

Name of meeting: Cabinet

Date: 16th February 2021

Title of report: Green Homes Grant (Local authority funded private sector energy scheme)

Purpose of report:

The government launched the Green Homes Grant (GHG) in Sep 2020 which the council has been successful in securing over £2m funding from Phases 1a and 1 b of the funding programme to improve energy efficiency and reduce carbon emissions from council housing. In Nov 2020 Local Authority Delivery 2 (LAD2) was launched; the scheme is aimed at private sector properties including private sector rented (PSR) and designed to offer grant assistance to homeowners qualifying for energy improvements with a combined household income of less than £30000.00 p/a.

Grant assistance is limited to £10000.00 per owner occupier household. PSR landlords are expected to make a 33% contribution towards total cost of works. In some cases: the range of improvements and cost of works will exceed available grant resulting in a contribution from owner occupiers.

Following a successful bid in Dec 2020: Kirklees have been allocated £3.03m through our local Energy Hub (BEIS). In some cases (and it is difficult to estimate numbers at this stage) grant will leave a funding shortfall for the householder, resulting in reduced uptake and a missed opportunity to improve the quality of housing in the private sector while making a significant contribution to the Council's Carbon zero target of 2038.

This report tasks Cabinet to consider a proposal to establish a LA backed private sector energy improvement scheme and to allocate £1m into begin with to offer financial support to homeowners and landlords of PRS. The allocated monies will be contributed to the Yorkshire and Humber Home Appreciation Loans Scheme (which the council already contributes through the Accessible Homes activity) for qualifying households.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes Spending in excess of £250k and affects all electoral wards
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Key Decision – Yes Private Report/Private Appendix – No
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	David Shepherd: 28/01/21
Is it also signed off by the Service Director for Finance?	Eamonn Croston: 4/02/21
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft: 8/02/21
Cabinet member portfolio	Give name of Portfolio Holder/s Cllr Cathy Scott Cllr Peter McBride Cllr Naheed Mather

Electoral wards affected: Initially: Greenhead, Newsome, Crosland Moor and Netherton Dewsbury West. Longer term: All wards

Ward councillors consulted: No

Public or private: Public Report

Has GDPR been considered? Yes

1. Background and Summary

1.0.1 National Context:

In July 2020 the Chancellor announced a £2 billion Green Homes Grant scheme to upgrade homes across England aimed at improving the energy efficiency of fuel poor homes. £500 million was allocated to LA's in the first phase through the Local Authority Delivery (LAD) scheme to phase out high carbon fossil fuel heating and deliver progress towards the UK's commitment to net zero by 2050. The scheme aims to raise the energy efficiency of low income and low energy performance homes (those with energy performance certificate (EPC) ratings of D, E, F or G), including off-gas grid homes.

The overall scheme is broken down into 4 distinct work streams:

- Sep 2020: LAD1a; aimed at public sector housing and fuel poor properties with and EPC rating at E/F/G
- Nov 2020; LAD1b, a follow-on scheme which allows Local Authorities a second chance to bid for funding, but the EPC banding increased to include properties at Band D
- Dec 2020: LAD2; Funding to improve fuel poor private sector properties
- Sep 2020: GHG Voucher: Private sector households that don't qualify for grant assistance will be able to claim voucher worth up to £5000 to redeem towards the cost of works

1.0.2 Local Context:

The KNH asset team consists of 1 energy officer and 1 recently appointed M&E surveyor, the focus of the team is to develop and deliver affordable warmth/fuel poverty programmes for council housing. Since the announcement of the GHG schemes the energy officer has been working with BEIS, the Energy Hub and Better Homes Yorkshire to better understand each stream and requirements of each bidding round. Despite the challenging timescales we have successfully bid for funding in the following streams:

Work Stream	Allocation £	Date of allocation	HRA Contribution £	Total scheme fund £	Deadline for spend
*LAD1a	**576k	Sep 20	472k	1.048m	Mar 21
*LAD1b	**1.57m	TBC end Jan	737k	2.307m	Sep 21
LAD2	**3.03m	Dec 20	TBC - GF	3.03m	Dec 21

*LAD1a/b programmes will be undertaken by Property Services, upskilling and accreditation is underway

**Each allocation includes a 10% contribution towards staffing and associated ancillary costs

Although allocations must be spent by the current deadline there are no penalties for underspend or recovery of staffing/ancillary contributions

Regionally our LAD2 bid forms part of the biggest LEP allocation:

Leeds:	£5.46m
Bradford:	£4.08m
Kirklees:	£3.03m
Wakefield:	£2.03m

Calderdale: £1.48m

Allocations are made on the overall size of the LA, overall number of households and properties deemed to be in fuel poverty based on 2018 LSOA fuel poverty sub regional statistics. LAD 2 funding is paid as S31 Grant in monthly instalments

A number of authorities within the Leeds City region have reported difficulties in pulling together a scheme within the restrictive timescales set by BEIS. Inaccurate data and lack of time to consult is creating barriers to delivery.

Some Authorities (with a majority of rural properties) have indicated they do not intend to draw down their allocation and improvement measures will vary between authorities, dependant on locality and archetype.

Given the challenging deadline for grant spend we carried out a desk top assessment of all properties in the Borough (using 2018 data) and identified wards with the highest percentage of fuel poverty based on properties with the worst SAP rating; we have discounted properties with a Band D rating and focussed on those with E/F/G:

Ward	Number of properties	Potential Carbon Savings tonnes
Greenhead	494	629.98
Newsome	483	386.48
Crosland Moor and Netherton	431	809.94
Dewsbury West	372	714.92
Total	1,780	2541.32 tonnes

Although we have established a priority list based on 2018 statistics we must visit each property to fully understand:

- The actual performance rating of the property – undertake EPC
- The household circumstance and eligibility for grant funding
- Application for home appreciation loan

The results of visits to each household will inform the actual programme of work and likelihood of spend against allocation, based on our grant allocation and assuming £10k average cost of works per property we could improve around 270 properties within current grant deadlines.

The Energy Hub will expect each LA to submit monthly return detailing progress. If spend is forecasted to fall short of the allocation the Hub will work with the LA to develop a recovery plan, if the recovery plan is not possible; remaining allocation will be diverted to another LA in the LEP area

1.0.3 Better Homes Yorkshire (BHY)

Better Homes Yorkshire is a joint programme managed by WYCA and The LEP, and it was created in 2015 to help residents across Yorkshire pay less for energy and live in healthier, warmer homes. It consists of 10 participating Local Authority areas and allows residents to take advantage of the latest Government funding options to make energy efficiency improvement works to their homes. The programme has improved over 3000 homes regionally and Kirklees have called off a number of programmes with the most recent being a PS energy improvement scheme at Hillhouse (Fartown)

BHY operates the supplier framework with contractors who are approved to draw down GHG funding, unfortunately the framework only consists of 1 approved supplier; Engie. LAD2 works

must be undertaken by an approved supplier to satisfy grant conditions namely MCS and PAS 2030 accreditation for installation QC.

Engie are currently reviewing our address list by carrying out desktop and drive by viewings to determine which qualifying works may be suitable based on archetype. Most allocated LA's are using the BHY framework so the demand on Engie is unprecedented; initial conversations with Engie, suggests that proposed improvement measures will be dictated by what can realistically be delivered within available timescales/supply chain

Proposed Mobilisation timescales:

Proposed programme from Engie:	14 th Feb `21
Programme review:	19 th Feb `21
Contractor agreement:	26 th Feb `21
Initial notice to households	1 st Mar `21
Surveys and visits to 1 st tranche	22 nd Mar `21
Works commencement 1 st tranche:	5 th April `21

1.0.4 Home Appreciation Loan (HAL)

The scheme has been launched relatively quickly amidst a global pandemic and without a national media campaign so many households aren't aware of the grant opportunity, the ongoing pandemic and increasing impact on already low household income may prevent the ability for households to find the money to fund their contribution towards the works costs if required. All properties in our programme fall into the worst 20% of LSOAs nationally (IMD 2019). PSR landlords may not have funds available to provide 33% statutory contribution as stipulated in LAD 2 rules.

We have been researching options in anticipation to support households that would benefit from nil cost funding option; Kirklees Council currently offer home appreciation loans (HAL) to support private sector households for:

- Adaptations
- Disrepair
- Energy Replacement Loan (ERL)

The scheme is administered by the Yorkshire and Humber Loan Service (YHLS) with staffing costs met by the Regional Housing Board (RHB). Having met with officers from the YHLS; there is an opportunity to use the existing HAL scheme by increasing the loan fund by £1m for use on loans offered to households on the LAD2 scheme. Any loans issued to owner occupiers will be secured as charge on the property

Loan interviews and applications must be completed by officers trained by YHLS to Financial Conduct Authority (FCA) standards and training can take around 1 week. The amount of loan will vary per household and depend on cost of works minus LAD2 grant

YHLS have confirmed there is a 3-month lead in to process loan applications given their existing workload, this effectively shortens the LAD2 grant deadline from December to September 2021

There is no charge from YHSL to administer the scheme on our behalf as RHB funding is expected to cover overhead costs until 2042. Loan officers are trained and regulated by YHSL free of charge although we would be expected to finance the cost of employing the resource. The HAL is offered as a % of the loan to value of the property. Interest is not charged on the ERL despite this being a repayment product, however payment default interest is charged at 4% above bank of England base rate on the outstanding amount.

The overall scheme is funded by General Fund capital expenditure of £4m and forms two parts. The first part is £3m and is an existing scheme that is funded by grants through BEIS for LAD2. The second part is for a further £1m to be funded by corporate borrowing. The £1m will support

loans to private individuals. These loans will follow the same process and administration as the existing regional HAL/ERL scheme administered by YHLS

2. Information required to take a decision

2.0.1 Issues to Consider:

LAD2 presents a great opportunity to support the private sector in accessing much needed grant to improve living conditions and reduce carbon emissions, the scheme allows the Council to build on the success of the Kirklees Warmzone scheme (2007-2011) and help more households out of fuel poverty.

Resources are scarce and the timescales for delivery and spend are extremely challenging, allocations are based on statistical data so the success of the scheme relies wholly on the ability to visit individual properties, undertake property and person assessments, make grant and loan applications, organise, plan and execute delivery around Covid restrictions

The GHG scheme is considered the first of many initiatives as part of the Governments 10-point plan for a green Industrial revolution (Nov 2020) backed by £12bn of investment. Future funding opportunities are anticipated to be offered with equally challenging timescales so It is prudent for the Council to establish a dedicated function to position ourselves in a better to respond to future opportunity

Existing supply chains are saturated as ongoing national demand and competition from LAs and the private sector is set to increase, the scheme therefore presents major opportunity for Kirklees Council to commence a major programme of upskilling, train, and establish a local workforce supported with specialist supplier and installers. We have commenced upskilling our direct workforce to PAS 2030 for the installation of renewables technologies

LAD1a/b are designated for improvements to Council owned housing whereas LAD2 is private sector funding. The asset team are managing 1a/b under a ring fenced arrangement which, under the rules of the HRA they are technically prevented from any involvement in providing services to the private sector however given the allocation and staffing contribution is issued as Section 31 Grant the Council is effectively funding the scheme and therefore there are no conflicts and compromise of the HRA ring fence. Grant funding includes an administration and staffing provision at 10% of the allocation (which will cover the employment of 2no G10 temporary project officers. LAD2 grant allocation is expected to be paid from March 21 and end in Dec 21 – we therefore expect 10 equal payments of circa £300k. Funding streams will be reviewed monthly to ensure forecasted spend is on target. Any under or overspend will adjusted the ongoing allocation in the month.

GHG was not launched or supported through a national media campaign, successful engagement with owner occupiers and landlords will rely on an intense and targeted promotional programme to ensure households are made fully aware of the opportunity and therefore engage with the delivery team.

A proposed LA backed partnership could provide a financial solution to private households wishing to take advantage of our new energy retrofit programme from 2022, this is crucially important as it allows householder access to major improvements delivered directly by the LA and avoids leaving streets with a pepper pot of improved and unimproved properties, furthermore it can potentially tackle the issues of a cold bridging between a party walls and deliver maximum benefit of improvements to the fabric of the building.



2.0.2 Risk/Mitigation/Benefit:

Item	Risk	Mitigation
1	Challenging Grant deadlines	Conclude recruitment and establish dedicated team to commence desktop review to identify 2 streams: owner occupier and landlords. Lock in supply chain, appoint and train HAL officers. Initial notices and request for households to register their interest. Mobilise site team for property surveys and establish remote consultation to reduce risk of vires spread. Continue to lobby BEIS/Energy Hub to extend existing deadline
2	Poor grant uptake	Targeted comms to all households in scheme, complete property assessment to illustrate potential benefits of improvement works; energy savings thermal quality improvements
2	Overwhelming demand on the single supplier framework	Place project order and lock in supply chain via Better Homes framework while developing our own accredited supplier framework through engagement of the DPS
3	Supplier led improvement programme fails to deliver maximum benefit	Review and gateway approval process to ensure the optimum mix of improvements required to achieve maximum potential energy performance target
4	Lead Officer Capacity	Consider the appointment of a 2 nd team leader to balance workload or the appointment of a G14 manager to oversee all energy related projects
5	Delays to consultation due to Covid	Remote engagement via Teams or skype – electronic signatures and video record of consultation
6	Delays to completion of improvement works due to Covid	Adopt existing safety systems of work and the use of related risk and method statements
7	GAP funding affordability	Establish HAL scheme and related SLA for assessment, approval and processing timescales
8	Reduction in grant allocation	Monthly progress review with Energy Hub to forward plan funding requirements and overall estimate spend
9	National/Global materials shortages and increased costs	Lock in supply chain and supply rates for the term of the project

3.0 Implications for the Council

3.0.1 Working with People

The proposal supports the place standard model and facilitates a better understanding of social exclusion faced by many private sector households. The improvement programme will deliver tangible benefit and overcome a number of inequalities realised through the impact of social deprivation and resulting fuel poverty

3.0.2 Working with Partners

A multi-agency approach is required for the delivery of the project, relationships internally and with external partners are key to success; the Council cannot deliver programmes on its own; partners will play a vital part in shaping delivering and successful outcomes

3.0.3 Place Based Working

As per 3.0.1

4.0.4 Climate Change and Air Quality

LAD2 supplements the Councils wider climate emergency response and could deliver major improvements in air quality by reducing over 2500 tonnes of carbon across 4 wards.

4.0.5 Improving outcomes for children

The proposal supports the councils corporate plan to establish clean, green and warm homes resulting in best the start for children. The improvements to homes will improve living conditions, reduce running costs and the risk of damp/condensation related illness

4.0 Other (eg Legal/Financial or Human Resources)

The grant is issued to the Council as S31 so effectively this is general Council capital funded scheme

The HAL is regulated by the FCA, each home-owner and mortgage lender will be fully consulted to ensure complete transparency, compliance to financial/legal standing orders is maintained at all times. Taking into account the proposal to establish a £1m HAL fund and the 10% contribution towards staffing and running cost, the HRA remains in-tact and un-affected by the proposal

Loan interviews and applications will be conducted and completed by approved and fully qualified officers under the supervision of YHLS

The scheme will be administered by the YHLS, related property legal charges and legal agreements will be processed through the existing arrangement with overhead costs covered.

Property charges will be assigned in accordance to the rules of the HAL detailing Kirklees Council as the beneficiary and loan repayments administered through YHLS

From 1.1.21 the council must comply with new Subsidy Control rules which replaces the EU State aid regime. It must also comply with its Financial Procedure and Contract Procedure rules when awarding any contracts for goods works and services, and comply with the Public Contracts Regulations 2015, for example, using only compliant framework agreements.

5.0 Resource requirements and costs:

The following costs are contained within the 10% contribution of the grant allocation; however posts maybe be at risk if we forecast an underspend and the monthly grant allocation reduces:

- £45,741 - £53,942: 1no G12 team leader or G14 Manager
- £39,736: 1no Project officer: G10 – temp monthly employment
- £39,736: 1no QLO: G10 – temp monthly employment

6.0 Consultees and their opinions

Outline options have been presented to SLT and responses and views have been considered and taken into account prior to finalising this report. We continue to consult with all stakeholders as we develop the programme ensuring feedback is used to shape delivery

7.0 Next steps and timelines

Procurement:	Feb 21
Recruitment:	Feb 21
Survey/consultation:	March 21
Delivery	April/May 21

8.0 Officer recommendations and reasons

Approve the proposal to proposal to establish a LA backed private sector energy improvement scheme and create a fund of £1m in the 1st instance to offer financial support through Home Appreciation Loans for qualifying households.

The proposed HAL offers the most cost-effective solution for householder and the Council:

Householder:

- Interest free loan without the pressure to repay within a restricted timescale
- Property improvements which will reduce energy costs and carbon footprint
- Capital growth and increased value

Kirklees Council:

- Allows Kirklees Council to support the private sector and tackle deprivation
- Carbon reduction while tackling fuel poverty across the Borough
- Ensuring good take up of allocated LAD2 grant funding
- Opportunity to develop the scheme into longer term solution for private sector householders to take advantage of future home improvement and retrofit schemes

9.0 Cabinet Portfolio Holder's recommendations

We need to tackle inefficient housing, across all sectors; improve thermal comfort to help all households to overcome fuel poverty and support communities where many future generations of Kirklees citizens can call a safe and warm home.

The proposals support the Councils strategic approach to housing through good innovation, quality and good design; we aim to meet overall housing need and tackle fuel poverty while place making.

10.0 Contact officer

Asad Bhatti: Head of Asset Management

Tel: 01484 221000 and ask for Asad Bhatti
Email: asad.bhatti@knh.org.uk

11.0 Background Papers and History of Decisions

12.0 Service Director responsible

Naz Parkar, Growth and Housing