

BROMSGROVE DISTRICT COUNCIL

Cabinet

16th February 2021

SUSTAINABLE WARMTH FUNDING

Relevant Portfolio Holder		Councillors Shirley Webb/Michael Thompson
Portfolio Holder Consulted		Yes
Relevant Head of Service		Judith Willis
Report Author	Name: Kath Manning Job Title: Climate Change Officer Contact email: kath.manning@bromsgroveandredditch.gov.uk Contact Tel: Ext 3044	
Wards Affected		No specific ward relevance.
Ward Councillor(s) consulted		n/a
Relevant Strategic Purpose(s)		<ul style="list-style-type: none">- Affordable and Sustainable Homes- Living independent, active & healthy lives- Work & financial independence- Communities which are safe, well maintained & green
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Cabinet RECOMMEND that:

- 1) The Capital and Revenue Budgets are increased to receive Bromsgrove District Council's Sustainable Warmth scheme allocation of £429,000.**
- 2) Delegated authority is granted to the Head of Community & Housing Services in consultation with Portfolio Holders for Housing and Climate Change to administer the funding received in line with the grant conditions.**

2. BACKGROUND

- 2.1. The Sustainable Warmth Competition originating from the Secretary of State for Business, Energy and Industrial Strategy (“**BEIS**”) awarded funding to the Midlands Energy Hub (“**MEH**”) administered by Nottingham City Council, after MEH successfully submitted a proposal for West Midlands local housing authorities to deliver this funding.

The Sustainable Warmth funding will support energy efficiency measures and low carbon heating, with an aim of upgrading homes with poor energy efficiency (Energy Performance Certificate (EPC) rating D, E, F or G) to a target energy efficiency rating of EPC C, or EPC D where this is not possible.

Sustainable Warmth Funding has two components:

- Home Upgrade Grant (HUG) Phase 1 for properties not connected to mains gas
- Local Authority Delivery (LAD) Phase 3 for properties connected to mains gas

Bromsgrove District Council (BDC) has been allocated funding based on the proportion of housing in the borough likely to have a poor Energy Performance rating and the proportions of properties connected to mains gas.

The deadline to accept the allocation is 28th February 2021.

- 2.2. Key information regarding BEIS scheme criteria:

- Eligibility is based on fuel poverty risk – having a low income and living in a home with poor energy efficiency.
- Measures must be targeted at properties with the worst energy efficiency – Energy Performance Certificate (EPC) E, F and G. Up to 30% EPC D properties can also be included.
- Households must be either
 - private owners or renters with an income of less than £30k or with other factors which are a proxy for low income such as receipt of means tested benefits, food and fuel vouchers
 - social housing tenants.
- Sustainable Warmth funding focusses on owner occupier and private rental properties. Social housing stock is capped at 10% of the total number of HUG 1 homes and 10% of the total number of homes for LAD 3 to enabling mixed tenure area-based schemes.

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- Maximum average grant per property is £10,000 for LAD3 and £15,000 for HUG. For privately rented or social housing properties, the grant can only be up to one third of the cost of measures and of the above amounts. Any owner occupier properties are required by BEIS to be fully funded using the grant monies.
 - Funding must be delivered to Publicly Available Specification (PAS) 2035 (PAS 2035:2019 Specification for the energy retrofit of domestic buildings) using Trustmark accredited contractors. This includes use of Retrofit Assessors, Coordinators and Designers to ensure that measures are appropriate to the whole property and the longer term and delivered to an agreed standard.
 - Any installations proposed should follow the recommendations of the Retrofit Co-ordinator. This means maximising the proportion of insulation and clean heat measures installed (measures including solid wall, cavity wall and loft insulation, and heat pumps) and limiting the proportion of other measures (measures such as Solar PV/thermal, windows and doors).
 - The period of this Grant is from the date of allocation until 31st March 2023 unless extended by MEH with permission from BEIS and HM Treasury as required.
- 2.3. The deadline for delivery of LAD 2 has been extended to July 31st 2022 and therefore will overlap with Sustainable Warmth funding.

3. FINANCIAL IMPLICATIONS

- 3.1. BDC's allocation is as follows (with the maximum amount for Social Housing shown in brackets):

	Capital	Administrative Allocation (Admin and Ancillary)
Home Upgrade Grant (HUG) Phase 1	£190,000 (£19,000)	£19,000 (£1,900)
Local Authority Delivery (LAD)Phase 3	£200,000 (£20,000)	£20,000 (£2,000)

- 3.2. As per government guidance, the scheme will be targeted at privately owned housing, as there are other funding streams dedicated to Social Housing e.g. the Social Housing Decarbonisation Fund (SHDF). The

social housing allocation will be used to also enable upgrades to neighbouring social housing stock owned by any Registered Provider e.g., in a mixed tenure block of flats. This may include but is not limited to works by Bromsgrove District Housing Trust (BDHT), who are working with BDC on LADS 2 delivery.

- 3.3. Where the Grant includes capital funding, accounting standards permit, in certain circumstances, the capitalisation of costs incurred when delivering the capital assets for the fund (for example, administrative and ancillary). The Council will keep such costs incurred in delivery to below 10% of the HUG 1 total Grant and 10% of the LAD 3 total Grant independently provided by the Secretary of State. In all other cases capital funding must not be spent on revenue.
- 3.4. The Administrative Allocation may be used for administration and ancillary work including, but not limited to:
 - Project management, reporting and governance costs;
 - Pre-installation EPCs to target households, verify eligibility and evidence improvements to the property;
 - Building works to prepare for installation;
 - Retrofit co-ordinator training costs; and
 - Resident targeting, low-income verification and sign-up including lead generation and communication activities.
- 3.5. The Grant shall be paid in the following way:
 - 10% of the total Grant Amount shall be paid to the Council within 30 days following the receipt by MEH of the signed copy of the grant letter. This is intended to be used to support any required survey works and can be used as capitalisation;
 - 10% shall be released within 30 days of approval by MEH of the Council's Development Plan and meeting of any pre-conditions;
 - Additional 20% quarterly payments will be released within 30 days of the 1st April, 1st July, 1st Oct and 1st Jan following receipt by MEH of ongoing timeline monthly reporting and maintaining 80% of their delivery profile provided in the Development Plan.
- 3.6. The amount of the Grant shall not be increased in the event of any overspend by the Council.
- 3.7. Any unspent Grant monies shall be returned to MEH within 25 calendar days of the end of the Grant Period unless otherwise agreed between the parties.

4. LEGAL IMPLICATIONS

- 4.1 The general power of competence in s1 of the Localism Act 2011 empowers the council to undertake such a project.
- 4.2 The Grant is part of a 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 made under that Section.
- 4.3 An existing OJEU compliant framework contract between Bromsgrove District Council and Surefire Management Services will be used to procure delivery of the works.
- 4.4 A legal review of the Grant Conditions will be undertaken prior to acceptance.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purposes

- 5.1 The funding aligns as follows:
- **Affordable and Sustainable Homes:** decarbonising and improving the energy efficiency of homes
 - **Living independent, active & healthy lives:** healthier home environments
 - **Work & financial independence:** addressing fuel poverty
 - **Communities which are safe, well maintained & green:** reducing carbon emissions

Climate Change Implications

- 5.2 This funding is specifically to reduce energy consumption with an emphasis on decarbonisation, so is key for addressing Climate Change.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1. Allocation of the funding will be based on criteria set by BEIS and will not be based on personal characteristics other than related to income.
- 6.2. Equality and Diversity considerations particularly in relation to accessibility will be included in all aspects of the project, with the Policy Team consulted as necessary.

Operational Implications

- 6.4. The Council must submit a Development Plan for their project to MEH
- to MEH by 28th February 2022.
 - The Development Plan must be submitted in accordance with the Midlands Energy Hub's Guidance for Local Authorities and BEIS schemes guidance:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/993972/sustainable-warmth-competition-guidance.pdf
- 6.5 MEH have appointed local energy advice agency Act on Energy to deliver the 'customer journey' and all referrals will be directed to them.
- 6.6 As part of the Development Plan, the Council will be responsible for carrying out or arranging for the reasonable ongoing due diligence, controlling, monitoring, reporting, as well as managing any specific cases of suspected or identified fraud.
- 6.7 Capacity for this within the Council is extremely limited, so the intention is to use the administration funding to secure external support e.g. from Worcestershire County Council, otherwise the project would unlikely to be able to go ahead.
- 6.8 To ensure sufficient technical expertise, appropriately qualified and experienced Retrofit Assessors, Coordinators and Designers will be procured, either using the existing SMS framework contract or using the MEH Dynamic Purchasing System (DPS).

7. RISK MANAGEMENT

Risk	Effect	Mitigation
No funding	Benefits not realised.	<ul style="list-style-type: none">• Accept funding
Timescales - deadlines not met	Funding not accessed or needs to be returned.	<ul style="list-style-type: none">• Secure adequate capacity.• Regular monitoring of spend.• Close communication with Midlands Energy Hub regarding potential delays and any need for reallocation.• Finance and legal to review Grant Conditions regarding

BROMSGROVE DISTRICT COUNCIL

Cabinet

16th February 2021

		any risks related to returning funding.
Covid19	Transmission and resultant harm, impact on timescales.	<ul style="list-style-type: none">• Covid-secure practices.• Health and Safety involvement in project planning.
Insufficient experience of low carbon technologies	Measures underperform	<ul style="list-style-type: none">• Procure suitably qualified and experienced retrofit assessors, coordinators and designers

8. APPENDICES and BACKGROUND PAPERS

Background papers:

- MEH Green Homes Grants Sustainable Warmth – Grant Letter Bromsgrove

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	<ul style="list-style-type: none">• Cllr Shirley Webb Portfolio Holder for Strategic Housing and Health and Well Being• Cllr Michael Thompson Portfolio Holder for Leisure, Culture and Climate Change	24/1/2021
Lead Director / Head of Service	<ul style="list-style-type: none">• Judith Willis Head of Community & Housing Services	24/1/2021
Financial Services	<ul style="list-style-type: none">• James Howse Executive Director of Resources• Chris Forrester Head of Finance and Customer Services	25/1/2021

BROMSGROVE DISTRICT COUNCIL

Cabinet

16th February 2021

Legal Services	<ul style="list-style-type: none">• Clare Flanagan Principal Solicitor	21/1/2021
Climate Change Officer	Kath Manning Climate Change Officer	Report author