

Executive Member: Cllr Myers

14 November 2022

Report of the Assistant Director – Policy, Partnerships and Communities

Request to bid for Home Upgrade Grant Phase 2

1.0 Purpose of Report

- 1.1 To explain the Home Upgrade Grant Phase 2 (HUG2) application process
- 1.2 To indicate the bidding and proposed delivery process
- 1.3 To request approval to submit an outline application.

2.0 Key Background Information

- 2.1 This grant from BEIS is one of a series of funding opportunities to support public and private sector housing to install energy efficiency and low carbon heating interventions.
 - Local Authority Delivery Grant (LAD)
 - Social Housing Decarbonisation Fund
 - Home Upgrade Grant (HUG)
 - Sustainable Warmth (bringing together LAD and HUG)
 - Energy Company Obligation
 - Green Heat Networks Fund
- 2.2 NYCC has previously accepted 2 year Sustainable Warmth Competition Funding and this programme is currently being delivered as the North Yorkshire Efficiency Fund until March 23. This consortium is led by NYCC Public Health and includes Scarborough, Ryedale and Hambleton Districts.
- 2.3 City of York manage a consortium for similar funding which includes Harrogate, Craven and Selby Councils. Richmondshire District is not included in either consortium. It is worth noting that no bids to the Social Housing Fund are being made by North Yorkshire local authorities.

3.0 Home Upgrade Grant Phase 2

- 3.1 This funding programme was announced 29.09.22 with a bid submission date of 18.11.22
- 3.2 It is funding for local authorities to improve the energy performance and heating systems of off gas grid private sector homes until March 2025 through energy efficiency upgrades and low carbon heating. In practice this is predominantly for rural dwellings and park homes. To be eligible, residents
 - are low income households (<£31Kp.a)
 - are off the mains gas grid
 - dwellings have an Energy Performance Certificate (EPC) between D and G
- 3.3 Local authorities apply for the funding and can use it to install energy efficiency measures and low carbon heating to eligible homes in their area. Measures could include for example home insulation with an air source heat pump if suitable. Upgrades are tailored to individual homes so that the most appropriate measures are installed. Homeowners on a low income do not contribute to the cost of upgrades. Private rented properties are eligible although landlords must contribute at least a third of the total cost of the upgrade.

3.4 There are 3 stages during the application process outlined below.

i. Outline application stage

Local authorities will be asked about:

- the size of their project
- commercial and delivery assurance
- how they plan to target and verify low income households

ii. Delivery assurance check

Local authorities will be asked to provide evidence on their resourcing and procurement progress to show they have contractors in place to begin delivery and can also revise project delivery forecasts and project plans.

iii. Batch application stage repeated throughout the 2 year delivery window – April 2023 to March 2025 , with funding released in batches subject to need and identification of specific intervention measures (such as insulation, solar PV etc). Each property is assessed and a design created to outline the recommended interventions, known as ‘measures’.

Local authorities will be asked to submit:

- housing stock data on homes surveyed
- the mix of energy efficiency measures and clean heat measures they intend to install
- the upgrade costs for the batch of homes, including the cost of measures to be installed.
- Planning permissions where this is required.

In addition to these ‘capital’ payments, there are ‘up front’ pre-mobilisation payments and ‘administration and ancillary’ revenue throughout the programme to support effective delivery set up and marketing.

3.3 There are 2 submission windows; 18 November ‘22 and 27 January ‘23. It is highly recommended to apply to the first deadline as funding may be fully allocated by the January date.

4.0 Housing Retrofit

4.1 Domestic housing is one of North Yorkshire’s highest carbon emission sectors with an estimated 19% of the total. The York and North Yorkshire Routemap to Carbon Negative (‘The Routemap’) identifies improvements to home energy efficiency and low carbon heating as a priority to meet our ambitions to be a carbon negative region by 2040.

4.2 Improving home energy efficiency also has many ‘co benefits’ including improved health outcomes from warmer homes, reducing fuel poverty and supporting low income residents to switch to low carbon heating. Investment spend in this geographic area will provide economic boost to local supply chains as part of the transition to the low carbon economy.

4.3 To date, Local Authorities in York and North Yorkshire have been reacting to various Government grant programmes. However, Officers are now seeking a more proactive and planned approach to housing retrofit over a much longer time period. (This was outlined in a recent report to the LGR Housing Workstream and is an action in the Routemap.) This will allow a stronger partnership with local suppliers and skills providers to ensure improved delivery and economic co benefits to York and North Yorkshire. It is also planned to support ‘able to pay’ residents to have improved access to information and resources for domestic retrofit through this proactive approach and work on a ‘one stop shop’ to provide this is ongoing.

- 4.4 The proposed bid application is broadly in line with the Rural Commission's recommendations on rural housing and energy transition. It will support delivery of the Rural Task Force action plan and some of the planned activities in this area, especially in relation to general housing affordability, energy efficiency within the housing stock and interventions to reduce fuel poverty and offset the effects of the cost of living crisis. If successful, it could comfortably form part of the programme of planned housing actions to be incorporated within the new Housing Strategy.
- 4.5 The timescale for HUG2 is extremely challenging given LGR and the current housing retrofit delivery between 9 local authorities via NYCC Public Health and City of York and District Authority Housing Departments. However, Officers have been working across the authorities in a 'Task and Finish' group convened by NYCC and pooling resources with additional input from Climate Change, Procurement colleagues and with specialist input from Align Property Services to enable capacity to develop the approach for the HUG2 bid. All Districts are represented.
- 5.0 The NYCC HUG2 bid**
- 5.1 The bid content is currently being prepared for submission on 18.11.22. Scarborough Borough Council are leading this process for the T&F group. Due to the complexity of information required, it is anticipated that Officers will be making amendments to the draft up to that submission date. Delegated authority to make final amendments to the bid is therefore sought for the Corporate Director Strategic Resources.
- 5.2 The delivery of the HUG2 programme, presuming the bid is successful, will sit within the Housing Department of the new North Yorkshire Council from April 2023. Due to LGR transition, it was agreed that NYCC will make the submission as the continuing authority and with the procurement expertise from the previous Sustainable Warmth programme. The lead department for the purposes of making the application is Policy and Partnerships, as this currently includes the Climate Change portfolio.
- 5.3 Delivery of the HUG2 programme will be via the Sustainable Warmth Project Board, currently delivering the Sustainable Warmth programme, that will be expanded to include new programme funding. This will include Finance, Legal, Health and Safety support and a request for additional Programme Management support from Technology and Change has been made and will be vital to provide efficient programme management.
- 5.4 The bid comprises
- 5.4.1 One bid including all 'off mains gas' locations in North Yorkshire. This includes properties heated with LPG.
- 5.4.2 Collaboration with City of York was discussed. However as there is insufficient time to fully develop this approach, it is not proposed for this bid.
- 5.4.3 The Local Area Energy Plan (commissioned as part of the Community Renewal Funding Energy Package) will support identification of 'off gas' properties and this will be overlaid with EPC data and income / affordable warmth data to highlight priority areas and eligibility.
- 5.4.4 Up to 800 homes are proposed to be included. This would result in a bid fund of £14,400,000 with an additional 15% for administration and ancillaries, of £2.160,000 and consequent £16,560,000 bid. This is at the higher end of anticipated delivery possibility and subject to further clarification with the T&F group prior to final decision. (See risks section below).

- 5.4.5 It is recommended to bid to the first deadline of 18.11.22 as the advice is that funding will be allocated at this time.
- 5.4.6 If successful, terms and conditions acceptance is anticipated in early January 2023. There is potential for 'advance funding' to be provided from February 2023 by BEIS to support mobilisation.
- 5.4.7 Programme support funding is then allocated to enable the administrative processes to start and 'batches' of housing measures to be developed for the first tranche of capital funding
- 5.4.8 Programme delivery is over two years, to March 2025.

- 5.5 Procurement of the supplier will be started 'at risk', prior to the grant being approved. This is a complex process for a tender of this size. A sub group of the T&F group has been formed to support the procurement process and colleagues from the Procurement Service are providing valuable advice and feedback from the Sustainable Warmth programme.

- 5.6 The potential to widen the procurement tender to include 'able to pay' residents has been considered. At this stage, it has been agreed that this is not a practicable option due to the capacity and complexity of the procurement. However, it is considered as a future option as outlined in 4.3 above.

6.0 Risks

- 6.1 A project of this size and complexity does present risk for the Council. However, previous experience of delivery housing retrofit projects has highlighted areas which require input to mitigate. These include:
 - i. **Procurement** – the timescale to procure a supplier to administer and deliver the programme is limited to ensure mobilisation is achieved by April 2023. The bid does not require specific measures or interventions to be identified at this point as it is a 'challenge fund'. Consequently, drawing up a detailed specification has not yet been completed. However, information is being gathered by the T&F group on EPC ratings and recommendations throughout North Yorkshire and a sub group has been formed to take forward the procurement specification. The Procurement service will be instrumental in this process and the experience of the procurement team and a sub group of the T&F group will mitigate this risk. Previous measures included in the current Sustainable Warmth programme and data from the 'Hitting Hard' study (a Community Renewal Funded study into 'hard to heat' stone homes and Victorian terraces) will also support the identification of measures.
 - ii. **Capacity** – The delivery process is complex and relatively new area of work for North Yorkshire local authorities. We have pooled knowledge and resources across a number of departments and authorities to develop the bid approach and taken advantage of the BEIS Home Upgrade Hub which provides resources and support to self assess the application and delivery process. It is anticipated that the Housing department will deliver the bid based on that process and utilising the existing Sustainable Warmth Project Board. Colleagues from Health and Safety and Finance have been asked to join the group and support from Programme Management support has also been requested. 15% of the bid amount can be claimed to support 'administration and ancillaries' and this is likely to be split between the contract management (likely to be Align Property Services) and the supplier, which relieves some of the burden on the LA in terms of ensuring the programme is on track and making financial claims. Overall project management remains challenging for the Council and it is therefore recommended that a new post, funded from the

administration funding, be created to support not only this programme but also the wider housing retrofit body of work as outlined in 4.3 above.

- iii. **Financial** – If successful, the ‘acceptance of grant offer’ will ensure that the terms and conditions of the grant are acceptable. The funding would be claimed by NYCC on completion of each of the approved ‘batches’ with an upfront 10% payment to support the design costs. This will then be paid to the supplier. Consequently there is no financial cost required by NYCC to this scheme. Where the grant per property is insufficient to cover the entire cost of the intervention, a ‘fabric first’ approach will be taken and energy efficiency measures are prioritised. The design of the interventions will be given to the householder so that they have the professional advice required to take any further measures independently.
- iv. **Rurality** – the cost and timescale for delivering the programme in a rural area, particularly in protected landscapes, is challenging due the additional transport costs for suppliers and increase in individual design costs associated with listed buildings or those in conservation areas. The HUG programme is designed to support this additional cost with a higher average property grant rate than previous schemes. These are deemed ‘hard to treat’ properties and will be allocated a higher design fee (although the grant cost per property is not increased as a result.).
- v. **Delivery timescale** – Retrofit of buildings is experiencing over-stretched supply chains with high demand and a growing but still limited skill base. A market engagement exercise has been undertaken and assurance received that there is capacity to deliver this programme. As many of the properties will be ‘hard to treat’ we are working closely with planning departments to ensure that development control and listed building requirements are clearly understood and timescales around planning applications outlined to the supplier. Marketing the programme to ensure uptake will be the responsibility of the supplier but support from NYCC Communications team and a network of referral agencies such as Citizens Advice Energy Ambassadors will also support the demand for measures. Identification of delivery issues that have arisen from previous programmes will support programme design to ensure effective delivery. It will be important that NYC meets the outputs and expenditure targets to support future housing retrofit bids. Building capacity within NYC as outlined above will support this.
- vi. **Reputational** - During this unprecedented cost of living crisis and with a great emphasis on climate change, it is important that NYCC is able to support residents, particularly those on lower incomes, to transition to the low carbon economy. Without HUG2 funding, there will be no access to alternative funding mechanisms for housing retrofit for some time.

7.0 Financial Implications

- 7.1 There is no requirement for match funding for this application. Financial Services support will be required to support the management of claims to BEIS and to ensure NYCC financial procedures are followed.

8.0 Legal Implications

- 8.1 There are no specific legal implications in this report. However, Legal Services support will be required in the procurement and contract management stages of the process.

9.0 Climate Change Implications

- 9.1 The bid will support NYCC climate change ambitions as outlined in 4.1 above.

10.0 Equalities Implications

10.1 There are no specific equality implications in this report. The HUG2 programme will support residents on lower incomes and in energy efficient housing to make the transition to the low carbon economy.

11.0 Conclusion

11.1 Although the process of the HUG2 application is both complex and challenging, Officers from across departments and authorities have prioritised this work, recognising the significant impacts improved energy efficient and low carbon housing will have on resident's lives.

11.2 Domestic housing retrofit will be an area of growth for North Yorkshire Council as it delivers public sector housing from April 23. In addition, knowledge of the technology and market along with improved delivery techniques develops with every iteration of energy efficiency programmes and this process will continue over time.

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| <p>12.0 Recommendation</p> <p>12.1 That the Executive Member for Housing approves the request to submit the HUG2 bid by the 18th November deadline.</p> <p>12.2 That authority is delegated to the Corporate Director of Strategic Resources regarding the final draft of the bid document.</p> |
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Date – 14th November 2022

Background papers relied upon in the preparation of this report: Draft HUG2 Application
For further information contact the author of the report

Key Implications

Local Member

If any particular Ward(s) are affected, state these. If none, say none.
It could be that it is an issue that affects all Wards. In which case tick box

All