

BRIEFING NOTE – HOME UPGRADE GRANT 2 (HUG2)

Overview

The latest Phase of Home Upgrade Grant funding was launched on 29th September 2022 as a challenge fund for local authorities to improve the energy performance and heating systems of off gas grid homes in England. The MNZH are planning to submit a regional bid for the second phase of Home Upgrade Grant to access multiyear funding (up to £ 700m available in England) which will run from the financial years 2023 to 2024 and 2024 to 2025. As a result of feedback from recent lessons learnt sessions in SWC, some Local Authorities do not have the capacity to submit an individual bid for funding, particularly within the required timescales. Therefore, a regional submission with the Midlands Net Zero Hub as the Lead Authority offers an opportunity for all LA's in the region to access funding to support thousands of fuel poor households.

The current delivery model developed and implemented through LAD3 and HUG1 offers an effective route for the delivery of HUG2 across the Midlands.

Competition vs Challenge Fund

Where a competition based model approves bids for funding by outcompeting other applications, a challenge fund assesses applications against a minimum set of criteria. Therefore, all applications that pass the minimum requirements of the scheme would be funded to some degree.

If successful, grant funding will be drawn down in portions throughout the delivery window to upgrade batches of homes deemed 'ready to retrofit' (signed up, validated, and assessed in line with PAS). This aims to minimise the need for BEIS and the MNZH to either prematurely transfer and/or retrospectively reclaim large amounts of allocated capital funding, from LAs who weren't able to spend their full allocation

Home Upgrade Grant 2 - Midlands Approach

Planned delivery for HUG2 is intended to mirror and build on the HUG1 element of SWC. We will inform Local Authorities of their indicative capital allocations before submission to make sure the scheme is deliverable, particularly where LA's are considering their own separate submission. The allocation will be calculated to reflect the number and proportion of off-gas EPC Band D, E, F and G properties within a Local Authority, following the same process of SWC. We invite Local Authorities to request additional allocation if they can demonstrate the capacity to deliver additional measures within the timeframes. These allocations may be subject to change pending final BEIS approval.

To support HUG2, MNZH will re-procure services (at 3% A&A) to assist with the customer journey and implementation. The service supports local authorities (on an opt in basis) within defined areas and informs residents of the process as well as providing a single point of contact and support. The service 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 i.e. income maximisation. MNZH will also look to expand the service to compliment the new challenge fund scheme design. Whilst the service offered is opt in, there will be an expectation that every LA in the consortium meets with their relevant Customer Journey Support team to update on progress.

To maximise regional delivery and support LA's, MNZH will continue to offer two free to use Dynamic Purchasing Systems (DPS) for Local Authorities to procure installers and professional services. A DPS is a method of buying commonly used goods, services, or works. It combines a pre-qualification process for suppliers, similar in effect to a 'select' or 'approved' list, with elements of electronic tendering, making it more efficient for both buyers and suppliers. This DPS, gives Local Authorities and Housing Associations, a route to access qualified consultants and contractors to assist them to deliver projects involving energy efficient retrofits covering a range of measure and technologies. There are currently 80 professional service providers and 54 installers registered.

MNZH has a project team in place to support the regional delivery of HUG2. To cover ongoing staff costs and support including assistance with the DPS MNZH requires 2% of the admin budget. This will provide each LA or Consortium Project with a minimum of 10% for admin and ancillary, to use at their discretion within the terms of the funding. In caveat to this, BEIS “will work with LAs to facilitate early delivery, including funding for mobilisation in the latter part of this financial year (during February, March 2023) where possible. This extra mobilisation funding will not count towards the 15% A&A cap across the formal grant period of April 2023 to March 2025.” Any eligible costs MNZH can include within this period will reduce the total % required and will seek to proportionally increase LA % where possible.

If successful, LA’s will need to sign and return an award letter. An upfront mobilisation payment will be given at this stage, which the LA can use for both administrative and ancillary (A&A) and capital expenses, such as to resource, procure, advertise, pay for specialist advice, and to sign up, validate, and assess homes in line with PAS requirements each financial year. This mobilisation payment will be 25% of the grant for 2023/24 and 2024/25 respectively.

Provided the application is successful, the mobilisation payment will be transferred once the LA has returned the signed award letter to MNZH. During the delivery assurance stage, LAs will be assessed on whether they are ready to begin delivery. At the batch application stage, LAs will provide housing stock data, measure mixes, and costs for a batch of homes that are ‘ready-to-retrofit’ (households signed up, validated, and assessed for measures in line with PAS 2035). If the batch is approved, the LA will be able to draw down the requested funds to complete the respective upgrades for that batch. This final step will be repeated numerous times throughout the delivery window, with exact funding released in batches to fit the set cost archetype caps for energy efficiency measures (£3k-24k) and clean heat measures (£5k-£14k).

Key dates for Project Initiation

Date	Event
24 th Oct 2022	Briefing circulated to LA’s on Approach
4 th Nov 2022	Deadline for LA’s to confirm participation and allocation
18 th Nov 2022	HUG 2 bid deadline
Dec 2022 to Mar 2023	MNZH to support to develop a regional pipeline
Jan 2023	Procurement of CJS
Jan 2023	Confirmation if successful and total award amount
Feb 2023	Formalise agreement with BEIS
Feb/Mar 2023	Finalise CJS procurement
March 2023	Award letters issued to LA’s with finalised allocation
April 2023	Mobilisation funding released to LA’s to conduct required survey work and proposal development

Next Steps

MNZH will be in touch with each LA by 25th Oct 2022 with an indicative allocation for HUG2. Please respond via email (MNZH.SustainableWarmth@nottinghamcity.gov.uk) to confirm;

- Your allocation provided or an alternative tailored amount, provide evidence if you are seeking an additional funding.
- Yearly % of allocation. BEIS have stated any underspend from Year 1 (23/24) will not be carried over to Year 2 (24/25), therefore we need to make sure our forecast is deliverable. MNZH propose a Year 1 40% and Year 2 60% allocation. Please confirm acceptance or provide evidence if you are seeking an alternate annual split.
- Please let us know if you are submitting a separate bid and/or would like to opt-out of MNZH’s regional bid and with it the available support services.
- Please note, you can submit a separate bid and still form part of the MNZH regional bid. Therefore, if the MNZH regional bid is successful, you would receive the awarded allocation in addition to any separate bid that may/may not be successful.