

| | |
|-------------------------|--|
| Decision maker: | Cabinet member environment, economy and skills |
| Decision date: | 27 October 2020 |
| Title of report: | Acceptance and implementation of Local Authority Delivery (LAD) funding project |
| Report by: | Marches sustainable energy project manager |

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 10 (General Exception) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

Wards affected

(All Wards);

Purpose

The report seeks approval for the Council to accept Green Homes Grant (GHG) Local Authority Delivery (LAD) funding of £1,062,500 and to act as accountable body for the project and to implement the project in accordance with the approach detailed in this report.

GHG LAD funding will potentially enable an estimated 100 further fuel poor households across Herefordshire and Shropshire to be supported with home energy efficiency and renewable heating measures.

Recommendation(s)

That:

- (a) The Council signs the Memorandum of Understanding (MoU) with the Department for Business Energy and Industrial Strategy (BEIS) for the £1,062,500 GHG LAD grant funding and delivery of the project across Herefordshire and Shropshire;**
- (b) the scheme criteria set out in paragraphs 7 and 8 of this report be approved;**
- (c) the chief finance officer be requested to add the £480,000 capital grant funding to the capital programme; and**
- (d) the Assistant Director for Regulatory, Environment and Waste Services be authorised to take all operational decisions necessary to implement the scheme including determination of grant applications in accordance with scheme criteria.**

Alternative options

1. Not to accept or part accept the grant funding.
 - This is not recommended as this would make it difficult for rural fuel poor households to receive support at the levels stated within the bid, as other funding streams alone are likely to result in significant funding shortfalls for fuel poor households.
 - This will result in a risk of not achieving the council's strategic objectives within the County Plan 2020 – 2024 and Health & Wellbeing Strategy and will not make progress towards the Council's 2030 carbon neutral aspiration for the county.

Key considerations

2. Fuel poverty remains a significant issue in both Herefordshire and Shropshire, with an estimated 10,682 households thought to suffer from fuel poverty across Herefordshire and a further 16,826 households in Shropshire.
3. This is the result of a combination of low incomes, above average numbers of older, 'hard to treat' properties and poor coverage of the mains gas network, due to the rurality of both counties.
4. Many homes in the counties therefore rely on expensive heating fuel systems and as a result have poor energy efficiency ratings and high relative greenhouse gas emissions. There are over 50,000 properties EPC rated E to G across the two counties (opendatacommunities.org, August 2020).
5. The fund, administered by the Department for Business, Energy and Industrial Strategy (BEIS) is allocating funding to be used to improve the energy efficiency of low-income houses living in Herefordshire and Shropshire.
6. The fund also aims to support the green recovery in response to the economic impacts of Covid-19 and to help take low-income families out of fuel poverty.
7. Special urgency is required as the funding decision and required signing of Memorandum of Understanding (Appendix A), leading to initial project payment are expected before the end of September. Delivery timescales for the project set by central Government are also short, with delivery to commence in October 2020 with a funding expenditure deadline of March 31 2021.

8. Household eligibility will be based on:
 - EPC rating of properties - only E, F or G homes will qualify or where no EPC exists, homes will be pre-assessed via the methods established in the respective flex statements where scoring is attributed to household characteristic and a threshold is set for eligibility (see appendix B for Herefordshire's statement). Pre EPCs will then be commissioned.
 - Combined household income of no more than £30k gross, before housing costs, and linked to either:
 - i. Existing Energy Company Obligation (ECO) means-tested benefits as a proxy or
 - ii. Use existing Council Flexible Eligibility criteria and processes to gather evidence of household income
 - Health connections – We plan to use the existing health referral routes such as Herefordshire Talk Communities, Social Prescribing teams and Energy Advocate officer roles. Verification will be carried out by Keep Herefordshire Warm.
 - Prioritisation would take place on a case-by case basis and depend on a combination of the above factors
9. The project will focus on replacing broken and inefficient heating systems, particularly in off-gas areas with renewable air source heat pump (ASHP) systems as well as installing solid wall insulation (SWI). These measures are often not feasible under present funding and are measures that complement each other from a whole-house perspective, which is a central ambition of the proposed scheme. Double glazing and insulated doors will also be offered as these will have a major impact on properties but are also poorly funded under present arrangements.
10. As allowed and where possible the project will utilise other funding streams, such as Warm Homes funding to maximise energy efficiency measures within individual properties.
11. The project aims to supply measures to 100 households equally across Herefordshire and Shropshire, 50 in each, with interventions estimated at up to £10k per household.
12. The project is proposed to commence on 1 October 2020 and finish 31 March 2021.
13. The £960,000 capital will be used to install the outlined measures, the proposed procurement approach for this is as follows:
 - Variation of existing Warm Homes Fund installer contract for first time central heating to include Air Source Heat Pumps;
 - Open tender exercise to be run October-November 2020 for all measures, namely ASHP, solid wall insulation and energy efficient glazing and doors, in order to cover Shropshire and measures/ value outside of existing installer contract value/scope.
14. £102,500 will be recovered for project administration and ancillary costs (revenue), this includes
 - Project management, including fees paid to energy agencies for customer journey management and case-work;

- Energy Performance Certificates (EPCs) for each property;
 - Marketing and advertising through Keep Herefordshire Warm (KHW) and via HC Communications Team if required.
15. 48 homes have been identified from current energy advice partner databases that are a potential fit for the funding, with circa 52 to be identified. It is expected that the majority of these will come into the project organically through Keep Herefordshire Warm/Keep Shropshire Warm advice lines as the weather gets colder, however promotion of both wider schemes will be undertaken at the same time through existing networks and targeted communications activity.

Community impact

16. This project will contribute towards the following local and regional strategic priorities, targets and legislation:
- Herefordshire Council County Plan (2020-24)
 - i. Environment- Protect and enhance our environment and keep Herefordshire a great place to live
 1. Improve the energy efficiency of homes;
 - ii. Community- Strengthen communities to ensure that everyone lives well and safely together;
 1. Reduce the number of households living in fuel poverty.
 - Herefordshire Health & Wellbeing Strategy
 - i. Priority three - For older people (quality of life, social isolation, fuel poverty);
 - ii. Priority four - Impact of housing (fuel poverty and poverty and the impact on health & wellbeing).
 - Executive Response to the Climate Emergency
 - Air Quality Strategy for Herefordshire and Worcestershire
17. Understanding Herefordshire data indicates that although energy efficiency levels in the county are improving, mainly as a result of better insulation of properties, this has been counterbalanced by increasing energy and fuel prices. Households without a recognised central heating system are likely to be some of the highest cost properties in terms of heating and therefore a contributing factor towards fuel poverty.
18. The funding aims to support low income households living in the least energy efficient homes (those rated Band E, F or G). LAD will upgrade homes delivering progress towards:
- The statutory fuel poverty target for England
 - The phasing out of the installation of high-carbon fossil fuel heating and reducing air quality emissions

- The UK's target for net zero by 2050.

Environmental Impact

19. The Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
20. This proposal seeks to deliver the council's environmental policy commitments and aligns to the following success measures in the County Plan by:
 - Working in partnership with project partners to reduce county carbon emissions by the installation of energy efficiency and heating measures in fuel poor homes
 - Improve the air quality within Herefordshire by replacing fossil fuel heating systems such as oil and LPG as well as reducing emissions through reduced energy use
21. The environmental impact of this proposal has been considered through the service specification and includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management. The commissioning will aspire to utilise local suppliers, improve local air quality and reduce energy usage.

The development of this project has sought to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

Equality duty

22. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
23. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
24. By adopting the proposal the council is being proactive in discharging its equality duty as the scheme will target fuel poor households, many of which will share a protected characteristic for example elderly and/or disabled residents. The proposal will also ensure that householders are treated equally when seeking to access the scheme.

Resource implications

25. Resource implications to the council will be met through existing officer time. There is no capital match contribution required from the council, this will be provided from the Warm Homes Fund and other sources as outlined above.
26. As these are grants awarded to household improvements across the County there are no ongoing revenue implications to the Council.

| Revenue or Capital cost of project | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | Future Years £000 | Total £000 |
|---|-----------------|-----------------|-----------------|----------------------|----------------|
| Capital measures funding for project to be paid to procured installers | 0 | 960.0 | 0 | 0 | 960.0 |
| <i>Associated revenue costs-administration, home energy surveys (EPCs) etc.</i> | 0 | 102.5 | 0 | 0 | 102.5 |
| TOTAL | 0 | 1,062.5 | 0 | 0 | 1,062.5 |

| Funding streams (indicate whether base budget / external / grant / capital borrowing) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | Future Years £000 | Total £000 |
|---|-----------------|-----------------|-----------------|----------------------|----------------|
| GHG LAD Capital funding-Herefordshire | 0 | 480.0 | 0 | 0 | 480.0 |
| GHG LAD Capital funding-Shropshire | 0 | 480.0 | 0 | 0 | 480.0 |
| <i>GHG LAD Revenue funding</i> | 0 | 102.5 | 0 | 0 | 102.5 |
| TOTAL | 0 | 1,062.5 | 0 | 0 | 1,062.5 |

Legal implications

27. The council has powers under sections 1-4 of the Localism Act 2011 to accept grant funding for the project and apply it to communities in Herefordshire and Shropshire as identified in this report. The council must defray the grant funding in accordance with any grant conditions as set out in an MOU to be entered into between the Department of Business Energy and Industrial Strategy and the council. A draft of the MOU was reviewed by legal services before the bid for funding was submitted. The council will also need to have regard to the council's general duty to secure best value set out in s3 of the Local Government Act 1999 in applying the draft
28. This decision needs to be taken with urgency because funding is due to be allocated on 28 September 2020 and the projects to be funded have to be completed by 31 March 2021 which means that the council has only 6 months from allocation of the grant to defray the grant which does not allow for the normal publicity requirements under s 9 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012 to be complied with.

Risk management

29. Accepting GHG LAD Funding and implementing the project proposed will help to mitigate fuel poverty in Herefordshire and Shropshire as well as reducing household carbon emissions. This could have a wide variety of benefits to householders such as reduced fuel bills, warmer and healthier homes as well as showing leadership from both Herefordshire and Shropshire councils in this area and could lead to further opportunities to leverage funding.
30. If funding is not accepted then Herefordshire Council and it's Keep Herefordshire Warm and Warm Homes Fund partners, will continue to support fuel poor households through advice and access to other funding streams as well as exploring opportunities for additional funding for fuel poverty related activity and measures.

| Risk / opportunity | Mitigation |
|---|--|
| As accountable body the council is responsible for ensuring grant funds are allocated in line with the terms of the MoU | Appropriate MoU, project management and procurement put in place with partners to ensure they are working to the same terms of funding. |
| Putting appropriate delivery mechanisms in place in time for October commencement | Vary existing contracts where viable to do so, so that some activity can start, while other measures are procured |
| Demanding delivery timescales and identification of suitable properties | KHW/KSW partners have already identified potentially suitable properties (circa 50). Awareness raising of scheme over winter period will help to bring other suitable properties and households into the project. |
| More households identified through project than available funding | Keep Herefordshire Warm/Warm Homes fund partners will work with these households to identify if measures can be funded outside of the project. Additional funding may become available in March 2021 through the regional energy hubs. |

These risks will be managed at service level and reviewed via monthly project meetings

Consultees

31. The project proposal was developed in conjunction with project partners, Shropshire Council, Marches Energy Agency and Severn Wye Energy Agency.
32. Cabinet Members for Housing and Regulatory services, Environment and Economy have been briefed and are supportive of the proposal but wish to ensure that it is implemented giving due regard to local suppliers as well as promoting it to all.
33. Political group consultation has taken place and those that responded were supportive of the proposals

Appendices

- Appendix A- Local Authority Delivery scheme Memorandum of Understanding (MoU)
- Appendix B- ECO Flex Statement of Intent V4 September 2019

Background papers

- None identified

Please include a glossary of terms, abbreviations and acronyms used in this report.

- Green Homes Grant Local Authority Delivery (GHG LAD)
- Keeping Herefordshire Warm (KHW)
- Keeping Shropshire Warm (KSW)
- Air Source Heat Pump (ASHP)
- Solid Wall Insulation (SWI)