

HIGH PEAK BOROUGH COUNCIL

The Executive - Individual Executive Decisions

18 May 2021

TITLE:	Green Homes Grant
EXECUTIVE COUNCILLOR:	Councillor Jean Todd - Executive Councillor for Climate Change, Environment and Community Safety
	Councillor Anthony Mckeown – Leader of the Council
CONTACT OFFICER:	Mark Forrester - Head of Democratic & Community Services
WARDS INVOLVED:	Not specific

1. Reason for the Report

- 1.1 Green Homes Grant Local Authority Delivery scheme phase 2 funding has been allocated to High Peak Borough Council. This report outlines the detail of a proposal to be submitted to the Midlands Energy Hub for their approval in order to release that funding.

2. Recommendation

2.1 That the Executive Councillors:

- Approve the submission of a proposal to the Midlands Energy Hub for the Green Homes Grant Local Authority Delivery scheme as outlined in this report (below 7.13)
- Approve entering into the legal agreement for the Council to access the 'Dynamic Purchasing System' managed by Midlands Energy Hub.
- Approve the changes to the Housing Revenue Account (HRA) Capital programme to allow the Council to contribute 33% of the costs of the project as set out in section 6.4.
- Delegate authority to the Executive Director (Place) in consultation with the Leader of the Council to award the works contract(s) to deliver the energy efficiency measures

3. Executive Summary

- 3.1 The Green Homes Grant Local Authority Delivery (GHG LAD) scheme was launched in August 2020. The Government allocated £500 million to the scheme to fund energy efficiency and low carbon heating projects for low income households across England. The aim of the scheme is to reduce fuel poverty in England, support the UK's pathway to net zero by 2050 as well as stimulating the economic recovery following COVID-19, supporting and creating green jobs.
- 3.2 A total of around £9.4m GHG LAD funding has been allocated amongst 15 district councils across Nottinghamshire and Derbyshire. This is made up of £8.7m capital funding to retrofit at least 871 properties, and an additional £0.7m of revenue funding.
- 3.3 High Peak Borough Council have been awarded a Capital Grant amount of £445,000 and a Capitalisation Allocation of £40,050; giving a total grant award of £485,050. The Council was required to confirm its acceptance of the grant by 15th April 2021, which has been done, and to submit a detailed proposal for decision by 24th May 2021.
- 3.4 Council officers have considered the feasibility of the scheme within the delivery deadline of 31st December 2021 and believe that, by focusing on the Council's own housing stock, a successful scheme could be delivered by the deadline.
- 3.5 A capital works project has been scoped by the Assets Service focusing on delivering a mixture of energy efficiency measures to the Council's least energy efficient homes. In total, 110 homes have SAP band ratings of E, F and G which is the main focus of the funding.
- 3.6 The project has also been scoped in terms of what is potentially deliverable within the tight timescales and with a value for money focus delivering fuel efficiencies to some of the poorest homes in the Borough. All 110 EFG rated properties will be surveyed initially to determine the most appropriate measures to install for the maximum positive effect. As tenants' permission and engagement into the project is required, the least disruptive measures will be prioritised such as:
- Loft Insulation
 - New or replacement cavity wall insulation
 - Triple glazing
 - Alternative forms of low carbon heating
- 3.7 Each property will require a bespoke set of measures to ensure the best outcome and improvement in its SAP band rating within the £5,000 funding cap per property. The funding will require the Council to evidence the improvement in the SAP rating following the installation of the measures.
- 3.8 The desktop exercise utilising the asset management information in the

Council's Keystone database suggests that further budget may be available to include a number of D rated properties. A further 10 properties focusing on older general needs flat blocks have therefore been identified for survey initially.

- 3.9 Implementation of the works project is dependent on the cooperation with the tenant. The tenants will have to certify that they have an annual income of less than £30,000 and may have to provide information on their fuel costs. Additionally, tenants can refuse access to the Council, as landlord, to install the measures, which may be the case if the tenant feels the works will be disruptive.
- 3.10 On receipt of the survey information, a programme of detailed works will be specified and a contractor procured to deliver the work by the end of the year. The likely works programme is likely to be in the region of £590,000. To assist Local Authorities with the delivery of the scheme, the Midlands Energy Hub (MEH) has produced a "Dynamic Purchasing System" (DPS) which aims to be a central resource for LAs in the area to procure contractors with the current skills base and accreditations. MEH require the Council to enter into a legal deed to utilise the DPS. It is anticipated that the contractors on the DPS will be in high demand across the East Midlands area, and capacity will be an issue. Therefore, an alternative procurement option would be to utilise a framework, such as ESPO to deliver the project. The project must be delivered by the end of 2021, which is a very challenging timescale. However, there are no financial penalties if the Council is not able to complete the project within the timeframe.
- 3.11 The grant funding allows the Council to focus on its own housing stock, but requires the Council, as landlord, to make a 33% contribution to the capital costs. Assuming the full capital grant is utilised, this would require the Council to contribute £146,850 to the scheme. This is not currently included in the HRA capital programme, so would need to be added to the 2021/22 programme and funded vis HRA reserves.

4. **How this report links to Corporate Priorities**

- 4.1 The proposal supports the delivery of the Corporate Plan Aim 4: Protect and improve the environment including responding to the climate emergency

5. **Alternative Options**

- 5.1 To submit the proposal to the Midlands Energy Hub as outlined in this report **(Recommended)**.
- 5.2 To not submit a proposal for the use of GHG LAD2. **(Not recommended)**
- 5.3 There is no capacity within the deadline for the Council to develop a viable alternative proposal focused on private sector housing.

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

No implications – some measures like replacement windows may improve security at individual properties.

6.2 Workforce

Additional staff will need to be recruited to ensure the delivery and administration of the scheme. At this stage this would be a temporary or “contractor” post funded from the grant. With the potential for further schemes in future, consideration should be given to the need for permanent posts to be created to support delivery of this work.

6.3 Equality and Diversity/Equality Impact Assessment

An equality impact assessment has been undertaken. The scheme targets households with an income below £30,000 per annum. Some households/tenants – for example older vulnerable people – may be reluctant to take part in the scheme and so will not benefit. The quality of the engagement between Council Officers and individual households/tenants will be key to ensuring people with protected characteristics do not miss the opportunity for improvements to the properties they live in.

6.4 Financial Considerations

Approval of the Green Home Grant scheme will require an additional allocation within the Housing Revenue Account (HRA) capital programme. Councils are required to contribute at least 33% to any grant allocated. Assuming the full capital grant of £445,000 is utilised, the Council would be required to contribute approximately £148,850 in 2021/22 from reserves. The resultant revenue consequences would be a loss of investment income from the reserves currently invested. At current interest rates, this would be a relatively immaterial amount of approximately £800 per annum.

Therefore, it is proposed that £148,850 is added to the 2021/22 capital programme and funded via HRA reserves (estimated at £17million at the end of 2020/21).

6.5 Legal

No specific issues other than detailed in the report. Works contracts are likely to be JCT format.

6.6 Climate Change

One of the Government’s aims for the scheme is that it will support

the UK's pathway to net zero by 2050.

6.7 Consultation

The short timescale and nature of the scheme limits the possibility of consultation. Individual households in the target properties will be consulted and can refuse to be part of the scheme.

6.8 Risk Assessment

A number of risks are identified:

Covid-19 may make households reluctant to have work undertaken in their properties. Tenants may find the required works too disruptive and will be able to refuse the Council access as landlord.

Insufficient numbers of suitable qualified contractors to undertake the work due to high demand stimulated by the scheme and contractors cherry-picking the easiest properties to work on (for example contractors will prefer to install the same measure in similar house types in close proximity to each other). Different procurement options are being considered to widen the access to potential range of contractors.

The ability to complete all the targeted work within the tight deadline of December 2021.

The risk of clawback of grant for uncompleted work – there have been verbal assurances that this will not happen and there is a possibility that deadlines will be extended.

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**Web Links and
Background Papers**

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7. Detail

Background – Green Homes Grant – Local Authority Delivery Funding

- 7.1 The Green Homes Grant Local Authority Delivery (GHG LAD) scheme was launched in August 2020. The Government allocated £500 million to the scheme to fund energy efficiency and low carbon heating projects for low income households across England. The aim of the scheme is to reduce fuel poverty in England, support the UK's pathway to net zero by 2050 as well as stimulating the economic recovery following COVID-19, supporting and creating green jobs.
- 7.2 The Local Authority Delivery Scheme is currently being delivered in 3 Phases:
- **Phase 1A:** grants of over £74 million were allocated for 55 projects which will upgrade the energy efficiency of around 10,000 low-income households in over 100 local authorities across all areas in England by June 2021
 - **Phase 1B:** grants of around £126 million of funding have been allocated to 81 local authorities for delivery of energy efficiency projects by September 2021, aiming to upgrade around 15,000 homes.
 - **Phase 2:** funding of £300 million has been allocated to the 5 Local Energy Hubs who will work with their regional local authorities to continue to deliver energy efficiency upgrades to up to 30,000 homes across England to those most in need, until December 2021
- 7.3 The Government has now announced a further £300 million is to be delivered through the Green Homes Grant Local Authority Delivery Scheme and Social Housing Decarbonisation Fund Demonstrator. The funding follows the sudden ending of the Green Homes Grant voucher scheme through which landlords and individual households could apply for vouchers to pay for improvements. This scheme is likely to be launched in Summer 2021 and run through to March 2023.
- 7.4 The GHG LAD Phase 1a was launched in August 2020 with a March 2021 deadline for project completion. In Phase 1b, successful submissions, were awarded grants in February 2021 with a September 2021 completion deadline. Applications for funds under Phase 1a and 1b were made direct to the Department for Business, Energy and Industrial Strategy.

- 7.5 High Peak Borough Council did not submit an application into round 1a or 1b of the scheme, due to a combination of the short timescale and lack of capacity for any of the Derbyshire Council's to act as a lead organisation for any bid.

Both phases 1a and 1b were underbid, and whilst the change to arrangements for phase 2 is welcome, there are still concerns within the LEAP (Local Authority Energy Partnership) around the tight timescales as expanded upon in 7.9

- 7.6 Phase 2 funding (£300 million) has been allocated to the 5 Local Energy Hubs who will work with their local authorities to continue to deliver the scheme. The Midlands Energy Hub (MEH) is the lead Hub for High Peak Borough Council.
- 7.7 Each regional pot will be allocated to local authorities via an approval route, making it easier to access funding than in GHG LAD phases 1a and 1b - which was via competitive bids to BEIS. The Hubs will help local authorities to secure and spend funding by providing centralised procurement support and other assistance.
- 7.8 A total of around £9.4m funding has been allocated amongst 15 district councils across Nottinghamshire and Derbyshire. This is made up of £8.7m capital funding to retrofit at least 871 properties, and an additional £0.7m of revenue funding. The revenue funding is available for each council, equivalent to an additional 9% of the capital funding awarded. This can be used for staff time to engage with the programme, and other costs.
- 7.7 High Peak Borough Council have been awarded a Capital Grant amount of £445,000 and a Capitalisation Allocation of £40,050; giving a total grant award of £485,050. The Council was required to confirm its acceptance of the grant by 15th April 2021, which has been done, and to submit a detailed proposal for decision by 24th May 2021.
- 7.8 The period of this Grant is from the date of allocation until 31st December 2021 where it is expected that 100% of the grant proposal will have been completed (all installations fully satisfied), unless extended by MEH with permission from BEIS and HM Treasury.
- 7.9 The Midlands Energy Hub has developed a good working relationship with the Nottinghamshire and Derbyshire Local Authorities' Energy Partnership (LAEP), of which High Peak Borough Council is a member, and has responded to widespread concerns expressed by Local Authority officers about the challenges of delivering the scheme. These included: the capacity and capability to design and make the proposal within the tight deadline; the difficulty of finding sufficient approved contractors to install energy saving and other measures to the required standard; the impact of Covid-19 on the willingness of households to have work undertaken in their homes; and the impact of such a tight deadline for completion of all the works.
- 7.10 In response, MEH has put in place a framework of approved contractors which

Local Authorities can use, and a contract with Marches Energy Agency to provide end to end customer journey support – that is a comprehensive service to each Council including property identification and eligibility assistance, providing a central point of contact phone line for customers and supporting programme coordination.

- 7.11 In relation to the aims of the scheme itself, within High Peak 10.5% of the population (4,346 residents) are estimated to be living in fuel poverty. The LAD scheme aims to support some of these residents by raising the energy efficiency of low income and low energy performance homes (those with energy performance certificate (EPC) ratings of E, F or G) and including those that are not connected to the mains gas grid.
- 7.12 The scheme has set income eligibility criteria with a requirement that ‘on average’ combined household income is <£30,000. The Council will need to demonstrate how low income households are targeted and measured . This can be via individual verification, or by utilising alternative methodologies to pre-qualify specific areas such as means tested benefits, health based referrals, advanced statistics.

Scheme – outline proposal

- 7.13 Officers of High Peak Borough Council have considered the feasibility of the scheme within the deadline of 31st December 2021 and believe that, by focusing on the Council’s own housing stock, a successful scheme can be delivered on time.
- 7.14 Analysis of the Council owned housing stock indicates that there are approximately 110 properties with EPC ratings (SAP Bandings) of E,F and G. The majority of the stock is rated either C and D (see Table 1 below). Details of the stock are held in the Council’s Housing Asset Management Database, Keystone, which has a module which determines energy assessments from the information stored in the software. The types of key components, such as levels of insulation, type of heating, age of property, will all affect the SAP banding of a property.

Table 1: SAP Bandings of Council Owned Dwellings

SAP Band	No of Dwellings
C	1515
D	1888
E	101
F	7
G	2
No data	376
Total	3889

- 7.15 The information stored within Keystone has been used to develop the potential scope of a project focusing on the properties with the poorest levels of energy efficiency, those rated E, F and G. Unfortunately, there is no standard “retrofit” option that could be applied to all the properties on the list. Different properties

are likely to require a different set of measures to improve their energy efficiency. Therefore each property will be subject to survey in order to inform a bespoke set of measures for that individual property.

- 7.16 The funding is capped at £5,000 per property with a landlord's contribution of an additional 33%, increasing the total budget to £7,500 per property. The funding requirements will allow the Council to "average" the spend in some circumstances. The funding requires a "value for money" assessment whereby the measures selected need to have the best "cost to benefit" ratio. Therefore cheaper measures that have a bigger impact on energy efficiency should be preferred.
- 7.17 The funding is intended to reduce fuel poverty and therefore priority, where possible, will be given to homes where the tenants have low incomes. It is important to note that tenants may refuse access to their home or could be unwilling to participate in the scheme. The Council, as landlord, cannot insist that tenants permit the works to go ahead, although the financial benefits to the tenant as well as the positive impact on the environment will need to be communicated clearly to encourage support.
- 7.18 The focus will be on installation of measures that have the least disruption to tenants and are anticipated to include;
- Installation of loft insulation
 - Installation of new or replacement and upgrade to cavity wall insulation
 - Upgrading to triple glazed windows and doors
 - Installation of low carbon heating (with a focus on homes without modern efficient gas boilers).
- 7.19 Surveys by an accredited PAS2035 consultant will be required for the funding bid and it is anticipated that the improvements to the energy efficiency of the property will need to be evidenced and may include tenants providing details of their fuel costs (this will be made clear in communications with tenants).
- 7.20 Following the surveys, a programme of measures will be developed and a specification for tendering to an accredited contractor(s) will be required.

Procurement and Contract Award

- 7.21 To qualify for the funding, the contractors/installers must be Trustmark and PAS2035 accredited. Unfortunately the Council's current contractors do not carry these accreditations. The Council will have the option of developing a specification and tendering this work through the MEH Dynamic Purchasing System (DPS) set up by Nottingham City Council's Procurement service, where Consultancies and Contractors have already been pre-qualified and appointed as approved providers.

Alternatively, the contract(s) could be procured through other established national frameworks, where providers hold the required accreditations, such as the Eastern Shires Purchasing Organisation (ESPO). The DPS has the benefit that contractors would already be working in the area and would have pre-qualified under the requirements of the grant funding. However it is

anticipated that the tight timescales on funding will mean that demand is high for a limited number of contractors to deliver the project.

The DPS has been procured in full compliance to the requirements as set out in the Public Contract Regulations 2015 (PCRs15) and therefore does not pose any risk to the Council's position in complying with the PCRs15.

Access to use the DPS requires the Council to enter into a legal access agreement with Nottingham City Council who are managing the contracts under the DPS. It is considered to be in the Council's best interests to have this option of access and therefore it is recommended that approval be given to complete the required agreements.

The DPS will work as a mechanism to run further competition or direct awards for the contracts we require as part of our programme. The procedures will be subject to the controls of the DPS as advised by Nottingham City Council.

Under the requirements of the Procedures as set out in the Council's Procurement Procedure Rules for the authorisation of contract awards, it is proposed that delegated authority is granted to the Executive Director (Place) in consultation with the Leader of the Council to authorise contract awards to support this programme, including the initial appointment of consultant for surveys and contractors for the supply and installation programmes identified in this report.

Project Management

- 7.22 Ten percent of the funding can be used for capitalisation costs including survey and project management costs. This project (EFG Project) would either need to be overseen or directly managed by Assets Project Officers in addition to the capital projects already planned for the financial year. A significant number of priority projects are being undertaken by the existing team, therefore capacity to manage an additional large project will need to be considered from the capitalisation budget.
- 7.23 A desktop exercise has been completed at this stage in order to submit the proposal to MEH. The indicative costs suggest that the funding pot should cover the measures set out in 7.18 for the priority EF&G properties and therefore 10 further D rated properties have also been included at this stage in two older general needs blocks.
- 7.24 Tenants on the initial list have been contacted and invited to take part in the project, stressing the benefit of reducing their fuel costs as well as the potential reduction in their carbon footprint. Tenant engagement is a critical part of the delivery of the project and it is anticipated that not all of the tenants may want to engage in the process. Depending on the results of the surveys and tenant engagement, it may be necessary to develop a "reserve" list of further D rated properties to take full advantage of the funding. Should the results of the survey work suggest that not all the EF&G properties can be

included, then priority will be given the poorest rated properties with the potential biggest improvements to the tenants who are affected the most by fuel poverty.

Councillors in the wards where the properties are located will also be contacted and encouraged to support the scheme.

Housing Revenue Account (HRA) Capital Programme Budget

- 7.25 The Green Homes Grant Scheme is not currently included within the Housing Revenue Account (HRA) capital programme which was approved by Full Council in February 2021.
- 7.26 The scheme is partially funded via the Green Homes Grant, but there is a requirement for the Council to contribute at least 33% of the grant funding allocated to the scheme.
- 7.27 Assuming the full capital grant award of £445,000 is allocated, this would require the Council to contribute approximately £146,850 towards this scheme for HRA resources.
- 7.28 It is therefore proposed to increase the capital programme by £146,850 – which will be funded from HRA reserves (estimated to be approximately £17million at the end of 2020/21)

Submitting the Proposal

- 7.29 The Council needs to submit a proposal to the Midlands Energy Hub by 24th May 2021. This is currently being drafted ready to be submitted by this date – which will be subject to the approval of this report.