non-technical barriers in terms of finance, skills & capability, policy & standards, supply chain, and perception around retrofit.
10. The project will establish how a long-term strategic partnership can break down these non-technical barriers in order to support the scale up of local retrofit services and their transition to FutureFit. This partnership is intended to signal support for both existing local FutureFit OSSs and new entrants to the market through e.g. developing a FutureFit standard and quality assurance processes, as well as supporting local skills and finance interventions. Oxford City Council will lead on this work, which will include developing a business model for a sustainably funded partnership beyond the grant funding.
11. Oxford City Council will also lead a work package on finance, supported by specialist subcontractors. This will involve the Council piloting a carbon inseting mechanism and undertaking desk-based modelling and assessment of the extent to which council tax/business rates interventions can/cannot support uptake of retrofit, and desk based investigation of other financial mechanisms to support local retrofit. "Inseting" defines a localised approach to offsetting whereby an organisation may finance decarbonisation and other climate protection projects that sit outside its own assets or service delivery. Instead of buying often-discredited carbon offset credits internationally, the organisation funds tangible projects that sequester emissions within its supply chain or local geography. In the case of the FOx Project, this local area would be Oxfordshire, and ideally Oxford subject to locations of suitable retrofit projects during the trial.
12. The grant funding budget will cover delivery of the project areas the Council will be responsible for (e.g. events, communications, inseting seed funding).

13. Project activities also include significant inputs from other project partners, including: a pilot on a salary-linked financial intervention, investigating the potential for blended finance to support retrofit uptake, understanding the requirements for local retrofit skills and making the case for investment in the local supply chain, apprenticeships, and supporting existing OSSs to meet increased demand for retrofit/FutureFit services. The grant funding budget allowed to other project partners covers their own resourcing to deliver these outputs.
14. The consortium is awaiting a decision from IUK if the bid for the project has been successful. A decision is expected on the 8th November, and if successful the project would start in February 2024 and run for 21 months.

Option of not providing project approval and delegations

15. If the Council chose not to deliver the FOx project this would mean losing an opportunity to utilise a significant level of funding to create a step-change in the delivery of retrofit locally within Oxford and Oxfordshire, which in turn would impact progress towards net zero targets. Without this grant funding, this project would not go ahead as planned.
16. The officer recommended option is for Cabinet to provide project approval and delegations. Should the bid be successful and grant funding awarded, this will ensure there is the opportunity to make significant and rapid progress on retrofit and net zero goals, in an integrated way with other key local partners and stakeholders.

Financial implications

17. The Council's involvement in the project would be fully funded by grant funding awarded by IUK and does not impact the Council's capital budget.
18. The overall project value is c.£5.28m, and the share of the grant that would be awarded to the Council for its project activities would be £1.56m, spent as set out in the following table:

Table 1: break down of grant funding anticipated spend

Funding category	
	£
Staff costs	877,237
Overhead (<i>set by IUK as 20% of staff costs</i>)	175,447
Subcontracting	326,800
Other project costs (<i>includes up to £120k to fund installation of retrofits as part of the insetting trial, plus funding for other project work such as communications campaigns, events and similar</i>)	175,200
Travel and subsistence	4,800
Materials	920
Total	1,560,404

19. The project will need to adhere to the funder's financial monitoring and grant payment processes. Although Oxford City Council will be the lead project partner, all project partners are responsible for making their own claims to IUK for their own

grant funds and are paid directly by IUK. The Council is therefore not administering grant payments to project partners. Clawback therefore only applies to the Council's own grant funding, not whole project value.

20. The role of the Council set out in the bid is clear. As project lead the Council will ensure that relevant teams input such that the specific deliverables agreed with IUK on award of funds are achievable. The deliverables are not capital installations and primarily relate to project management activities, establishing partnerships, delivery of desk-based research through subcontracting, and feasibility investigation of piloting carbon insetting. Piloting carbon insetting will require the Council to administer up to total of £120k seed funding (retrofit grants) to local businesses (costs covered by the FOx grant funding).
21. The risk of clawback is considered low, and as an innovation project it is expected by IUK that some elements may not proceed as planned – in which case this is acceptable providing suitable evidence is provided.

Legal issues

22. Delivery of this project will require the Council to enter into a funding agreement with IUK, collaboration agreements with project partners and contracts such as with subcontractors. These will be overseen by the Council's legal team.

Level of risk

23. IUK required a risk register to be submitted as part of the bid. The content of this bid risk register has been provided in the Council's standard format and is attached as Appendix 1. Risk owners will be allocated on successful award of funding, via the first Project Board to be held. Ongoing use and monitoring of the risk register will be carried out as part of standard project management processes. Risk level is considered to be acceptable and in line with what would be accepted for a project of this type.

Equalities impact

24. Full Equalities Impact Assessment not applicable at this funding bid stage because the full detail of implementation of project activities has not yet been defined. At the point when details of the design and implementation of project activities are developed, full Equalities Impact Assessments will be carried out as appropriate to ensure that Equalities, Diversity and Inclusion (EDI) considerations are implemented.
25. IUK did require EDI to be considered at a very high level as part of the bid submission. This noted that incorporating EDI in to the eventual design of partnerships and services is key to ensuring that systemic barriers to retrofit/FutureFit are removed for all communities and not just certain demographics. As a result EDI is therefore included in the bid submission project risk register (replicated in Appendix 1) to ensure that this important element is reviewed at appropriate points within the project delivery (should the bid be successful).

Carbon and Environmental Considerations

26. This project will align with the Council's Net Zero corporate priority and supports progress towards achieving net zero goals. Zero Carbon Oxfordshire Partnership

(ZCOP) provided a strong basis for the FOx bid, and the project is recognised as critical to delivering on the retrofit element of the ZCOP roadmap to meet the 2040 net zero target. Its also recognised as a key workstream by the Future Oxfordshire Partnership to progress PAZCO goals for the wider county.

Conclusion

27. The Cabinet is requested to consider the benefits of this project and approve its delivery (subject to successfully being awarded grant funding by IUK), in line with the recommendations made above.

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Background Papers: None