

Report to Executive

Agenda
Item:
A.6

Meeting Date: 6 April 2021
Portfolio: Economy, Enterprise & Housing
Key Decision: Yes KD.11 /21
Policy and Budget Framework: No
Public / Private: Public

Title: Green Homes Grant LAD Phase 2
Report of: Corporate Director of Governance and Regulatory Services
Report Number: GD 26 /21

Purpose / Summary:

A report informing the Executive of the City Council's participation in a joint bid for funds under Green Homes Grant Local Authority Delivery Phase 2 (LAD Phase 2). The City Council is part of a consortium of Cumbrian councils seeking funds from the North West Regional Hub. Each of the 6 authorities may receive approximately £716,000 to £1million to address fuel poverty and improve energy efficiency and carbon savings in approximately 75 to 100 private sector properties. Eden District Council will act as the consortium's accountable body.

Recommendations:

The Executive:

1. If successful to accept the offer of funds through a Memorandum of Understanding with Eden District Council under the Green Homes Grant Local Authority Delivery Phase 2.
2. Delegate authority to the Corporate Director of Governance and Regulatory Services to deliver activities and services funded by the grant in accordance with the Memorandum of Understanding between the City Council and Eden District Council.

Tracking

Executive:	6 th April 2021
Scrutiny:	
Council:	

1. BACKGROUND

- 1.1** In July 2020, the Chancellor announced £2 billion of support through the Green Homes Grant (GHG) to save households money; cut carbon; and create green jobs. Along with a voucher scheme directly available to households, local authorities were entitled to apply for delivery schemes (LAD).
- 1.2** The primary purpose of the LAD is to raise the energy efficiency rating of low income and low Energy Performance Certificate (EPC) rated households (those with E, F or G, although D is also in scope), this is expected to result in the following outcomes:
- a. Tackle fuel poverty by increasing low-income household's energy efficiency rating while reducing their energy bills.
 - b. Deliver cost effective carbon savings to carbon budgets and progress towards the UK's target for net zero by 2050.
 - c. Support clean growth and ensure homes are thermally comfortable, efficient, and well-adapted to climate change.
 - d. Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs; and
 - e. Use learnings from the delivery experience to inform the development and design of further energy efficiency and heat schemes.
- 1.3** The City Council did not apply for the first round of GHG delivery grants and was unsuccessful in its direct application for Phase 1b funds from the Department of Business Energy and Industrial Strategy (BEIS). A further round, Phase 2 is being delivered through Regional Hubs and is open to consortium bids only. On that basis the City Council has participated in discussions with the North West Regional Hub to form with a consortium with the other five Cumbrian districts (Allerdale, Barrow, Copeland, Eden and South Lakeland) to apply for funding. Eden District Council are willing to be the accountable body and will be responsible for distributing funds and coordinating the monitoring returns.
- 1.4** BEIS has since confirmed an allocation of £51,550,000 m to the North West Regional Hub who are due to confirm the detailed distribution of funds across the region in March. It is anticipated that the allocation to the Cumbrian consortium will be £5,074,056 although Eden District Council have requested additional funding so that each of the Cumbrian authorities would receive £1million, with additional funds to cover administration and ancillary costs. The Local Energy North West Hub will retain 0.5% of the programme budget for regional programme administration. 88% of the programme budget must be used for capital works as defined by national

guidance. A further £1 million has been provided by BEIS to support programme design and mobilisation. A share of this funding will be dispersed to each LEP area and must be used to fund activities in accordance with scheme guidance.

- 1.5** The City Council's share of the allocation is anticipated to be approximately £716,000 to £1million and those funds will be used to target fuel poor or low energy efficiency homes in the private sector. Data from the Cumbria Observatory, the open source Landmark EPC register (August 2020) and a recent Carlisle BRE Housing Stock Modelling Report will enables us to target wards and housing that have the highest concentrations of fuel poverty, using low income/ high fuel costs definition in the private sector together with the highest levels of excess cold hazards. Carlisle has over 2,250 owner-occupied and over 700 eligible privately rented properties which have an EPC rating of E, F or G and capable of achieving a minimum C Rating.
- 1.6** Funding to owner occupied Eligible Households will cover the full cost of upgrading a home with upgrades to cost no more than £10,000 mean average per property. The measures will be a blend of low and high cost energy efficiency upgrades and a condition of the scheme is that a 'retrofit co-ordinator' will determine the most appropriate measures to improve energy efficiency for that particular property. Landlords eligible for funding (private and social) would provide at least 33% contribution towards the cost of the upgrades and we do not expect the subsidy to exceed £5,000 on average per household.

2. PROPOSALS

- 2.1** If accepted Carlisle City Council will use the funds for between 75 and 100 private sector properties depending on the final funding awarded. The funds will be to improve fuel poverty and improve energy efficiency and carbon savings. There is a potential that any underspends in local authorities or consortiums could be reallocated to other authorities within the north west region. The project will be delivered by Homelife HIA, with assistance from the Housing and Pollution team, under a Memorandum of Understanding with Eden District Council.
- 2.2** If the Bid is successful it is proposed that the Executive accept the award from the North West Regional Hub via Eden District Council as the accountable body for the Cumbrian consortium bid.

3. RISKS

- 3.1** There are no penalties associated with an underspend, and should Eden District Council, as agents for the North West Regional Hub, and the City Council be unable to agree how any unspent grant funding will be used, in line with the expected outcomes of the Green Homes Grant, Local Authority Delivery. The City Council would repay the unspent grant, which will be reflected in the Memorandum of Understanding that would be required for the acceptance of the Grant.
- 3.2** The following risks have been identified in the delivery of the scheme:
- a. Installations not meeting quality standards – a procurement exercise will ensure the competency of contractors.
 - b. Claims made for installations that haven't happened, haven't been completed, or that took place prior to launch date of the scheme - approval required before works commence and delivery through approved contractors.
 - c. Identity theft or falsely claiming low-income status – administrative checks on eligibility.
 - d. Installers overinflating costs – procurement exercise and prior approval of contractors.
 - e. Insufficient demand from potential recipients – demand identified but no penalty for underspend.
 - f. Insufficient capacity to match demand – prior approval required before works commence so budget management will cover approved works.
 - g. Failure of systems and/or processes which have been included within the Risk Register – project will have its own project management framework including risk register. Monthly reporting on the project via Eden DC is required.

4. CONSULTATION

- 4.1** Prior to the application the City Council consulted with the Department of Business Energy and Industrial Strategy (BEIS) the North West Regional Hub and the district councils who are part of the consortium.
- 4.2** The City Council's Grants and External Funding Procedure provided the structure for the consultation process with the: Leader; Portfolio Holder for Economy, Enterprise & Housing; the Corporate Director of Governance and Regulatory Services; the Corporate Director of Finance and Resources, and the Funding Officer, who were all consulted on the application process.

- 4.3** As the decision by the Regional Hub to award the Grant may have been made in March before the Executive meeting, and with the possibility that BEIS would require a short acceptance period, a Leaders Decision is ready to approve acceptance of the grant award, this will only be used if the timetable requires acceptance before this Executive meeting.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1** Carlisle has over 2,250 owner-occupied and over 700 privately rented properties which have an EPC rating of E, F or G but which are capable of achieving a minimum C Rating. The Green Homes Grants will allow the Council to improve about 75 –100 of these properties saving the occupiers money and reducing the properties carbon footprints.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1** Address current and future housing needs to protect and improve residents' quality of life.
- 6.2** Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle.

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Appendices attached to report: Leaders and Council Members briefing note on Green Home Grant
Local Authority Delivery

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- See Appendices

CORPORATE IMPLICATIONS:

LEGAL – Expenditure of the grant must not only be in accordance with the terms and conditions of the said grant and Memorandum of Understanding, but also comply with the Council's decision-making framework, the contract procedure rules and the financial procedure rules.

PROPERTY SERVICES – No Property Implications

FINANCE – The City Council share of capital grant funding to the consortium is anticipated to be £716,000 to deliver Phase 2 Green Homes Grant Local Authority Delivery. There is no match funding requirement of the Council and if the bid is successful and approval to accept the award is given, the capital programme for 2021/22 will be increased. The Funding Period will run from the date of the agreement to the 31st December 2021. Any capital grant unspent at the end of the Funding Period may be subject to repayment or redistribution to other members of the consortium in consultation with the North West Regional Hub and as set out in the Memorandum of Understanding.

EQUALITY – No comment

INFORMATION GOVERNANCE – As with the issuing of all Grants, the Council must review the eligibility and information sharing process alongside the data protection principles, to ensure compliance with Data Protection Legislation.

LEADERS & COUNCIL MEMBERS

BRIEFING ON GREEN HOME GRANT LOCAL AUTHORITY DELIVERY

Contents

- 1. Green Home Grants**
- 2. Allocation of GHG to the North West via the Local Energy North West Hub**
- 3. North West Approach to Dissemination of Green Home Grants LAD 2**
- 4. Implication for the Home Retrofit Supply Chain & Skills**
- 5. Securing a legacy for LAD delivery of Housing Retrofit in the North West**

[1] Green Home Grants

- A1. Green Home Grants (GHG) are a stimulus measure following the emergency mini budget in July 2020. They are intended to fulfil policy objectives for improving the energy performance of housing. They are also intended as an intervention to quickly grow the supply chain for domestic retrofit, creating thousands of green jobs.
- A2. Of a total £2Billion, £1.5Billion of the GHG is available to households in England through a national voucher scheme. All tenures of housing can access GHG Vouchers, which can fund a restricted list of measures that can improve domestic energy performance certificate 'SAP ratings'. Applicants for the voucher scheme must choose from a short list of significant primary measures such as solid wall insulation, loft and floor insulation and air source heat pumps (ASHP). Homes which receive a primary measure can also receive funding for secondary measures such as replacement glazing.
- A3. Government policy for net zero recognises that fossil fuel heating will have to be removed from the energy mix in coming decades. In recognition of this trend, new or replacement gas boilers are excluded from the GHG scheme. These might otherwise have been a popular measure. For able to pay households, vouchers of up to £5k of grant must be matched with the homeowner paying at least one third of total costs. Low income households in receipt of benefits can access up to £10k of vouchers without matching the funding.
- A4. The GHG voucher scheme will be available until March 2022. Time will tell the public appetite for the GHG vouchers, which whilst offered in the form of attractive grants for significant sums, are focused on installation of measures that cause a degree of disruption, and are solutions that foremost provide energy bill cost savings rather than necessarily increasing the market value or improving the aesthetic character of properties.

[2] Allocation of GHG to the North West via the Local Energy Hub

- A5. Of a total £2Billion for Green Home Grants, £0.5Million of the GHG has been allocated for Local Authority Delivery (LAD). Local Authority Delivery has been established as a funding route for Green Home Grants so that Local Authorities can target vulnerable households on low incomes, and contribute to national fuel poverty strategy. Households with incomes of less than £30k per annum are eligible for the funding before housing costs, or £20k after housing costs.
- A6. The GHG LAD scheme has more flexibility in respect of eligible measures than the voucher scheme. Not all households must accept primary measures in order to

receive a grant. Owner-occupied low income households can receive an average of £10k, whilst tenants in social or private rented properties can receive up to £5k of grant if this is matched by landlords contributing at least one third of total costs.

- A7. GHG LAD is being disbursed in three tranches. LAD1a and LAD1b have been disbursed through national competitions in Autumn 2020. A number of Local Authorities in the North West were successful in bidding for LAD1a funding totalling £8.2Million. Not all local authorities bid for funding for LAD1 and not all that bids were successful. The LAD1b competition will close for applications on 4th December.
- A8. The remaining balance of LAD funding. £300Million will be disbursed through the 5 Local Energy Hubs in England. Funding is via allocation to the regions rather than competition.
- A9. Local Energy Hubs are funded by BEIS to support Local Enterprise Partnerships and the Local Authorities in their geography to align with national energy and climate policy and to deliver scaled-up investment in strategic energy projects.
- A10. Local Energy Hubs have been selected for dispersal of GHG LAD 2. This is so they can coordinate a scaled-up approach to retrofit for each of the regions of England. Local Energy Hubs have been tasked with preparing a sourcing strategy for Green Home Grants, which can ensure that:
- Opportunities for local authorities working in consortium are explored.
 - That targeting of the GHG is aligned with national policy for energy efficiency and net zero, as well as regional strategic objectives and governance structures
 - That delivery models for the funding are aligned with existing delivery routes such as local authority contracts for installing retrofit measures
 - That delivery models for the funding establish new advisor, assessor and installer frameworks as necessary that are fit for purpose to deliver GHG and could also be a route for future funding for housing retrofit
 - That all procurement is compliant with public sector procurement regulation
 - That any opportunities for pooling budgets to establish delivery routes and installer frameworks over larger footprints than LEP sub-regions are explored

[3] North West approach to Dissemination of Green Home Grants LAD 2

- A11. The Local Energy North West Hub has consulted widely with local authorities and other stakeholders in the home retrofit supply chain. The sourcing strategy for GHG LAD 2 has been developed in recognition of past working on housing retrofit by councils; current gaps in capacity in some local authorities to administer the funding, as well as identifying where new procurement will be required.
- A12. The Local Energy North West Hub has raised awareness of the Green Home Grant with council leaders and facilitated meetings between councils that did not submit applications for LAD Phase 1 and Lord Callan the Minister for Climate Change and Corporate Responsibility so that barriers and opportunities could be discussed.
- A15. An expression of interest to Local Authorities in the North West is anticipated to result in the creation of consortiums to deliver local programmes. All participants in GHG LAD 2 will share a reputational risk. The programme will greatly accelerate the pace of energy efficiency and clean heat housing retrofit in the owner occupied

sector. It must be designed and delivered in such a way that the highest quality of installation is not sacrificed for speed.

- A20. Quality should in part be secured through Governments new Trustmark standard, which will be a requirement of all LAD2 funded installations. In particular there is the new role of Retrofit Coordinator defined in Publicly Available Specification PAS2035. Retrofit Coordinators will act for the home owner and should ensure that measures are designed and implemented in appropriate way, as part of a medium term energy saving plan for every property. However, to deliver quality at high volume in a short timeframe will also rely on the supply chain to come forward and participate in the programme.

[5] Implication for the Home Retrofit Supply Chain & Skills

- A21. Consultation with LEP representatives, council leaders, housing portfolio leads and local authority officers has highlighted that a challenge which must be addressed in the design of the Green Home Grant LAD 2 programme is that it should as far as possible involve local supply chains and SMEs in delivery of Green Home Grants.
- A22. Taken together, Green Home Grant Voucher Schemes and Green Home Grants are a programme of £2Billion investment in the existing housing stock, which will also lever in additional investment from able to pay households and landlords. The resulting activity will far outstrip the level of investment that has taken place in recent years.
- A23. The market for standard home renovation is reported to be relatively healthy and buoyant, though it has needed to adapt to the pandemic and lockdowns in 2020. Many firms in the home retrofit supply chain will not want to participate in a government grant scheme that requires training and certification to the Governments' Trustmark quality standard.
- A24. However, the supply chain for installation of primary measures such as solid wall insulation and ASHPs will likely become saturated and this should achieve the desired aim of drawing new entrants into the sector, growing firms, creating new ones and pulling through apprenticeships and a demand for training in the relevant trades.
- A25. It is anticipated that most smaller firms will want to supply measures direct to occupants via the GHG voucher scheme. It is a different type of business, larger and more comfortable with certification and grant management, that generally participates in delivering installation works for social landlords and councils. This includes those firms that currently delivery Energy Company Obligation (ECO) funded measures. Delivery of LAD 2 will rely on these larger and medium sized firms.
- A.26 Smaller firms may be involved in the LAD scheme as sub-contractors to larger firms. It is recommended that this could be achieved though innovative procurement routes. Options will be explored by the local energy hub, which will deploy a proportion of the programme design budget to produce model performance specifications, in particular providing scopes for organisations to act as managing agents and provide project management, assessment and retrofit coordination services to local authorities.

- A.27 Since the national GHG voucher scheme should greatly expand the supply chain for solid wall measures and heat pumps, the LAD 2 scheme can perhaps be relaxed about targeting these measures in particular, and should focus on developing frameworks of contracts that can deliver the full range of measures alongside providing reliable energy advice to households.
- A29. The supply chain will not have long to train, certify and grow to deliver Green Home Grants. The participation of the supply side is a risk that cuts across the voucher scheme, local authority delivery and the existing ECO scheme. Participation in green retrofit may hinge on firms taking a longer view of the business opportunities open to them in the energy efficiency retrofit sector.

[6] Securing a legacy for LAD delivery of Housing Retrofit in the North West

- A30. The governments legislation of a net zero target in the Climate Change Act means that there will need to be intervention in all areas of the economy to reduce energy use and increase the use of clean energy generation. Improvements to the existing housing stock is recommended as a key area of action by the Committee on Climate Change.
- A31 The Conservative Manifesto in 2019 pledged £9.2Billion for energy efficiency in homes and public buildings. Not all of that funding has yet been announced. The November 2020 spending review committed some additional to funding to Social Housing Decarbonisation on top of the demonstration funding that is available for 2021. The direction of travel therefore is for more funding for domestic retrofit to follow within the lifetime of this parliament.
- A32 The Energy White Paper published in December 2020 stated that £100Billion of investment will be needed to improve the energy performance of buildings over the 2020s. Funding in this Parliament for warm home discounts, energy company obligation and home upgrade grants was referenced but full detail was not provided.
- A33 Uncertainty created by economic conditions mean that this funding is not guaranteed. Newly announced funding for next year is at the scale of millions not billions. Firms wanting to see more than one year of opportunity in the retrofit sector before they participate may remain to be convinced. Local government in the North West has bid to Government for housing regeneration funding as part of a recovery stimulus that could for example be matched with green home grants to deliver street by street retrofit. This devolved funding has not been announced in an emergency budget as yet.
- A34. Nevertheless, the need to retrofit the housing stock will not wane. Particularly in the North where much of the stock is dilapidated and in need of renewal. It is evident from engagement with councillors and officers that local authorities want to participate in delivery of retrofit schemes, and build up their capacity to do so. GHG LAD represents an opportunity for local authorities to expand internal capacity and establish delivery routes with advisors and installers in order to deliver housing retrofit at scale in coming years.

Briefing note provided by: James Johnson, Head of Regional Programme. Local Energy North West Hub, January 2021