

Lancaster City Council | Report Cover Sheet

Meeting	Individual Cabinet Member Decision	Date	25.08.2021
Title	Green Homes Grant - Local Authority Delivery Scheme		
Report of	Director for Communities and the Environment		
Purpose of Report			
<p>The report seeks Cabinet Member approval for Lancaster City Council to accept funding under the Green Homes Grant – Local Authority Delivery Scheme as part of an agreed framework which includes the 14 districts of Lancashire with Blackpool Borough Council as the lead authority and accountable body to draw down the funding.</p>			
Key Decision (Y/N)	N	Date of Notice	Exempt (Y/N)
			N

Report Summary

In July 2020, the government announced a £2 Billion Green Homes Grant scheme to upgrade homes across England. The Scheme sought to provide £1.5B funding for the Green Homes Grant Voucher Scheme and up to £500M funding to be allocated exclusively to local authorities through the Local Authority Delivery (LAD) Scheme. The Green Homes Grant scheme seeks to improve the energy efficiency of homes of low-income households to help reduce fuel poverty, work towards phasing out high carbon fossil fuel heating systems and contribute to achieving net zero.

The LAD scheme aims to raise the energy efficiency of low income households occupying the worst performing properties, originally classifying these as those rated at EPC ((Energy Performance Certificate) E F or G, but this was further relaxed to include EPC D rated properties.

The first programme LAD1A was launched in August 2020 making £200M available through a competitive bidding process which was under-subscribed, giving rise for LAD1B programme with bids to be submitted by 4th December 2020. LAD2 has allocated £300M through Local Energy Hubs direct to Local Authorities for regional delivery in 2021 and bids for the LAD3 competition closed on 4th August 2021.

In order for Lancaster City Council to position itself to take advantage of the opportunities presented, collaborative discussions have been taking place with other Lancashire authorities since August 2020. The report sets out the arrangements that are proposed to draw down the funding with Blackpool Council acting as lead authority and accountable body using an existing framework which was established in 2015 called CHiL (Cosy Homes in Lancashire).

The report seeks the necessary approval to allow Lancaster City Council to enter into the partnership agreements required to participate in the scheme and obtain the necessary delegations.

Recommendations of the Director for Communities and the Environment

- (1) That the Cabinet Member for Housing endorses Lancaster City Council's participation in the Green Homes Grant LAD scheme through an existing Lancashire framework as set out in the report and any continued funding through future LAD programmes
- (2) That the Director for Communities and the Environment be authorised to sign off all relevant documentation that allows the funding to be accepted and contract entered into for the CHiL (Cosy Homes in Lancashire) partnership
- (3) Up to £100K be allocated from the Housing Revenue Account Capital Programme to provide the necessary match funding for measures to qualifying council housing stock.
- (4) The Chief Financial Officer be authorised to update the Housing Revenue Account Capital Programme accordingly.

Relationship to Policy Framework

Corporate Priorities – Happy and Healthy Communities and a Sustainable District.

Homes Strategy 2020 – 25 which sets out the key housing priorities for Lancaster district including the retrofitting of existing housing stock to contribute towards achieving net zero as well as increasing the energy efficiency of the council's existing council housing stock.

Conclusion of Impact Assessment(s) where applicable

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

The proposals set out in the report should not have any adverse impacts and should have a number of positive benefits including climate change mitigation and wellbeing and social value through combatting fuel poverty.

Details of Consultation

A series of consultation has taken place on the Homes Strategy during the period of 8th December until 15th February. Lancaster City Council has engaged extensively with other Lancashire local authorities and with other Registered Provider partners to raise awareness and to identify qualifying properties. More extensive consultation will take place with occupants of qualifying properties should this report be approved.

Legal Implications

The Council will need to satisfy itself with regards to issues of procurement, UK subsidy control and its own contract procedure rules. The Council's Legal Services department will need to be involved in any partnership agreement made in connection with the LAD programme.

Financial Implications

The HRA capital programme for 2021/22 includes £289,000 for Energy Efficiency Improvements. Of this, up to £100,000 is available for use as the landlord contribution required in order for the LAD-1B funding to be accessed, via Blackpool Council's CHiL scheme.

The accounting treatment and any further financial implications will need to be explored and reported back, once the relevant documentation is made available. Details of the partnership mechanism are not yet available, so cannot be commented on at this stage.

Other Resource or Risk Implications

A landlord contribution of a third of the cost of measures is required, and this has been factored into the HRA budget setting process approved by the council which will allow necessary contributions for an agreed number of properties already identified. After measures are completed in council properties, Rhea Projects will invoice the council (normally at two weekly intervals) for the landlord contribution to be paid.

Blackpool Council has sought specialist legal advice on the LAD programmes and impacts of subsidy control. A copy of the advice is attached at Appendix 6 which concludes that with appropriate planning the schemes can be delivered comfortably within subsidy control.

Section 151 Officer's Comments

The Section 151 officer has not had the opportunity to fully consider this report but based on discussion with Housing Officers, he has no additional comments to make at this stage.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments to add.

Contact Officer	Kathy Beaton
Tel	Tel: 01524 582724
Email	KBeaton@lancaster.gov.uk

Links to Background Papers

--

1.0 Introduction

- 1.1 In July 2020, the government announced a £2 Billion Green Homes Grant scheme to upgrade homes across England. The Scheme sought to provide £1.5B funding for the Green Homes Grant Voucher Scheme and up to £500M funding to be allocated exclusively to local authorities through the Local Authority Delivery (LAD) Scheme. The Green Homes Grant scheme seeks to improve the energy efficiency of homes of low-income households to help reduce fuel poverty, work towards phasing out high carbon fossil fuel heating systems and contribute to achieving net zero.
- 1.2 The LAD scheme aims to raise the energy efficiency of low income households occupying the worst performing properties, originally classifying these as those rated at EPC E F or G, but this was further relaxed to include EPC D rated properties. The amount of grant per property has been broadly the same across the various programmes including the voucher scheme which provides up to £10K for qualifying homeowners and for tenanted properties, an average subsidy of £5K per property is assumed with one third contribution required from the landlord. The LAD scheme is aimed at households occupying qualifying properties with an income of £30K or less. The qualifying measures for properties include solid wall insulation, underfloor insulation, cavity, loft and room in roof insulation, solar thermal, solar PV, air source heat pumps, single glazed window upgrades and external door improvements. The funding does not include gas boiler replacements.

2.0 LAD Programmes

- 2.1 The first programme LAD1A was launched in August 2020 making £200M available through a competitive bidding process. Lancaster City Council was unable to meet the programme requirements as the minimum bid was £500K and it was not achievable to deliver within the required timescales. However, through established links with other Local Authorities in Lancashire, there was an appetite to consider a consortia bid for future LAD programmes, giving rise to funding being awarded through future programmes as set out below:-

2.2 Table 1 – Summary of LAD funding secured

Programme	Bid Submitted?	Amount of funding	Deadline for measures
LAD1A	No	N/A	N/A
LAD1B – consortia bid made:- Lancaster/Preston/Blackpool/Burnley/West Lancashire	Yes Consortia bid made:- Lancaster/Preston/Blackpool/Burnley/West Lancashire	£2M	End September 2021
LAD 2	Direct Award - Lancashire wide	£11.6M	End December 2021
LAD3	Bid pending – Lancashire wide	£17M	End March 2023

3.0 CHiL Partnership

- 3.1 The delivery mechanism proposed is the existing CHiL framework, which was approved by Lancashire Chief Executives in 2014 and set up in 2015 with Blackpool Council as the lead authority and accountable body and Rhea Projects as the delivery agent. The CHiL scheme was initially set up to leverage in Warm Homes Funding, and over £10M funding has allowed more than 10,500 residents to save money through energy saving advice and measures. Measures previously undertaken include loft insulation, boiler replacement and first-time central heating installation.
- 3.5 The original CHiL contract was re-tendered by Blackpool Council in 2018 and contract re-awarded to Rhea Projects. The framework has recently been reviewed by Blackpool Council's Procurement Team to ensure it complies with funding and procurement requirements for the Green Homes Grant LAD scheme and a variation to the contract has been made to take account of this. The biggest advantage of using the CHiL framework is that it negates the need for Local Authorities to undertake separate procurement and tendering exercises with greater potential to generate efficiencies, particularly in view of the challenging timescales to install the measures. Whilst a number of contractors are already included within the existing framework, a selection process through a panel of Local Authority Energy Officers, an independent consultant and Rhea Projects has been carried out to take account of the new Green Homes Grant measures to identify the most suitable suppliers, manufacturers and trained installers. Whilst it is noted that this provides limited opportunities for each Local Authority to create a local workforce in every area, the restrictive timescales for the funding do not allow for this. However, going forward and if the funding continues, each council will be at liberty to review the effectiveness of the scheme to explore future options and delivery mechanisms.
- 3.6 It should also be noted that in order to increase the officer capacity to make the LAD scheme a success across tenures, a new full time temporary post has been created by Lancaster City Council. The new post of Retrofit Technical Officer has been created within the Home Improvement Agency and will work alongside other staff to identify opportunities to install measures in qualifying properties offering a more holistic service to vulnerable households as well as targeting other poorly performing properties. Green Rose CIC has also expressed an interest in collaborative working to identify qualifying households as part of the free home energy advice service they set up in early 2020, and their existing Retrofit Assessor (now trained as a Retrofit Coordinator) is being sub-contracted by Rhea Projects to undertake the initial assessment of qualifying properties and to recommend which measures are suitable.

5.0 Targeting of Properties

- 5.1 All Local Authorities published press releases to formally launch the Green Homes Grant LAD Scheme in March this year and Rhea Projects is

periodically sending mail shots to qualifying households to all districts in Lancashire targeting the worst performing properties. As a stock retaining council, Lancaster City Council's initial focus when LAD1B funding was secured was to target the worst performing council housing stock. Whilst a landlord contribution of a third of the cost of measures is required, as Lancaster City Council has already set a target for all council housing to achieve a minimum of EPC C by 2030 (with assumed costs in the HRA Business Plan), budget savings can be achieved utilising the LAD funding.

5.2 Table 2 below sets out the properties in Lancaster district with EPC's registered by ward. This data will form the basis of the targeting marketing.

Table 2 – EPC ratings by Ward

Current EPC Rating Wards								Grand Total
	A	B	C	D	E	F	G	
Bare		46	415	1100	497	103	43	2204
Bolton & Slyne	3	117	301	940	440	101	21	1923
Bulk	2	676	1039	1076	458	95	28	3374
Carnforth & Millhead	3	152	493	866	308	82	24	1928
Castle	2	304	694	660	352	74	25	2111
Ellel	7	175	220	435	312	190	54	1393
Halton-with-Aughton	10	137	202	243	144	51	8	795
Harbour		122	719	1468	944	324	183	3760
Heysham Central		50	350	689	331	58	19	1497
Heysham North		80	392	935	681	184	95	2367
Heysham South	2	217	836	777	272	71	18	2193
John O'Gaunt		88	451	1231	508	101	22	2401
Kellet		58	149	227	129	80	28	671
Lower Lune Valley	4	98	276	456	260	153	50	1297
Marsh	8	547	512	686	239	54	17	2063
Overton	2	15	111	279	171	54	24	656
Poulton		132	653	977	675	237	149	2823
Scotforth East	2	51	411	541	164	29	8	1206
Scotforth West	2	128	600	1055	491	80	31	2387
Silverdale	2	34	106	236	135	66	19	598

Skerton East		95	631	1226	443	103	29	2527
Skerton West		52	1163	1098	302	42	12	2669
Torrisholme		18	241	655	267	52	11	1244
University & Scotforth Rural		245	35	56	122	20	15	493
Upper Lune Valley	1	18	124	239	200	95	38	715
Warton		14	146	243	112	46	18	579
Westgate	1	159	805	1208	362	62	25	2622
Unknown		11	6	5	2	2		26
Grand Total	51	3839	12081	19607	9321	2609	1014	48522

6.0 Next Steps

- 6.1 Despite the fact that the CHiL scheme has been operational across Lancashire since 2015, a number of councils have not entered into the partnership agreement, which was reviewed in 2018 when the service was re-tendered. Rhea Projects require all local authority partners to sign the agreement which is attached at **Appendix 1**.
- 6.2 The original CHiL partnership agreement is a zero value contract. Rhea Projects were procured by Blackpool Council to act as a managing agent to generate external funding to undertake energy efficiency measures on qualifying properties on behalf of Lancashire authorities. The original contract gives Rhea Projects authority to work across the county with the knowledge and support of local authorities and they have successfully delivered measures under the Warm Homes Scheme and using Eco Funding. A variation to the existing contract is currently being dealt with through Blackpool council's Legal and Procurement Teams and will be issued to all districts for sign off in due course. Although there appears no intention for each Lancashire authority to be allocated a specific amount of funding under LAD2, if it is split equally across the 14 district councils, the value is circa £700K per local authority. Should the report be approved, it will provide the necessary scheme of delegation to allow Director Sign off and the updated CHiL contract to be entered into by Lancaster City Council.

7.0 Options and Options Analysis (including risk assessment)

Option 1: Approve the report and proceed with participation in the LAD programmes through the CHiL framework.

Advantages: It makes good use of government funding to tackle the worst performing housing in Lancaster district across tenures. It directly contributes to climate change targets as identified in the Homes Strategy. It achieves financial savings for the council in maintaining and improving its own council housing stock. Occupiers of properties will not have to make a financial contribution. It will complement the work undertaken through the Home Improvement Agency. It allows Registered Providers to participate in the scheme. It can be used as an incentive to work positively with private sector landlords and those who would otherwise be facing enforcement action.

Disadvantages: Does have some impact on existing staff resources and requires a dedicated officer post to effectively target and refer suitable properties. Whilst the funding has been identified for the next 12 months, this will need to be reviewed in order for the post to continue with no guarantee that external funding can be drawn down for this.

Risks: There could be some reputational risk if problems arise with the installation of measures but these should be managed through the Retrofit Co-ordinator and by contractors having Trustmark accreditation. Rhea projects have already built into the framework a quality checking process for new and existing contractors.

Option 2: Do not participate in the LAD programmes through the CHiL framework.

Advantages: No financial commitment at this point, risk or impact on staff resources.

Disadvantages: The council has already set itself a target for bringing all council owned properties up to EPC C by 2030 and there will be no financial savings made to achieve this.

Risks: Loss of opportunity and reputational risk when nationally, other councils are taking advantage of this funding.

8. Officer Preferred Option (and comments)

- 8.1 The officer preferred option is Option 1. Tackling climate change is a key priority, and the scheme allows the council to participate in the LAD programmes, albeit with some additional financial implications but which can be met within existing budgets and will allow the positive benefits and already achieved through CHiL to broaden the measures and directly align to meeting carbon reduction targets.