

<b>SUBJECT:</b>	<b>GREEN HOMES GRANT LOCAL AUTHORITY DELIVERY SCHEME (LAD)</b>
<b>DIRECTORATE:</b>	<b>MAJOR DEVELOPMENTS</b>
<b>REPORT AUTHOR:</b>	<b>KATE BELL, CLIMATE CHANGE MANAGER</b>

## **1. Purpose of Report**

- 1.1 To update Executive and seek comments on the Local Authority Delivery element of the Green Homes Grant scheme phase 1 (LAD 1).
- 1.2 To request approval, subject to a successful application, for delegated authority for the City Solicitor and Chief Finance Officer to accept the offer of funding, sign the Memorandum Understanding, proceed with implementation of the LAD2 scheme and to include the project in the General Investment Programme.

## **2. Background**

- 2.1 On the 26<sup>th</sup> June 2021 Executive gave approval for the City of Lincoln Council to accept £479,600 capital funding to retrofit up to 40 energy inefficient homes in Lincoln where households have been identified to be living in fuel poverty.
- 2.2 Since July 2021 the Council have been working with E.ON to agree a contract to deliver the LAD 2 scheme, due to be completed by March 2022.
- 2.3 YES Energy Solutions (YES) have been appointed by the Midlands Energy Hub to provide customer journey support to households and Local Authorities to deliver the LAD 1 scheme.

## **3. LAD 1 Update on Progress**

- 3.1 As of the 8<sup>th</sup> October 2021 the Council have a contract in place with E.ON to deliver LAD 1 and the scheme is due to be launched during October.
- 3.2 In preparation for the launch of the scheme the Council have been working with E.ON and YES Energy Solutions to identify suitable households. 565 letters have been sent out to home owners and YES have been dealing with customer enquiries on behalf of the Council as well as carry out household qualification checks and arrange for Energy Performance Certificates to be completed when required.
- 3.3 The Council have also informed the Landlords Forum of the forthcoming LAD 1 scheme and have directed landlord enquiries to YES to undertake qualification checks with tenants.

- 3.4 Currently YES are in the process of assessing 9 properties to ensure they meet the qualification criteria and to date have made 4 referrals to E.ON to arrange for property surveys and confirm energy efficiency measures and the cost of works.
- 3.5 Direct marketing to appropriate households is ongoing and the Council and E.ON will continue to identify suitable properties to ensure to the best of our ability that all LAD 1 funding has been allocated by the March 2022 deadline.

#### **4. LAD Phase 2**

- 4.1 In August 2021 the Council were invited by BEIS to submit a funding application for the Sustainable Warmth Fund (LAD 2) for funding to extend the scheme until March 2023. The Council submitting an expression of interest for £2.8 million funding to enable retrofit works to be undertaken on a further 300 homes.
- 4.2 The Council expect to hear if the delivery profile for LAD 2 has been successful by mid October and will be required to sign and return a Memorandum of Understanding within 3 weeks of receipt.
- 4.3 Of the total £3,432,262 LAD funding approved for the City of Lincoln, £514,622 will be spent on capitalisation costs (to cover administration, employee, ancillary costs) and £2,917,640 will be allocated for energy efficiency measures. £60,000 from the capitalisation costs has been allocated to fund one full time equivalent post for 15 months, commencing in January 2022 until March 2023.
- 4.4 The Council's delivery profile specifies that we will target 300 homes to be upgraded from a D,E,F or G SAP rating to a minimum of a C, with an anticipated total of 409 energy efficient/ low carbon measures.
- 4.5 The following key points are set out in the City of Lincoln Delivery Profile:-

##### **4.5.1 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.

##### **4.5.2 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.

### 4.5.3 Customer Journey Support

- Our appointed delivery partner will deal with customers through their call centre and provide ongoing customer journey support from the initial enquiry through to installation of energy efficiency measures.

### 4.5.4 What Upgrades will be Installed

- 60 External Wall Insulation
- 15 Air Source Heat Pumps
- 70 Underfloor Insulation
- 134 Loft Insulation
- 130 Solar PV

4.5.5 To maximise cost and carbon savings we will expect our delivery partner to also provide added value by funding separate measures, where eligible, utilising ECO funding (not blended with LAD funding).

## 5. Social Housing Decarbonisation Fund

5.1 In September 2021 BEIS launched the Social Housing Decarbonisation Fund round 1 to support social housing providers to retrofit homes and raise the energy efficiency standard of their housing stock.

5.2 Funding is available to retrofit homes that are rated EPC C or below and will cover 2/3 of the cost of works and associated ancillary costs. The Council will be required to fund the remaining 1/3 contribution towards costs for energy efficiency measures.

5.3 Eligible energy efficiency measures include, but is not limited to, energy efficiency measures (such as wall, loft, and underfloor insulation) and low carbon heating technologies – but excluding heating systems which are solely fuelled by fossil fuels.

5.4 Funding is available to upgrade properties with an existing SAP rating of D,E,F or G to a minimum of a B rating. BEIS will be prioritising funding in this first round to social landlords with a high proportion of energy inefficient homes.

5.5 The City of Lincoln Council Housing Stock consists of the following SAP rated homes:-

SAP	No of properties	% stock
A	0	0%
B	31	<1%
<b>C</b>	<b>5591</b>	<b>72%</b>
<b>D</b>	<b>2142</b>	<b>27%</b>
E	9	<1%
F	2	<1%

5.6 Due to the limited time available to submit a funding bid the Council have decided not to apply to this fund in 2021. However BEIS have advised that this fund will be

open for applications on an annual basis. To ensure that the Council are ready for future funding rounds it is proposed that officers identify a delivery partner to assist with preparing a funding application to deliver a retrofit scheme for council housing stock in 2023/24.

## **6. Corporate Priorities**

### **6.1 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.

### **6.2 Let's Deliver Quality Housing**

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

## **7 Organisational Impacts**

### **7.1 Finance**

7.1.1 The Terms and Conditions set out in the grant allocation specify that £3,432,262 will be provided as a capital grant, of which £414,622 can be capitalised to cover administrative and ancillary costs incurred in support of the scheme.

7.1.2 A contract with our delivery partner will clearly set out payment to cover capitalisation costs (admin, employee, ancillary costs) and £2,917,640 will be allocated for energy efficiency measures.

7.1.3 Payments will be made to the appointed delivery partner on completion of capital works and subject to CoLC drawdown of the grant from BEIS.

7.1.4 Of the £414,622 administration and ancillary costs, £60,000 will be retained by the Council to recruit to a 15mth fixed term contract posts. The specific grade/costs for which have not yet been established. Dependent on the postholder there may be redundancy costs to be resourced, subject to the final grant conditions these may be payable from the administration and ancillary costs, otherwise alternative cash limited budgets will need to be identified should the situation occur.

7.1.5 Subject to confirmation of the final grant award, and profile of rollout, the scheme will be included in the General Investment Programme for 2021/22 and 2022/23

### **7.2 Risks**

7.2.1 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.

7.2.2 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.

### **7.3 Legal Implications including Procurement Rules**

- 7.3.1 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
- 7.3.2 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 our delivery partner to ensure that the sums paid with respect to the works / services being undertaken by them will represent market value, and our delivery partner 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.
- 7.3.3 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, i.e. 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.
- 7.3.4 CoLC will keep a record of any subsidy and ensure this is published on the Government's transparency database once this is available.

### **7.4 Human Resources**

- 7.4.1 There would be an implication on Human Resources due to the creation of a new post to deliver this scheme.

## **8. Recommendation**

Executive are asked to consider and comment on the LAD 2 proposed delivery profile and subject to funding approval, give delegated authority for the City Solicitor and Chief Finance Officer to accept the offer of funding, sign the Memorandum Understanding and proceed with implementation of the LAD2 scheme.

Executive are asked, subject to the above, to give delegated authority to the Chief Finance Officer to include the final scheme cost in the General Investment Programme, to be fully funded by external grant.

