

## The North Yorkshire Council

### Executive

7 January 2025

#### Acceptance of funding from DESNZ for Warm Homes Local Fund

#### Report of the Corporate Director Community Development

### 1.0 PURPOSE OF REPORT

- 1.1 To recommend that the Executive authorises the acceptance of external grant funding of up to £9.5m per annum for a maximum of three years from The Warm Homes: Local Grant to upgrade privately owned houses for low-income households.

### 2.0 SUMMARY

- 2.1 This report sets out the background and information about 'The Warm Homes: Local Grant' (WHLG), the maximum funding that will be allocated by the Department of Energy Security and Net Zero (DESNZ), and considers the legal, financial, and other implications of accepting the funding.

### 3.0 BACKGROUND

- 3.1 In its manifesto, the Government committed to a Warm Homes Plan to upgrade five million homes over the next 3 years to cut bills for families and deliver warmer homes to slash fuel poverty.
- 3.2 As a key part of the Warm Homes Plan, the Government has committed to partnering with combined authorities, local and devolved governments to deliver insulation measures and other improvements such as solar panels, batteries, and low carbon heating to cut bills for families, slash fuel poverty, and reduce carbon emissions in support of the net zero 2050 target.
- 3.3 The Council submitted an expression of interest for the WHLG on 29 November 2024, following the approval to apply [Decision - Proposal to submit Expression of Interest \(EOI\) for Warm Homes Local Fund | North Yorkshire Council](#). Unlike the funding available for social housing (WHF: Social Grant), the Council is not required to contribute any match funding.
- 3.4 All eligible Local Authorities (LAs) in England who completed an EOI form will be allocated funding to some degree. Based on lessons learnt from previous LA delivered fuel poverty schemes, DESNZ will anchor funding allocations to previous delivery to ensure that the funding allocations are deliverable.

## 4.0 ISSUES

- 4.1 North Yorkshire has declared a climate emergency. Emissions from domestic properties are one of the highest emitting sectors – 19% of all emissions.
- 4.2 The WHLG will provide grants for energy performance upgrades and low carbon heating to low-income households living in the worst quality, privately owned homes.
- 4.3 The Council has a history of delivering energy performance measures through a range of government-funded initiatives such as Local Authority Delivery (LAD) and Home Upgrade Grants (HUG). The most recent initiative, HUG2, has been running since April 2023 and is due to complete by the end of March 2025. The Council has been one of the highest performing councils in the delivery of this grant and has to date carried out measures to 231 households with a total spend of £4.4m.
- 4.4 Each LA was asked to show their best six months on previous delivery schemes such as LAD or HUG. This information was to be used as a basis for checking that the allocated funding is deliverable based on previous performance. DESNZ will scale all funding requests to meet the overall funding allocation for each financial year.
- 4.5 To determine the scale of the funding request, the Council consulted with Turner & Townsend, the Retrofit Information, Support and Expertise (RISE) support service, which is funded by DESNZ, to support local authorities in their applications to relevant government-funded retrofit programmes. The Expression of Interest (EOI) was based on the previous performance of HUG2 and Sustainable Warmth projects.
- 4.6 Previously, pre-Local Government Reorganisation (LGR), on-gas schemes were delivered by two consortiums: one led by North Yorkshire County Council (NYCC) with Scarborough, Ryedale, and Hambleton, and the other led by York City Council for the remainder of the county. The NYCC-led consortium successfully completed 266 installations in six months. Considering this, and our knowledge of supply chain availability, our submission was based on a target of 540 households per annum.
- 4.7 At the point of submission of the EOI clarity had been sought in relation to the household cap. The report requesting permission to submit the EOI therefore detailed the maximum amount the Council could receive (£8.2m each year to deliver capital works, plus up to an additional £1.3m for Administration & Ancillary (A&A) costs to support delivery). The total maximum grant was therefore £9.5m per year for the next three years. The programme will include the installation of insulation measures, air source heat pumps and Solar Photovoltaics (PV).
- 4.8 Grant recipients will be informed of their funding allocation in early 2025, following the assessment and approval of the EOI funding requests in December 2024. Mobilisation and Delivery Guidance will be published in early 2025, with the project expected to commence in April 2025. The final Memorandum of Understanding (MoU) is anticipated to be issued in winter 2024/25, and LAs will have up to 4 weeks to sign and return it. On the condition that DESNZ provides explicit written permission, the Council can also exceed the originally agreed grant spend by up to

50% under the provisions of this MOU, if delivery performance is in line with or exceeding delivery forecasts and there is funding available. However, any underspend must be returned to DESNZ.

- 4.9 The timeline for returning the MoU does not align with the Council's usual decision-making and approval processes. Therefore, this report seeks agreement to accept funding up to the maximum potential amount, in anticipation of the grant award and also to exceed grant spend by up to 50% under the provisions of the MoU with authority delegated to the Corporate Director Resources, in consultation with the Corporate Director Community Development, Executive Member for Resources and Finance and Executive Member for Culture, Arts and Housing to accept the final grant award allocation.
- 4.10 The mobilisation period will begin once the MoU is returned, during this period, LAs should set up their projects for delivery. This includes resourcing internal teams, procuring delivery partners and installers, resourcing a retrofit team, commencing the search for eligible households, and conducting retrofit assessments to prepare households for retrofits. Following the success of our HUG2 project, we already have a list of eligible residents, giving us a strong pipeline of homes, and an advantage in terms of mobilising delivery, which can commence from April 2025.

## **5.0 DELIVERY OF WARM HOMES: LOCAL FUND PROGRAMME**

- 5.1 The programme will be delivered by the Housing Service, sponsored by the Head of Housing Renewal. Our Healthy and Sustainable Homes team will make up part of the delivery team, with support from our Climate Change Business Partner alongside a NYC project manager and business support. The team will handle project oversight, customer liaison and organise events. Our energy advisors will assist with gathering eligibility evidence for our most vulnerable residents and will also offer support with switching energy suppliers, resolving supplier issues and aftercare advice/support with the effective use of air source heat pumps and solar panels following installation.
- 5.2 The technical element of the project will be delivered by Align Property Partners (APP). APP have successfully supported the Healthy and Sustainable Homes team with the delivery of the current HUG2 scheme and worked previously to support our consortiums with several other energy efficiency initiatives. APP are currently setting up a framework of installers for delivery of the measures (ensuring a compliant route to market) and will also provide the necessary technical expertise, retrofit survey, design and coordination, contractor management, and supply chain strengthening.
- 5.3 The programme will rely heavily on marketing, which will need to be targeted with key messaging. RISE will provide an updated data set to enable us to better target properties across North Yorkshire. The Council will provide resident engagement and marketing. While most of the contact is anticipated to be via a web-based form, there may be an increase in calls to our customer contact centre following targeted marketing activities. A suitable database will need to be in place to provide case management.

- 5.4 Strong links with our planning teams, including colleagues at North York Moors National Park, will be essential to provide advice and support regarding permitted development and full planning requirements.
- 5.5 DESNZ will continue to provide a free technical assistance facility for LAs interested in participating in the Warm Homes: Local Grant, through RISE, which we will be leveraging to our advantage.

## **6.0 CONSULTATION**

- 6.1 Internal consultation has taken place through the Retrofit Management Meeting, which is a cross-directorate group to ensure officer engagement.

## **7.0 CONTRIBUTION TO COUNCIL PRIORITIES**

- 7.1 The project supports the following priorities from the Council Plan

### **7.1.1 Place and Environment**

A clean, environmentally sustainable, and attractive place to live, work and visit.

Good quality, affordable, and sustainable housing that meets the needs of our communities.

Help ensure that people have a decent home to live in that facilitates their health and wellbeing.

To encourage and support future work around decarbonisation and the retrofit of homes.

### **7.1.2 Economy**

Economically sustainable growth that enables people and places to prosper - to ensure that skills meet the needs of both existing and emerging industries including cyber, agriculture and bioeconomy, creative sector and low carbon sectors.

- 7.2 The work contributes to the North Yorkshire Council Climate Change Strategy: Mitigation – reducing North Yorkshire’s emissions - A low energy and low carbon-built environment powered by local renewable energy and also supports the wider work of the York and North Yorkshire Combined Authority and the development of their retro fit strategy.

## **8.0 ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 Not to bid: this was rejected as the WHLG supports the decarbonisation of the private sector housing stock whilst supporting us to alleviate fuel poverty within our most vulnerable households.

- 8.2 The alternative option is to not accept the funding, which would result in a loss of investment in energy efficiency installations to circa 1,620 private sector households in North Yorkshire and loss of significant funds into the local economy.
- 8.3 To bid as part of a consortium: this was rejected due to the scale of the project and the different delivery model of our neighbouring authorities which would remove our ability to retain full oversight and control of the project in the local area.
- 8.4 To request more funding: This was rejected. Although our work with DESNZ consultants suggested the potential to deliver to a slightly higher number of households, the complexities of the project should not be underestimated, and our data and knowledge of previous projects suggests that delivery to circa 540 households per year is a realistic projection in terms of delivery.

## **9.0 FINANCIAL IMPLICATIONS**

- 9.1 All eligible LAs that completed an EOI form by the deadline will receive some level of funding. No match funding is required by the Council and there is no call on the Council's budget, other than staff time.
- 9.2 LAs will receive an upfront payment at the start of each financial year of the Grant, consisting of up to 20% of the Grant allocation for that year (circa £1.5m). This upfront payment includes the 15% Administration & Ancillary (A&A) allocation for that financial year, with the remaining 5% allocated for capital funding. A&A refers to the use of the Grant to fund administrative costs and ancillary works to support the delivery.
- 9.3 During the delivery stage, funding will primarily be drawn down in batches as needed to upgrade homes that are 'ready to retrofit' (signed up, validated, and assessed in line with PAS 2035). The Batch Payment will be made within 4-8 weeks of being approved. However, the Grant Recipient can begin work immediately once approved, by utilising the Upfront Payment
- 9.4 Grant Recipient will acknowledge receipt of payment from DESNZ within 5 working days of notification of receipt of funds unless otherwise agreed.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 Prospective grant recipients must sign the MoU, the Data Sharing Agreement, and the Non-Disclosure Agreement to participate and access grant funding under WHLG. A draft MoU, which outlines the funding allocation on offer, has been reviewed by Legal Services.
- 10.2 The final MoU is expected to be issued in winter 2024/25, and LAs will have up to 4 weeks to sign and return. If any of the terms and conditions in this final version present an unacceptable risk for the Council, then the grant offer would be declined.
- 10.3 All expenditure of the Grant will be in line with the Subsidy Control Act 2022. Any procurement exercises will be carried out in accordance with the Council's Procurement and Contract Rules and relevant procurement legislation.

## 11.0 EQUALITIES IMPLICATIONS

- 11.1 An Equalities Impact Assessment screening has been undertaken, see Appendix A. There are no specific equality implications to report. The WHLG will provide grants for energy performance upgrades and low carbon heating to low-income households living in the worst quality homes in the private sector.

## 12.0 CLIMATE CHANGE IMPLICATIONS

- 12.1 The project will contribute to the reduction in the Council's carbon emissions by providing energy performance upgrades. This will include all fuel types, including on-gas households (those heated by mains gas), and off-gas households (those heated by, for example, electricity, oil, coal, or liquid petroleum gas). Based on the current HUG2 project, it is anticipated that direct carbon savings from this project are estimated to be IRO 2.97 T/CO<sub>2</sub>e per household. The exact carbon savings per year will be available following installation. On average, households receiving measures under the scheme are expected to save an average IRO £750 per annum.
- 12.2 A climate change impact assessment (included in Appendix B) has been completed as part of the 'request to bid' process and remains unchanged

## 13.0 RISK MANAGEMENT IMPLICATIONS

- 13.1 A project of this size and complexity does present risk for the Council. However, previous experience of delivering housing retrofit projects has enabled us to understand the mitigations require to limit these risks. The risks include:
- **Identification of suitable target areas with the required EPC/property type/income requirements to meet project eligibility parameters.** Unlike the previous HUG project, this project is open to on and off gas properties, widening the scope of eligibility. We have access to three separate datasets, alongside other supplementary data. This includes a dataset of EPC data, advanced data analysis of target off-gas properties and high-level data on the overall retrofit requirement in North Yorkshire. Additionally, we have our state-of-nation report highlighting demographic indicators and a waiting list from the HUG scheme which will be utilised to provide early delivery whilst targeted marketing is undertaken.
  - **Unsuccessful marketing and resident engagement:** Will include a combination of digital and traditional marketing strategies, including web content, social media, printed materials, and in-person interactions with residents, including targeted key messages. The marketing strategy will be updated as needed during the implementation of the program, utilising various communication channels and outreach efforts to increase awareness and participation among households.
  - **Inability to procure or delayed procurement of supply chain:** Past projects have highlighted lengthy timescales in procuring a supplier to administer and deliver the programme in a crowded retrofit market. APP has set up its own framework to meet our requirements and have the resources in place to provide the necessary survey, design, and contract management elements that were previously outsourced. Using APP for PAS2035 services adds value to the

project as they are impartial, removing the conflict of interest that can exist with external businesses.

- **Project team delivery and capacity:** The delivery process is complex, but the project team (including APP) has vast experience in delivering grant-funded retrofit schemes within North Yorkshire, demonstrated by being one of the highest performing councils on the HUG2 project. 15% of the bid amount can be claimed to support Administration & Ancillary (A&A) costs, which will cover internal support costs (marketing and legal), increase capacity within the team (including dedicated project management and business support resources), and fund contractor management, technical survey, and design elements that cannot be funded from the capital fund.
- **Financial:** The scheme is fully funded by the grant from DESNZ, with no financial burden on the Council's budget other than staff time.
- **Delivery within the project timescale:** Ensuring the capacity of the supply chain to carry out the required volumes of surveys or installations within project timescales is crucial. APP already has an established contractor network across North Yorkshire to ensure capability and capacity in line with project requirements. Robust supply chain management will be necessary to ensure the installation pipeline/schedule is delivered according to the project plan. Intensive contractor performance management (timescales & quality) will be conducted via weekly contractor calls (KPI pack), with an escalation procedure for poor performance. Partnerships with local training providers will be developed to build up skills.
- **Reputational:** During the cost-of-living crisis and unprecedented energy price rises, and with a strong emphasis on climate change, it is important that NYC can support residents, particularly those on lower incomes, to transition to a low-carbon economy. Unlike previous schemes where design and contractor management were outsourced, we will retain control through the in-house project team enabling us to ensure an open and transparent approach through our governance procedures, internal processes, alongside managing stakeholder expectations and engagement.

## 14.0 REASONS FOR RECOMMENDATIONS

- 14.1 The grant funding will provide the Council with the opportunity to support some of our most vulnerable families by helping them occupy warmer homes with reduced energy bills, while also reducing carbon emissions in support of our net zero target.

## 15.0 RECOMMENDATION(S)

- 15.1 That the Executive authorises the acceptance of the grant of up to £9.5m per annum for a maximum of three years from The Warm Homes: Local Grant to upgrade privately owned houses for low-income households.
- 15.2 That the acceptance of the final grant award allocation be delegated to the Corporate Director Resources in consultation with the Corporate Director Community Development, Executive Member for Resources and Finance and the Executive Member for Culture, Arts and Housing of up to £9.5m per annum for 3 years from the Warm Homes: Local Grant. Along with the authority to exceed the originally

agreed Grant award by up to 50% under the provisions of theMOU, if delivery performance is in line with or exceeding delivery forecasts and written permission is provided by DESNZ.

**APPENDICES:**

Appendix A – Equalities Impact Assessment

Appendix B – Climate Change Impact Assessment

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