

SUBJECT: GREEN HOMES GRANT LOCAL AUTHORITY DELIVERY SCHEME (LAD)

DIRECTORATE: MAJOR DEVELOPMENTS

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1. Purpose of Report

- 1.1 To update the Executive on the City of Lincoln Council Delivery Profile for the Local Authority Delivery (LAD) element of the Green Homes Grant scheme and to seek approval for inclusion in the General Investment Programme.

2. Background

- 2.1 In October 2020 the Government launched £2 billion of support through the Green Homes Grant (GHG). The scheme consisted of two grant programmes, the GHG Voucher scheme open to all householders to improve the energy efficiency of their homes and the GHG Local Authority Delivery scheme (LAD).
- 2.2 The LAD scheme aims to support low income households living in the least energy efficient homes (those rated Band D, E, F or G.) The LAD Government guidance defines eligible low income household as -
- ‘households receiving measures have a combined household annual income of no more than £30,000 gross, before housing costs and where benefits are counted towards this figure’ Green Homes Grant Local Authority Delivery: Guidance for Local Authorities.
- 2.3 LAD Phase 2 is being administered by the Midlands Energy Hub (MEH) on behalf of the Government Department for Business, Energy and Industrial Strategy (BEIS). In March 2021 MEH issued an award letter to the City of Lincoln Council for £479,600 capital funding. The fund is available to deliver an energy efficiency retrofit scheme for a minimum of 25 private and social households living on low incomes and in fuel poverty. The allocation has been calculated to reflect the number and proportion of EPC Band E, F and G properties within the Lincoln Local Authority area.
- 2.4 The Council's newly adopted Housing Strategy identifies that there are in the region of 5000 households currently deemed to be living in fuel property in Lincoln, in accordance with the Low Income High Cost definition of fuel poverty.
- 2.5 On the 3rd of March 2021 Executive gave approval for the City of Lincoln Council to sign and return the award letter to the Midlands Energy Hub by the 15th of April and submit a delivery profile by the 24th of May 2021.

3. E.ON Energy Solutions Limited Concessions Agreement

- 3.1 Due to a lack of capacity within the Private Sector Housing team to administer the LAD scheme and the very short delivery timeframe for phase 2 we will be appointing E.ON to deliver the scheme on behalf of the council.
- 3.2 Prior to the commencement of the scheme the city council will have a concessions agreement in place with E.ON to deliver the Fund which essentially places the responsibility for delivery of the LAD scheme and the management of risk with E.ON. The City of Lincoln Council will be required to submit a monthly monitoring report and funding claim on behalf of the project and passports the funding to E.ON.

4. City of Lincoln Council Green Homes Grant Local Authority Delivery Profile

- 4.1 A Delivery profile for the city of Lincoln was submitted to the Midlands Energy Hub on the 24th of March and this was approved by the MEH on the 8th June 2021. It is anticipated that the scheme will be ready to launch on or soon after the 1st of July, subject to both parties signing the concessions agreement.
- 4.2 Of the total £479,600 LAD funding allocated to the City of Lincoln, £39,600 will be spent on capitalisation costs (to cover administration, employee, ancillary costs) and £440,000 will be allocated for energy efficiency measures.
- 4.3 Our delivery profile specifies that we will target 46 homes to be upgraded from a D,E,F or G EPC rating to a minimum of a C, with 56 energy efficient/ low carbon measures. The programme will operate in Lincoln between July and December 2021.
- 4.4 The following key points are set out in the City of Lincoln Delivery Profile:-
- 4.4.1 **How will we target Eligible Households?**
- We will adopt an area based approach in 10 LSOAs that have been defined as the 10% most deprived in the UK and make up 16 014 households in Lincoln.
 - For the remaining LSOAs our delivery partner will undertake eligibility checks to ensure their household income is below £30k pa.
- 4.4.2 **How will households be identified?**
- E.ON have access to a satellite data analytics tool ThermCERT which combines multiple datasets of vulnerability.
 - EPC Register Data to identify D,E,F,G SAP rated properties.
 - Council Tax data
 - Social Housing Asset Management Data
 - Experian Mosaic Data providing household profiling.
- 4.4.3 **Customer Journey Support**
- E.ON will be dealing with customers through their customer call centre and providing ongoing customer journey support from the initial enquiry through to installation of energy efficiency measures.
 - YES Energy Solutions have been appointed by the MEH to assist with scheme promotion and they will be working closely with E.ON, CoLC, NKDC and WLDC to ensure clear and consistent messages in Central Lincolnshire.
- 4.4.4 **What upgrades will be installed**
- 6 External Wall Insulation

- 2 Loft Insulation
- 10 Air Source Heat Pumps
- 10 Smart Heating Controls
- 28 Solar PV

To maximise cost and carbon savings E.ON will also provide added value by funding separate measures, where eligible, utilising ECO funding (not blended with LAD funding).

5. Corporate Priorities

5.1 Let's Address the Challenges of Climate Change

The LAD scheme will help towards reducing the green house gas emissions from the domestic sector in Lincoln and contribute towards Lincoln's net zero carbon target by 2030.

5.2 Let's Deliver Quality Housing

The LAD scheme will help to improve the quality of homes and reduce fuel poverty in Lincoln.

6. Organisational Impacts

6.1 Finance

6.1.1 The Terms and Conditions set out in the grant allocation specify that £479,600 will be provided as a capital grant, of which £39,600 can be capitalised to cover administrative and ancillary costs incurred in support of the scheme.

6.1.2 As set out in our Concessions Agreement £39,600 will be paid to E.ON to cover capitalisation costs (admin, employee, ancillary costs) and £440,000 will be allocated for energy efficiency measures.

6.1.3 Payments will be made to E.ON on completion of capital works on a monthly basis and subject to CoLC drawdown of the grant from MEH.

6.1.4 This scheme will therefore be included in the General Investment Programme for 2021/22 at £479,600.

6.2 Risks

6.2.1 There is a minor risk of clawback should the funding not be allocated within the timescale of the grant programme, however this is low due to grant being payable to the % of installations achieved per quarter. Payments to the installer by the council will only be made on completion of works, so there will not be a risk that the council will not recover costs.

6.2.2 There is a more general risk that the Council do not comply with all of the grant conditions and risk that the Midlands Energy Hub will withholding funding or clawback. There is also the risk of overspend on the scheme, which the council would be liable for. To avoid these risks the Council need to ensure the project delivery is reviewed and monitored closely. The Council are required to submit monthly progress report to MEH to avoid risk of over or under spend.

6.3 Legal Implications including Procurement Rules

- 6.3.1 All procurement activity will be undertaken taking account of the Council's Contract Procedure Rules (CPRs) and ultimately Public Contract Regulations 2015 (PCRs), which is embedded into UK Law. All frameworks which the Council are using and may consider using are PCR compliant
- 6.3.2 The requirement to comply with the Public Contracts Regulations 2015 are met due to the total cost of works under the E.ON concessions agreement being below £4.73m in value are below the threshold requirement to carry out an "OJEU" compliant process.
- 6.3.3 The Council will need to ensure that the LAD scheme is compliant with UK subsidy rules and will be required to have arrangements in place with E.ON to ensure that the sums paid with respect to the works / services being undertaken by them will represent market value, and E.ON will not be subject to excessive remuneration which might allow them to be defined as a recipient of unlawful subsidy including commitments to:
- provide a solution which provides value for money at a market rate for the works and services being undertaken;
 - agree a process with the Council, allowing scrutiny of the costs;
 - following scrutiny, should it be required, ensure a claw-back provision is enabled, allowing the Council to recover any resources paid out.
- 6.3.4 The full position with regard to the new subsidy regime is unfortunately unclear as we are awaiting guidance, however it is being reviewed and a verbal update will be provided to Executive Committee on the 24th of June.
- 6.3.5 Other organisations that could be recipients of grant subsidy particularly Landlords and Housing Associations under this scheme will be asked to give appropriate declarations that they fall within a de minimis qualification, ie that the benefit being received from subsidy is less than £350,000 over a rolling 3 year period. In addition to this we are satisfied that any subsidy meets the terms of the principals set out in the UK-EU TCA. If support were to be given to private Landlords the Council would request that they are likewise required to self-declare their "de minimis" exemption.
- 6.3.6 CoLC will keep a record of any subsidy and ensure this is published on the Government's transparency database once this is available.

7. Recommendation

- 7.1 Executive are asked to consider Green Homes Grant Delivery Profile and comment on the proposal for the scheme roll out between July 2021 – December 2021.
- 7.2 Executive are asked to include £479,600 in the General Investment Programme, to be fully funded by external grant.