

Report to the Council Leader

Subject: Gedling Green Homes Retrofit scheme, Sustainable Warmth funding

Date: 15th March 2022

Author: Food, Health and Housing Manager

Wards Affected

Primarily Netherfield and Newstead Abbey ward in Newstead village, with potential for the scheme to move to Killisick or Colwick if there is insufficient take up in the two priority areas.

Purpose

- 1) To seek approval in accordance with the Councils Financial Regulations for an addition to the capital budget for the Green Homes Retrofit project of £891,000, which is fully grant funded from Government.
- 2) To approve the Council's intended approach to delivering the grant, 'the Gedling Green Homes Retrofit Scheme', as detailed at Appendix A.
- 3) To delegate authority to the Head of Environment to submit a scheme development plan to the Midlands Energy Hub (MEH) setting out how the Council will deliver the grant as set out in this report.
- 4) To delegate authority to the Head of Environment, in consultation with the Portfolio Holder for Public Protection, to make changes to the scheme development plan and 'the Gedling Green Homes Retrofit Scheme' based on MEH feedback.

Key Decision

This is a key decision because it is possible it will result in the Council incurring expenditure in excess of £500,000.

Recommendation(s)

THAT the Leader of the Council:

- 1) Notes the Chief Executive will sign and return to MEH the funding

invitation letter

- 2) Approves the establishment of an addition to the capital programme budget of £891,000, which is fully grant funded from the Midlands Energy Hub.
- 3) Approves the 'Approach to delivering the Gedling Green Homes Retrofit Scheme' detailed at Appendix A to this report which sets out how the Council will administrate the Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1.
- 4) Delegates authority to the Head of Environment to submit a full development plan to MEH for approval detailing how the Council will administer the grant funding as set out in this report.
- 5) Delegates authority to the Head of Environment, in consultation with the Portfolio Holder for Public Protection, to make changes to the proposed scheme and 'Approach to delivering the Gedling Green Homes Scheme' if required following MEH feedback.

1 Background

- 1.1 In March 2021 Gedling Borough Council were invited by MEH to accept a Local Authority Delivery (LAD) phase 2 allocation of £784,800. A condition of the funding required the council to submit a proposal to MEH for approval and for funding to be utilised in accordance with the approved proposal and funding guidance and criteria.
- 1.2 On 28th April 2021 the Leader of the Council authorised the council to submit the proposal to deliver a targeted Green Homes Scheme in the Netherfield ward (see background paper). The proposal was approved by MEH and set out an ambition to install external wall insulation to 34 homes and solar photo voltaic installations to 55 homes. Delivery is ongoing. The Government have extended the delivery deadlines for this scheme to ensure measures are installed by 30th June 2022.
- 1.3 On 9th February 2022 MEH invited the Council to accept a Sustainable Warmth funding allocation of £891,000. The allocation is made up of two Government funds:

- 1) Home Upgrade Grant (HUG) Phase 1, £120,000 capital and

£12,000 admin & ancillary

- 2) Local Authority Delivery (LAD) Phase 3, £690,000 capital and £69,000 admin & ancillary.

To access the funding the council must return a signed copy of the letter of invitation and submit for approval by MEH a development plan.

The scheme criteria advises when submitting their development plans the council must consider the following:

a. 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 (EPC Bands E,F,G rather than Band D homes).

b. That the Local Authority follows a fabric-first approach when considering installation of measures, and any installations proposed should follow the recommendations of the Retrofit Co-ordinator. This means maximising the performance of the components and materials that make up the building fabric itself, before considering the use of mechanical or electrical building services.

1.4 The Sustainable Warmth Competition will support energy efficiency measures and low carbon heating for off gas grid homes under HUG 1 and on gas grid homes through LAD 3, with an aim of upgrading homes to a target energy efficiency rating of EPC C, or EPC D where this is not possible.

1.5 The schemes is available cross tenure but social housing is capped at 10% of total number for HUG 1 homes and 10% of the total number of homes for LAD 3.

Park homes are capped at 10% for HUG 1 of total number of homes and 10% of the total number of homes for LAD 3.

The proportion of D rated properties will be kept to 30% for HUG 1 total number of homes and 30% of the total number of homes for LAD 3.

1.6 It is a condition of the funding that the Council submits a written scheme development plan to MEH for approval no later than 21st March 2022. The development plan essentially sets out the Council's scheme and must be approved by MEH before the delivery can commence.

1.7 The cost of upgrades under LAD Phase 3 will be limited to a maximum average subsidy of £10,000 per home. The cost

expectations under HUG 1 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, see table below:

	F&G	E	D
Electric	£20,000	£15,000	£10,000
	F&G	E	D
Off-Gas Grid Fossil Fuel (oil, LPG, coal)	£25,000	£20,000	£15,000
Park Homes (off the mains gas grid)		£15,000	

- 1.8 Installation of energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) including wall, loft and underfloor installation and low carbon heating technologies. Fossil fuel heating systems are excluded from this scheme. Contactors must be TrustMark registered and where applicable MCS certified (or accredited to a scheme that BEIS is satisfied is equivalent).

1.9 Private rented properties

Where a property is rented to a tenant by a private landlord, the landlord will be required to fund one third of the cost of upgrades. For clarity, a table has been provided below outlining the contribution for LAD 3 funded homes:

LAD Phase 3 Funding	Minimum Landlord Contribution	Total Cost
£1,000	£500	£1,500
£2,000	£1,000	£3,000
£3,000	£1,500	£4,500
£4,000	£2,000	£6,000
£5,000	£2,500	£7,500

- 1.10 The landlord contributions for HUG 1 funded properties are set out in the table below:

	F&G		E		D	
	Landlord	HUG	Landlord	HUG	Landlord	HUG
Electric	£6,667	£13,333	£5,000	£10,000	£3,333	£6,666
Off-gas grid fossil fuel (oil, LPG, coal)	£8,333	£16,666	£6,667	£13,333	£5,000	£10,000

- 1.11 Local Authorities should seek to ensure that landlords are letting out EPC rated F or G properties that are compliant with the existing minimum energy efficiency standards under the Energy Efficiency

(Private Rented Property) (England and Wales) Regulations 2015. Government funding should not be used to make these properties compliant with existing regulations, but funding may be used in addition to landlord investment to improve the property beyond the minimum legal requirement. Complementing the target areas with the selective licensing scheme enables the council to ensure this funding condition is achieved.

- 1.12 Appendix A outlines the approach the Council intends to take to deliver the scheme, including the aims and objectives and the scheme eligibility criteria. It is proposed that the funding is targeted towards the installation of 22 external wall insulation, 17 loft insulation, 24 solar PV and 6 air source heat pumps. This measure mix seeks to maximise the use of the funding available and deliver a scheme within the average grant limits. This measure mix may be subject to change once homes are surveyed and eligible residents and households identified. The 6 air source heat pump installations will only be installed in off gas properties which have undergone a fabric first insulation process which may need to be funded separately via the Energy Company Obligation (ECO). ECO is a separate funding obligation the Government places on the biggest energy suppliers to install energy saving measures in people's homes.
- 1.13 Subject to approval by MEH, the Council intends to appoint EON as the main contractor to install the energy efficiency measures funded by this grant. The Netherfield ward has been selected to target the scheme as there are over 1,000 solid wall properties in the ward, and over 40 solid wall properties in Newstead village. There is likely to be high proportion of low income households and low EPC properties and both areas and a higher likelihood of 'off gas' properties in Newstead Village due to its rural location and close links to the former Annesley Colliery. The combination of eligible homes and residents provide a greater likelihood of successful delivery of the project within the project timescales.
- 1.14 The Council does not have in-house resource to project manage the scheme. EON are able to deliver a fully managed service that will be funded by the Government grant distributed via MEH. EON have the relevant experience and supply chain to deliver the project of this scale and can bring in additional benefits such a ECO funding and first time gas central heating where applicable. EON will ensure the necessary performance data is collated for return to MEH to meet conditions of the funding.
- 1.15 MEH have procured customer journey support services from Nottinghamshire Energy Partnership (NEP) to support Local Authorities on the Nottinghamshire region. NEP will market the

scheme to generate leads, receive householder enquiries and assess the eligibility of applicants. NEP will also ensure pre-installation EPC assessments are completed (as required by conditions of the grant funding) and refer eligible applicants to EON to carry out technical surveys and installations as appropriate. NEP will continue to liaise with customer during their journey with the project and flag up any issues with EON or the Council. EON and NEP currently work together in Nottinghamshire in a similar partnership arrangement with Local Authorities via the Nottinghamshire Warm Homes hub to deliver first time gas central heating.

2 Proposal, that the Leader of the Council:

- 2.1 Notes the Chief Executive will sign and return to MEH the funding invitation letter
- 2.2 Approves the establishment of an addition to the capital programme budget of £891,000, which is fully grant funded from the Midlands Energy Hub.
- 2.3 The Council must, as part of conditions of the funding, submit a full scheme delivery to MEH for their approval. The written plan must set out how the Council's scheme fits with the aims of the funding, provide delivery assurances and demonstrate value for money in terms of impact and proposed benefits to housing stock. It is proposed that the Leader of the Council approves the 'Approach to delivering the Gedling Green Homes Retrofit Scheme' detailed at Appendix A to this report which sets out how the Council will administrate the Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1.
- 2.4 It is proposed that authority is delegated to the Head of Environment to submit a full development plan to MEH for approval detailing how the Council will administer the grant funding as set out in this report.
- 2.5 Changes may need to be made to the Council's written development plan to MEH and the 'Approach to delivering the Gedling Green Homes Scheme' following feedback on the Council's scheme from MEH. It is therefore proposed that the Head of Environment, in consultation with the Portfolio Holder for Public Protection, be authorised to make such changes to the development plan and / or 'Approach to delivering the Gedling Green Homes Scheme' as necessary to obtain approval from MEH.

3 Alternative Options

- 3.1 To not adopt a scheme for delivery. This has been disregarded as it would be a missed opportunity to contribute to number of corporate priorities which deliver benefits to the community. The scheme aims

to support households in fuel poverty, contribute to reducing carbon emissions and create green jobs.

3.2 To target the scheme to alternative areas of the borough. The Netherfield ward and Newstead Village are locations where there are a high proportion of eligible households and eligible properties. The existing selective licensing scheme and dedicated localities co-ordinator and community steering groups can increase resident and landlord engagement. Other areas were considered to have a less of a chance of successful delivery in the project timescales set by the funders.

3.3 To introduce a borough wide scheme. The option was discounted because there is insufficient funding to deliver a scheme in this way and would reduce the chance of successful delivery. The Local Authority guidance on this phase of the funding encourages a targeted approach as opposed to the voucher scheme that was available to all up until the scheme closed. Residents in other wards within the borough can access alternative funding such as ECO funding, for energy efficiency measures such as loft and cavity wall insulation and replacement defective heating.

4 Financial Implications

4.1 This report seeks approval to establish a £891,000 capital budget to be funded by Government grant via the MEH.

10% of the total grant allocation will be paid to the council within 30 days following the receipt by MEH of a signed copy of the grant letter.

With a further 10% following approval of the development plan.

Further 20% quarterly payments will be released within 30 days of 1st April, 1st July, 1st October and 1st January following receipt by MEH of ongoing timeline monthly reporting and maintaining 80% of their delivery profile provided in the development plan.

4.2 The proposed scheme will be fully funded by Government grant, distributed by the MEH. Up to £891,000 will be available subject to the funding terms and conditions and delivery outcomes.

4.3 Underperforming delivery plans may be subject to grant reductions and funds re-directed to those who are delivering successfully. However, currently it is anticipated that there are sufficient properties to enable delivery against the proposed plan.

4.4 The Council will contract directly with EON to deliver installations to eligible households, payment will be made to EON in arrears upon

receipt of a valid invoice.

- 4.5 A small proportion of the capitalisation element of the grant funding will cover the internal costs incurred by the Council to deliver the scheme.

Some ongoing project support will be provided by the Food, Health and Housing Team using existing resources.

5 Legal Implications

- 5.1 The Sustainable Warmth Competition is part of a Government capital funding scheme distribution by way of Section 31 of the Local Government Act 2003. The grant must therefore be used in line with Section 11 of the Local Government Act 2003, and any regulations or subsidiary legislation, and in accordance with the conditions of the grant. This includes a requirement for the funds to be expended by 31st March 2023.

- 5.2 In administering the grant, the Council must ensure that all subsidy (formerly state aid) requirements are complied with, including obligations set out in the UK-EU Trade and Cooperation Agreement (TCA). Whilst a grant to a private or social landlord could potentially be a subsidy for these purposes, individual grants are limited on average to £5,000, per property. The grant is also available to all private landlords with properties in the Netherfield ward and Newstead Village where their tenant meets the eligibility income criteria. Only 10% of the funding can be used on social housing properties. It is therefore not considered that the grant would have an effect on trade or investment between the UK and the EU. On this basis potential grants to private or social landlords (economic operators) under this scheme would not be prohibited under the subsidy control rules.

- 5.3 Subject to MEH approval, the Council intends to enter into a contract with EON as the main contractor to install the energy efficiency measures funded by this grant. The Council must ensure that the services of EON are procured in accordance with the Public Contracts Regulations 2015 and the Council's Contracts and Procurement Rules. The contract with EON will be on market terms.

6 Equalities Implications

- 6.1 It is not anticipated the scheme will have any negative equalities impacts. Implementation of the scheme may have positive equalities implications as persons with protective characteristics may be on low incomes and live in low EPC rated homes (D to G) and therefore can benefit from the funding. The attached equalities impact assessment

in Appendix B, provides more detailed information of the assessment and impacts.

7 Carbon Reduction/Environmental Sustainability Implications

7.1 The scheme proposal seeks to prioritise external wall insulation for solid wall homes and loft insulation and solar PV renewable electricity generating roof panels for eligible homes. The scheme will aim to improve up to 69 homes subject to the scheme criteria and deadlines. As a result of these installations it is anticipated to improve home insulation and thereby reduce heat loss and associated carbon emissions from heating homes. Additionally the installation of renewable electricity generation will reduce carbon emissions associated with electricity from the national grid.

8 Appendices

8.1 Appendix A – The Council’s approach to the Gedling Green Scheme

8.2 Appendix B – Equalities Impact Assessment

9 Background Papers

9.1 Sustainable Warmth Competition funding guidance

10 Reasons for Recommendations

10.1 The project aims to contribute towards the following outcomes:

- Tackle fuel poverty by reducing energy bills for low-income households by improving the energy efficiency of their home.
 - Corporate priority, *‘promoting strong, resilient communities and reduce hardship and inequality’*.
- Deliver cost effective carbon savings to carbon budgets and progress towards the UK’s target for net zero by 2050.
 - Corporate priority, *‘to promote a sustainable environment.’*
- The phasing out of the installation of high-carbon fossil fuel heating and reducing emissions and improving air quality.
 - Corporate priority, *‘to promote a sustainable environment.’*
- Support economic resilience and a green recovery in response to the economic impacts of Covid-19, creating thousands of jobs nationwide.
 - Corporate priority, *‘to promote and drive sustainable growth across the borough to meet current and future needs’*

- Utilise the role of Local Energy Hubs to build Local Authority capacity and supply chains to deliver energy efficiency at scale.
 - Corporate priority, *to be a high performing, efficient and effective council*

Statutory Officer approval

Approved by:

Date:

On behalf of the Chief Financial Officer

Approved by:

Date:

On behalf of the Monitoring Officer