

URN: 21-197

Subject: Sustainable Warmth Competition Update

Report to: ELT 23 November 2021
Policy and Resources Committee 30 November 2021

Report by: Nicola Turner, Housing Director

SUBJECT MATTER/RECOMMENDATIONS

This report provides information on the Council's successful bid to the Sustainable Warmth Competition for funding to improve the energy efficiency of some of the worst performing homes across the borough.

Recommendations:

That Policy and Resources Committee:

- 1. Approve the acceptance of the Local Authority Delivery (3) grant**
- 2. Note the prior completion of the Memorandum of Understanding to secure the grant award**
- 3. Delegate all decisions on the use of and spend of the Local Authority Delivery (3) grant funding in accordance with the requirements of the Memorandum of Understanding to the Head of Property and Asset Management.**

1. Introduction

- 1.1 On 27 March 2021, Government announced the allocation of an additional £300m available for Local Authorities to support the delivery of works which improve the energy efficiency of homes of all tenures in support of the Sustainable Warmth: protecting vulnerable households in England Strategy. Subsequently the Sustainable Warmth Competition was launched followed by Wave 1 of the Social Housing Decarbonisation Fund. This report provides information on the Council's bid for funding via the Sustainable Warmth Competition. A separate report to Housing and Neighbourhoods Committee will be provided on work to

address the energy efficiency of homes across the borough including the outcome of the bid to the Social Housing Decarbonisation Fund.

2. Sustainable Warmth Competition

- 2.1 On 28 May 2021, the Sustainable Warmth Competition was formally launched via an initial Expression of Interest process. The funding is being provided by the Department for Business, Energy and Industrial Strategy who are also known as BEIS.

The competition provided the ability to bid for two streams of funding:

- £200m of funding for Local Authority Delivery 3 (LAD3) – to deliver works to improve the energy efficiency of the least efficient homes which are on the gas grid network occupied by low-income households.
- £150m of Home Upgrade Grant (HUG) – to deliver works to improve the energy efficiency of the least efficient homes which are off the gas grid occupied by low-income households.

Eligible occupiers for both LAD3 and HUG will be owner occupiers or tenants. For tenanted properties a landlord contribution of a third of the cost of works is required. Social housing can be included as part of an area approach to delivery but should form only a small part of delivery.

- 2.2 Both LAD3 and HUG funding is focused on properties with an Energy Performance Certificate (EPC) rating of G, F and E, in some cases properties with an EPC rating of D will also be eligible. Works are required to improve the EPC rating of homes with a rating of G and F to reach at least a D rating, with homes with an existing E or D rating improved to a minimum rating of C.

- 2.3 The Council submitted an EOI and then a formal bid for funding for both LAD3 and HUG funding with bids for:

- LAD3 – bid for £1,654,670.49 to deliver works to 153 homes.
- HUG – bid for £2,576,621.39 to deliver works to 175 homes

Both bids were based on a fabric first approach with measures focused on installation of insulation. Solar PV systems will also be provided to some homes to reduce energy costs. Additionally, some homes will have central heating upgrades through installation of air source heat pumps. Some homes will benefit from the installation of more than one measure.

The total bid amount includes a 15% admin and ancillary allowance, this funds project management and publicity costs to support uptake of grants from eligible households.

- 2.4 On 29 October 2021, the Council was notified that the LAD3 funding bid was successful, with BEIS offering funding of £1,654,670.49, the full amount of the Council's bid. Unfortunately, the HUG bid was not successful, however, there will be a further round of HUG funding and there is a potential other source of funding to support off grid homes and a bid will be made to the programme which offers the most appropriate funding stream to improve the energy efficiency of homes which are off the gas grid.

- 2.5 The LAD3 funding will be used to target homes in the following wards, this reflects evidence on EPC rating for homes and deprivation data which evidences in some of these wards 30% of residents are in fuel poverty:
- Nelson
 - Central & Northgate
 - St Andrews
 - Claydon
 - Southtown
 - Cobholm.
- 2.6 The Council has signed a Memorandum of Understanding (MOU) which sets out the requirements for the funding. The MOU was required to be signed and returned to BEIS by 19 November 2021. Following submission of the signed MOU, BEIS are now processing the Council's acceptance of the grant funding offer, with grant funding expected to be transferred to the Council on or after 8 December 2021.
- 2.7 The timescale for delivery of the LAD3 funding is January 2022 to 31 March 2022, with spend required to be achieved on works to 153 homes by 31 March 2023.
- 2.8 The MOU requires that installers of the funded measures to homes must be registered with TrustMark, whilst all projects must be compliant with "PAS 2035:2019: Retrofitting dwellings for improved energy efficiency. Specification and Guidance". To ensure this and provide certainty of the availability of installers and quality of materials, the Council will be appointing E.ON Energy Solutions Ltd as delivery agent to ensure spend of the grant funding, with E.ON Energy Solutions Ltd providing both project management and ensuring delivery using their own accredited suppliers. E.ON Energy Solutions Ltd are an established operator and have been delivering previous LAD funding across the country. The Council will use a framework to make a direct appointment. E.ON Energy Solutions Ltd were integral to the development of the bid and their costs in delivering the programme will be met from the 15% admin funding. In addition, the Council will use some of the admin funding to fund a part time project manager to provide oversight of delivery and assurance of quality as well as ensuring the monthly performance reports are submitted to BEIS.
- 2.9 Oversight of the delivery of the LAD3 programme will be provided by Mark Graham, Housing Asset Manager, as he will also be responsible for oversight of the Social Housing Decarbonisation Fund monies, if the Council's bid is successful.

3. Financial Implications

- 3.1 There will be no cost to the Council of delivering the LAD3 programme reflecting the funding provided by BEIS. The Council's capital budget will be updated to reflect the spend within 2021/22 and 2022/23, funds will be fully spent in accordance with the approved bid.
- 3.2 The admin and ancillary costs allowance within the bid provides £25k to meet the costs of the part time project manager which will be responsible for providing assurance of programme delivery and outcomes for the Council.

4. Risk Implications

- 4.1 The MOU is explicit that the Secretary of State has the ability to recall/withdraw the funding if the Council's use of it contravenes any requirement of law, or if it is deemed that the grant was irregularly obtained or spent in a way that does not meet the Sustainable Warmth Competition outcomes or the Council does not comply with a provision of the MoU. To mitigate the risks of funding being withdrawn (related to works which may have already taken place), the contract between the Council and E.ON will include specific requirements around monitoring, quality and performance supported by the work of the project manager in overseeing and monitoring delivery of the programme. Regular monitoring of the programme will allow any issues to be identified early on allowing remedial action to be undertaken.
- 4.2 The amount of grant funding used to meet admin and ancillary costs cannot exceed 15% of the total grant funding, however, should spend on measures be less than the bid allowed, the Council may spend more on admin and ancillary costs than the contract allows. Regular monitoring of spend will allow early identification of whether there is a risk in some costs incurred being ineligible for funding. The MOU allows the Council to seek an extension of the funding period beyond 31 March 2023 which would provide more time for all measures to be delivered and full spend on works to be achieved. Any such request is at the discretion of the Secretary of State, requests will only be considered if made by 31 December 2021.
- 4.3 Regular monitoring of risks will be undertaken as part of the ongoing project management. The MOU requires monthly reporting of the top five risks and any fraud associated with the programme. This will ensure risks which impact on the delivery of the programme are identified at an early stage to allow mitigation measures to be undertaken. Appendix A provides information on the top five risks at this stage.

5. Legal Implications

- 5.1 The Council is required via the MOU to ensure that the use of the grant complies with subsidy control requirements. To support this the Council will use a direct appointment framework to appoint E.ON Energy Solutions Ltd to deliver the LAD3 programme.

6. Background Papers

None

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	Via ELT
Section 151 Officer Consultation:	Via ELT
Existing Council Policies:	Corporate Plan
Financial Implications (including VAT and tax):	Discussed in report

Legal Implications (including human rights):	Discussed in report
Risk Implications:	Discussed in report
Equality Issues/EQIA assessment:	The LAD3 funding will be targeted at low-income household living in the most inefficient homes. Many of these households will have protected characteristics and the works will improve their health and wellbeing by providing a more energy efficient home.
Crime & Disorder:	Not applicable
Every Child Matters:	Not applicable

Risk Register - Top 5 Risks November 2021

Severity

Very High
High
Medium
Low
Very Low

Probability

Very Low	Low	Medium	High	Very High
Amber	Amber	Red	Red	Red
Amber/Green	Amber	Amber	Red	Red
Green	Amber/Green	Amber	Amber	Amber
Green	Green	Amber/Green	Amber/Green	Amber/Green
Green	Green	Green	Green	Green

Risk	Risk/Issue Description	Risk Category	Mitigation Action	RAG Rating
1	Insufficient capacity to match demand Capacity of supply chain not sufficient to carry out the volumes of surveys or installs required within project timescales. Unable to deliver project objectives. Funding underspend vs plan.	Supply Chain	Framework agreement will be used to source a delivery agent (E.ON) who have the required contractor capacity and capability to deliver the identified outcomes and objectives of the funding awarded. E.ON have an established supply chain and have confirmed they have the required capability and capacity to deliver project outcomes. Project will provide robust supply chain management ensuring install pipeline/schedule is delivered against project plan. Intensive contractor performance management (timescales & quality) via weekly contractor calls. Escalation procedure for poor performance within contract documents.	Amber
2	Delivery timescales for installation of measures exceeds funding timescales.	Timescales	The MOU allows for a request for a time extension if required. However, during the project period, take up of installation offers, installation lead in and delivery timescales will be monitored through the regular project meetings, ensuring early warning of any issues with timescale delivery.	Green
3	Data breach - inappropriate sharing of personal data (including sensitive data). Consents for data sharing not in place and processes not robust enough to protect against a data breach.	Other	MOU contains Data Sharing Agreement which sets out requirements for data sharing which will be reflected in delivery provider and installer contracts, Council DPIA to be produced and record of processing has been updated. Data will be securely recorded along with records of consent for data sharing from potential and actual grant recipients. Recipients will be informed of all reasons for data sharing and all recipients of data.	Green
4	Processes for determine eligibility of property or tenant/owner are not robust leading to inappropriate use of funding and project outcomes not being achieved.	Other	Eligibility criteria clearly set out in grant funding details embedded within scheme roll out with project delivery provider and installers clearly aware of types of property, types of occupiers and the measures which are eligible for funding. Pre qualification process to ensure that offers of works are only made if all criteria for funding are met. Customer declaration requirement to proceed with installation. Evidence of eligibility collected and stored with application.	Amber
5	Quality of delivery of measures. Measures are not of the required standard and/or do not deliver the required increase in EPC rating for individual properties.	Supply Chain	Delivery provider will undertake audit of completed measures to ensure quality of installation and that measures have delivered the required improvement in EPC rating. Monthly performance monitoring will track complaints re standards of workmanship and any issues with the use of heating systems. A clear resolution process will allow effective and timely resolution of issues re quality of works. Where there is a persistent issue, installers will be required to demonstrate how they can prevent further issues or be removed from the programme. Warranties will be required for appropriate works. Pre and post works EPC ratings for properties will be monitored.	Green