

## CABINET

15 February 2022

### SUSTAINABLE WARMTH FUNDING ALLOCATION AND AWARD

#### Report of the Portfolio Holder for Communities, Environment and Climate Change

|                                |   |  |
|--------------------------------|---|--|
| Strategic Aim:                 | Delivering sustainable development & Protecting the vulnerable  |  |
| Key Decision: Yes              | Forward Plan Reference: FP/140122   |  |
| Exempt Information             | No  |  |
| Cabinet Member(s) Responsible: | Cllr L Stephenson, Deputy Leader and Portfolio Holder for Communities, Environment and Climate Change |  |
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| Ward Councillors               | All   |  |

#### DECISION RECOMMENDATIONS

That Cabinet:

1. Notes the resources available from the existing partnership with Peterborough City Council for housing retrofit.
2. Declines the conditions of grant for the Sustainable Warmth Funding Allocation from the Midlands Energy Hub, for Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1.

## 1 PURPOSE OF THE REPORT

- 1.1 To note the resources available from the existing partnership with Peterborough City Council (PCC) for housing retrofit.
- 1.2 To decline the conditions of grant for the Sustainable Warmth Funding Allocation from the Midlands Energy Hub (MEH), for Local Authority Delivery phase 3 (LAD3) and Home Upgrade Grant phase 1 (HUG1).

## 2 BACKGROUND AND MAIN CONSIDERATIONS

### Corporate Plan

- 2.1 Housing retrofit would help to meet the Corporate Plan 2019-24's Priority Theme of 'Delivering sustainable development', through the Strategic Aims of providing improved homes that young families can afford and developing an Environmental Policy to meet Rutland's needs and the challenge of climate change.

### **Government policy of 'fabric first' with 'no regrets'**

- 2.2 The reasoning behind the Government's approach is to have an eventual aim of a highly insulated property ('fabric first') with highly efficient decarbonised heating. The latter is generally through the use of an electric heat pump powered through the increasingly decarbonised National Grid, the running cost of which would be likely to be more than its previous heating system unless the property were highly insulated. This is likely to be through external or internal wall insulation with associated ventilation.
- 2.3 'No regrets' means that if work has to be carried out in stages due to funding restrictions, nothing that was added has to be taken out before further improvements can be made. For instance, a gas boiler would not be installed through the funding – even if it were highly efficient – as it would have to be taken out before a heat pump could be installed. 'No regrets' also means that the resident is satisfied, without problems such as increased fuel bills or damp through poorly envisaged insulation.
- 2.4 The funding does not see a major role for solar panels. Social housing has only a marginal role in these funding streams, as it is being addressed through the separate Social Housing Decarbonisation Fund.

### **LAD3 and HUG1 criteria**

- 2.5 Under the criteria, local authorities can apply for funding to help them install energy saving upgrades and low carbon heating in low income households (normally less than £30,000 gross income). New build or self-built homes which have not been previously occupied are not eligible for funding. The funding streams are:
- Local Authority Delivery (LAD) Phase 3, for works supporting low-income households heated by mains gas (limited to a maximum average subsidy of £10,000 per home).
  - Home Upgrade Grant (HUG) Phase 1: for low-income households without gas heating connections, of which there are many in Rutland. Average cost expectations will range from £10,000 to £25,000 per home depending upon the starting Energy Performance Certificate (EPC) rating of the property and fuel type. This higher grant for costs of upgrades should allow for low carbon heating to be installed in the majority of homes.
- 2.6 Landlords who have eligible low-income tenants can access grant funding, but landlords are required to make a minimum contribution of one-third of the total cost of works. Funding should not be used to help landlords meet the existing minimum energy efficiency standards under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, which landlords are expected to comply with.

### **RCC's existing partnership with PCC**

- 2.7 The Council has an established shared service arrangement with PCC for public protection services, including private sector housing and energy. PCC have secured LAD3 funding covering Rutland as part of a wider consortium. RCC have worked with PCC successfully over many years to promote a wide range of sustainable warmth measures. This includes the LEAP energy advice service, which would be a major source of referrals for the funding available through PCC.
- 2.8 The PCC consortium's bid for HUG1 funding was unsuccessful, but they are optimistic that a bid for a slightly later HUG phase will be successful. The funding secured through PCC requires little more than routine liaison from the Council and is additional to that which would have been obtained through the MEH bid.
- 2.9 The consortium working with PCC are also looking into a recently announced Warm Homes Fund bid available for low carbon heating solutions (primarily air source heat pumps) in both urban and rural households and will register an interest in this also. These two sources of available funding should be able to offer a comprehensive retrofit package to off-gas households in Rutland, subject to the extent of the funding available.

### The MEH bid

- 2.10 MEH (based at Nottingham City Council) have made a regional bid for Local Authority Delivery Phase 3 (LAD3) and the Home Update Grant Phase 1 (HUG1), which includes Rutland. This would be separate from RCC's work with PCC. Following this bid, RCC have been informed of the following allocation, subject to RCC meeting all the funding requirements.

| Local Authority | HUG      |         | LAD      |         | Total    |
|-----------------|----------|---------|----------|---------|----------|
|                 | Capital  | Admin   | Capital  | Admin   |          |
| Rutland         | £190,000 | £19,000 | £140,000 | £14,000 | £363,000 |

### Delivery of the service for the MEH funding

- 2.11 Two key pieces of administrative infrastructure have been put in place by MEH:
- a customer journey contract, which includes a single point of contact for the public
  - a dynamic purchasing system (DPS) to aid the procurement of professional services and installers.
- 2.12 The Council would be left to make arrangements for the selection of applicants and properties (both supported by the Customer Journey Support contractor provided by MEH) and the commissioning of works through the DPS. Alternatively, the Council could select its own delivery partner. The Council does not have the capacity nor the expertise in the relevant teams to do this in-house, as the requirements are highly specialist and technical. This is not part of the shared service arrangement with PCC, nor do PCC have the capacity to offer it as a 'paid for' extra.
- 2.13 RCC have held informal discussions with nearby councils to look at whether joint delivery would be an effective and efficient approach. Whilst there is a desire for

joint working, the consensus is that this could take some time to work up. Therefore, the MEH's LAD3/HUG1 bid would have to launch with the councils generally working separately.

### **Conditions of MEH funding**

- 2.14 MEH bid to the Government Department BEIS on behalf of most of the councils in the Midlands, which was successful. This involves MEH signing a Memorandum of Understanding with BEIS. MEH then use a lengthy grant letter, to be signed by RCC, to help ensure that RCC delivers the project as set out in the Development Plan. This is required to be signed and submitted to MEH by 28 February 2022.
- 2.15 Alongside the grant letter is the Development Plan, which needs to be submitted by 28 February. This sets out details of how the Council proposes to deliver the project, the cost and nature of the proposed works and numbers of properties and the phasing of delivery. There are around 200 pages of associated documentation.

## **3 CONSULTATION**

- 3.1 Informal consultation has taken place with nearby councils about possible consortium arrangements for the MEH bid. The possibility of joint working has been identified and may have economies of scale, but may take some time to put in place. Discussions have also taken place with PCC regarding their existing partnership arrangements.

## **4 ALTERNATIVE OPTIONS**

- 4.1 The Council could decide to accept the funding from MEH, but this would not have economies of scale for a small authority such as Rutland and it is estimated that there would be a shortfall of approximately £25,000 per year of administrative costs not covered by the grant.
- 4.2 The Council could accept the funding from MEH in part, but this would still incur additional administrative costs and impact on Officer time that could have been used for other priorities.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 Funding available through the Sustainable Warmth competition is capital funding distributed by section 31 of the Local Government Act 2003. The funding must therefore be used in line with section 11 of the Local Government Act 2003, for example for the creation of an asset or the modification or improvement of an existing asset.
- 5.2 Up to 10% of the funding (on top of the subsidy caps) may be used to fund administrative, delivery and ancillary costs to support delivery. Retrofit Co-ordinator or Assessor costs can, according to BEIS guidance, be either an administrative or a capital cost.
- 5.3 Additional staffing resources are likely to be needed to run the MEH programme from a client perspective, unless perhaps the Council is part of a consortium which would involve its own costs. The consortium approach would still require a significant staff commitment. Some separate technical roles needed could be provided by the contractor. It is estimated that a shortfall of approximately £25,000

would have to be funded by the Council, but this cannot be calculated with any certainty and is not budgeted for. There would also be a significant impact on existing roles, which would have less time to spend on delivering affordable housing or delivering environmental services.

- 5.4 MEH will have a Memorandum of Understanding with the Government and the Council would have an agreement with Nottingham City Council effectively binding us to the terms of the MoU. There are approximately 200 pages of associated documentation.

## **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 6.1 There are many grant conditions for the MEH bid, but in summary the Council would have to:

- submit an accurate and highly detailed delivery plan in a technical field in which it is not experienced
- certify that the plan is deliverable
- undertake that RCC and its contractors, etc. would do nothing to put MEH in breach of its Memorandum of Understanding and that the MoU takes precedence if there is any conflict with the 19 page grant letter
- require compliance with the highly complex PAS 2030 installation standard and PAS 2035 quality standards and use only Trustmark accredited installers, placing pressure on cost and supplier availability in a rural area
- obtain and share legal advice on how the scheme would not constitute an illegal state subsidy and take responsibility for this advice
- take a 'worst-first' approach when considering which homes are identified for upgrade. This means treating homes with the lowest EPC ratings as a priority (Energy Performance Certificate Bands E,F,G rather than Band D homes)
- be responsible for carrying out or arranging for the reasonable ongoing due diligence, controlling, monitoring, reporting, as well as managing any specific cases of suspected or identified fraud
- allows funding to be withdrawn from the Council if funding withdrawn from MEH by the Government.

Many of the clauses are reasonable in themselves, whereas others would place the Council at risk of default. This is partly because the delivery process is disproportionate for an authority the size of Rutland and the agreement generally aims to minimise risk to MEH.

- 6.2 The conditions emphasise the need for projects funded by MEH to be delivered carefully and quickly, whilst not cutting corners on either the works or their administration. The very prescriptive rules from MEH and other bodies would mean that the Council's administrative costs would be disproportionately high and staff diverted from other priorities, such as strategic housing.
- 6.3 The other delivery route, through PCC, does not generally have these difficulties.

## **7 DATA PROTECTION IMPLICATIONS**

- 7.1 A Data Protection Impact Assessment (DPIA) has not yet been completed because the recommendations do not require changes to RCC's processes.

## **8 EQUALITY IMPACT ASSESSMENT**

An equality impact screening has been carried out. This shows possible differential treatment but not discrimination. The LEAP energy advice service, which brings in many of the potential customers, is targeted at a wide range of people. There will also be broader sources of referral. The Council has decided only to accept LAD and HUG funding from one source to avoid excessive administrative costs and to free up Officer time to help people with other initiatives, such as the provision of more affordable housing. This is proportionate and justified.

## **9 COMMUNITY SAFETY IMPLICATIONS**

- 9.1 There are no community safety issues arising from this report.

## **10 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 Housing is one of the wider determinants of health. Cold and damp housing can have a wide range of adverse effects on physical and mental health and wellbeing.

## **11 ORGANISATIONAL IMPLICATIONS**

- 11.1 Environmental implications

- 11.2 The works will reduce carbon emissions. Some works may be subject to planning consent.

- 11.3 Human Resource implications

- 11.4 There are a number of different delivery models that may be used. Extra support will be needed to ensure the works are delivered and the grant conditions complied with, including retrofit assessors, retrofit co-ordinators and client support for Rutland County Council. These could be directly provided by the Council, brought in as consultants or included in works contracts.

- 11.5 Procurement Implications

- 11.6 If the MEH funding were to be pursued, RCC would need to consider how it would procure relevant suppliers to deliver the technical services and installation works required. The procurement route that will support these "works" must be compliant with RCC's Contract Procedure Rules. This could be through the use of a Framework or DPS. Relevant due diligence would be required to ensure that this DPS provided by MEH is a viable solution, including how the DPS is Lotted (i.e. whether it allows for one supplier to pick up the full scope of works; or whether several suppliers need to be appointed).

## **12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 12.1 Funding for residential decarbonisation through the sustainable warmth competition is being offered to the Council from two sources, via the existing partnership with

PCC and via the MEH partnership. The former source is very low risk from RCC's point of view and does not involve additional costs to put in place. The use of RCC Officer time and impact on other projects, including affordable housing delivery, is low.

- 12.2 The MEH programme would enable more properties to be reached, but there is no guarantee that the extra properties would be found and delivered on time, due to a range of factors such as the shortage of skilled personnel in a rural area and being able to deliver within available funding. Whilst a significant amount of money could be brought in for an investment of £25,000 which could cover staffing and ancillary costs, there are significant risks regarding the delivery of the project which could lead to further costs and Officer time being diverted from other priorities such as affordable housing. On this occasion, the financial risk which would occur from accepting the terms proposed is regarded as too great.
- 12.3 The recommendations promote the delivery of sustainable warmth including decarbonisation, without requiring additional expenditure or staffing resource.

### **13 BACKGROUND PAPERS**

- 13.1 Grant award letter and appendices from MEH.
- 13.2 Midlands Energy Hub: Local Authority Delivery (LAD) Phase 3 & Home Upgrade Grant (HUG) Phase 1 Development Plan (blank proforma).

### **14 APPENDICES**

- 14.1 There are no appendices to this report.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.