

Report to Executive

Meeting Date: 2 August 2021
Portfolio: Economy, Enterprise & Housing
Key Decision: No
Policy and Budget Framework: No
Public / Private: Public

Title: Application to Sustainable Warmth Competition (LAD Phase 3 and Home Upgrade Grants (HUG))
Report of: Corporate Director of Governance and Regulatory Services
Report Number: GD.46/21

Purpose / Summary:

A report seeking permission from the Executive for the City Council to make an application to BEIS Sustainable Warmth Competition as the lead authority of a Cumbrian consortium of district councils. The Sustainable Warmth competition is Phase 3 of the Local Authority Delivery of Green Homes Grants (LAD3) for mains gas connected homes and Home Upgrade Grants (HUG) for off- mains gas homes. It is proposed that The City Council will apply for around £25 million of funding on behalf of the Cumbrian consortium to address fuel poverty and improve energy efficiency and carbon savings in at least 1,000 mainly private sector properties.

Recommendation:

The Executive:

- Agrees for its Homelife HIA to apply on behalf of a Cumbrian consortium for the award from Department for Business Energy and Industrial Strategy (BEIS) for the Sustainable warmth competition.

Tracking

Executive:	2 August 2021
Scrutiny:	
Council:	

1. BACKGROUND

- 1.1** On 16th June 2021, BEIS opened the Sustainable Warmth competition encouraging Local Authorities to apply for around £25 million funding to help them install energy saving upgrades and low carbon heating in low-income households. This is the fourth round of funding for local authorities to help save households money; cut carbon; and create green jobs. The City Council did not apply for the first round of Green Homes Grant delivery grants (GHG) due to the tight application timetable. In December 2020 the Council did decide to apply for the second round of the Local Authority Delivery Scheme (LAD Phase 1B) but were unsuccessful. The City Council are part of a Cumbrian consortium led by Eden District Council for LAD2 funding, but this project has suffered delays and is due to end in December 2021 so has very little time left in which to deliver measures for households.
- 1.2** The primary purpose of the Sustainable warmth competition 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 competition encompasses two existing schemes:
- Local Authority Delivery Phase 3 (LAD3):** a third phase of the Local Authority Delivery scheme. LAD3 has a refined scope to support low-income households heated by mains gas. The average cost per owner occupied home set at £10K
- Home Upgrade Grant Phase 1 (HUG1):** Scheme for low-income households with homes off-gas grid through the HUG scheme. The amount per home can be up to a maximum of £25K depending on the EPC rating and fuel type. Targeted funding will support the installation of multiple measures in these homes, which can face higher upgrade costs, to substantially improve their energy performance.

- 1.4** If approved by the Executive the City Council is ready to apply before the deadline of 4th August 2021 to request funding to support low carbon energy efficiency and heating for at least 1,000 private sector homes across Cumbria. The consortium bid is supported by all the Cumbrian district authorities. Carlisle City Council bid for around £6.5 million based on an estimate £10,000 average retrofit cost per property for 650 homes with mains gas heating and around £15 million for 650 plus homes with non-gas heating plus funding for administration and ancillary costs. Data from specially designed Pathways software, the open-source Landmark EPC register (August 2020) and a recent BRE Housing Stock Modelling Report enables us to target wards and properties that meet the criteria for this funding. In broad terms Carlisle has over 2,250 owner-occupied and over 700 privately rented properties which have an EPC rating of E, F or G and capable of achieving a minimum C Rating. More homes who do not have a current EPC are also likely to qualify. If successful in the bid the City Council, as the lead applicant, will be expected to assume the role of Accountable Body for the grant funding and its use across Cumbria.
- 1.5** The Government expects local authorities to take a fabric first approach and focus on measures that will help lower household energy bills such as insulation. This includes, but is not limited to, energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies (such as heat pumps and solar) – but excludes heating systems which are solely fuelled by fossil fuels such as gas and oil.
- 1.6** Funding to eligible owner-occupied households is expected to cover the cost of upgrading a home but residents can contribute if the cost exceeds the maximum grant available. Funding must be targeted at low-income households likely to be in fuel poverty, for which local authorities can continue to use the criteria of a combined household annual income of no more than £30,000 gross, before housing costs and where benefits are counted towards this figure or use alternate methodologies such as our criteria for our ECO flexible eligibility based on household size. The scheme is primarily designed for private sector housing. Landlords whose tenants are eligible for funding (private and social) would provide at least 33% contribution towards the cost of the upgrades and the subsidy would not exceed £5,000 on average per household.
- 1.7** BEIS aim to allocate funding to successful projects by the end of 2021. Projects must be completed by 31 March 2023.

It is likely that a decision on the Grant application will be made by BEIS sometime in the Autumn 2021.

2. PROPOSALS

- 1.1** To apply to the Sustainable Warmth competition for funding to tackle fuel poverty and improve energy efficiency and carbon savings in private sector homes across Cumbria. The project will be delivered by the Homelife HIA within Regulatory Services under a Memorandum of Understanding with Secretary of State for Business, Energy and Industrial Strategy and with MOUs with the other Cumbrian district local authorities.
- 1.2** The funding would allow a maximum of 15% administration costs and it is proposed to allocate some of this funding to the other districts to employ fixed term staff in each district to help deliver the scheme across the district authorities. The amount allocated to Carlisle for administration will reflect the additional responsibilities as lead authority such as reporting to BEIS and procurement.
- 2.2** A further Report will come to the Executive in the autumn to accept any award from Department for Business Energy and Industrials Strategy (BEIS) for the Sustainable Warmth competition.

3. RISKS

- 3.1** There are no penalties associated with an underspend and should the Department for Business Energy and Industrial Strategy (BEIS) and the City Council be unable to agree how any unspent grant funding will be used, in line with the expected outcomes of the Sustainable warmth competition, the City Council would repay the unspent grant, which will be reflected in the Memorandum of Understanding that is required for the acceptance of the Grant. BEIS have published the draft MOU.
- 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. It is a condition of the grant that all measures must be compliant with the most up to date “PAS 2035 Retrofitting dwellings for improved energy efficiency. Specification and guidance” (PAS 2035). Installers are required to have the appropriate certifications for the eligible measures that they are installing and be Trustmark registered.
 - 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 as is usual process through grants delivered through the HIA.

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. Access to 'Pathways' software that enables local authorities to identify and target potential eligible homes.

f. Insufficient capacity to match demand – prior approval required before works commence so budget management will cover approved works.

g. Supply problems – the retrofit assessment identifies a medium-term plan so sets out a suite of potential measures that can be used for future. Multiple delivery partners preferred.

h. 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 is required to be made to BEIS.

i. Inappropriate measures installed – it is a requirement of the grant that all retrofitted measures must comply with the new PAS 2035 guidance and an independent retrofit assessment preferred. A risk assessment taking into account the particular issues of both the household and property, including potential conservation issues, must be made as part of the process. The HIA is already carrying these assessments out on all new energy efficiency grant applications.

4. CONSULTATION

4.1 The City Council has consulted with the North West Local Energy Hub, who advised that consortium applications involving multiple local authorities are preferred by BEIS and applications made by local authorities who have not previously been allocated funding. The Local Energy North West Hub is overseen by the five local enterprise partnerships in the North West.

4.2 Lead housing officers from each of the District Councils meet weekly to discuss Sustainable Warmth project. Each of the Cumbrian District Local authorities support the Cumbrian consortium bid. The other Cumbrian authorities, except Eden, do not have a Home Improvement Agency experienced in delivering grant funded energy efficiency projects. Eden is the only Cumbrian authority to have received funding in

the 3 previous rounds and so would unlikely be awarded funding for a fourth time if they were lead authority.

- 4.3** The City Council's Grants and External Funding Procedure provided the structure for the consultation process with the: 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 have been consulted on the proposed application.

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 can achieve a minimum C Rating. This is not including the homes who do not have current EPCs but are still eligible for grant funding. The purpose of the Sustainable Warmth competition is to reduce carbon and make homes more energy efficient which will support the Council's credentials as climate change champions and add to the fuel poverty schemes already on offer. The scheme will also help boost the local economy.

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.
- 6.3** Support Carlisle City Council's Climate change strategy.

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Appendices attached to report: (DRAFT) MEMORANDUM OF UNDERSTANDING FOR SUSTAINABLE WARMTH COMPETITION found at: <https://www.gov.uk/government/publications/apply-for-the-sustainable-warmth-competition>

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

- None

CORPORATE IMPLICATIONS:

LEGAL – It is appropriate to request Executive approval for this application for funding as if successful, the Council will be required to deliver the purpose of the Grant and also act as Accountable Body for the other Cumbrian Authorities. A further Report will be brought to the Executive should the bid be successful. Appropriate funding agreements must be in place with the other Councils.

PROPERTY SERVICES – No property implications with this report.

FINANCE – This report seeks Executive approval for an application for around £25 million of funding on behalf of a Cumbrian consortium of district Council's to address fuel poverty and improve energy efficiency and carbon savings in at least 1,000 mainly private sector properties. If successful, the Council would act as accountable body for the scheme and allocate the funding to the other partners. If the application is successful a further report will also be presented to the Executive detailing the next steps and to formally accept the funding.

The application allows for 15% of the funding for administration costs in delivering the scheme and this will be shared between the Consortium's partners.

If the application is successful, there would need to be a procurement process to appoint appropriate contractors to deliver the works outlined in the scheme. Due to the value of the funding, any procurement would be over EU thresholds for works contracts.

EQUALITY – None

INFORMATION GOVERNANCE –. There are no information governance implications with this report.