

Title of report: Green Homes Grant, Local Authority Delivery, Phase 1a project (GHG LAD 1a) Grant Balance Processing

Decision maker: Cabinet member finance, corporate services and planning

Decision date: 25 April 2022

Report by: Sustainability and Climate Change 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 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

The report seeks approval for the Council to return the balance of the grant funding to the funder as per the signed Memorandum of Understanding (MoU) the council and the funder jointly hold.

Overall the project is estimated to have delivered measures to 12 fuel poor households at a cost of £132,097 across Herefordshire and Shropshire.

Recommendation(s)

That:

- a) £930,403 of the GHG LAD 1a grant, being the unspent balance be returned to the department for Business Energy and Industrial Strategy (BEIS) as per the signed Memorandum of Understanding (MoU); and
- b) Authority be delegated to Corporate Director Economy & Environment to take all necessary steps to implement this decision.

Alternative options

1. None identified.

Key considerations

2. Any fuel poor households not supported under LAD 1a will be supported through the active LAD 2 project or other forthcoming funding streams, no eligible residents will miss out on support.
3. Fuel poverty remains a significant issue in Herefordshire, with an estimated 13,902 (16.5%) households thought to suffer from fuel poverty across the county.
4. Fuel poverty levels in the county are a 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 rurality.
5. Many homes in the county therefore rely on expensive heating fuel systems and as a result have poor energy efficiency ratings and high relative greenhouse gas emissions. There are an estimated 60,000 properties Energy Performance Certificate (EPC) rated D to G (Building Research Establishment, 2019) in Herefordshire.
6. The GHG LAD 1a project commenced in November 2020 after a successful bid to the Department of Business Energy & Industrial Strategy (BEIS) and targeted 100 fuel poor homes in Herefordshire and Shropshire with energy efficiency measures- primarily Air Source Heat Pumps (ASHPs), solid wall insulation (SWI) and energy efficient doors and windows.
7. Funding was allocated of £960,000 for measures (nominally £480,000 for each area) as well as an administration and ancillary (enabling works) budget of £102,500 totalling £1,062,500.
8. Initial delays were incurred following legal advice that a new procurement process was required rather than utilising existing contractors. This led to the requirement to utilise established and compliant frameworks, however due to demand in the market this process also took far longer than envisaged, 3-4 months with a contractor not being appointed until 1 March 2021. This delay included conversations with two different potential suppliers who were unable to deliver the project due to the timescales and capacity pressures. As such the third choice provider was appointed.
9. Over the period March to June 2021 it became apparent that the original target levels of interventions were no longer realistic and a revised target was sent to BEIS for 44

households, due to a lack of suitability of some households within the pipeline as well as delays in the supply chain for manufacturing and supply of doors, windows, insulation and heat pumps.

10. These delays were compounded in the latter part of the delivery by slower than planned times for installations and re-measuring of a number of job elements due to errors in initial surveys by the contractor, which can be attributed to national labour and skills shortages. The impact of Covid-19 and householder nervousness due to the pandemic has been more pronounced as the majority of households will include clinically extremely vulnerable residents.
11. This was further impacted by resource constraints in the team due to the deletion of two vacant posts in the Sustainability & Climate Change team and the subsequent recruitment freeze of further vacancies.
12. As very similar delays were experienced by numerous local authorities across the country, BEIS approved a recovery plan for the remaining properties in the pipeline that were unable to be completed prior to the 30 September 2021 deadline. This resulted in five further households receiving measures totalling just under £40,000, one of these was in Herefordshire and four in Shropshire.
13. Progress and the significant underspend were reported at the Environment & Sustainability Board in July 2021 where it was identified that there was a high chance of returning the remaining grant. This was also included as a significant service risk in July with a risk score of 20.
14. The unrealistic timescales of the scheme and national supply chain issues led to frequent extensions and reactive contract management.
15. The issues around contractor performance will be fed into the framework provider.
16. The project has delivered measures to 12 fuel poor households at a cost of £132,097 across Herefordshire and Shropshire. The underspend of £930,403 is required to be returned to the funder.
17. The schemes are Herefordshire only and further information can be found in the decision reports here:
<https://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50037589> and
here: <https://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50038688>
 - a. Lessons learned from the first phase of the project that will be incorporated into subsequent schemes are utilisation of more tried and tested procurement methods, such as the Midlands Energy Hub Dynamic Purchasing System (DPS), dedicated project management via the corporate Programme Management Office (PMO), increased awareness raising and promotion of the schemes and extended delivery times.

Community impact

18. In accordance with the adopted code of corporate governance, the council is committed to promoting a positive working culture that accepts and encourages constructive challenge and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development and review.
19. The Sustainable Warmth funded projects under LAD 1a, 2 and 3 all contribute towards the following local and regional strategic priorities, targets and legislation:
 - a. 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.
 - iii. Economy - Support an economy which builds on the County's strengths and resources
 1. Spend public money in the local economy wherever possible.
 - b. The council's Corporate Delivery Plan 2020-2022
 - i. EN4.2: Develop new domestic building retrofit programmes to further improve the energy efficiency of Herefordshire's housing stock, reducing carbon emissions, improving wellbeing and tackling fuel poverty.
 - c. 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).
 - d. Executive Response to the Climate Emergency;
 - e. Air Quality Strategy for Herefordshire and Worcestershire.
20. The funding aims to support low income households living in the least energy efficient homes (those rated EPC band E, F or G). This will help deliver progress towards:
 - a. The statutory fuel poverty target for England;
 - b. The phasing out of the installation of high-carbon fossil fuel heating and reducing air quality emissions;
 - c. The UK's target for net zero by 2050.
21. Any customers not supported under LAD 1a will be supported through the active LAD 2 project, no eligible residents will miss out on support.

Environmental Impact

22. The Sustainable Warmth funded projects under LAD 1a, 2 and 3 all contribute towards the council's [environmental policy commitments](#) and align to the following success measures and priorities in the County Plan:
- a. Reduce the council's carbon emissions;
 - b. Work in partnership with others to reduce county carbon emissions;
 - c. Improve the air quality within Herefordshire;
 - d. Improve energy efficiency of homes.
 - e. En3- Build understanding & support for sustainable living;
 - f. En4- Invest in low carbon projects;
23. 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.
24. The Sustainable Warmth funded projects under LAD 1a, 2 and 3 all contribute towards the council's environmental policy commitments and aligns to the following success measures in the County Plan by:
- a. Working in partnership with project partners to reduce county carbon emissions by the installation of energy efficiency and heating measures in fuel poor homes
 - b. 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.
25. There is no associated environmental impact as a result of this decision.

Equality duty

26. 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.
27. The public sector equality duty (specific duty) requires the council to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that the council are paying 'due regard' in their decision making in the design of policies and in the delivery of services. The council's providers will be made aware of their contractual requirements in regards to equality legislation.
28. By delivering Sustainable Warmth funded projects under LAD 1a, 2 and 3 the council is being proactive in discharging its equality duty as the schemes target fuel poor households, many of which will share a protected characteristic for example elderly and/or disabled residents. The projects also ensure that householders are treated equitably when seeking to access the scheme.

Resource implications

29. The underspend of £930,403 is required to be returned to the funder, this can be broken down as follows:
- Only Herefordshire spend is accounted for in the capital programme- this constitutes £481,063 of the underspend. A further £15,695 in associated revenue costs is to be returned, resulting in a total repayment of £496,758.
 - The rest of the required underspend is Shropshire's allocation, for which we were the accountable body. This constitutes a total of £433,645.
30. There is no capital match contribution required from the council.
31. As these are grants awarded to household improvements across the County there are no ongoing revenue implications to the Council. This is fully funded from the external grant awarded to the Council.
32. There are no IT or HR implications from this project.

Revenue or Capital cost of project (indicate R or C)	2019/20	2020/21	2021/22	Future Years	Total
Herefordshire Project Capital (C)- surveys, measure installs and ancillaries (enablement)	£000	£000	£29,437	£000	£29,437
<i>Herefordshire Project revenue (R)- Project management, delegated grants, PMO support, admin and marketing</i>			£5,055	£000	£5,055
TOTAL			£34,492	£000	£34,492

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2019/20	2020/21	2021/22	Future Years	Total
GHG LAD Phase 1a Capital funding- Herefordshire	£000	£000	£480,000	£000	£480,000
<i>GHG LAD Phase 1a Revenue funding Herefordshire</i>			£51,250	£	£51,250
TOTAL			£531,250	£000	£531,250

Legal implications

33. The council entered into a Memorandum of Understanding (MOU) with BEIS on 2 November 2020 to deliver the Green Homes Grant (GHG) Local Authority Delivery (LAD) Phase 1 scheme in Herefordshire and Shropshire. Under the terms of the MOU BEIS have a contractual right to request repayment of any unspent GHG LAD 1 grant on the basis that BEIS and the council have not been able to identify a way to spend the unspent grant to deliver the expected outcomes of the GHG LAD Phase 1 scheme.
34. Therefore the council is legally obliged to repay the unspent GHG LAD Phase 1 grant.

Risk management

35. Delivering Sustainable Warmth projects under LAD 1a, 2 and 3 help to mitigate against fuel poverty in Herefordshire 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 the council in this area and could lead to further opportunities to leverage funding.
36. Returning the balance of the grant from LAD 1a will ensure the council is not in breach of the MoU held with BEIS.
37. Further domestic retrofit to support residents and combat climate change and fuel poverty will be delivered through the existing LAD 2 project and forthcoming LAD 3 project.
38. These risks will be managed at service level and reviewed via monthly project meetings.

Consultees

39. Cabinet Members for Housing and Regulatory services, Environment and Economy have been briefed.
40. Management Board and the Directorate Management Team have been briefed.

41. A Political Groups Consultation was undertaken, the following was received:
- a. Cllr for Golden Valley North asked whether the grant could be used to help resolve supply chain issues.
 - i. This was not possible due to the grant conditions.
 - b. Cllrs for the Central Ward and Widemarsh Ward expressed disappointment.

Appendices

None

Background papers

None identified

Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Sarah Buffrey, Democratic Services Officer	Date 08/03/2022
Finance	Karen Morris	Date 08/03/2022
Legal	Alice Mcalpine	Date 24/02/2022
Communications	Luenne featherstone	Date 24/02/2022
Equality Duty	Carol Trachonitis	Date 25/02/2022
Procurement	Mark Cage, Commercial Services Manager	Date 04/03/2022
Risk	Kevin Lloyd,	Date 04/03/2022

Approved by	Ross Cook, Corporate Director Economy and Environment	Date
08/04/2022		

Glossary of terms, abbreviations and acronyms used in this report

- Air Source Heat Pump (ASHP)- Renewable heating technology that utilises an electric heat pumps to generate heat from external air in order to heat buildings and water.
- Building Research Establishment (BRE)- Independent organisation concerned with improving the quality and sustainability of buildings through research.

- The Department for Business Energy and Industrial Strategy (BEIS).
- Dynamic Purchasing System (DPS)- Public procurement compliant framework like agreement onto which suppliers can join up to at any time providing they meet set criteria by the managing organisation (MEH).
- Energy Company Obligation scheme (ECO)- UK Government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty.
- Energy Performance Certificate (EPC)- Certificate issued by an independent energy assessor , which represents the energy performance of the building (asset) based on its fabric and installed building services (heating, cooling, ventilation and lighting) only.
- Green Homes Grant Local Authority Delivery (GHG LAD)- Government funded scheme to raise the energy efficiency of low-income and low EPC rated homes including those living in the worst quality off-gas grid homes, delivering progress towards: reducing fuel poverty, the phasing out of high carbon fossil fuel heating and the UK's commitment to net zero by 2050. 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.
- Housing Associations (HAs)- Registered providers of social housing.
- Keep Herefordshire Warm (KHW)- Herefordshire Council commissioned affordable warmth service offering advice and support to residents, provided by Severn Wye Energy Agency (SWEA).
- Memorandum of Understanding (MoU)- Agreement between project parties to set out working relationships and procedures.
- Midlands Energy Hub (MEH)- Government funded, cross Midland LEP support organisation to identify and deliver local energy strategies and projects.
- Solid Wall Insulation (SWI)- Insulation material that is applied onto the inside or outside of a building to reduce heat loss.
- Standard Assessment Procedure (SAP)- methodology used by the Government to assess and compare the energy and environmental performance of dwellings. Its purpose is to provide accurate and reliable assessments of dwelling energy performances that are needed to underpin energy and environmental policy initiatives (<https://www.gov.uk/guidance/standard-assessment-procedure>, 10/05/21).