

From: WG Employee 1
Sent: 28 March 2024 14:25
To: BCBC Employee 1
Cc: BCBC Employee 2; WG Employee 2; WG Employee 3
Subject: RE: Caerau Arbed remediation

Hi BCBC Employee 1,

Many thanks for submitting the claim form. This will be sufficient for me to accrue the funds from the 2023/24 Financial budget.

Please note, evidence of spend (either physically spent or accrued funds), or evidence of contractor spend (via invoices and purchase orders) detailing **spend incurred in 2023/24** will need to be submitted to release payment of the accrued funds.

The evidence is not required today but should be submitted within the first two weeks of the 2024/25 Financial Year.

Should you have any questions, please do not hesitate to contact me.

Kind regards,

WG Employee 1

From: BCBC Employee 1
Sent: Thursday, March 28, 2024 11:02 AM
To: WG Employee 1
Cc: BCBC Employee 2; WG Employee 2; WG Employee 3
Subject: RE: Caerau Arbed remediation

Thanks WG Employee 1. We're not going to be able to provide a PO for the main contractor costs as our purchasing system has closed for year end but a quotation from them should be possible.

Attached is the draft claim form for the current year to show the spend breakdown.

BCBC Employee 1

From: WG Employee 1
Sent: Thursday, March 28, 2024 7:54 AM
To: BCBC Employee 1
Cc: BCBC Employee 2; WG Employee 2; WG Employee 3
Subject: RE: Caerau Arbed remediation

Good morning BCBC Employee 1,

To accrue the funds, I will need proof of commitment/spend by way of a quotation/staff time sheet or preferably a Purchase Order.

If you're able to supply by 3pm today, I can make the necessary arrangement to automatically accrue the funds,

Please let me know if you encounter any issues or have any further questions.

Kind regards,

WG Employee 1

From: BCBC Employee 1
Sent: Wednesday, March 27, 2024 4:57 PM
To: WG Employee 3
Cc: BCBC Employee 2; WG Employee 1
Subject: RE: Caerau Arbed remediation

Hi WG Employee 3,

We've agreed a way forward with the contractor and expect to be able to submit a claim for the full sum profiled.

I will be able to confirm this tomorrow – can you let me know if you need this confirmation in any particular form or if an email is sufficient for you to accrue the spend?

BCBC Employee 1

From: WG Employee 3
Sent: Wednesday, March 27, 2024 4:47 PM
To: BCBC Employee 1
Cc: BCBC Employee 2; WG Employee 1
Subject: RE: Caerau Arbed remediation

Hi BCBC Employee 1

Could you please update us on any progress with this? I didn't hear back on my offer of joining a discussion so I hope you made progress and can submit a claim. WG Employee 1 and I are in the office tomorrow if you want to discuss.

WG Employee 3

From: WG Employee 3
Sent: Monday, March 25, 2024 11:43 AM
To: BCBC Employee 1
Cc: BCBC Employee 2; WG Employee 1
Subject: RE: Caerau Arbed remediation

Hi

I'm sorry but the question of being willing or not does not apply as we are bound by the revisions to HM Treasury rules I explained on the call. Our finance team has confirmed that we cannot provide grant funding ahead of need to a local authority. The funding has to be provided to the recipient authority to cover activities carried out during that year. For this contract, those activities might be the purchase of goods and materials or the setting up of site offices or infrastructure, for example.

I'm happy to be involved in a discussion with your contractor if that would be helpful.

Regards

WG Employee 3

From: BCBC Employee 1
Sent: Monday, March 25, 2024 9:32 AM
To: WG Employee 3
Cc: BCBC Employee 2; WG Employee 1
Subject: RE: Caerau Arbed remediation

Hi WG Employee 3,

We're looking at if it's possible to purchase materials this FY but it seems very unlikely we will be able to do this.

To retain the grant in line with the profile (regardless of spend), would WG be willing to do this as a grant payment in advance to BCBC, which we would hold and ring fence and then pay the contractor in our normal way as the works proceed during next year? If anything happens, e.g. the contractor defaults for some reason, the funding would not be lost and BCBC can repay the grant to Welsh Government.

Thanks

BCBC Employee 1

From: WG Employee 3
Sent: Friday, March 22, 2024 6:28 PM
To: BCBC Employee 2; BCBC Employee 1
Cc: WG Employee 1
Subject: RE: Caerau Arbed remediation

Good afternoon

Please find below a response to your questions on profile and overall budget, which largely reiterates what I have already said but perhaps fills in some gaps in relation to the overall WG budget which you missed due to technical difficulties on the line.

- The funding allocation in my budget is as per the final profile in my previous email below, and was reflected in the grant offer letter which BCBC signed and returned.

- If I don't spend the allocation for 2023/24, I lose it – Treasury rules do not allow me to simply move it into a future year. Given we are so late in the financial year, the likelihood is that it could not be spent elsewhere in Welsh Government either, so it would be returned to the UK Treasury. This not only causes reputational damage to the Welsh Government but also makes it harder for me to bid for additional funds in the future.
- My total budget allocation for 2024/25 is the same as it was this year, £35m, which is fully committed to fund the Warm Homes Programme Nest scheme (£30m) and the local authority grants (£5m, yours being one of 3 schemes we are supporting).
- The Welsh Government has not been allocated its budget for 2025/26 yet and until that time, portfolio allocations will not be made.

In summary, I am not in a position to add to the budget allocation next year, I don't have a budget for 2025/26 and I don't have any political cover to commit funds in either year.

The other local authorities have worked with us to purchase goods and materials either directly or through their contractor, in order for me to release funds this FY. I strongly suggest you explore doing the same.

If, having discussed with your contractors, you are unable to proceed we will need to receive a new request and seek Ministerial agreement for a variation to the grant offer. To do so, you will need to set out why the new request delivers value for money, as it is significantly higher than that in the business case. Given the situation with my budget, I would need to advise the Minister that as things stand my budget line could not accommodate the request, and it would be for the Minister and his/her finance team to determine if a request could be accommodated, considering the priorities of the WG and the opportunity cost of spending additional funds on this work. Given the situation with the WG overall budget, I suspect the Minister would also want to ensure alternative sources of funding e.g. ECO were optimised in the first instance.

If you do not secure ECO funding, the existing grant award would not be valid as you would be delivering for fewer households than the original grant award stipulated. You would, therefore, need to develop criteria and present these to the WG alongside any value for money assessment in order to request a grant variation. In effect, this would include any prioritisation exercise, and I would be happy to discuss this with you in the

event it were required. WG would be seeking assurance that any prioritisation was aligned with Welsh Ministers' priorities.

I appreciate there is a scenario where re-procuring the contract at a lower value may be required. I have been transparent regarding the financial position and while I will work with you to avoid that situation, it is of course an option which you need to retain.

Regards

WG Employee 3

From: BCBC Employee 2
Sent: Thursday, March 21, 2024 4:31 PM
To: WG Employee 3; BCBC Employee 1
Cc: WG Employee 1
Subject: RE: Caerau Arbed remediation

WG Employee 3

Thank you for your notes in relation to the discussion earlier this week.

I have added some points below in relation to timeline, profile, budget and prioritisation so that we have a fuller record of the discussion on file.

Timeline

When we were last able to meet with you in October last year we were able to bring you up to speed on the scheme to date as I think you were relatively new in post at the time. Also in October last year BCBC Employee 1 notified you of the tender return date at the time – 15th December 2023.

We updated you yesterday that following the tender period, BCBC were able to issue an intention to award letter to the preferred contractor. An extension requested by bidders and the governance steps officers are required to go through did however delay that intention to award letter by around 6 weeks to that which we had made you aware of last October when we met.

We highlighted that the contract standstill for the main contractor should, barring any challenge, end on 22nd March, and that we currently have a provisional date for sealing the contract of 27th March. It is at that point BCBC will be able to formally discuss spend profile with the main contractor.

Profile

Whilst your perspective on profiling is noted, BCBC Employee 1 and I highlighted, as we had done on occasions in the past, that now we have run the procurement process a discussion around re-profile is required. When we met and explained this to with WG Officials involved in the project before you we highlighted the potential risk of costs being higher than forecast due to inflation and market conditions and the potential for a contractor to indicate the need for a longer programme period. Despite that, we and your predecessors had a degree of hope that the opposite may be true: contractors may forecast lower than predicted costs and may also propose a timetable which is shorter and/or more front-loaded. As we updated yesterday, we find ourselves dealing with the former scenario. Whilst BCBC Employee 1 and I did agree to explore some options in relation to the spend profile with the main contractor, this may not remove the need for a re-profile so there would be value, to avoid delay, in options relating to re-profile being explored in parallel.

Please can you outline the steps involved in seeking a re-profile of the existing WG budget and whether you are willing to investigate this in parallel to BCBC discussion options with the main contractor?

Budget

To expand on your note regarding budget; BCBC Employee 1 updated on positive, initial discussions that have taken place so far with an ECO provider in relation to possible funding options and that whilst discussion in relation to accessing ECO funding have taken place, this is by no means certain to release funding. Whilst we will continue to explore ECO options, funding from that source is not certain and could take several months for a decision, depending on ECO provider processes. It should be clear therefore that as things stand the budget available for the scheme in total remains the £3m overall WG and BCBC budget. In recognition of this, we highlighted that if ECO and/or WG were not able to supply BCBC with additional funds then a prioritisation exercise would be needed. You mentioned the challenging funding climate in WG at the moment, but I'm afraid my line went glitchy at that point.

Please could you confirm what process would be involved in seeking additional WG funds for the scheme and whether you are willing to investigate this in parallel to BCBC exploring options with ECO funding?

Prioritisation

The current position is that BCBC will only be issuing a contract for the £3m funding sum currently available. We made you aware therefore that should additional funds not be forthcoming from ECO and/or WG then a decision would need to be made in relation to a set of criteria that would be used to determine prioritisation and targeted use of funding, should it be determined through the delivery of the main contract that the current budget is insufficient. My notes suggest that your initial view was that WG would not seek to come up with criteria options, but would wish to make a decision about which criteria options would be applied.

Please could you confirm or clarify the WG position on that?

It must also be stressed that if for any reason WG is not able to continue to support the project with the full grant sum then this could prevent award of the contract, trigger a possible re-procurement for a lesser sum and may require further revisions to the timetable and a even greater focus on prioritisation.

Thanks

BCBC Employee 2

From: WG Employee 3

Sent: Monday, March 18, 2024 6:39 PM

To: BCBC Employee 1; BCBC Employee 2

Cc: WG Employee 1

Subject: RE: Caerau Arbed remediation

Good afternoon both

I thought it worth making a short note of our conversation earlier, and some info I have found on our system.

BCBC have a preferred contractor to deliver the scheme and are now in a standstill period.

You raised the **risk of a shortfall in funding**. However, you have £3m of funding between WG and BCBC and you have estimated £1m+ in potential funding through ECO. Therefore, my assessment is that you should come in within budget.

We also discussed the **profile in spend**. You mentioned having talked to WG Employee 4 about a re-profile of the finances. The document we have used to budget for this year and next, which you signed and returned on 21 April 2023, is the grant offer letter (attached for reference). The profile on this offer was based on the second re-profile received from you on 31.1.24 and is as follows:

2022/23: £14,000

2023/24: £1.271 m

2024/25: £1.365 m

[I've done some digging and have found the following, which shows the change in values and profiles received from BCBC over time:

CAPITAL	22/23	23/24	24/25	25/26	Total payment
Original payment profile	£0.935m	£1.4m	£0.315m		£2.65m
Revised payment profile received 22/01/2023	£0.010m	£0.935m	£1.4m	£0.305m	£2.65m
Updated payment profile received 31/01/23.	£0.014m	£1.271m	£1.365m		£2.65m

Therefore, the grant offer was based on the most recent set of info provided.]

I made it clear that I am required to meet the profile as closely as possible, as I am expected to spend my budget in full this FY and have no flex in the budget for next FY (I am over-committed with the existing project profiles, so cannot tolerate slippages).

I suggested a potential solution would be to order the goods with a reputable builders merchant. You suggested you have unit costs per measure and could, therefore, look to pre-order.

[Having thought about it, the same might be true of scaffolding costs, which will be required for all homes irrespective of the measures to be installed.]

Timescales – you can talk to your contractor on Monday and thought you could receive something in writing by Wed so we have evidence of commitment and can note them against 2023/24. An invoice can follow in April.

Action:

- BCBC to progress with contacting their contractor to ensure we can maximise spend this FY.
- BCBC to provide evidence of a commitment by Thursday 27 March.
- WG to accrue the funding so we can cover the costs.
- BCBC to put in a grant claim in April – WG to process.

Please let me know if you have any queries or if there are any problems in the meantime. Otherwise, WG Employee 1 and I will wait for you to come back to us next week.

Thank you

WG Employee 3

From: BCBC Employee 1
Sent: Friday, February 23, 2024 12:59 PM
To: WG Employee 3
Subject: Caerau Arbed remediation

Hi WG Employee 3,

I can finally give you an update on where we've got to following the main contractor procurement for the Arbed remediation project in Caerau. Although the tender closed in mid-January we've had to clarify a range of issues around the costs submitted but we have selected (not yet appointed) a very strong preferred contractor.

The WG grant and BCBC contribution give us a secured budget of £3m for the capital work. From the prices submitted we estimate the total project cost for the 74 properties that have registered for work to be done is £4.16m, although it is possible more homes will come forward once work visibly starts in the community so we estimate an upper cost of £4.5m to account for this and contingency.

We have spoken to Ofgem and ECO providers and the houses are eligible for ECO 4 funding. Although we are yet to properly evaluate the number of eligible households we think ECO could treat a significant number of homes and is likely to contribute approx. £1m to the total project costs.

This still leaves a shortfall of up to £500k and we have developed criteria to prioritise homes (based on length of tenure, severity of impact, health issues etc) so we can select which homes to target the available funding on and either exclude others or defer work until further budget is secured. This is clearly not the ideal option but something we need to have available.

Are you or someone in your team available next week to discuss in more detail?

Thanks

BCBC Employee 1