

# Title of report: Home Upgrade Grant - Phase 2

**Decision maker:**Cabinet Member – Cllr Chowns

**Decision date:** Friday 24<sup>th</sup> February 2023

**Report by:** Project Manager - Capital

## **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 accept Home Upgrade Grant Phase 2 (HUG2) capital funding of up to £7,744,000 via the signing of a Grant Letter agreement with the Midlands Net Zero Hub.

This funding will be used to enable an estimated 390 fuel poor households across Herefordshire to be supported with home energy efficiency and renewable heating measures.

## **Recommendation(s)**

**That:**

- a) **Approval is given for the acceptance and expenditure of the full allocation awarded to Herefordshire of up to £7,744,000 capital funding;**
- b) **The Council signs the Grant letter with the Midlands Net Zero Hub (MNZH); and**

**c) The Service Director for Highways and Transport be authorised to take all operational decisions necessary to implement.**

**Alternative options**

1. Not to accept or part accept the grant funding.
2. This is not recommended as this would make it difficult for Herefordshire 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.
3. 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 net zero carbon ambition for the county.

**Key considerations**

**Background**

4. Fuel poverty remains a significant issue in Herefordshire, with an estimated 23,876 households thought to suffer from fuel poverty across the county which amounts to 28% of all households in the County. This has increased from just under 17% before the energy price cap was increased by almost 50%, which as a result saw a significant increase in energy bills and forced more people in to fuel poverty.
5. 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. A household is said to be in fuel poverty when they're unable to keep adequately warm at a reasonable cost, given their income.
6. 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.

**Proposal**

7. The HUG 2 scheme aims 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 achieve 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.
8. The scheme will target support to 390 households at an average of £18,000 per home across the project.
9. Household eligibility will be based on:
  - a) EPC rating of properties - only D, E, F or G homes will qualify with the exception of Park Homes, which do not require an EPC.
  - b) Where no EPC exists, homes will be pre-assessed by the Customer Journey Support (CJS) via the method established in the Herefordshire's Statement of Intent for the Energy Company Obligation (ECO) Flexible Eligibility scheme in which scoring is attributed to household characteristic and a threshold is set for eligibility. Pre-install EPCs will then be commissioned and funded through the project budget.

- c) Combined household income of no more than £31k gross, before housing costs, and linked to either:
    - i. Existing ECO means-tested benefits as a proxy or
    - ii. Use existing Council set and publicised criteria and processes to gather evidence of household income. These are set out in the council's Statement of Intent (Appendix C).
    - iii. Be located in an eligible area. A new area-based eligibility route has been introduced for HUG 2, using income deprivation data drawn from the Indices of Multiple Deprivation (IMD) 2019. Households living in the most economically deprived neighbourhoods (income deciles 1- 3) will be automatically eligible for upgrades, provided they live in off-gas grid properties rated EPC Band D or below.
10. As per the current HUG 1 project, installed measures are expected to focus on replacing broken and inefficient heating systems in off-gas areas with renewable air source heat pump (ASHP) systems as well as installing internal and external solid wall insulation (SWI), double glazed windows and insulated doors. 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.
  11. The project will also look to incorporate other eligible measures as allowed under the scheme and where suitable for the properties and households identified. Eligible measures are any energy efficiency and heating measures compatible with the Standard Assessment Procedure (SAP) that will help improve EPC band D, E, F or G rated homes. This includes, but is not limited to, measures such as wall, loft and underfloor insulation, as well as low carbon technologies and solar photovoltaics.
  12. Fossil fuel heating systems are not an eligible measure through the scheme i.e. gas, oil, LPG and solid fuel systems
  13. The project will aim to fund energy efficiency and renewable heating measures across tenures from the social and private rented sectors to privately owned households and park homes. We are currently engaging with partners from these sectors to identify eligible properties and maximise delivery potential.
  14. Project promotion and targeting is planned via the following routes:
    - a) Targeted social media posts through CJS and informed by compiled data such as deprivation, fuel poverty, energy performance of property and fuel type;
    - b) Existing networks and established referral routes, such as Herefordshire Talk Community Social Prescribing teams and Energy Advocate officer roles as well as Herefordshire Affordable Warmth Network partners such as housing associations, Fire & Rescue service and community organisations.
    - c) Information and leaflet distribution through Parish Councils and in Council planned mail outs and private landlord correspondence.
  15. Local Authorities are responsible for delivering their allocation including submitting a proposal and identify areas for the customer journey support to target.
    - a) The CJS will be procured and funded directly by MNZH and is therefore at no extra cost to the council.

- b) The CJS will assist regionally, inform citizens of the process and provide a single point of contact and support. The CJS will check household eligibility, answer questions on the scheme and energy efficiency measures, register any complaints as well as provide additional support to help tackle fuel poverty.

16. Timescales and deadlines for the project are outlined in the grant letter as follows:

| <b>Date</b>      | <b>Event/Deadline</b>                                      |
|------------------|--|
| 18 November 2022 | HUG2 bid deadline  |
| 31 January 2023  | MNZH DPS goes live   |
| 28 February 2023 | Customer Journey Support in place                          |
| 31 March 2023    | Award letters issued to LA's                               |
| 1 April 2023     | Mobilisation funding released 30% (1)                      |
| 1 April 2023     | First 'batch' of properties submitted to BEIS for approval |
| 1 April 2024     | Mobilisation funding released 30% (2)                      |
| 31 March 2025    | Delivery Completed   |

17. The proposed procurement approach for this project is as follows:

- a) Tender exercise to be run using MNZH Dynamic Purchasing System (DPS) with support from Commercial Services and in line with the Contract procedure rules
- b) Local installers will be sign-posted to this DPS and the relevant tender exercise would incorporate the Council's social value procurement principles in order to encourage these suppliers to tender for work on the project.

18. £704,000 of allocated funding is designated for administration and ancillary costs for the following, some of which would be capitalised, for example preparatory building works:

- a) Project management, reporting, administration, and governance costs;
- b) Building works to prepare for install – for example if there are issues with the walls that need to be rectified prior to insulation being applied;
- c) Retrofit coordinator training costs;
- d) Resident targeting, low-income verification and sign-up including lead generation; and
- e) Communication activities.

19. Evaluation of the scheme will be facilitated by Department for Energy Security and Net Zero (DESNZ), with appropriate data sharing arrangements put in place to facilitate this as per the current HUG 1 project.

### **Community impact**

20. In accordance with the adopted code of corporate governance, Herefordshire 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.

21. This project will 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
  - ii. Improve the energy efficiency of homes;
  - iii. Community - Strengthen communities to ensure that everyone lives well and safely together;
  - iv. Reduce the number of households living in fuel poverty
  - v. Economy - Support an economy which builds on the County's strengths and resources
  - vi. Spend public money in the local economy wherever possible.
- b) Herefordshire Council 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
- ii. Priority three - For older people (quality of life, social isolation, fuel poverty);
  - iii. 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

22. The funding aims to support low income households living in the least energy efficient homes (those rated EPC Band E, F or G). HUG2 will upgrade homes delivering progress towards:

- f) The statutory fuel poverty target for England
- g) The phasing out of the installation of high-carbon fossil fuel heating and reducing air quality emissions
- h) The UK's target for net zero by 2050

## Environmental Impact

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. This proposal seeks to deliver 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. 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.

26. This decision / proposal seeks to deliver the council's environmental policy commitments and aligns to the following success measures and priorities in the County Plan.
- i) Reduce the council's carbon emissions;
  - j) Work in partnership with others to reduce county carbon emissions;
  - k) Improve the air quality within Herefordshire;
  - l) Improve residents' access to green space in Herefordshire;
  - m) Improve energy efficiency of homes.
  - n) En3- Build understanding & support for sustainable living;
  - o) En4- Invest in low carbon projects;

### **Equality duty**

27. 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.
28. 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.
29. 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. It is not unlawful discrimination to treat a disabled person more favourably than a non-disabled person. The proposal will also ensure that householders are treated equitably when seeking to access the funding.

### **Resource implications**

30. Resource implications to the council will be met through existing officer time and will be supported by the £704,000 of allocated funding designated for administration and ancillary costs.
31. There are no IT or HR implications from this project.

32. There is no capital match contribution required from the council;
33. 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

| <b>Capital cost of project</b>  | <b>2023/24</b>      | <b>2024/25</b>      | <b>Total</b>      |
|---|---------------------|---------------------|-------------------|
| Capital measures funding for project to be paid to procured installers      | £2,816,000<br>(40%) | £4,224,000<br>(60%) | <b>£7,040,000</b> |
| Associated project costs – administration, home energy surveys (EPC’s) etc. | £281,600            | £422,400            | <b>£704,000</b>   |
| <b>TOTAL</b>  | <b>£3,097,600</b>   | <b>£4,646,400</b>   | <b>£7,744,000</b> |

### **Legal implications**

34. The council has powers under sections 1-4 of the Localism Act 2011 to accept grant funding for the project and apply it to the identified households in Herefordshire.
35. The use of the Midlands Net Zero Hub (MNZH) Dynamic Purchasing System (DPS) with support from Commercial Services is in accordance with the council’s contract procedure rules and will support the council’s general duty to secure best value set out in s3 of the Local Government as those suppliers on the DPS will have been through a pre-qualification and assessment.

### **Risk management**

36. Accepting HUG 2 Funding and project implementation will 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 both Herefordshire and Shropshire councils in this area and could lead to further opportunities to leverage funding.
37. If funding is not accepted then Herefordshire Council and its existing partners in this area will continue to support fuel poor households and carbon reduction through advice and access to other funding streams as well as exploring opportunities for additional funding for related activity and measures.
38. The lessons learned from previous Green Home Grant (GHG) schemes has been implemented to ensure we maximise opportunities, which includes maintaining a strong relationship with our Contractors and Customer Journey Support partner, as well as building a strong pipeline, which has been pivotal to the success of LAD 3/ HUG 1.

| Risk  | Mitigation   |
|---|--|
| Low interest in scheme and identification of suitable properties  | Taking lessons learnt from previous phases, an early pipeline of applicants as well as a robust Comms and Marketing plan will mitigate this. The addition of IMD properties in this phase will make it simpler to identify eligible properties and means that whole streets can be targeted. |
| Delays in the procurement of approved installers and a Customer Journey Support partner   | Using the Dynamic Purchasing System proved to be successful for the Phase 3 scheme (which took approx.6 weeks) and this should continue for this phase.  |
| Demanding delivery timescales   | As this phase is over two years as opposed to one year on previous schemes, delivery will be more evenly distributed making it more manageable.  |
| Homeowners with a planning constraint on their property e.g. Listed building/Conservation area could be disadvantaged due to limited measures being approved e.g. external wall insulation is unlikely to get consent | Manage homeowners expectations on which measures are likely to be approved and work with the Heritage team at HC to pursue all options   |

## Consultees

39. A political group consultation was held on 10/01/2023 and the following comments were received:

*Overall there was good support for the scheme, however there were some frustrations shared due to the scheme not being available for on-gas properties. It was felt that a lot of the IMD areas in the County would be on mains gas and therefore wouldn't benefit from the funding. Reassurance was given that we would continue to support these residents through Keep Herefordshire Warm and other suitable funding schemes.*

40. The Cabinet Member Housing, Regulatory Services & Community Safety has been briefed and is supportive of the proposals



## Appendices

- Appendix A – MNZH HUG 2 Guidance
- Appendix B – Flexible Eligibility Statement of Intent for Herefordshire

## Background papers

- None Identified

## Report Reviewers Used for appraising this report:

|                |                     |                 |
|----------------|---------------------|-----------------|
| Governance     | John Coleman        | Date 20/01/2023 |
| Finance        | Karen Morris        | Date 09/01/2023 |
| Legal          | Sarah Halliwell     | Date 10/02/2023 |
| Communications | Luenne featherstone | Date 03/01/2023 |
| Equality Duty  | Harriet Yellin      | Date 03/01/2023 |
| Procurement    | Lee Robertson       | Date 20/01/2023 |
| Risk           | Kevin Lloyd         | Date 04/01/2023 |

|             |  |      |
|-------------|--|------|
| Approved by | Mark Averill – Interim Service Director for Highways & Transport | Date |
| 15/02/2023  |  |      |

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

- Home Upgrade Grant 2 (HUG2)- 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.
- Department for Energy Security & Net Zero (DESNZ) - Central Government department responsible for business, industrial strategy, science, research and innovation, energy and clean growth, climate change.
- Midlands Net Zero Hub (MNZH) - Government funded, cross Midland LEP support organisation to identify and deliver local energy strategies and projects.
- Keep Herefordshire Warm (KHW)- Herefordshire Council commissioned affordable warmth service offering advice and support to residents, provided by Severn Wye Energy Agency (SWEA).
- Customer Journey Support (CJS) – procured and funded by MNZH to support householders through the application process.
- 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.
- Solid Wall Insulation (SWI) - Insulation material that is applied onto the inside or outside of a building to reduce heat loss.
- Memorandum of Understanding (MoU) - Agreement between project parties to set out working relationships and procedures.
- 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 (MNZH)
- Building Research Establishment (BRE) - Independent organisation concerned with improving the quality and sustainability of buildings through research.
- 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.
- 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)
- Energy Company Obligation scheme (ECO)- UK Government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty.